MARKETING STRATEGIES OF SOUTH AFRICAN MANUFACTURING FIRMS IN INTERNATIONAL MARKETS

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Submitted in the fulfilment of the requirements for the degree of Doctor of Philosophy in the Faculty of Management Studies

University of KwaZulu-Natal
Pietermaritzburg Campus
10 January 2006

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DECLARATION

I hereby declare that the work contained in this research, unless specifically indicated to the contrary in the text, is my own original work, and has not previously in its entirety or in part been submitted for any degree at any other University.

I further declare that the opinions expressed and conclusions reached are my own and are not to be regarded as representing the views of any other person or institution.

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Christopher May
January 2006

ACKNOWLEDGEMENTS

I dedicate this research study to my wife Charmaine, daughter Nastassia and son Jacques. Maybe I do not show it as much as I should, but you are very dear to me and I just want to thank you for being there.

I especially wish to thank Prof. Charles O'Neill, not only for his invaluable support, but also for his commitment to me as a student, his motivation and inspirational quips. Furthermore, I wish to express my appreciation to the following academics at the University of KwaZulu - Natal for their support and invaluable guidance in completing this research study. They are Prof. J. Buss, Prof. T Nichola, Prof D. Mahadea, Prof. P. Van Uytrecht, Dr. R. Simson, Dr. W. Raubenheimer, Mr. S. Soni and Mr. S. Ramroop.

I also wish to thank the following colleagues at the University of the Western Cape for their support and inputs with regard to the research study. They are Prof. B. van Lille, Prof. P Hirschsohn, Dr. M. November, Dr. W Mainga, Dr. T. Kotze, Mr. E. Isaacs, Mr. A. Grutter and Mrs. R. Scheepers. Also thanks to Dr. S. Isaacs from the University of Cape Town for his assistance.

I also wish to express my appreciation to the University of the Western Cape for the exceptional support and stimulating environment provided for the completion of this research study. Finally I want to thank all those firms that participated in the research study as the completion of it would not have been possible without their unselfish support.

ABSTRACT

International marketing has become important to firms of all sizes due to factors such as the continued lowering and elimination of trade barriers, increasing regional integration, improvements in communication and transportation, and an overall increase in world trade. Not only has the international marketplace become more turbulent but globalisation of world markets has become competitively more intense. Because of these trends, the formulation of effective international marketing strategies has become more important. Moreover, firms need to get a better understanding of the relationship between international marketing strategies and international performance, as the international market is becoming more competitive.

The primary objective of the research study was to determine the relationship between international marketing strategies and international/export marketing performance of South African manufacturing firms, as well as the role of internal and external determinants with regard to international marketing strategy and international/export marketing performance. The research study intended to determine whether these different independent variables had a significant impact on the dependent variable, namely, international/export performance.

The findings of this research study indicated that firm size, investment commitment and that management engages in careful planning as firm characteristics had a significant influence on export/international marketing performance. The finding on the relationship between export experience and export performance was insignificant.

Firm characteristics can have both a direct or indirect affect on the export marketing performance of the firm. Therefore, given the secondary research objective - to determine how firm characteristics influence choice of international marketing strategies, and consequently export marketing performance - the following were the important findings of the influence of firm characteristics on international marketing strategies.

There were no significant findings between firm characteristics and product adaptation, or firm characteristics and promotion adaptation. However, firm size and firm competencies had a significant relationship with distributor/subsidiary support. It can be assumed that the larger the firm, the more resources the firm have to support distributors and subsidiaries. Furthermore the finding between firm size and the degree of pricing adaptation was also significant indicating that the larger the firm, the more willing the firm is to adapt pricing.

The nature and characteristics of the export market can either serve as a barrier or a driving force that facilitate internationalisation. These barriers and/or driving forces can also influence the nature of the international marketing mix strategies that are employed by firms. The barriers and/or driving forces can have both direct and indirect effects on export marketing performance. The competitive intensity of the export markets had a significant relationship with export performance. Furthermore, it had the most significant relationship with export performance compared to all the other independent variables and the relationship was also negative, meaning that the export performances of firms were negatively affected with increased competitive activity.

However, given the secondary research objective - to determine how export/ international marketing characteristics influence the choice of international marketing strategies, and consequently export marketing performance - the following relationships were identified. Competitive intensity had a significant relationship with the degree of product adaptation and export market characteristics with the degree of promotion adaptation. Both competitive intensity and export market characteristics had a significant relationship with both the degree of distributor/subsidiary support and the degree of pricing adaptation. Export market characteristics equate to export market barriers, and what the above implies is that with more export market barriers, firms tend to adapt distributor/subsidiary support and pricing more.

With regard to the degree of adaptation to marketing mix strategies it was found that the degree of pricing adaptation had a significant effect on export/international marketing performance. There was a significant relationship between the degree of product adaptation and export/international marketing performance. However, this relationship was negative, in that the greater the degree of product adaptation, the more negative the performance. One would have expected that the greater the degree of product adaptation, the greater the export/international marketing performance. A non-significant relationship was found between the degree of promotion adaptation and export/international marketing performance. The relationship between the degree of distributor/subsidiary and export performance was also non-significant.

Although the study came up with important findings, it once again highlighted the inconsistency of findings in the export/international marketing literature. Furthermore, given

the increasingly competitive nature of international markets, it is more important for firms to identify the success factors in their particular industries that could contribute to greater export/international marketing performance than to assume that all international markets and industries require similar strategies.

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CHAPTER 1

INTRODUCTION AND STRUCTURE OF RESEARCH STUDY

1.1 INTRODUCTION

Trade among countries has rapidly increased over the last ten years and countries have become much more interdependent on one another. The competitive landscape has changed as a result of factors, such as the emergence of a more open world economy and technological advances, especially in transportation and communication. In the context of the internationalisation of firms and the greater integration of markets, South African firms will be facing more competition in future from foreign firms. For example, the Asian countries are a real threat to South African manufacturing firms, as they are able to land their products in South Africa at a much lower price than their South African counterparts.

There are also positive consequences; for example, the further relaxation of trade barriers will open up more markets for South African firms. The European Trade Agreement and the African Growth and Opportunity Act of the United States of America are examples of the relaxation of trade barriers. Managers of South African firms, however, have different views regarding the possible consequences of the unfolding trend of globalisation. While some see major market opportunities opening up, others are very concerned about the negative impact that the increased entry of foreign firms may have on

the local performance of their businesses.

According to the Institute for Management Development Competitiveness Report of 2004, the attitudes of South African firms were not very positive with regard to the effects of globalisation. South Africa ranked 40th out of the 60 countries surveyed that did not have positive attitudes with respect to the possible consequences of globalisation (Institute for Management Development, 2004: 678). Furthermore, South Africans are also not supportive about international competition, as they ranked 43rd out of 60 of the countries surveyed in 2003. These findings indicate that South Africans need to have a mind shift if they wish to compete successfully in the international market.

South Africa, as a developing country, is currently facing serious problems of high unemployment levels, high foreign debt and a lack of foreign investment. Moreover, like other developing countries, South Africa is very susceptible to trends in the economies of its major trading partners. An example was the effect of the Asian Flu crisis during 1999 that had a negative economic affect on many countries worldwide. Increasing world trade opportunities are vital for economic growth, which can assist South Africa to arrest the aforementioned economic challenges (Chee and Harris, 1998: 5). Exporting is therefore an important activity for both governments and firms and hence it is the focus in this research study (Lages and Montgomery, 2004: 1186; Morgan, Katsikeas, 1998: 161; and Katsikeas, Piercy and Ioannidis, 1996: 6).

However, it is apparent that South Africa has not yet fully capitalised on all the

opportunities to grow its global trade; for example, South Africa's share of total world trade was approximately 0.47 percent in 2000 (ABSA, 2001: 8). In 2001 South Africa ranked 30th out of 49 countries when exports of goods were expressed as a percentage of gross domestic product (GDP) (Institute for Management Development, 2002: 479). This ranking indicates that South Africa does not compare favourably with many other countries with regard to the level of international trade. In 2003 South Africa had a ranking of 43 out of 60 countries surveyed (Institute for Management Development, 2004: 578). However, exports as a percentage of GDP increased from 25.8 percent in 2001 to 29.7 percent in 2003.

South Africa's economic situation is made more precarious by the fact that a large proportion of its exports consists of minerals (which are depleting), agricultural products (which are subject to the vagaries of weather conditions) and primary manufactured goods, while world trade patterns have shifted from the exporting of raw materials to manufactured goods and services (Lotz, 1997: 1 and *Department of Trade and Industry*, 1997: 5).

Notwithstanding the potential of the manufacturing industry to earn foreign exchange, many reports reflect on the lack of competitiveness of South African manufacturing firms. A study conducted by Deloitte Touche Tomatsu International reported that South African manufacturers are a decade behind those of the West and two decades behind the Japanese (Charissis and Stephens, 1993: 7).

The Institute for Management Development World Competitive Yearbook (2004: 5) currently ranks South Africa 49th out of 60 countries in terms of world competitiveness. In 2000 it was ranked 43rd out of 49 countries (Institute for Management Development, 2001: 205). The United States was ranked number one from 2000 to 2004 in terms of world competitiveness. In 2004 Singapore was second, Canada third and Australia fourth.

It is also argued that one of the reasons why South African is not competitive is as a consequence of the trade policies followed by South African in the past. The South African government used to follow an industrial policy of import-substitution (*Trade and Industrial Policy Strategies*, 2002: 7).

Since 1994, as a result of negotiations with the World Trade Organisation, the South African government has intensified its programme to pursue an industrial policy that was more export oriented. This meant that import tariffs had to be phased out over a period of time, making South African firms more vulnerable to international competition. One of the objectives of the adoption of supply side measures by the South African government was to encourage firms to become more competitive.

Given the objective of the members of the World Trade Organisation to liberalise trade, the internationalisation of firms will play a more important role in future world trade. It is therefore essential for South African firms, especially manufacturing firms, to assess how to harness their competitive advantages, as well as to reduce their competitive

disadvantages. The next section deals with trends in South African international trade that will give a context to the relevance and contribution of exports to the South Africa economy.

1.2 SOUTH AFRICAN INTERNATIONAL TRADE

1.2.1 Import and Export Trends

Exports are an important stimulus of job creation and wealth accumulation. The value of total exports for South Africa has grown from R68, 9 billion in 1992 to a peak of R314, 1 billion in 2002, but dropped to R275, 6 billion in 2003 (see Table 1.1). The main reason for this drop in exports in 2003 can be attributed to the strengthening of the rand against the dollar. Total exports have increased dramatically since 1999 and is attributed to increases in exports of manufacturing and mining (see Graph 1.1). Agricultural exports, as a percentage of total exports, have stayed fairly stable over the period 1992 to 2003 (see Table 1.1 and Graph 1.1).

Manufacturing exports as a percentage of total exports have increased from 40.2 percent in 1992, to 61.7 percent in 2003. It was only since 1995 that manufacturing exports began to exceed mining exports. The contribution of mining exports has declined significantly from 54.0 percent in 1992 to 33.4 percent in 2003 (see Table 1.1 and Graph 1.1). Table 1.2 presents exports at 95 constant prices and it can be seen that 2003 exports

were lower that both that of 2001 and 2002. Exports were the highest in 2002, at approximately R189 billion (constant 95 prices). Imports in the mining sector, as a percentage of total imports, have increased from 7.7 percent in 1992 to 13.2 percent in 2003 (see Table 1.3 and Graph 1.2). Imports in the manufacturing sector, as a percentage of total imports, have been fairly stable from 1992 to 2003. The increase in total imports was mainly a function of the increase of the imports in the manufacturing sector.

Over the period 1992 to 2003 manufacturing was the only sector that had negative trade balance figures (see Table 1.4 and Graph 1.3). The negative trade balance figures highlight the need of the manufacturing sector to investigate how it can arrest this trend and increase exports. Over the period 1992 to 2003 the South African trade balance was never negative mainly due to exports of minerals (see Table 1.4 and Graph 1.3).

1.2.2 South African Gross Domestic Product and Merchandise Exports

GDP is an important economic indicator that determines the economic prosperity of a country. GDP is the aggregate value of final goods and services produced in a national economy during a specific period, valued at market prices. GDP will therefore include all exports, but exclude all imports (Mohr, van der Merwe, Botha and Inggs, 1988: 74).

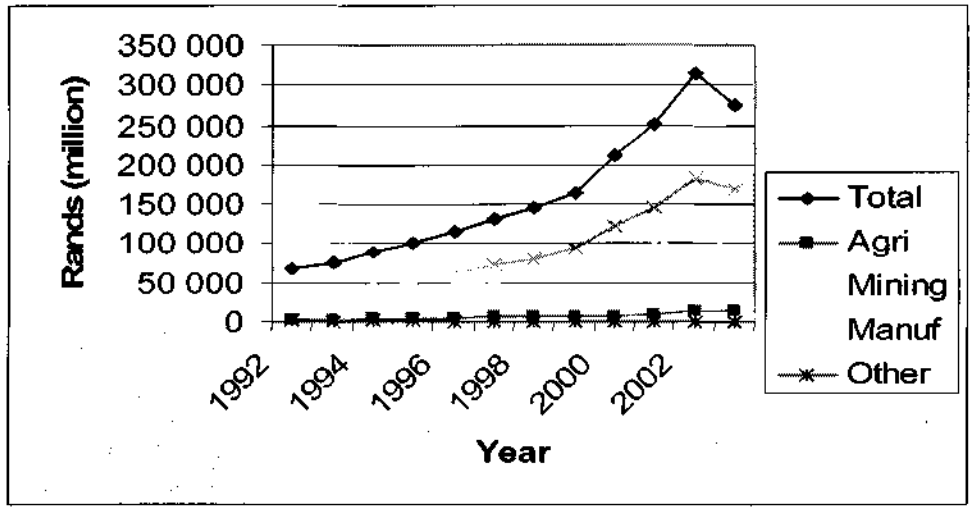
The GDP of South Africa was R975, 196 m in 2001 compared with R372, 227 m in 1992. The value of exports, as a percentage of gross domestic product, has been increasing steadily from 1992 to 2001, up from 18.5 percent to 25.8 percent (see Graph 1.4). This

means that South Africa is producing for, and exporting more to, foreign markets. However, according to Rankin (2002: 5), South Africa in comparison with other countries, still has a low ratio of manufacturing exports to merchandise exports, even when compared with small countries, such as Mauritius.

1.2.3 The Role of the South African Manufacturing Sector in International Trade

According to Ligthelm (1999: 12), merchandise trade is being dominated by manufacturing goods at an increasing rate. Since 1980 the total value of world merchandise exports has doubled while world manufactured exports have tripled. Table 1.5 shows the structure of South Africa's merchandise trade for 1980 and 1996.

