EXPORT COMMITMENT IN THE FIRM – STRATEGIC OR OPPORTUNISTIC BEHAVIOUR

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A major difficulty facing enterprise in Ireland, it is argued, is that it responds to the environment and international competition by trial and error or as a process of incrementalism based on an opportunistic response to export market development. As a result beneficial small changes are gradually adopted. It is a process of adapting to the existing situation; an evolutionary, expedient process. Because it is expedient and evolutionary it produces meagre short term results which are opportunistic and, therefore, not coupled with their long run consequences. In contrast, the requirement for firms seeking to survive in international markets is to adopt a revolutionary or strategic perspective on international competition. Strategic competition is comprehensive in its commitment – it involves the dedication of the whole firm.

Internationalisation is Strategic

For firms new to competing on international markets the reluctance to compete on strategic terms rather than on the basis of incrementalism is understandable for two reasons. First, strategic failure can be as widespread in its consequences as strategic success [Welch and Wiedersheim-Paul, 1980]. Second, incumbents in foreign markets frequently possess a competitive advantage over new entrants. Strategic success frequently depends upon the culture, perceptions and attributes of the firm and its competitors. The basic elements of strategic competition refer to the firm's ability to undserstand competitive interaction as a dynamic system that includes the activities of competitors, customers, finance and the resources of the firm itself [Bradley, 1985]. It also includes the ability to use this understanding to predict the consequences of a given intervention in that system [Henderson, 1984]. Strategic competition also means that there are uncommitted resources or slack which may be dedicated permanently to uses which have a long term payoff [Penrose, 1959]. It also implies that management has the training and skill to predict risk and return with sufficient accuracy and confidence to justify the commitment of such resources. Finally, it means that firms must be willing to deliberately act to make the commitment to invest in marketing and markets

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IBAR—Irish Business and Administrative Research, Volume 8, Part 2, 1986, pp 12-19.

[Johanson and Mattsson, 1984]. It is this lack of commitment to developing marketing resources within the firm and to developing markets which has recently come to be recognised as a central management concern in Ireland [Sectoral Development Committee, 1985 and White Paper on Industrial Policy, 1984].

Internationalisation as a Staged Process

Much of the literature on export marketing refers to the activity just described as a process of internationalisation by which firms gradually increase their international involvement [Johanson and Vahlne, 1977]. The incrementalism of this process has been stressed. In this paper we suggest that management behaviour differs from one export stage to another. This suggests a learning process whereby experiential knowledge is contained through the firm's international experiences. This learning process, through its effect on perceptions, knowledge and confidence, results in either increased or decreased commitment to the internationalisation process [Yaprak, 1985]. Contributions regarding the internationalisation process propose export involvement as a learning curve or as a staged innovation adoption cycle [Bilkey and Tesar, 1977; Bilkey, 1978; Cavusgil, 1980; Cavusgil and Godiwala, 1981; Olson, 1975; Daniels and Robles, 1982; and Zaltman, Duncan and Holbek, 1973]. The essence of these arguments is that the firm evolves through sequential phases of export commitment. These studies show that firms further along the path are likely to have greater knowledge and are likely to possess more sophisticated management skills than non-exporting and passive firms.

The crucial stages in the process of exporting are examined in this paper with a view to determining how export activity and commitment change at different points in the process. A variation of the stages model referred to above was used to classify firms in the sample surveyed:

Stage 1 Firms
The firm fills unsolicited export orders but is not really interested in exploring the feasibility of exporting thereby reflecting opportunistic behaviour.

Stage 2 Firms
The firm has actively explored the feasibility of exporting reflecting strategic thinking.

Stage 3 Firms
The firm has exported on an experimental basis to some countries considered proximate in business distance.

Stage 4 Firms
The firm is an experienced exporter to a number of countries considered proximate in business distance.

Stage 5 Firms
The firm actively pursues the feasibility of exporting to new country markets which are more removed in business distance.