GRAPH 1.1: South African Exports – 1992 to 2003



Source: *Department of Trade and Industry,* 2004 (Online). http://www.thedti.gov.za/econdb/raportt/rapstruc.html October 22.

TABLE 1.1: South African Exports – 1992 to 2003

Exports Rand (millions)	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total	68,880	74,500	90,234	101,124	115,403	131,537	144,953	165,555	210,373	251,330	314,102	275,581
Agriculture	2,502	2,784	4,689	4,315	5,748	5,972	6,999	8,115	7,862	10,174	13,944	13,291
Mining	37,200	40,507	45,261	45,006	47,301	52,102	57,870	62,749	79,905	95,251	115,798	91,334
Manufacturing	27,718	30,112	38,982	51,299	61,483	72,722	79,276	93,699	121,673	145,220	183,859	170,166
Other Trade	1,460	1,097	1,301	1,504	872	741	809	992	933	685	501	790
Percent												
Agriculture	3.63	3.74	5.20	4.23	4.98	4.54	4.83	4.90	3.74	4.05	4.44	4.82
Mining	54.01	54.37	50.16	44.07	40.99	39.61	39.92	37.90	37.98	37.90	36.87	33.14
Manufacturing	40.24	40.42	43.20	50.23	53.28	55.29	54.69	56.60	57.84	57.78	58.53	61.75
Other Trade	2.12	1.47	1.44	1.47	0.76	0.56	0.56	0.60	0.44	0.27	0.16	0.29

Source: *Department of Trade and Industry,* 2004 (Online).
http://www.thedti.gov.za/econdb/raportt/rapstruc.html October 22.

TABLE 1.2: South African Export Constant 95 Prices - Rands (millions) – 1992 to 2003

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total	89,488	88,213	97,963	102,100	107,281	112,725	116,053	123,915	145,982	164,764	188,870	156,824
Agriculture	3,272	3,290	5,105	4,326	5,357	5,123	5,617	6,098	5,472	6,676	8,408	7,556
Mining	48,352	48,056	49,214	45,012	43,992	44,665	46,321	46,981	55,442	62,435	69,620	51,985
Manufacturing	35,960	35,593	42,235	51,257	57,119	62,301	63,467	70,092	84,419	95,201	110,542	96,833
Other Trade	1,904	1,273	1,408	1,504	813	636	648	743	649	452	299	450

Source: *Department of Trade and Industry,* 2004 (Online).
http://www.thedti.gov.za/econdb/raportt/rapstruc.html October 22.

TABLE 1.3: South African Imports – 1992 to 2003

Imports Rand (millions)	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total	46,559	59,965	76,823	99,055	113,642	127,940	144,171	147,356	187,608	216,033	275,427	258,839
Agriculture	2,668	1,965	1,688	2,879	2,703	2,717	2,946	2,730	3,237	3,025	5,948	4,982
Mining	3,585	6,978	6,390	9,596	11,487	17,507	12,807	16,664	30,658	32,443	36,461	34,158
Manufacturing	40,130	50,741	68,473	86,339	99,185	107,463	128,157	127,720	153,317	180,184	232,235	219,074
Other Trade	176	281	271	241	268	254	262	242	396	381	783	626
Percent												
Agriculture	5.73	3.28	2.20	2.91	2.38	2.12	2.04	1.85	1.73	1.40	2.16	1.92
Mining	7.70	11.64	8.32	9.69	0.11	13.68	8.88	11.31	16.34	15.02	13.24	13.20
Manufacturing	86.19	84.62	89.13	87.16	87.28	83.99	88.89	86.67	81.72	83.41	84.32	84.64
Other Trade	0.38	0.47	0.35	0.24	0.24	0.20	0.18	0.16	0.21	0.18	0.28	0.24

Source: *Department of Trade and Industry*, 2004 (Online).
http://www.thedti.gov.za/econdb/raportt/rapstruc.html **October 22.**

TABLE 1.4: South African Trade Balance – 1992 to 2003

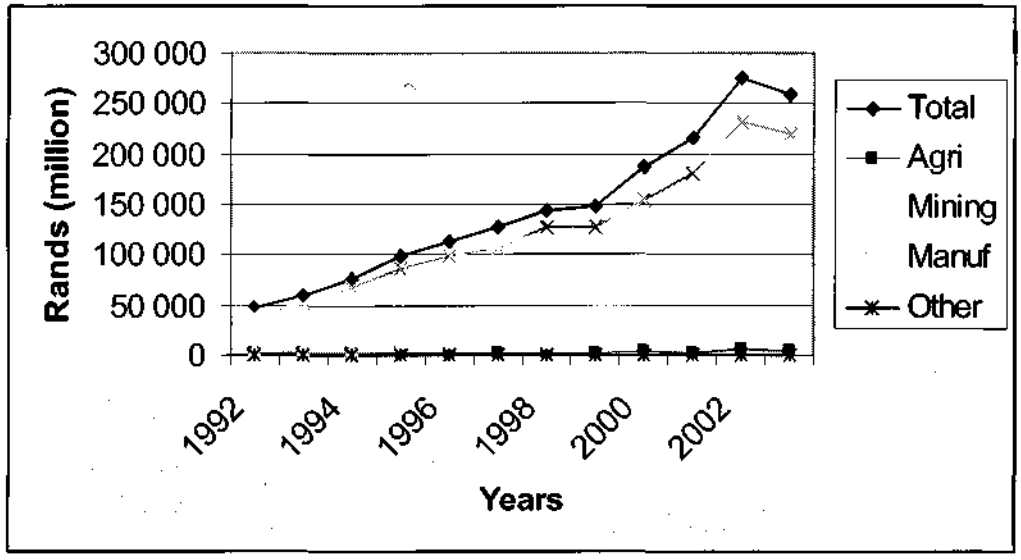
Trade Balance Rand millions)	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total	22,321	14,536	13,411	3,069	1,761	3,596	782	18,199	22,765	35,297	38,647	16,742
Agriculture	-166	820	3,001	1,436	3,045	3,255	4,053	5,385	4,625	7,149	7,996	8,310
Mining	33,615	33,529	38,872	35,410	35,815	34,595	45,063	46,085	49,247	62,808	79,337	57,177
Manufacturing	-12,413	-20,629	-29,491	-35,040	-37,702	-34,741	-48,881	-34,021	-31,643	-34,965	-48,377	-48,908
Other Trade	1,284	816	1,030	1,263	604	487	548	750	537	305	-282	164
Percent												
Agriculture	-0.35	1.47	4.14	1.96	3.95	4.45	4.11	6.24	5.37	6.79	5.88	7.25
Mining	70.80	60.09	53.70	48.41	46.41	47.34	45.73	53.44	57.23	59.69	58.34	49.91
Manufacturing	-26.14	-36.97	-40.74	-47.90	-48.86	-47.54	-49.60	-39.45	-36.77	-33.23	-35.57	-42.69
Other Trade	2.70	1.46	1.42	1.73	0.78	0.67	0.56	0.87	0.62	0.29	-0.21	0.14

Source: *Department of Trade and Industry,* 2004 (Online).
http://www.thedti.gov.za/econdb/raportt/rapstruc.html October 22.

Manufacturing exports made up 49 percent of all merchandise exported in 1996, which translated into a substantial increase since 1980 when the figure was only 18 percent.

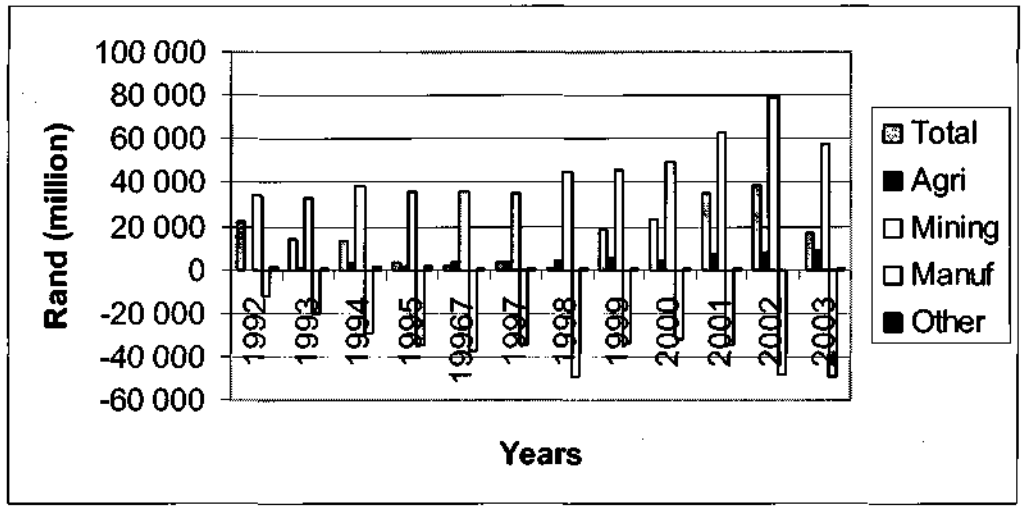
Yet, South Africa trails far behind other countries with regard to manufacturing exports. During the same period Japan's manufacturing exports were 95 percent of total merchandise exports, Sweden 94 percent, Korea 92 percent, Israel 91 percent and Singapore 84 percent (Ligthelm, 1999: 12).

GRAPH 1.2: South African Imports – 1992 to 2003



Source: *Department of Trade and Industry,* 2004 (Online). http://www.thedti.gov.za/econdb/raportt/rapstruc.html October 22.

GRAPH 1.3: South African Trade Balance Trends with Regard to Sectors – 1992 to 2003



Source: *Department of Trade and Industry*, 2004 (Online). http://www.thedti.gov.za/econdb/raportt/rapstruc.html October 22.

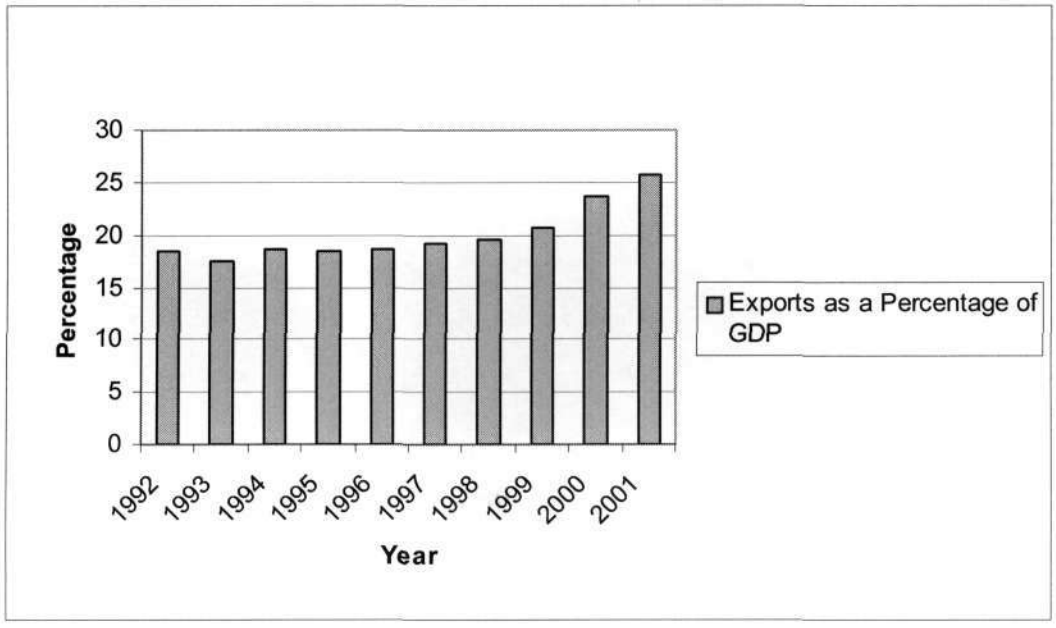
South African manufacturing imports constituted 72 percent of all merchandise imports for 1996, which represented a ten-point percentage increase over 1980 (see Table 1.5). This is an indication that there is still much room for expansion in the manufacturing sector of South Africa.

1.2.4 Major Export Markets

During 2002 the United States of America was the top export destination of South African export products (*Department of Trade and Industry*, 2004 (Online).http://www.thedti.gov.za/ econdb/raportt/rapcoun.html). The other four important export destinations were the United Kingdom, Japan, Germany and the

Netherlands (see Table 1.6). In 2002 Spain for the first time was ranked under the top 10 export destinations.

GRAPH 1.4: Exports as a Percentage of GDP – 1992 to 2001



Source: *Department of Trade and Industry,* 2004 (Online). http://www.thedti.gov.za/econdb/raportt/rapcoun.html October 22.

The five top export destinations accounted for 39.2 percent of total exports for 2002. With the passing of the African Growth and Opportunity Act (AGOA) by the US Congress one can expect that the United States of America will become more dominant in status as an importer of South African products.

TABLE 1.5: Structure of South African Merchandise Imports and Exports, 1980 and 1996

Type of Import/Export	Type of Merchandise Imports as a % of Total Imports		Type of Merchandise Exports as a % of Total Exports	
	1980	1996	1980	1996
Food	3	6	9	14
Agricultural raw materials	3	2	2	5
Fuels	0	1	4	9
Ores and metals	2	1	7	10
Manufactures	62	72	18	49
Other	30	18	60	13
Total	100	100	100	100

Source: Ligthelm, 1999: 12

TABLE 1.6: Top Export Countries of South Africa

COUNTRY	EXPORTS (millions)			RANKING		
	2002	2001	2000	2002	2001	2000
United States	35 940	30 595	25 626	1	1	1
United Kingdom	27 568	24 017	18 945	2	2	2
Japan	24 784	19 474	16 876	3	3	3
Germany	22 172	19 431	16 448	4	4	4
Netherlands	12 621	9 661	7 033	5	5	5
Belgium	9 258	6 697	6 436	6	6	6
Italy	8 185	6 662	5 893	7	7	7
Zimbabwe	7 309	5 412	4 859	8	9	9
France	6 806	4 847	3 960	9	10	10
Spain	6 425	4 647	3 503	10	-	-

Source: *Department of Trade and Industry,* 2004(Online). http:www.thedti.gov.za/econdb/raportt/rapcoun.html October 22.

1.3 INTERNATIONAL MARKETING DEFINED

1.3.1 What is International Marketing?

A particular problem in the literature of international marketing is the problem of definitions. Many authors tend to use concepts such as 'export marketing', 'international marketing' and 'global marketing' as having the same meaning. Paliwado (1999: 9) points out that the definitions of marketing concepts used by authors tend to differ, as in the case of international marketing. Cavusgil and Zou (1994: 4) also admit that there is no uniform definition for export performance in the literature. Van Mesdag (2000: 74) states that international marketing simply refers to a firm operating in more than one country where the marketing strategy employed can differ from one country market to another. He also believes that global marketing in its purest sense does not exist.

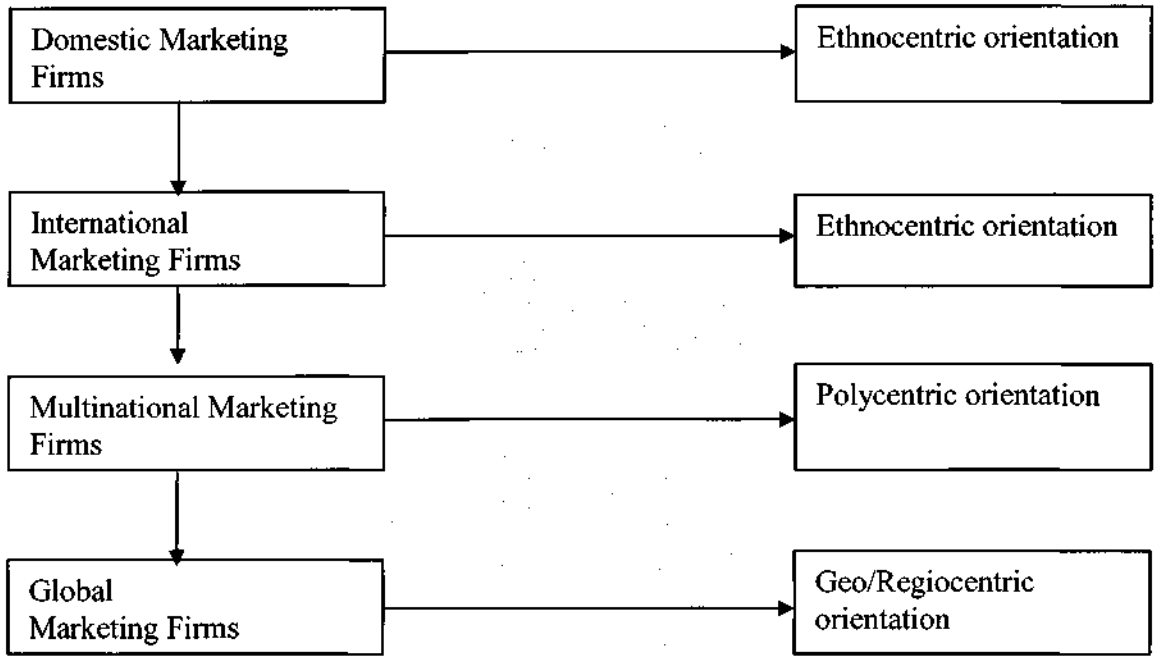
This occurrence of different definitions makes it difficult to compare the findings presented in international marketing research. It is for this reason that a brief discussion is presented on the concepts of domestic-, export-, international- and global marketing.

1.3.2 The Domestic, Export, International and Global Marketing Continuum

Firms may be classified as having a domestic, an export, an international or a global marketing orientation. This categorisation supports the view of certain authors that the internationalisation of firms is an evolutionary process (Douglas and Craig, 1989: 47).

Keegan (2005: 15-20) proposes placing a firm in different phases of categorisation with regard to the level of international/global marketing involvement. Figure 1 illustrates that a firm may be categorised in any of the phases based on its particular domestic and international marketing orientation.

FIGURE 1: Phases of International/Global Involvement



Source: Keegan, 2005:15-20

Perlmutter developed the typology that a firm's orientation toward international business guides its decision-making (Perry, 1990: 41-42; and Perlmutter, 1969: 9-18). He classified firms as being, ethnocentric, polycentric or geocentric. Ethnocentric firms have a home-country orientation, which is a belief that the practices of the home country are best. Polycentric firms have a host-country orientation, which stresses that each country

has its own best practice. Regio- or geocentrism supports a worldwide orientation and acknowledges differences and similarities among countries and does not necessarily favour any country in the execution of particular marketing strategies. This can also be linked to the extent a firm adapts its marketing strategies in international markets.

Albuam and Tse (2001: 59) suggest that the adaptation process can help define the firm's competitive advantage. Firms, therefore, need to decide to what extent they will standardise or adapt their marketing strategies. If firms are prepared to adapt their international marketing strategies then they demonstrate that their orientation is more polycentric or geocentric. If firms want to standardise their international marketing strategies, they will implement their domestic strategies in international markets and, therefore, will have an ethnocentric orientation. Furthermore, it needs to decide to what extent it will adapt the strategy on first time entry of markets or after market entry.

Figure 1, therefore, illustrates that domestic marketing firms focus on domestic markets, international firms enter global markets but with host-country strategies, multinationals develop separate marketing strategies for each country, and global marketing firms develop strategies that are global but also responsive to local needs.

Irrespective of the different classifications of international marketing, Keegan (2005: 8-13) stresses that the following issues are pervasive with respect to marketing: Firstly, the marketing discipline is universal, but it needs to be applied in a way that recognises that markets and customers differ around the globe. Secondly, international/global marketing

does not mean entering every country, and thirdly, even though a firm is not operating in any foreign markets, it needs to have a global mindset to respond to international marketing opportunities and threats.

Given the different definitions of international marketing by authors, it was decided for the purpose of this research study to adopt the definition by Terpstra and Sarathy (1994: 6) with regard to the meaning of international marketing, as it is more inclusive. According to them international marketing can include activities such as, for example, exporting, overseas manufacturing, working with local partners in international markets, licensing, franchising, importing and counter trade.

1.4 STATEMENT OF THE RESEARCH PROBLEM

Governments all around the world continuously deliberate on issues such as socio-economic development, promotion of investment, the promotion of exports, industrial development and job creation. Both the stated objectives of the Reconstruction and Development Program (RDP) and the subsequent Growth Employment and Redistribution framework (GEAR) reflect upon the importance of job creation. Government has also developed a policy document to develop an integrated industrial strategy for sustainable employment and growth (*Department of Trade and Industry*, 2002).

Sustainable economic growth is of national concern but the future of many South African firms to survive is under increasing pressure due to competitive globalisation trends, enforced reduction of tariffs and other trade liberalisation initiatives promoted under agreements with the World Trade Organisation. It is therefore essential for firms to develop an international marketing orientation to deal with the afore-mentioned challenges. Keegan (1999: 2), in support of the international marketing orientation view, states that a firm that fails to go international is in danger of losing its domestic business to competitors. The ability of South African firms to defend their own markets and develop new markets will contribute to the economic development of South Africa.

Hampton and Buske (1987: 260) argue that the process of market globalisation (meaning markets becoming similar in terms of customer needs) cannot be stopped. Firms need to respond to the transformation of national markets into global markets because global firms have the ability to gain competitive advantages through economies of scale and experience gained.

A ten-year study by Holec, Redwood and Miller (1999: 1) showed that publicly traded American companies with international operations compared to companies with only domestic operations enjoyed greater sales growth, namely, 8,8 percent versus 5,5 percent and greater overall profitability, namely, 9,4 percent versus 7,1 percent.

Substantial research has been conducted to ascertain why certain firms are more successful than others in international markets. However, many authors have highlighted

the fact that more focused research is required with regard to international performance of firms because of particular shortcomings. Criticisms provided were that the results of quite a number of studies were inconclusive and contradictory, and had questionable research methods (Thirkell and Dau, 1998: 813, Shoham and Kropp, 1998: 114; and Zou and Stan, 1998: 341).

Moreover, Zou, Andrus and Norvell (1997: 107) amplify the fact that a major gap exists in the literature of international and global marketing. They posed the question whether current knowledge regarding international and global marketing approaches can be generalised to other foreign companies in other nations, especially in the developing world. In addition many of the research studies that have been conducted had a bias towards Western European, North American and Japanese firms (Lee and Griffith, 2004: 321; Zou, Fang and Zhao, 2003: 33 and Halliburton and Hünerberg, 1987: 244).

In summary, the research problem relates to the lack of knowledge with regard to the profile of well-performing export firms, the impact of external and internal forces on choice of international marketing strategies, and the impact of international marketing strategies (in coalignment with internal and external forces) on the performance of manufacturing firms in international markets.

1.5 OBJECTIVES OF THE RESEARCH STUDY

1.5.1 The Primary Research Objective

The primary research objective of the research study is to determine the relationship between international marketing strategies and international/export marketing performance of South African manufacturing firms, as well as the role of internal and external determinants with regard to international marketing strategy and international/export marketing performance.

1.5.2 Secondary Research Objectives

The following are the secondary research objectives:

(a) To determine how firm characteristics and export market characteristics influence the choice of marketing strategies and consequently international/export marketing performance.

(b) To determine how international marketing mix strategies impact on organisational performance and to evaluate international marketing strategies along the standardisation and adaptation continuum.

(c) To determine the relationship of market entry strategy of the firm and international/export marketing performance.

(d) To obtain a broad understanding of the driving factors that facilitate internationalisation, and barriers that hinder the execution of international marketing strategies that affect international/export marketing performance.

1.6 IMPORTANCE OF THE RESEARCH STUDY

The research study is important for the following reasons. Firstly, earlier research endeavours in the field of international marketing in South Africa have some of the following limitations: many of the research studies were not empirical but rather of a theoretical nature; the scope of the studies was restricted to a particular geographical area and did not cover South Africa on a national basis; the research studies mainly covered small, medium and micro enterprises; many of the research studies concentrated on a particular industry and did not cover a cross section of industries; the research studies did not use large samples but rather small samples thus limiting the scope and depth of analysis; and only selected determinants of international performance of firms were addressed. For example, the research study of Venter (1996) only dealt with managerial and firm determinants with regard to export performance. The objective of this research study intends to address the above-mentioned shortcomings.

Secondly, the study will contribute to research with a "developing country perspective", as most of the research of this nature has been conducted in developed countries. In addition, it will inform researchers if determinants of international performance differ

with regard to developing and developed countries.

Thirdly, the empirically tested model of Cavusgil and Zou (1994: 1-21) will be the basic platform in the execution of the research. However, selected measures of marketing strategy and export performance of Shoham and Kropp (1998: 114-123), Styles (1998: 12-36) and Thirkell and Dau (1998: 813-829) are also included to make the model more inclusive with regard to the study of international marketing strategy-performance relationship of firms across a range of different manufacturing industries. The explicit aim would be to identify factors that contribute to the success of South African firms in international markets.

Fourthly, the research should be able to assist international marketing practitioners in improving their decision-making.

1.7 LIMITATIONS OF THE RESEARCH STUDY

The following limitations of the research are noted. Firstly, the research will not be able to assess the full extent of the marketing strategy-performance relationship of firms, as only firms in the secondary sector are included - excluded are firms in the primary and tertiary sectors. Although these sectors play a significant role in international markets, the focus of the research study is on the secondary sector. World trade in services, for example, accounts for approximately 25 percent of the value of total global trade (Kotabe,

Murray and Javalgi, 1998: 2; and Ligthelm, 1999: 11).

Secondly, the model itself has limitations as it ignores other factors that may have an effect on the performance of the firm. For example, how do firms assess risk to enter markets and how do they select markets? If the methods used are deficient, it would impact on the success of firms with regard to those selected international market(s). Finally, the absence of similar studies in other developing countries limits possible comparisons which may have helped to highlight possible problems in the execution of the study.

1.8 AN OVERVIEW OF THESES RESEARCH STUDIES THAT HAVE BEEN CONDUCTED IN SOUTH AFRICA SINCE 1980 RELEVANT TO THE TOPIC OF THIS RESEARCH STUDY

Past theses research in South Africa in the field of international marketing, relevant to the topic of this research study, is summarised in Table1.7. Only two theses, out of the 21 theses listed in Table 1.7 were doctoral studies – those by Venter (1996) and Conroy (1981). Both research studies focused on the SMME sector. The research study of Venter (1996) concentrated on the factors that ultimately affect export performance, whereas Conroy (1981) dealt with the research question as to how small and medium-sized firm could co-operate with one another in the marketing of their products in the export market, overcoming problems such as high marketing costs and gaining economies

TABLE 1.7: Status of Past Research with Regard to International Marketing – A Summary of Theses Completed in South Africa since 1980

YEAR	NAME	TITLE AND DEGREE TYPE	UNIVERSITY	COMMENTS
1998	Adams, M.N.	The Export Practices of Successful Manufacturing Companies. M.B.A.	University of the Witwatersrand	- The Styles and Ambler (1994) study was used as a basis for this research. The emphasis of Styles and Ambler's study was on the relationships between the exporter and the importer (customer). - Adams found that six factors significantly contributed to the success of SA exporters, i.e.: - The efficient transformation of manufacturing processes of the exporter - The joint development of the marketing mix between importer and exporter - A globally oriented management - A well defined export strategy - The ability to be competitive - The sample size was 87 firms
1998	Cassim, R.	Recent Developments in the South African Clothing Industry, with a Focus on Exports. M.A.	University of Cape Town	This is an historical account of the South African clothing industry and also argues that it was difficult for clothing firms to consider exports in the absence of substantial export incentives, coupled with overvalued exchange rates.
1998	Thomson, A.	An Investigation into the Importance of Foreign Market Knowledge and the Establishment of Distribution Channels as Prerequisite for Exporting Success. M.B.A.	University of Cape Town	- It was a qualitative study - Only five companies were interviewed - CEO played a major role with regard to knowledge of market, attitude and export orientation - It was found that the appointment of a good distributor, personal visits, language familiarity were important indicators for success
1998	Van Aarde, H.	Small Medium and Micro Exporters/Enterprises: A Study into the Quality of Specific Support Services that Exist in the Western Cape to Help with the Promotion of South African Products into Domestic and International Markets. M.B.A	University of Cape Town	- Study was SMME focused - A qualitative study - The sample size was 39 - It found that the export promotion that was provided in the Western Cape has generally failed
1997	Lotz, H.	International Marketing in the Small Business Sector: A Perspective on Manufacturing. M.Com.	University of the Orange Free State.	- The study was conducted in Kwazulu/Natal - The 107 small firms included in the sample did not perceive real barriers to export - Market potential had the greatest influence on foreign market selection - Nineteen percent of the sample included clothing, textile and leather firms

YEAR	NAME	TITLE AND DEGREE TYPE	UNIVERSITY	COMMENTS
1996	Cacchione, M.	The Development of an Export Readiness Model: an Indexing Tool Used to Measure, Quantify and Compare a Company's Pre-export Positioning. M.B.A.	University of Cape Town	- The objective was to develop an export-readiness model - It used a qualitative research methodology - Eight firms were interviewed
1996	Venter, J.	An Investigation into Managerial and Firm Dimensions Associated with the Export Behaviour of Small Manufacturers in the Western Cape. Ph.D.	University of Stellenbosch	A sample of 470 SMMEs was used to study the differences in behaviour between more and less profitable exporters and the barriers that influence entry into export markets and ultimate performance. Some of the findings were: - Exporters did not perceive lack of prior training as a barrier - Creativity was more valued by exporters than non-exporters - Both exporters and non-exporters believed unstable labour relations to be a major barrier to exporting - Lack of information regarding opportunities and high start-up costs were other barriers identified - Non-exporters saw red tape as a barrier
1995	Viljoen, S.	Uitvoergerigtheid as Strategie om die Bemarking van Sekere Draadprodukte te Bevorder. M.Com.	University of Potchefstroom	Research concentrated on wire products only and was very company specific.
1992	Hayes, G.P.	A Decision Framework For Entry Into Global Markets. M.B.A	University of the Witwatersrand	The major findings of this survey were that: - Financial, economic and political issues were considered to be the most important issues when foreign investment decisions were considered - Cultural compatibility and historical links between countries were of least importance - The sample size was 25 companies
1991	Perry, C.J.	Common Attributes of Successful Exporters of Manufactured goods. M.B.A	University of the Witwatersrand	Theory was based on Porter's work of "Competitive Advantages of Nations". The research findings were: - South Africa is not a competitive nation - South African manufacturers did not regard themselves as major world players - Almost all successful exporters dominated their home market - Nearly all major exporters were in traditional fields, which are natural resource based - Exporters exhibited disjointed strategies and a go-it-alone attitude
1991	Rockey, N.J.	Factors Inhibiting the Export Marketing of Steel Products. M.B.A.	University of the Witwatersrand	Some of the findings were: - Lack of competitiveness - Inability to meet quality standards - Poor reputation regarding reliability of South African companies
1990	Struthers, L.	Factors Affecting the Competitiveness of Exports. M.B.A.	University of the Witwatersrand	Twenty-four manufacturing companies were interviewed with regard to what they perceived as negative and positive factors affecting competitiveness.