Commitment to Exporting

Central to the stages model is the issue of commitment. Export commitment has been defined as the determining factor influencing the relative advantage and adoption of exporting as a strategy for the firm [Daniels and Robles, 1982]. For senior management commitment is a critical determinant of export behaviour among firms [Cunningham and Spigel, 1971; Hunt, Froggatt and Hovell, 1967]. Commitment to exporting requires that the firm devotes financial and human resources, as well as management attention to carrying out tasks that are new to the firm, and for building the infrastructure required for export marketing. Commitment to export market development means devoting resources to understanding the market and to developing the market [Johanson and Vahlne, 1977].

Market knowledge is important in that commitment decisions are based on two types of knowledge, objective knowledge and experiential knowledge [Penrose, 1959]. Experiential knowledge represents the more important of the two and can only be obtained via experience, e.g. to the first-time exporter objective knowledge regarding the experiences of others may have a greater contribution to the creation of perceptions, hence the commitment decision. The knowledge relied upon at this stage tends to be of a general kind as market-specific knowledge is gained mainly through experience.

Market commitment refers to the level of resources committed and the degree of commitment, i.e. the difficulty of finding alternative uses for the resources. The level of resources committed represents the size of the investment in the market including investment in marketing personnel, whereas the degree of commitment represents the amounts already devoted to the effort. The more integrated and specialised the resources are the greater the degree of commitment. Commitment is also related to risk and uncertainty perceptions, where instability or a decline in the domestic market may increase the firm's search for diversification possibilities thus decreasing the risk previously associated with exports. This, therefore, results in a more favourable attitude and probably increased commitment. Firms classified as committed exporters exhibit a higher propensity to engage in certain planning activities than non-committed or passive exporters [Cavusgil, 1984]. These activities include budgeting, the statement of specific export goals and the creation of a distinct structure or responsibility centre for export management. However, empirical studies have produced disappointing results, even for companies regarded as aggressive exporters [Tesar and Tarleton, 1982; Walters, 1985].

There is little evidence to support the hypothesis that all stages of the exporting process results from a carefully developed strategy devised to achieve the maximisation of specified goals. Given the way in which firms commit resources to export marketing, it is more reasonable to conclude that for some stages in the process, at least, exporting activity tends to be unplanned, reactive and opportunistic.

Measuring Export Commitment

The first matter to attend to in the empirical work was to decide how to measure commitment. While commitment is not directly measurable certain proxies can be used to indicate commitment [Daniels and Robles, 1982]. The first is determination of whether firms are engaged in exporting. Many firms decide not to export even when unsolicited orders come to them [Simpson and Kujawa, 1974]. Export activitity, therefore, however slight, marks an important decision in the commitment process. The second proxy, length of export experience, is based on the theory that exporting is a development and learning process. Even if firms have commenced exporting, however, and have some involvement over a prolonged period of time, there is no assurance that there will be high commitment. Sales may be so small, cyclical or treated passively that management does not incorporate foreign market conditions into its overall strategy. For this reason a third proxy, export volume as a percentage of total production was selected on the basis of the premise that a greater dependence on exports indicated a greater commitment.

Similarly, other proxies such as visits to foreign markets, weeks spent abroad in a given year, attendance of trade fairs, purchase of reports, percentage of phone bill accounted for by foreign calls and contact with Coras Tráchtála – the Irish Export Board, may be used as indicators of export commitment. While these were used in the research they are not reported here.

Research Objectives

The primary objective of this research was to examine the effects of certain organisational characteristics on a company's commitment to its exporting activity. More specifically information was sought to support or reject the following hypotheses:

1. Exporting is a staged endeavour, each stage resulting in increased learning. Firms at later stages possess greater knowledge thus exhibiting less perceived risk which translates into greater commitment towards exporting activity.

2. Outcomes of earlier stages of the model will determine the attitudes and perceptions firms have towards exporting hence their subsequent commitment to the process of internationalisation.

3. A reluctance to export may be attributed to factors internal to the

firm, e.g. adverse attitudes and expectations are reflected in apprehension and lack of willingness to commit resources.

4. The firm's growth objectives and the motives which originally influenced the firm regarding exporting, e.g. excess capacity, declining domestic market, directly affect managerial aspirations and expectation levels.