YEAR	NAME	TITLE AND DEGREE TYPE	UNIVERSITY	COMMENTS
1989	Nyenhuis, E.J.	A Study of the Macro- and Micro-determinants of a Country's Propensity to Export with Specific Reference to the South African Situation. M.B.A	University of Stellenbosch	This was a theoretical study that discussed the micro and macro variables influencing the country's propensity to export.
1988	Bothma, C.H.	The Relationship Between Export Marketing Orientation and Export Success Amongst Manufacturing Companies in the Western Cape. M.Bus.Sc.	University of Cape Town	Main emphasis was to test the relationship between the marketing orientation of the exporting firm and success in exports - It was found that active exporters were more marketing oriented than non-active exporters - Concentrated on firms in the Western Cape - Sample size was 130 firms
1988	Van Zyl, J.J.	The Influence of some Micro-Economic Factors on the Export Behaviour of Small- and Medium-sized Manufacturing Firms in the Republic of South Africa. M.B.A.	University of Pothefstroom	The objectives of the research were: - To develop a profile of small- and medium-sized exporting and non-exporting South African manufacturing firms - To identify firms with high export potential
1986	Morias, A.	Factors Affecting the Selection of Export Marketing Channels. M.B.A.	University of the Witwatersrand	- One hundred and forty nine (149) respondents from a cross section of manufacturing firms participated in the study - Knowledge of market and available contacts were seen as important factors - The respondents viewed company factors such as commitment to exporting, availability of resources and company experience in exporting as very important factors - Cultural differences did not play an important role
1986	Opperman, D. D.	Export Marketing Strategies for South African Industrial Firms. M.B.A.	University of the Witwatersrand	- Eighty two (82) percent of the companies in the sample viewed exporting as contributing to longterm growth - Competitor pricing and demand for the product received a high degree of attention - South Africa's long distance from its major trading partners impacted heavily on transportation costs
1986	Jarrard, C.L.	'n Ondersoek na die Uitvoergerigtheid van Vervaardigingsondernemings in die Inmaak-, Tekstiel-, Juweliersware- en Elektriese Toerustingsbedryf in die Republiek van Suid-Afrika. M.Com.	University of Pretoria	The main problems that firms experienced were external and outside their control, for example, high interest rates and transport costs, and little government support were some of the problems identified
1985	Hebden, S.	The Effectiveness of Strategic Alternatives in Multinational Marketing. M.B.A.	University of the Witwatersrand.	- The study was limited to the pharmaceutical industry - Research dealt with who decided on marketing strategy of MNC in South Africa, local management or head office - Fourteen (14) subsidiaries constituted the sample - The research was qualitative

YEAR	NAME	TITLE AND DEGREE TYPE	UNIVERSITY	COMMENTS
1985	Mahapan, S.	Export Marketing and Trade with Japan. M.B.A.	University of the Witwatersrand	- Fifteen (15) respondents were analysed - The study concentrated on firms selling intermediate products such as wood, iron ore, industrial chemicals etc. - Most of the respondents used trading houses or trading companies to export to Japan.
1981	Conroy, E.A.	Co-operative Export Marketing of the Small and Medium Enterprises' Products with Special Reference to the Republic of South Africa. Doctoral thesis.	University of South Africa.	- The study dealt with strategies to promote co-operative export marketing among manufacturing firms. - The study concentrated on the SME sector

of scale, especially in production. One of the main shortcomings of the other studies listed was the problem of sample size. Ten out of the 19 research studies had a sample size of fewer than 30, which limits the possibility of statistical analyses severely. Three of the research studies, namely, by Thomson (1998), Cacchione (1996) and Viljoen (1995), had a sample size of fewer than ten, while the research methodology used was qualitative.

The research studies by Perry (1991) and Struthers (1990) focused on the competitiveness of South African firms and reported that South African firms are not competitive (refer Table 1.7). The research studies by Adams (1998), Perry (1991) and Rockey (1991) address the issue of competitiveness and corroborated the findings of Perry (1991) and Struthers (1990).

The research studies by Adams (1998), Thomson (1998), Venter (1996) and Morias (1986) highlighted that top managements' commitment, knowledge with regard to export markets, and a good relationship between importer and exporter are important factors to be successful in foreign markets. Other factors highlighted by the various research studies that contributed to success are, the ability to be competitive, personal visits to develop and sustain good relationships, access to distribution channels, a good distributor in the foreign market, language familiarity, information about markets, reliability of the firm to execute orders timeously and quality products.

The research studies by Hayes (1992) and Morais (1986) found that cultural differences

were the least important influence on success in foreign markets. A number of research studies in exporting were excluded because they concentrated mainly on the export promotion and trade policies of the South African government.

However, given the findings of the various theses, Gumede (of The Presidency Policy Unit) and Rasmussen (2002: 162) argue that South African small manufacturing firms should seek more information regarding export operations and should network with relevant intermediaries and support institutions to improve their probability of success. Furthermore, they mention the importance of networks and access to customers and finance. In a study conducted by Rankin (2002: 3) in the Greater Johannesburg Metropolitan area, it was found that larger firms are more likely to export, but once a firm exports it seems that the size of the firm does not matter.

Given this background the next section outlines the structure of the research study.

1.9 STRUCTURE OF THE RESEARCH STUDY

According to Babbie, Halley and Zaino (2003: 13) social scientists generally address research in two ways, that of an inductive or deductive research strategy. An inductive research strategy starts with the collection of data, then the data is analysed and a theory is developed. A deductive research strategy starts with a theory, a hypothesis is deduced or formulated from the theory, and this hypothesis is tested to determine whether the

evidence supports it. This research study adopts a deductive approach.

TABLE 1.8: A Comparison of the Approaches of Three Different Research Studies

Authors and Title	Cavusgil, S. and Zou, S. (1994). Market Strategy-Performance Relationship: An Investigation of the Empirical Link in Export Market Venture	Thirkell, P. and Dau, R. (1998). Export Performance: Success Determinants for New Zealand Manufacturing Exporter	O'Cass, A. and Julian, C. (2003a) Examining Firm and Environmental Influences on Export Marketing Mix Strategy and Export Performance of Australian Exporter
Research objectives	- Can the marketing strategy performance be empirically verified in the context of export ventures? - To what extent is export market performance influenced by deliberate strategy implementation? - What are the factors that contribute to the success of export market ventures?	- To contribute to the understanding of the factors that impact on observed levels of export performance and their relative importance - To provide insight for practitioners into how export performance might be enhanced and made more effective on a sustainable basis	- This study examines the impact of specific firm characteristics, environmental characteristics and marketing mix strategy on export marketing performance
Outline of the research study	- Literature review - A proposed conceptualisation of export marketing strategy and export performance - Research design - Operational model and hypotheses - Research results - Discussion	- Introduction and literature review - Conceptual framework - Research methodology - Operationalisation of export performance - Independent measures - Model specification - Research results - Discussion Note that no hypotheses are provided and a multiple linear regression is specified under the model specification section	- Introduction - Conceptual framework of export marketing strategy and performance (Note that the hypotheses and literature review are discussed under this section) - Research design - Results - Discussion

Many of the research studies consulted in the international marketing literature survey tended to follow the following steps: Firstly, the purpose of the study is outlined with a

literature review. Secondly, a conceptual framework is proposed or developed from the literature review. Thirdly, the hypotheses are stated. Fourthly the research design is discussed, and lastly the findings are discussed. However, the nature of research studies differ and Table 1.8 provides a comparison of the different approaches of three research studies. In the case of Cavusgil and Zou (1994: 7), the research hypotheses were only developed after exploratory factor analyses were conducted to eliminate the questions that had factor loadings of less than .70 to construct the path analysis model.

The research study is divided into the following chapters:

Chapter 1 provides an introduction and background to the research study. It stresses the importance and benefits of exporting to the economy of any country. Trends with regard to international trade of South Africa are discussed. The difficulty of a universal definition of the concept of international marketing is highlighted. A statement of the research problem is provided. In stating the research problem shortcomings of past research in this field of study are mentioned.

The research objectives are stated and the importance of the research study is discussed. The limitations of the research study are discussed and an overview of past South African post-graduate, thesis research in this field is also referred to. This chapter concludes with the organisation and structure of the research study.

Chapter 2 presents a comprehensive review of the literature study with specific reference

to the reasons why firms embark on international marketing, reasons why firms are not internationalising and barriers to exporting, as well as the international marketing decision process, country risk analysis, market selection and market entry strategies. International marketing problems experienced by firms in different types of economies are also discussed under market selection. An assessment of the choice of mode of entry into international markets is also provided.

Chapter 3 continues with the review of the literature study and presents a detailed discussion regarding competitive strategies, the standardisation and adaptation debate with respect to international marketing strategies, firm performance and its relationship with either standardisation or adaptation of the international marketing mix, and the international marketing mix, and it concludes with a review of the performance of firms in international markets.

A critique is also provided with regard to the performance of firms in international markets. Furthermore, a discussion is provided of internal and external factors that impact on firm performance. The relationship between international marketing strategy and firm performance is also elaborated on. To conclude the abovementioned discussions, a critical review of selected studies on international and export of firms since 1990 is provided.

Chapter 4 presents the research design. The chapter starts with a discussion of the conceptual model, which provides the basis for the questionnaire development and the

operationalisation of performance measures. Theoretical issues with regard to the sample population, sample frame, sampling procedure, data collection, survey response, reliability and validity are discussed.

The discussion leads into why Cavusgil and Zou's (1994: 1-27) conceptual framework of export marketing strategy and performance was chosen as a basis for the research study. The conceptual framework is discussed with regard to the analytical process and the findings of Cavusgil and Zou (1994: 1-27). Other conceptual frameworks are also discussed.

Chapter 5 presents the empirical findings with appropriate analyses. The sample population, sample frame, sampling procedure, data collection, survey response, reliability and validity of the research study are discussed. After the discussion of the findings of the factor analysis technique, the hypotheses are introduced. Multivariate, backwards and forward selection stepwise regression analysis will be used to test the hypotheses. Correlation analysis will also be introduced in this chapter for further analysis. This chapter also includes a range of basic descriptive statistics and other analyses, for example, one-way between-groups ANOVA and independent sample *t*-tests. To enhance the analyses, cross tabulations and graphs are provided. After the analyses the main findings, limitations of the research study and recommendations are presented.

Chapter 6 presents the recommendations based on the findings of the research study, the limitations of the study and direction for future research and the contribution the research

study has made.

1.10 CONCLUSION

This chapter presented the background and importance of the research study. The research objectives and the limitations of the research study were stated. An overview of the structure of the research study was also presented. The chapter provided a context and background with regard to the challenges facing South Africa firms. Given this context and background, the primary question is posed - what will be appropriate international marketing strategies to pursue, and what is the relationship between specific international marketing strategies and business performance?

International marketing and the challenges facing South African firms must be researched to enable firms to exploit international opportunities, overcome international barriers and to become world players. It is important for South Africa to gain prominence in the international market. The purpose of the research study, therefore, is to make a contribution to international marketing theory, which, hopefully, will assist managers in decision-making regarding international marketing alternatives and sharpen their ability to develop competitive strategies. The next two chapters provide an overview of the literature which has formed the basis in shaping the research approach and design of the research study.

CHAPTER 2

INTERNATIONAL MARKETING - A REVIEW OF THE LITERATURE

2.1 INTRODUCTION

The importance of international trade to the development of the South African economy has been highlighted in Chapter 1. Furthermore, to contextualise the importance of international trade the following have been discussed, namely, international trade, South African import and export trends, the relationship between gross domestic product and merchandise exports, and the role of the South African manufacturing sector in the South African economy.

In this chapter a review of the literature with regard to international marketing is presented. The literature review provides insight as to why certain firms internationalise and others do not. Moreover, barriers to internationalisation, the international marketing decision process, market entry modes, country risk analysis, international market selection, and the information needs of international marketers are discussed.

International expansion of firms has increased dramatically over the last twenty years. Calantone and Knight (2000: 494) state that growth in global trade has outpaced the world gross domestic market. They point out that merchandise exports have been growing more than 300 percent since 1980 and foreign direct investment has increased

three fold over a ten-year period up to 1997. These statistics provide strong evidence of the increasingly significance of international trade.

Firms expand their operations internationally for a number of reasons. Some of the obvious examples are to exploit opportunities in foreign markets or because of changing circumstances in the domestic market, where it probably has become less attractive to operate. According to Osland, Taylor and Zou (2001: 153), the rapid globalisation of business in the last two decades has prompted an increasing number of firms to develop strategies to expand into foreign markets.

While many firms expand internationally, other firms tend to avoid this strategy because of real or perceived barriers. Some examples of these barriers include lack of knowledge of overseas markets, trading blocs, psychic distance, strong overseas competition, and perceived risks with regard to the instability of the political/legal and economic environments of international markets (Dow, 2000: 51; Manrai and Manrai, 2001: 500-501; and Morgan and Katsikeas, 1998: 170).

International marketing is a complex process and decisions-makers or managers have to take numerous factors into consideration. For example, market selection will determine a firm's appropriate mode of entry into that selected market, which again will influence its marketing mix decisions. Should a firm decide to form a strategic alliance with a foreign partner, the ultimate marketing strategy may be uniquely different compared to a decision to invest in a plant in another country. Furthermore, the international market is dynamic

and constantly changing. For example, the nature of competition in a particular market may literally change instantaneously because of competing firms forming alliances or engaging in merger activities. Such activity adds to the complexity and relative unpredictability of the international market.

The challenges and range of risks are greater when a firm moves from a domestic focus to an international focus (Calantone and Knight, 2000: 494; and Oetzel, Bettis and Zenner, 2001: 129). Korey (1995: 74–75) in particular refers to the following challenges as self-imposed constraints when a firm ventures into international markets: that a longer time is needed for success in international markets; that there are limitations with regard to product fit in the international market; that international expansion will require more capital; and that the firm will need to undergo a possible structural change, for example, joint venturing, licensing or change in ownership.

Marketing decisions in international markets, therefore, should be taken with greater circumspection, as a wrong decision may not be easily reversed. For example, inappropriate mode of entry may commit the firm to longterm contracts and financial commitments (Kumar and Subramanian, 1997: 54; and Osland, Taylor and Zou, 2001: 153). The risks and opportunities will be discussed in more detailed in sections 2.2 and 2.3.

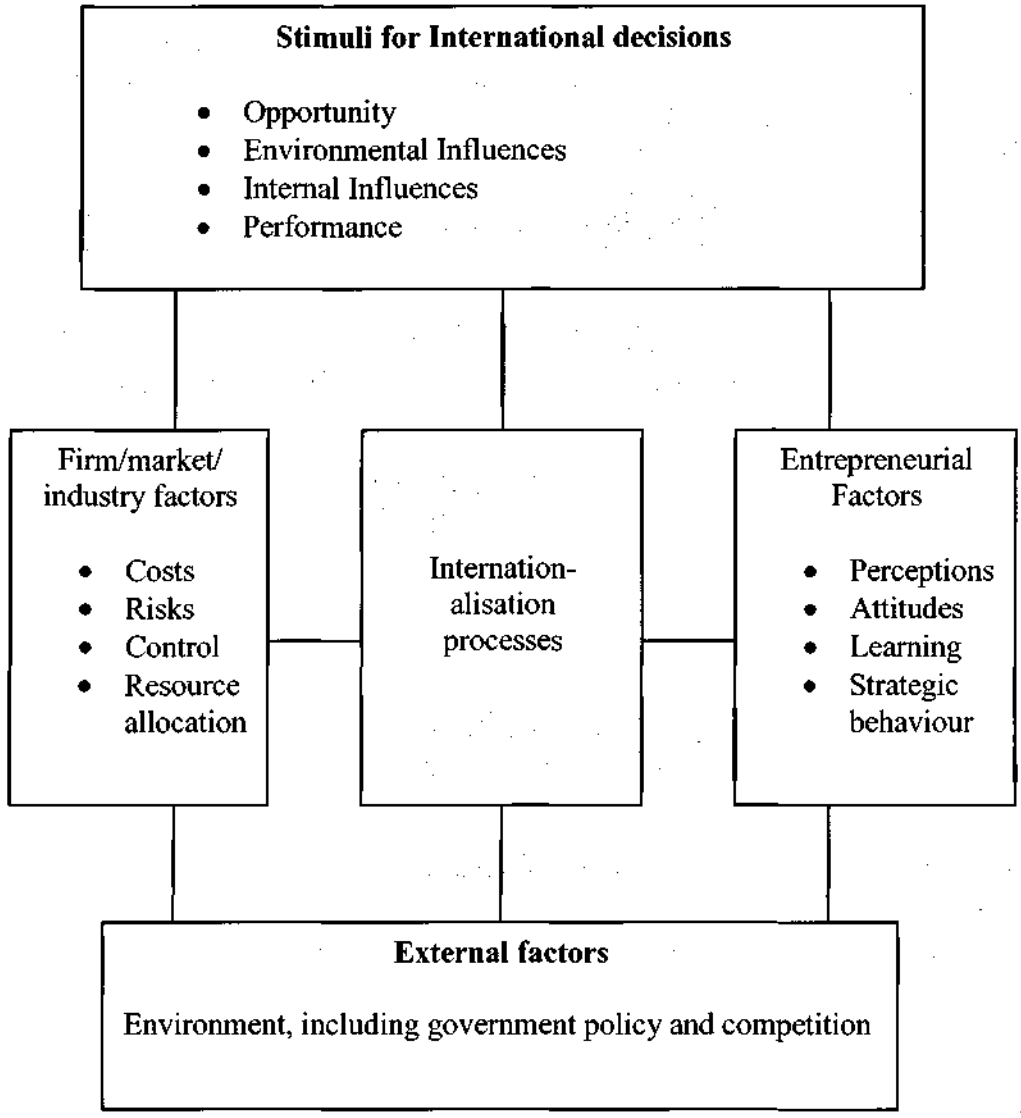
2.2 REASONS WHY FIRMS EMBARK ON INTERNATIONAL MARKETING

Firms have different reasons why they enter international markets. Figure 2.1 presents a framework adapted from Crick and Jones (1998:79) that includes possible stimuli why firms may internationalise. Both internal and external factors are recognised as influencing decisions to go international. Environmental influences such as economic, political, cultural, technological and competitive forces play a major role in international decision-making.

Changes and the consequences of these changes in the external environment are unpredictable with possible disastrous effects. The oil embargo in 1973 and the Asian Flu crisis in 1999 are model examples of the unpredictability and consequences that can be experienced in the external environment. Moreover, because of the interrelatedness of environmental factors, changes in any environmental factor may set off a chain reaction in other external factors. For example, the impact of changes in technology, such as advances in communications technology, has had a major effect on international trade.

Firm and entrepreneurial factors are the internal forces that influence the decision to internationalise. The literature demonstrates that firm and entrepreneurial factors are important determinants of a firm's international marketing strategy that would ultimately affect the firm's performance in international markets (Cicic, Patterson and Shoham, 2002: 1104 – 1107; Thirkell and Dau, 1998: 813 – 821; and Cavusgil and Zou, 1994: 1 – 5). These internal factors are discussed in more detail in Chapter 3.

FIGURE 2.1: Stimuli for Firms to Internationalise



Source: Adapted from: Crick and Jones, 1998: 79.

The following discussion provides some of the common reasons (or advantages of international marketing) why firms expand internationally. Many of these reasons are also alluded to in the framework of Crick and Jones (1998: 79) as presented in Figure 2.1.

Firstly, the domestic market has become saturated and no growth opportunities are offered. This normally prompts the firm to search for other growth opportunities in other markets. The firm may decide to diversify geographically to pursue growth and profit objectives.

Secondly, intense competition in domestic markets or the absence of competition in foreign markets, are also important drivers that prompt firms to internationalise. Many South African firms will be forced to assess international opportunities, as large international firms will enter the South African market. The globalisation of industries will further put pressure on firms to internationalise.

Thirdly, seasonal fluctuation in domestic markets, under-utilisation of production capacity and the absence of economies of scale are important reasons why firms would want to exploit international opportunities.

Fourthly, the potential of larger markets can give justification to invest in modern equipment, which can make the firm more efficient (Korey, 1995: 75). The consequent benefits of modern technology would be cost reduction, improved quality, enhanced customer preference and increased competitive advantages (Kotabe and Helsen, 2004: 235; Korey, 1995: 76; and Morgan and Katsikeas, 1998: 161).

Fifthly, firms wish to take advantage of favourable government policies as a result of liberalisation of trade initiatives, and investment policies of countries (Manrai and Manrai, 2001: 497). Many countries have introduced investment and tax incentives schemes to attract foreign investments. Moreover, local governments have introduced incentives to stimulate trade to provide job opportunities in their own countries. For example, the South African government has shifted from demand-side measures to supply-side measures to stimulate export trade (*Trade and Industrial Policy Strategies*, 2002: 16).

According to Morgan (1997: 71), the stimuli to internationalise can be classified in terms of their proactive and reactive nature. Proactive stimuli derive its source from the firm's unique internal competencies, also known as pull factors. Examples of proactive stimuli would be production expertise, unique products and any other competitive advantages of a firm. Reactive stimuli explain the firm's international engagement as a response to environmental pressures. Management's attitudes and aspirations to become a global player are important stimuli to grow internationally. The next section provides counter arguments why firms will not want to internationalise.

2.3 REASONS WHY FIRMS DO NOT INTERNATIONALISE

As there are advantages to go international, there are also disincentives or barriers for firms not to do so. Barriers to internationalise are often the reasons why many firms fail in international markets and, therefore, have consequent negative attitudes toward international activities (Leonidou, 1995: 29). Various approaches have been developed to classify and explain barriers to internationalisation. Morgan (1997: 74) developed a four-cell matrix, anchored by whether the barrier was domestic-internal, domestic-external, foreign-internal or foreign-external. For example, if management's desire is only to satisfy domestic demand, it will be classified as an internal-domestic barrier to internationalise (see Table 2.1).

Many firms, and especially SMMEs, have inadequate resources to expand their operations into other foreign countries. The fact that a firm wants to increase its sales may require investment in plant and machinery to create more capacity, and greater investment in inventories and debtors. The firm may require more cash reserves, as the cash flow cycle becomes longer with international trade transactions. Related to cash constraints as an internal domestic barrier, will be external–domestic barriers, such as limited venture capital and high cost of financing.

Once a firm moves into foreign markets the risks become greater. These risks are listed in the internal-foreign category in Table 2.1. It is evident that according to Morgan's four-cell matrix number of barriers is much greater in the external –foreign category,

which is outside the control of the firm. Some of these external foreign barriers include access to distributors, import control, exchange rate fluctuations and unfamiliar business practices (see Table 2.1).

Another classification of barriers is to distinguish between operational, structural and psychological (or attitudinal) barriers (Morgan and Katsikeas, 1998:163). Operational barriers refer to inhibiting factors of the firm, such as, lack of international experience and high cost structures of a firm. Structural barriers refer to external factors, such as the size of the market and intensity of competition. Psychological barriers include factors such as "made in" image, psychic distance and other perceptions of barriers.

Psychic distance is one of the factors that has been the subject of many research studies and firms tend to trade with countries that are "physically close" (O'Grady and Lane, 1996: 309). Johanson and Wiedersheim-Paul (1975: 308) describe psychological distance as "factors preventing or disturbing the flows of information between firm and markets". Psychic distance is greater where the differences in languages, accepted business practices, the economic environment, legal system and communication infrastructure are greater (Stöttinger and Schlegelmilch, 1998: 359; and O'Grady and Lane, 1996: 312)

The perceived importance of barriers by managers of firms differs relative to the size of firms. Smaller firms tend to report more perceived barriers and also of greater magnitude (Albuam, Duerr and Strandskov, 2005: 21). Other studies have highlighted that smaller

firms encounter problems in the following five areas, namely, logistics, legal procedures, foreign market intelligence, sales promotion and servicing exports (Shoham and Albaum, 1995: 86 and Koch, 2001a: 356). Larger firms normally have the resources to overcome these problems.

TABLE 2.1 Barriers to Internationalise

Internal-domestic	**External-domestic**
• Management is domestic oriented • Resource constraints	• High cost of finance • Limited venture capital • Excessive document requirements • Inadequate government support (to export)
Internal-foreign	**External-foreign**
• Logistical problems • High risks and costs • Limited knowledge of market • Difficulty in providing technical support • Difficulty in providing aftercare	• Distinctive consumer preferences • Unfamiliar business practices • Difficulty in sourcing competent distributors • Distribution channels inadequate • Tariff barriers of foreign governments • Import controls • Competitive intensity • Exchange rate fluctuations • Limited hard currency

Source: Adapted from: Morgan, 1997: 74.

South African firms face the same barriers as mentioned by Morgan (1997: 74) and Morgan and Katsikeas (1998: 163). Table 2.2 provides a summary of the findings of empirical research that has been conducted in South Africa since 1994 (when South

Africa changed to a new political dispensation) with regard to barriers to internationalise. The barriers mentioned in Table 2.2 are listed in order of importance.

The research of Adams (1998: 79) and Lotz (1997: 227) showed that competition in foreign markets was the greatest barrier. However, Venter (1996: 244) did not report foreign competition as an important barrier. Unstable labour relations were highlighted as the most important barrier in the research conducted by Venter (1996: 243). High input costs, labour productivity, financial constraints and financial risks were other important barriers highlighted by the afore-mentioned three researchers.

Research conducted earlier than 1994 identified factors such as the distance to overseas markets, foreign exchange and currency difficulties, lack of product competitive advantages, tariff and trade barriers, little in-depth marketing information, lack of government assistance, insufficient funds, lack of exporting expertise and inadequate organisational structures (Hart, 1992: 42 cited in Venter, 1996: 123).

Country of origin effects is another factor that has been extensively researched in other countries as a possible barrier. Researchers wanted to determine whether country of origin or country image was a barrier to firms internationalising or not. Past research has shown that people in developed countries gave a higher quality rating to products from developed countries compared to products from less developed countries (Al-Sulaiti and Baker: 1998: 150; and Parameswaran and Pisharodi, 1994: 44).

TABLE 2.2: Barriers to Internationalise: Findings of Empirical Research Conducted in South Africa since 1994

NAME	TITLE OF RESEARCH	BARRIERS IDENTIFIED
Adams, M.N. (1998)	The export practices of successful manufacturing companies (National sample).	**FOR SUCCESSFUL COMPANIES (in order of importance)** • Keen competition in foreign markets • High input costs • Problematic transport/high shipping costs • Labour productivity • Inadequate/untrained export staff • Government/infrastructural problems in less developed countries • Management productivity/skills **FOR MEDIOCRE COMPANIES (in order of importance)** • Keen competition in foreign markets • Inability to offer competitive prices • High input costs • Problematic transport/high shipping costs • Labour productivity • Government/infrastructural problems in less developed countries • Different product specifications
Lotz, H.(1997)	International marketing in the small business sector: A perspective on manufacturing. (Kwazulu/Natal area).	• Foreign competition • Foreign market information • Limited funds • Risk of non-payment • Finding foreign agents
Venter, J. (1996)	An investigation into managerial and firm dimensions associated with the export behaviour of small manufacturers in the Western Cape.	**BARRIERS IDENTIFIED BY EXPORTERS (in order of importance)** • Unstable labour relations • Lack of information on opportunities • Upfront starting costs • Negative economic conditions • Financial investment too high • Lack of personnel • Too much red tape • Sanctions and other barriers • General risks too high

Sources: Adams, 1998: 79; Lotz, 1997: 227 and Venter, 1996: 243.