5. The firm's initial motives for internationalisation affect levels of commitment.

Research Methods

The sample universe consisted of 91 companies representative of Irish industry. The target population included firms at various stages in the export cycle from non-exporters to active exporters. This was necessary to permit inferences to be made regarding the differences which were hypothesized to exist with regard to export orientation and commitment. Structured mail questionnaires were used to collect the data. The final usable response was 41 percent which is above average for mail questionnaires. A breakdown of the respondent firms by stage of internationalisation is shown below:

Firms	*Respondents* %
Stage 1	19
Stage 2	24
Stage 3	11
Stage 4	27
Stage 5	19
Total	100 = 37 firms

The size of the sample and the size of the sub-samples in particular makes it difficult to test the research findings for statistical significance. The study is, therefore, descriptive and preliminary in nature and will require a much larger sample of firms for more definitive testing.

Research Findings

The most important finding of the research, given the limited nature of the study, was that exporting is a staged process, each stage resulting in increased experience, less perceived risk, hence greater commitment. In most cases this greater experience translated into greater commitment. Of greater interest, however, was the finding that commitment was greatest for Stage 2 Firms and Stage 5 Firms. As a consequence, it is suggested that Stages 2 and 5 represent crucial stages in the process. Stage 2 appears to represent an experiment for the exporting firm. Favourable experiences result in greater commitment, hence the firm moves into the more active and committed stages, i.e. Stages 4 and 5. Those with unfavourable experiences tend to withdraw back to Stage 2 or to move into the relatively low commitment evident in Stage 3. Similarly, Stage 5 firms exhibit quite high commitment levels which results in a willingness to expand into markets further afield.

Exporters are mainly motivated by factors internal to the firm such as a desire to increase profit, achieve company growth, gain experience and spread risk. These motivations do not, however, seem to shift dramatically over the stages of the exporting process described but are rather stable.

The intensity of motives was found to be related to expectations regarding the outcomes of export activity. In general, the more important the motive to the firm the more positive were the expectations. The findings were not statistically significant in all cases but trends suggest that a larger sample would prove to be statistically significant on this factor. Similarly, the intensity of motives tended to affect the levels of commitment. It may be concluded, therefore, that the more important the motive to the firm the more willing the company is to commit itself to exporting.

No statistically significant differences were evident between exporters and non-exporters with regard to expectations concerning the outcomes of export activity. Some non-exporters, however, tended to be more pessimistic regarding expected outcomes. Similarly, in some cases, especially regarding expected profitability of exporting, optimism tended to increase by stage of internationalisation. This probably exhibits the role of experience and its effect on the perceived risk of the exporter during the process. Statistical tests showed that this optimism and decreased risk perception translated into greater commitment as hypothesized. On the basis of this finding there is strong support for a determining relationship among exporting motives, exporting expectations and aspirations and subsequent commitment to exporting activities. Export motives when filtered through the organisation and mediated by management result in certain expectations and aspirations which in turn translate into positive or negative commitment to exporting.

Discussion

Of central importance is the finding which supports the 'staged theory of exporting'. There is a need to view exporting firms as a heterogeneous rather than a homogeneous group. Depending upon the degree of internationalisation, companies differ in terms of intensity of export activity, interest and commitment in pursuing international opportunities, information and assistance needs and, most importantly, their export potential. The findings also suggest two crucial stages in the commitment process, i.e. Stages 2 and 5. It is suggested that intervention at these points would reap greater benefits. It is especially important to consider the role of objective knowledge at the early stages in the process, in the formation of attitudes and expectations which in turn affect the commitment levels of firms. It could be suggested that intervention here in the form of case-study presentations of experiences of other exporters, seminars and the effective use of data-banks would considerably reduce the apathy and pessimism generally associated with non-exporters. Similarly, intervention for structural organisation alignment would be most effectivve at these two stages, i.e. before the firm goes international and at Stage 5 when it wishes to expand its international activities. It is necessary to be careful, however, not to separate the decision-making and structural aspects of exporting. Both exist in unison, therefore both should be managed together to ensure more favourable export experiences, hence continuing successful international activities.

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