South Africa, as a developing country, still needs to develop its international reputation, which can serve as an advantage to South African firms intending to go international.

Although a number of barriers have been identified as related to the firm, for example, inadequate finances and low levels of labour productivity, many other factors mentioned were related to the external environment (see Table 2.1). Government can play a greater role in addressing these external barriers, such as reducing red tape and providing improved export support services (see Table 2.2).

To avoid making mistakes in international markets, it is essential that decisions should be preceded by rigorous analysis. As international marketing decision-making is also a sequential and interrelated process, it is important to view the international marketing decision as a process. The next section provides an overview of the international marketing decision process.

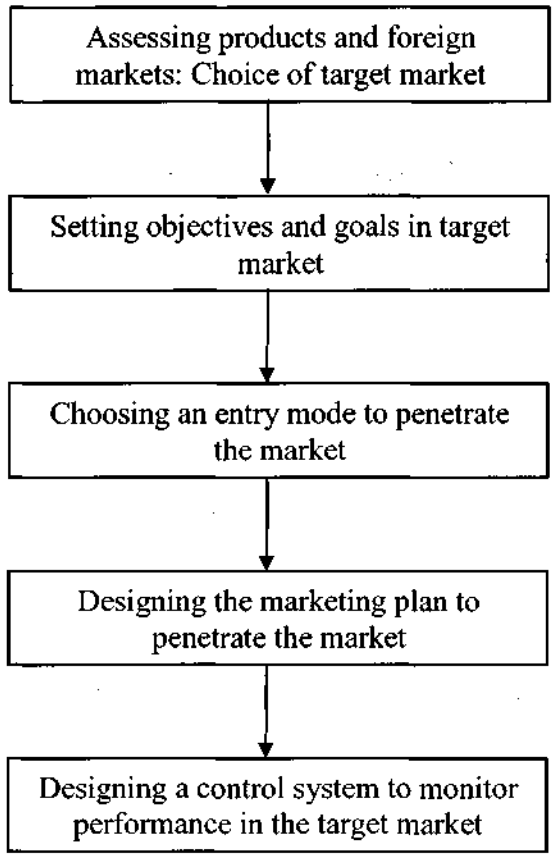
2.4 THE INTERNATIONAL MARKETING DECISION PROCESS

Any firm expanding internationally should be prepared for the fact that more demands will be placed on existing resources, which include, among others, human and financial resources. In light of this, certain key questions need to be asked if a firm has not ventured into any international markets yet. For example, does the firm have the

resources to go international? Which markets should be entered? What products to market. How to operate internationally? (Fifield and Lewis, 1996: xix-xx.)

FIGURE 2.2: Decision Stages in International Marketing

Decision-making



Source: Adapted from: Root, 1994: 23.

Different models have been developed by researchers to portray and explain the international marketing decision process, from some very simplistic to very elaborate. Two models have been selected to provide a background to the international marketing decision process, namely that of Root (1994: 23) and Mühlbacher, Dahringer and Leihs (1999: 74).

Root's model has been selected, as he is considered to be one of the leading academics in international marketing and was the first to write a textbook on the topic of "Entry Strategies for International Markets". The model itself is simple, but exhaustively presents all the important steps to be taken in the international marketing decision process. The model of Mühlbacher, Dahringer and Leigh provides a more detailed account of the steps involved in the international marketing decision-making process, and presents the international marketing decision process from a strategic perspective of a typical multi-product firm.

According to Root (1994: 23), the market entry strategies include five areas of decision-making (see Fig 2.2). The first step involves the choice of target market, which also involves conducting a risk analysis assessment before making the final choice to enter a particular foreign market. At any stage the strategy may be reviewed, and if not successful, the strategy may be revised. For example, if a joint venture was formed and the relationship has soured, the firm may decide to make a direct foreign investment.

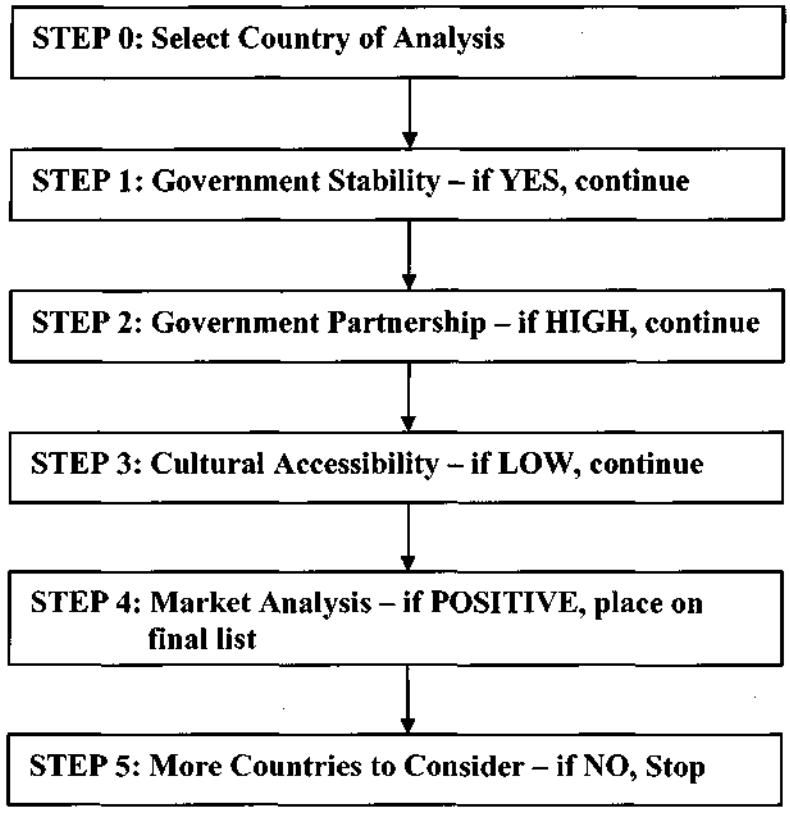
FIGURE 2.3: The International Marketing Decision-making Process

Source: Adapted from: Mühlbacher, Dahringer and Leihs, 1999: 74.

This model applies to firms entering an international market for the first time, or firms, which have developed international experience in other markets, which are now considering entering other markets. While Root's model is very simple, it captures the most important decisions of the international marketing decision process.

The model of Mühlbacher, Dahringer and Leihs in Figure 2.3 takes a more strategic perspective of a multi- product firm as it relates to aspects such as corporate policy,

FIGURE 2.4: An International Market Entry Model



Source: Adapted from: Minifie and West, 1998: 455.

mission statement, portfolio analysis and the determination of international strategic positions. Furthermore, a distinction is made between assessment of market potential and assessment of competitive position. These elements mentioned in the model of Mühlbacher, Dahringer and Leihs are implicit in Root's model.

The international market entry model of Minifie and West (1998: 455) encapsulates the remainder of the detailed discussion succinctly (see Figure 2.4). According to the model of Minifie and West (1998: 455), if the firm wishes to internationalise, the first step to be taken will be the selection of a particular country (which will be at the discretion of the decision maker). If the government is perceived to be stable, the firm will go to the next step of government partnership assessment. The process of government partnership assessment or country risk analysis will be discussed under the next section of Country Risk Analysis.

Government partnership refers to the scope of stringent rules of government, for example, whether foreign ownership is allowed in the foreign country, or whether asset expropriations are common in a particular country (Glass and Saggi, 2002: 132). If there is too much government interference, it may not be a viable proposition to select that country. If the level of government partnership appears to be acceptable, the next step would be to assess cultural accessibility. If compatible, a detailed market analysis will follow. Once this is done the firm may decide whether to continue to search for markets in other countries or to stop the process at that point of time. The next section will deal with country risk analysis in more detail.

2.5 COUNTRY RISK ANALYSIS

International operations have become more important for businesses wishing to grow and survive. However, venturing into the international market not only provides more opportunities, but also more risks. Moreover, the risks in international markets are more difficult to quantify than in the case of domestic markets because of different economic, political and cultural factors. The assessment of the level of risk will determine if a firm should enter that market or not. If it should decide to enter a particular market, it then also needs to decide which would be the most appropriate mode of entry, given the level of risk. For example, the firm may decide to form a joint venture opposed to a wholly owned operation because the risk of forming the latter would be relatively higher, and the firm may not be prepared to expose itself to such increased risk.

Country risks analysis is the study of conditions, situations and events that may favourably or unfavourably impact on a firm's business activity in a foreign country (Yavas, 1989: 51). According to Meldrum (1999: 30), a full risk study requires quantitative as well as qualitative assessment. One of the goals of country risk measures is to forecast political and economic events that may affect the business climate in a particular country (Oetzel, Bettis and Zenner, 2001: 128). Specialist organisations also publish "country risk ratings" to assist firms in assessing risks of countries. These risk ratings are essentially used as indicators of the likelihood that a sovereign borrower will default on its debt (Cosset and Roy, 1991: 135).

Analysts in general have developed six main categories of risk with regard to foreign direct investment, which in many cases overlap each other as they are also interrelated. The categories are economic risk, transfer risk, exchange rate risk, location or neighbourhood risk, sovereign risk and political risk (Meldrum, 2000: 34).

A brief explanation of each follows: Economic risk measures include factors such as the fiscal and monetary policy, taxation and government's role in the economy. Transfer risk arises from decisions as to how foreign governments restrict capital movements. Exchange rate risk is the unexpected movement of exchange rates. Location risks are particular problems in a particular region. For example, the Port Elizabeth area has been susceptible to labour strikes in the past. Sovereign risks relate to governments' willingness and ability to meet its loan obligations, which includes the history of governments' repayment performance. Political risks include changes in the political leadership, political conflict and the likelihood of expropriations. Minifie and West (1998: 452) state that market entry appears to be highly dependent on political stability.

A very important caution by Oetzel, Bettis and Zenner (2001: 142) is that country risk measures are actually poor indicators of significant risk. However, the perception of risk will also vary given the level of development of a country's economy. Infrastructural problems decrease as the economy of a country develops. Firms from developed countries are very sceptical about investing in less developed countries because of the particular problems being experienced in these countries due to the perception of higher risk.

Michell (1979: 91-101) conducted a research study to determine the relationship between country infrastructure and marketing effectiveness. One of the findings was that marketing problems become less significant as a country's economy develops. Table 2.3 provides the results of a survey conducted by Michell (1979: 97) about the problems experienced by firms in different countries at different levels of economic development. While the study of Michell was conducted in 1979, most of the findings regarding to the relationship of the extent of marketing problems and the level of economic development are still valid today. No other study as comprehensive as that of Michell's could be identified after 1979.

Respondents in the survey of Michell (1979: 97) perceived "internal currency restrictions" as very significant in the case of less developed economies and insignificant in the case of industrialised economies. Oetzel, Bettis and Zenner (2001: 130) also commented that currency risk is arguably the most important financial risk factor. Political instability, difficult legal problems and different competitive practices were other aspects to be found to be significantly problematic.

The respondents' ratings in the research study of Michell (1979: 97) were markedly dissimilar for the different types of economies on all the factors, except for the factors "inadequate marketing research" and "inadequate mass media (see Table 2.3). It is also important to note that firms in different industries may view certain types of risks more important than others. For example, many oil companies are operating in very hostile

environments. Given the differences in interpretation and perception of risks, it would be advisable for a firm to develop its own risk analysis tool to assess risk which will inform the decision to select and enter a particular foreign market. The next section discusses market selection.

2.6 MARKET SELECTION

Many firms that have chosen the international route as a growth strategy have failed because of the lack of understanding of the complex issues associated with international expansion (Hoffman, 1997: 66). According to Koch (2001a: 352) the factors that influence the choice of market selection can be influenced by external, internal or mixed factors. Mixed factors are those factors that are difficult to classify as being exclusively internal or external. The external factors will be discussed first.

2.6.1 External Factors Influencing Market Selection

Factors in the international external environment need to be carefully assessed because of their complex nature. Some of the complex issues being referred to are: Firstly, the multiple political, economic, legal, social and cultural environments that are changing continually. Secondly, the interaction between domestic and international markets is complex. Thirdly, communication is made difficult because of different languages and geographical differences. Fourthly, it is difficult to analyse present and future

competitive activities (because of different industrial structures and business practices in foreign countries), and, lastly, the lack of important market information. Leonidou (1997: 572) states that the lack of information about foreign markets has been repeatedly cited in previous research as a serious impediment to formulating international marketing strategies.

In earlier research studies conducted in South Africa, the lack of market information in foreign markets, as an external factor, was identified as an important barrier (see Table 2.2). In selecting international markets firms need critical information about the external environment. Wood and Robertson (2000: 34 - 55) have conducted a study to determine what information regarding the external environment is required to make sound international marketing decisions. Table 2.4 provides the framework of external information variables that were identified by the study of Wood and Robertson (2000: 34-55).

The framework of information variables in Table 2.4 does not have any order of priority. The framework has six primary environmental dimensions, namely, politics, market potential, economics, culture, infrastructure and legal. The six primary environmental dimensions have been subdivided into 18 subsidiary dimensions, which again have been subdivided into 60 specific decision variables. Wood and Robertson (2000: 42) surveyed 137 firms operating in various industries to determine which of the primary

TABLE 2.3: Marketing Infrastructure Problems by Type of World Market: Extent to which Itemized Problems are Encountered in Different Economies

	INDUSTRIALIZED ECONOMIES			DEVELOPING ECONOMIES			LESS DEVELOPED ECONOMIES		
Types of Problem in world market	Very Significant % firms	Of some Signi-ficance % firms	Not Signi-ficant Not Relevant % firms	Very Signi-ficant % firms	Of some Signi-ficance % firms	Not Signi-ficant Not Relevant % firms	Very Signi-ficant %firms	Of some Signi-ficance % firms	Not Signi-ficant Not Relevant % firms
Internal currency restrictions	2%	25%	73%	13%	50%	37%	38%	48%	14%
Political instability	2%	13%	85%	12%	50%	38%	24%	52%	24%
Difficult legal problems	10%	27%	63%	8%	54%	38%	22%	48%	30%
Different competitive practices	5%	27%	69%	15%	40%	45%	14%	36%	50%
Inadequate transportation	-	8%	92%	15%	31%	54%	18%	32%	50%
Cultural problems (language, tradition, etc)	-	25%	75%	6%	54%	40%	18%	38%	44%
Difficult physical environment	-	12%	88%	10%	38%	52%	14%	46%	40%
Low per capita incomes	-	6%	94%	4%	23%	73%	16%	34%	50%
Inadequate technology	-	8%	92%	6%	40%	54%	14%	30%	56%
Inadequate trade structure	-	4%	96%	6%	27%	67%	12%	30%	58%
Inadequate adv./research agencies	-	6%	94%	-	19%	81%	6%	14%	80%
Inadequate mass media	-	-	100%	-	10%	90%	-	10%	90%

Source: Michell, 1979: 97.

environmental factors were more important for international marketing decision-making. Market potential was rated the most important and culture the least important. In a study conducted by Leonidou (1997: 577) market characteristics were also rated the most important type of information required.

In another research study conducted by Russow and Okoroafo (1996: 57) it was found that the following factors (listed in order of importance) were considered important for international market screening purposes: indirect market size, level of economic development, market growth rate (product specific), trade product specific, population density, capital spending, infrastructure maintenance and development. Indirect market size was measured in terms of gross domestic product (GDP), population, manufacturing/GDP, domestic production and international reserves.

The research study of Wood and Robertson (2000: 424-444) also compared the relative importance of the different environmental dimensions. Firms in the industrial, consumer, wholesale and services sector gave similar rankings with regard to the importance of certain environmental dimensions. In order of importance, they were market potential, legal, politics, infrastructure, economics and culture (see Table 2.5). It was only firms in the industrial sector that considered infrastructure less important than the dimension of economics.

TABLE 2.4: Information Needs of International Marketers for Sound Decision-making

Primary environmental dimensions	Subsidiary export dimensions	Specific decision variables (written description used in survey)
Politics	Stability	1) Political strength of leadership in the foreign country 2) Degree of freedom of the political opposition in the foreign country 3) The degree of local labour unrest and the foreign government's ability to deal with the current and future labour unrest 4) Degree of foreign country's domestic instability (e.g. rebellion, political kidnappings, riots, guerrilla wars)
	Diplomatic relations	5) Degree of normal diplomatic relations between USA and the foreign country and vice versa 6) Extent of restrictions on free and open trade with the foreign country due to political frictions (e.g. US freeze on US technology exports)
	Internal policies	7) Extent of foreign government's use of incentives to encourage private business 8) The ability of the foreign government to enforce its diplomatic policies with respect to trade (for example, ability of foreign government to enforce policy of limited trade with USA) 9) Actual size of the private sector in relation to the government sector in the foreign country
Market potential	General demand	10) Potential foreign buyers' ability to pay for your product 11) Average annual sales of your type of product or service in the foreign country 12) Future trends and growth rate of the foreign market in which your product or service would be sold 13) Opportunities for you to offset cyclical swings in the US market demand for your product by entering a foreign markets
	Adaptation costs	14) Parts and technical service support needed and available for your product in the foreign country 15) Need to change your product specifications due to differences in foreign buyers' tastes and preferences or technical requirements 16) Degree of test marketing and promotion required to assure adequate sales of your product in the foreign market 17) Credit and financing normally extended to buyers in the foreign country (i.e. industry standards for financing sales to a foreign market)
	Competition	18) Types and number of competitive products on the market in the foreign country 19) Competitors' market share, coverage, and growth rate in the foreign market 20) Advantages and weaknesses of competitors in the foreign market (e.g. the uniqueness of competitor's product and facilities for distribution) 21) Price levels on competitive products compared to your CIF price (costs, insurance, and freight) in the foreign market

TABLE 2.4 Continued

Primary environmental dimensions	Subsidiary export dimensions	Specific decision variables (written description used in survey)
Economics	Development and performance	22) Gross National Product and per capita income in the foreign country 23) Availability of US dollar reserves in the foreign country 24) Education and employment levels in the local foreign population 25) Inflation rate over the past five years in the foreign country 26) Trends in the foreign country's balance of trade (surpluses versus deficits)
	Production strength	27) The degree of use of modern, efficient methods in the creation of products and services in the foreign country (relative skill level of labour force) 28) Wealth of the foreign country in natural resources and the extent of their development 29) The diversity and range of all products produced in the foreign country versus those imported
	Consumption	30) Per capita ownership of consumer goods in the foreign country (e.g. cars, radios, TVs, etc.) 31) Per capita food consumption in the foreign country 32) Per capita energy consumption in the foreign country (e.g. oil, gas, coal) 33) Per capita industrial goods consumption (e.g. steel, cement, glass) in the foreign country
Culture	Cultural unity	34) Number of different cultural groupings, such as ethnic, religious, racial, and language groups found in the foreign country 35) Extent of harmony or friction between different cultural groups in the foreign country 36) Differences in lifestyles and customs of various groups in the foreign country
	Cultural differences	37) Extent of adoption of American way of life in the foreign country 38) Percent of the business community who speak English, and the extent of adoption of American business practices in the foreign country 39) Preferences and prohibitions in the foreign country with respect to numbers, colours, shapes, sizes, and symbols on products and in promotion of products 40) Differences between US and foreign views on the sue of your product
Infrastructure	Distribution	41) Costs and efficiency of transportation to the foreign country from the USA (airlines, shipping lines, etc.) 42) Costs and efficiency of transportation within the foreign country (roads, highways, railroads, trucking, etc.) 43) Costs and efficiency of physical handling and warehousing in the foreign country (in the port of entry and throughout the foreign country) 44) Extent of development of wholesale / retail system in the foreign country
	Communications	45) Costs and efficiency of communications to the foreign country from USA (e-mail, telex, telephone, post office / other mail, telegraph) 46) Costs and efficiency of communications within the foreign country (i.e. commercial broadcast media, print media, promotional agencies) 47) Costs and efficiency of trade fairs and industrial exhibitions

TABLE 2.4 Continued

Primary environmental dimensions	Subsidiary export dimensions	Specific decision variables (written description used in survey)
	Geography	47) Total land area of the foreign country and description (i.e. mountain range, rivers, natural harbours, land-locked) 48) Climatic characteristics in the foreign country 49) Natural disaster potential in the foreign country (earthquakes, volcanoes, floods, windstorms)
Legal	Tariffs / taxes	50) Exact tariffs, import duties, and taxes assessed by the foreign country on your products 51) Tariff concessions allowed by the foreign country (i.e. drawbacks, preferential tariffs) 52) Common markets or regional trading blocks to which the foreign country belongs
	Non-tariff	53) Product standards imposed by the foreign country (e.g. local assembly laws; product packaging and labelling requirements; local safety and environmental regulations) 54) Required documentation, import procedures, and quotas imposed by the foreign government 55) Extent and nature of the foreign government's participation in trade (e.g. foreign government procurement policies)
	Other legal	56) Visa requirements in the foreign country (restriction on travel imposed by foreign government) 57) Foreign government's laws affecting relationships with agent's distributors (e.g. severance pay, compensation) 58) Laws regulating and restraining advertising and promotion in the foreign country 59) Patent, copyright, and trademark protection in the foreign country

Source: Wood and Robertson, 2000: 37-39

2.6.2 Internal and Mixed Factors Influencing Market Selection

This section will elaborate on the internal and mixed factors and their impact on market selection as listed in Table 2.6. Koch (2001a: 352) developed a framework where the author identified certain factors that influence the selection of international markets (see Table 2.6). The significance of this model is that it goes beyond the external environment (as discussed so far) and is also more specific.

The factors identified are classified as internal, external or mixed which is a combination of internal/external variables. The reason for the classification of "mixed factors" is because of the difficulty to classify these factors as purely either internal or external factors. The following internal factors will be explained in more detail: The Strategic orientation of the firm, company strategic objectives, stage of internationalisation, company international experience and the calculation method applied (see Table 2.6).

The literature supports the fact that that the strategic orientation of the firm has a powerful influence on both management expectations and organisational performance (Wood and Robertson, 1997: 426). Some of the elements describing a strategic orientation are managerial perceptions, predispositions, motivations and desires that precede and guide the strategic planning and direction of a firm. Consequently, international expansion and market selection would be a function of the strategic orientation of a firm.

Strategic objectives is one of the essential elements for developing alternative international strategies, and in particular that of the market selection decision. Firm strategy objectives may relate to market share, growth of domestic and international sales, or to reduce risks associated with company growth. If a firm wants to reduce exposure to international risks then it may decide enter developed countries only as they present less risk than less developing countries.

Overseas market selection experience of the firm has proven to be an important platform for future market selection decisions. Firms without relevant experience and sufficient information tend to view markets with a stronger sense of risk and uncertainty, and this will influence market/country selection choice (Koch, 2001a: 354). Extensive overseas experience, on the other hand, also fosters the development of social ties with firms in other counties which provide greater access to markets through sharing of information (Ellis, 2000: 444).

TABLE 2.5: Average Importance Assigned to six Environmental Dimensions by Type of Industry

Environmental dimension	Industrial goods	Consumer goods	Wholesaling	Services
Market Potential	1	1	1	1
Legal	2	2	2	2
Politics	3	3	3	3
Infrastructure	5	4	4	4
Economics	4	5	5	5
Culture	6	6	6	6
N =	58	27	26	26

Source: Adapted from: Wood and Robertson, 2000: 47

Stage of internationalisation, or level of international involvement, will influence market selection decisions. Examples of levels of involvement are to be a first time exporter, an experienced exporter, a firm with limited international operations, and a firm with extensive international operation, which is managed on an integrated basis. Given the particular firm situation in each example given before, the market selection will be dictated by the firm's strategic needs and orientation.

Company international competitiveness provides the firm leverage to access international markets. The possession of certain capabilities can give a firm a competitive advantage. Technological skills, innovative production techniques, marketing know-how, quality products and financial capabilities are some examples of competitive advantages that can be leveraged internationally

The calculation method applied refers to which method has been employed to determine which markets to select. Methods used may be based on risk assessment, benefit evaluation, costs or the degree of marketing control the firm wants to exercise. Obviously a combination of calculation methods can be used to compare the different possible outcomes in order to make a better decision.

The mixed external internal factors relate (see Table 2.6), firstly, to own/accessible resources. When a firm does not have adequate resources to expand internationally, it can identify partner firm to form alliances. The foreign location of the alliance firm will determine the market selection decision. Secondly, networking can be used as a

deliberate strategy to identify other international markets. Exploiting strategic alliances through the sharing of same suppliers and buyers, joint ventures and the participation in trade shows, are examples of networking opportunities.

TABLE 2.6: Factors Influencing Market Selection

Internal	Mixed	External
• Company strategic orientation • Company strategic objectives • Overseas market selection experience • Stage of internationalisation • Company international competitiveness • Calculation method applied	• Own/accessible resources • Networking • Similarity/proximity of overseas markets • Expansion sequence optimisation • Market portfolio congruity	• Competitive significance of the market • Anticipated overseas market risk • Country potential

Source: Adapted from: Koch, 2001a: 352.

Thirdly, similarity/proximity of overseas market plays an important role in selecting markets (see section 2.3 where this has been already discussed). Firms tend to target markets that are more similar to their own domestic markets. Fourthly, the expansion sequence optimisation factor refers to the behaviour of firms where they expand globally in a cascade manner. They tend to enter markets with the least number of barriers followed by markets that are more difficult to enter. Fifthly, a firm needs to look at its

market portfolio congruity, which means whether its marketing objective matches the target market it is aiming at, and the external environment it is operating in.

The methods used to determine which foreign markets to select, differ widely. There is also inconsistency with regard to the importance attached by each firm to the different factors influencing the market selection decision. Furthermore, the decision of market selection cannot be seen in isolation. It has been mentioned already that the international marketing decision should be seen as a process with interdependent decision-making stages. Koch (2001b: 65) poses the question whether the selection of overseas markets and entry modes is a one or two-decision process. It is important to research these issues, as they will ultimately affect the performance of the firm.

The above discussion relies more on the theory of the systematic approach in market selection. Some approaches in market selection decisions may be ad hoc (decisions are taken without any market entry strategy) or ruled by popular choice (namely, that selection is in accordance with the existing market entry strategy), without any detailed or rigorous analysis. This also applies in the case of market entry mode decisions.

2.7 MARKET ENTRY MODE

The entry mode decision or choice of institutional arrangement is a very complex and important decision, as it will eventually affect the international performance of the firm.

Many of the past research studies have tried to determine the link between choice of market entry mode and market share performance and profitability.

According to Koch (2000b, 65) the literature distinguishes between three broad groups of foreign market entry modes. They are export, contractual and investment-based. A well-chosen mode can provide a competitive advantage and a poor choice can result in financial disaster. Osland, Taylor and Zou (2001:153) state that the choice of mode of entry will be subject to the resource commitments to be made, the amount of control the firm wants to exercise and the level of technology risk involved.

Furthermore, models from the Uppsala School suggest that market entry is a sequential pattern where commitment is increased with a higher level of entry (Johanson and Wiedersheim-Paul, 1974: 307; and Whitelock, 2002: 342). In general, a firm would start off with indirect exporting, followed by direct exporting, licensing, joint ventures and finally direct foreign investment. Many firms take decisions on a contingency basis, that is, that the best alternative at a particular time, given the circumstances, will be chosen.

However, Johanson and Wiedersheim-Paul (1975: 307) have identified four stages of internationalisation, namely, no regular export activities, export through an independent representative, sales subsidiary and manufacturing. They furthermore assume that that the internationalisation process is incremental and the major obstacles to internationalisation are lack of knowledge and resources. Moreover, Fillis (2001: 776)

noted that a number of researchers have begun to examine the phenomenon of the "instant" or "born global" mode of entry.

However, it is not as simple as this. Beach and Mithell (1978) cited in Kumar and Subramamian (1997:60) stated that the decision strategy is also dependent on the characteristics of the decision maker and the quality of information available. Lack of information amplifies risk in the decision-equation. Kumar and Subramamian (1997: 54) also highlight expected return on investment as an important consideration for choice of mode of foreign entry.

Pan, Li and Tse (1999: 81) have also researched the order of entry to determine whether early movers into international markets had enduring advantages over late movers. Their findings were that early entrants had a significantly higher market share and profitability, and that equity joint ventures had a higher profitability than either wholly owned operations or contractual joint ventures.

Brouthers (2002: 203) conducted a study to determine the influence of institutional (legal restrictions) and cultural (investment risk) context variables on entry mode choice and performance. Brouthers (2000: 204) found that these non-financial factors are as important as financial factors in determining the choice of mode of entry.

Root (1994: 181) stated that the entry mode selection is determined by different decision rules. These different decision rules are distinguished in terms of their sophistication and

are dependent on managerial choice. The decision rules are classified as naive, pragmatic and strategic. Firms following the naïve rule consider only one way to enter foreign market, and ignore the heterogeneity of different country markets. It is obvious that such a consideration can be disastrous. The pragmatic rule applies where a firm enters a market with a workable entry mode.

Root (1994: 182) pointed out that most firms start their international experience by using the pragmatic rule. Firms tend to start with low-risk entry modes and only if it does not work in a particular market will they look for another workable model. The strategic rule demands that the managers of a firm need to make a systematic analysis and comparison of the alternative entry modes. The strategic rule is more difficult for managers to follow. Koch (2001a: 353), who is aligned to the "strategic rule school", provides a more comprehensive list of internal, external and "mixed" factors that may influence mode of entry choice. The internal factors are company size and resources, management locus of control, the experience of the firm in using a particular market entry mode, management risk attitudes, market share targets and profit targets.

The external/internal (or mixed) factors are competencies, capabilities and skills required to pursue a particular mode of entry, and sufficiency and reliability of information about the foreign country. The external factors include the characteristics of the overseas country business environment, market barriers, industry feasibility and viability market entry mode, popularity of the mode of entry in a particular overseas market, market growth rate, image support requirements, and global efficiency requirements.

Kumar and Subramanian (1997: 53-72) have conducted an extensive assessment of the choice of mode of entry literature (see Table 2.7). The significance of Table 2.7 lies in the wide range of variables that was studied to determine their possible influences on the mode of entry. For example, the study of Eramilli and Rao (1993) studied factors such as asset specificity, capital intensity, inseparability, cultural distance, country risk and size of firms and their possible effects on the choice of mode of entry (see Table 2.7).

The authors also highlighted the reasons why particular modes of entry were chosen. The research on entry mode since 1996 has started to focus on high technology companies and their strategies to enter markets because of the growth in the high technology industry (Burgel and Murray, 2000: 33-62; Bradley and Gannon, 2000: 12-36; and Crick and Jones, 1998: 63-85).

There are five basic types of entry modes, namely, exporting, contractual agreement, joint venture, acquisition and greenfield investments, and there are more variants of each (Buckley and Casson, 1998: 548). Greenfield investments are start-up investments in new facilities in foreign markets. The sequence of these institutional arrangements also indicates the level of resource commitments. A firm would be expected to invest more in a joint venture arrangement compared with an exporting arrangement.

TABLE 2.7: An Assessment of the Choice of Mode of Entry Literature

Study by	Entry Modes Studied	Theory Used	Source of Data	Factors Hypothesised to Affect Choice of Mode of Entry
Wilson (1980)	Acquisitions, Newly formed subsidiary	Motivation for Investment	Secondary data	Experience, Ratio of LDC subsidiaries to total subsidiaries, Ratio of subsidiaries before 1960 to total subsidiaries, Nationality of the parent.
Fagre & Wells (1982)	Level of ownership in the subsidiary	Bargaining Power	Secondary data	R & D Expenditure, Level of advertising, Asset size, Intrasystem transfers, Exports, Product diversity
Lecraw (1984)	Level of equity ownership	Ownership location and internationalis ation (OLI), Bargaining Power	153 subsidiaries of transnational corporations based in US	Technological leadership, Advertising intensity, Subsidiary assets, Capital / Output, Exports/Sales, TNC assets, TNC-subsidiary linkages, Host country attractiveness, Potential TNC investors, Nationality of the TNC, Time
Contractor (1984)	Direct Investment, Licensing	Ownership Advantage Theory	Secondary data	Research personnel per 100,000 people, R & D expenditure in the host country, Per capita GDP, Extent of government intervention, Incentives for investments, Percentage of manufacturing in GDP, patents in force, Direct investment position, R & D expenditure per firm in the industry, R & D engineers and scientists per firm, Number of managerial employees, Assets, R & D scientists and engineers in the industry, R & D expenditure of US parents.
Kogut & Singh (1988)	Acquisitions, Joint Ventures, Greenfield Investments	Transaction Costs Theory and Psychic Distance	Secondary data	Diversification, Country experience, Multinational experience, Asset size, R & d spending, Advertising spending, Cultural distance and Uncertainty Avoidance.
Gomes-Casseres (1990)	Joint Venture, Wholly Owned Subsidiary	Bargaining Power	Secondary data	MNEs in the industry, GDP growth of the host, Nature of host government, R & D expenses, Number of foreign manufacturing subsidiaries, Amount of sales within the intrasystem, Type of product.

TABLE 2.7 Continued

Study by	Entry Modes Studied	Theory Used	Source of Data	Factors Hypothesised to Affect Choice of Mode of Entry
Kim & Hwang (1992)	Licensing, Joint Ventures, Wholly owned subsidiary	Perlmutter's Orientation of Firms and OLI	629 US based multinationals	Global concentration, Global synergies, Global strategic motivations, Country risk, Location Unfamiliarity, Demand uncertainty, Competition intensity, Value of firm-specific know-how, Tacit nature of know-how
Agarwal & Ramaswami (1992)	No involvement Exporting, Joint Venture, Sole Venture, Licensing	OLI	536 leasing companies with international operations	Firm size, MNE experience, Ability to develop different products, Market potential, Investment risk, Contractual risk
Kwon & Konopa (1993)	Foreign production vs Exporting	Internalisation	134 firms selling the same product in two separate foreign markets	Level of tariff barriers, Level of expropriation, Level of foreign ownership restrictions, Local currency convertibility, Level of local content requirements, Level of unionisation, Language similarity, Size of target market, Economic growth / performance
Eramilli & Rao (1993)	Wholly owned operations, Joint Ventures, Contractual transfers	Transaction Costs theory	175 service firms	Asset specificity, Capital intensity, Inseparability, cultural distance, Country risk, Size of the firm
Hagedoorn & Narula (1996)	Equity Sharing vs Contractual no equity alliances	Literature on Joint Ventures	Secondary data	Degree of technological intensity of the industry, Level of technological advancement in the country

Source: Adapted from: Kumar and Subramanian, 1997: 57-59.

The decision to choose any one of these institutional arrangements will be dependent on their relative advantages and disadvantages in a particular foreign market setting. Table 2.8 presents the characteristics of the five basic arrangements. Exporting and contractual agreements have the lowest risk but also the lowest return.

TABLE 2.8: Characteristics of Various Modes of Entries

Modes of Entry					
Characteristics	**Exporting**	**Contractual Agreement**	**Joint Venture**	**Acquisition**	**Greenfield Investments**
Risk	Low	Low	Moderate	High	High
Return	Low	Low	Moderate	High	High
Control	Moderate	Low	Moderate	High	High
Integration	Negligible	Negligible	Low	Moderate	High

Source: Kumar and Subramanian, 1997: 67.

The decision of a firm, with regard to the choice of mode of entry will, therefore, be dependent on the level of risk the firm is prepared to take, the required return it wants, the extend of control it wants to exercise, and the level of integration it wants with existing operations.

Risk refers to all types of risks, such as economic, political, social and technological risks. An interesting observation of Osland, Taylor and Zou (2001: 155) is that technological risk is the highest for licensing compared to all other types of mode on entry arrangements. Technological risk can be described is the potential that the firm's knowledge can be transferred to another.

Return can be measured in various ways, such as return on sales, return on investment and any other profitability measures. Control is the desire, willingness and/or ability to influence decisions, systems and methods in the foreign markets. Integration is when decisions are taken on an integrated basis where, for example, allocation of resources will be done in a framework of all the subsidiary firms so that the ultimate benefit can be maximised.

The mode of entry decision is a function of a multitude of factors. However, given changing circumstances in certain industries, firms in similar industries tend to follow a particular trend in how they respond to changes. For example, the global motor vehicle industry has mainly followed a strategy of joint ventures and alliances to protect and develop their domestic and foreign markets (Vyas, Shelburn and Rogers, 1995: 47-48). Firms in the pharmaceutical and semiconductor industries are other examples that have used similar strategies. However, firms may use different modes of entry in different markets simultaneously, given the relative advantage of each type of mode of entry.

Buckley and Casson (1998: 548) provide an overview of 12 different strategies (see Table 2.9). They specifically distinguish between production and distribution, and whether any of these functions were greenfields or acquired. Each of the variants is explained. For example, foreign direct investment in production is where the entrant owns the foreign production facilities, but uses independent distribution facilities. Although financial risk is less in the case of exporting, joint ventures and alliances, a firm still need to manage the risks associated with third party relationships (see Table 2.8).

TABLE 2.9: Twelve Entry Strategies and their Variants

Ref.	Type	Description	Variants
1.	Normal FDI*	Entrant owns foreign production and distribution facilities	1.1 Both facilities are greenfield 1.2 Both facilities are acquired 1.3 Production is greenfield and distribution is acquired 1.4 Distribution is greenfield and production is acquired
2.	FDI in production	Entrant owns foreign production, but uses independent distribution facilities	2.1 Production is greenfield 2.2 Production is acquired
3.	Subcontracting	Entrant owns foreign distribution, but uses independent production facilities.	3.1 Distribution is greenfield. 3.2 Distribution is acquired
4.	FDI is distribution	Entrant exports to won distribution facility.	4.1 Distribution is greenfield 4.2 Distribution is acquired
5.	Exporting / franchising	Entrant exports to independent distribution facility	
6.	Licensing	Entrant transfers technology to independent integrated firm.	
7.	Integrated JV*	Entrant jointly owns an integrated set of production and distribution facilities.	
8.	JV in production	Entrant jointly owns foreign production, but uses an independent distribution facility.	
9.	JV in distribution	Entrant jointly owns foreign distribution, but subcontracts production to an independent facility.	
10.	JV exporting	Entrant exports to a jointly owned distribution facility.	
11.	FDI / JV combination	Entrant owns foreign production and jointly owns foreign distribution.	11.1 Production is greenfield 11.2 Production is acquired.
12.	JV / FDI combination	Entrant owns foreign distribution and jointly owns foreign production.	12.1 Distribution is greenfield 12.2 Distribution is acquired.

*FDI – Foreign direct investment / JV – Joint venture

Source: Buckley and Casson, 1998: 548

For example, in the case of alliances, 61 percent of global alliances have been outright failures (Parkhe, 2001: 47). The literature provides guidelines of how to select partners, how to structure the relationships and under what conditions each of the different types of relationships would be appropriate, so that firms can reduce the risks of making mistakes.

Table 2.10 provides a framework that aids managers to choose the appropriate mode of entry. In the eventual calculation of investments, sales, costs and profit contributions over a number of years, all future cash flows need to be discounted to its net present values. If cash flow itself is an important criterion, then this will need to be included in the matrix in Table 2.10.

However, the research findings with regard to the success and failure of modes of entry are quite diverse. For example, a study conducted by Brouthers (2002: 213) found the following: Firstly, firms that perceived higher levels of transaction costs tended to use wholly owned modes of entry; secondly, firms entering markets characterised by high legal restrictions tended to use joint ventures as modes of entry; and thirdly, firms that perceived high levels of investment risks tended to use joint venture modes of entry.

Some of the findings of a study conducted by Buckley and Casson (1998: 555) were: Firstly, increase in tariffs, transport cost, or a loss of economies of scale in domestic production, encourages production abroad; secondly, a high transaction cost for intermediate output encourages vertical integration of production and distribution; thirdly, a high cost for arm's length technology transfer favours foreign direct investment; and fourthly, subcontracting is not a very attractive mode of foreign market entry.

TABLE 2.10: Comparison Matrix for Entry Modes

ia / Modes	Investment	Sales	Costs	Profit Contribution	Market Share	Reversibility	Control	Risk	Other
:t Export									
Distributor									
ı/Subsidiary									
ing									
ıising									
Contractual nents									
nent: New shment									
nent ıition									
/enture									

Source: Root, 1994: 185

2.8 CONCLUSION

Firms internationalise or maintain a domestic orientation for a number of reasons. For example, firms may not want to internationalise because of the inherent risks that they perceive or their lack of resources. Although barriers may exist, the ambition to grow the firm can make the problem surmountable. Market selection and mode of entry are strategic decisions to sustain the growth of a company in the longterm in international markets. There is a range of choices firms can make to enter international markets, from indirect exporting to direct investment. The choice of mode of entry will be dependent on factors such as capital commitments, perceived risks, control and return on investment.

This chapter discussed the international marketing decision-making process. This involved a discussion on deciding whether to go international or not, the barriers to internationalise, the criteria to consider in the selection of foreign markets, and the possible modes of entry. External variables and internal variables impacting on market selection and market entry strategy decisions were also discussed. These are important decisions as they will influence the consequent marketing mix strategies to be adopted in the foreign market. The nature, amount of resources and size of the business will also determine the appropriateness of certain types of international marketing strategies, depending upon whether the firm is an SMME, a large firm or a multi-national company.

Chapter 3 focuses on issues relating to the choice of generic strategies followed by a discussion on the international marketing mix strategies. This is a logical step in the overall marketing decision process. An overview of international performance models of firms is also provided. The essence of this discussion is to determine the relationship between firm performance in international markets and international marketing strategies, as well as to develop an understanding as to which factors or strategies play a more significant role in the success of firms in international markets.

CHAPTER 3

INTERNATIONAL MARKETING – A REVIEW OF THE LITERATURE ON INTERNATIONAL MARKETING MIX STRATEGIES AND THE PERFORMANCE OF FIRMS IN INTERNATIONAL MARKETS

3.1 INTRODUCTION

Firms entering international markets need to have clear marketing objectives, and appropriate marketing strategies to achieve these marketing objectives. Chapter 2 discussed market selection and explored the possible strategies needed to enter international markets successfully. This chapter will discuss possible international marketing mix strategies that can be pursued, and show how the firm can gain competitive advantages by capitalising on its core competencies or distinctive capabilities. Lim, Sharkey and Kim (1993: 104) cited Ghoshal, who as early as 1987 emphasised that effective international business strategies must be based on competitive advantage(s).

Once a firm has decided which countries to target and how to enter these countries, a number of other important decisions need to be taken. As part of the overall marketing decision-making process, these decisions include: market segmentation issues, the choice of market segments to target, the positioning of the product or firm in the selected target market(s), and the marketing mix strategies to be pursued.

The next section will discuss competitive strategies, as it forms the basis on which the subsequent functional strategies (in this case international marketing mix strategies) will need to be built upon and integrated with the overall business strategies. Varadarajan and Jayachandran (1999: 124) illustrate the significance of competitive strategies by saying that business or competitive strategy entails the coordination and integration of functional area strategies, where marketing as one of these functional areas, focuses on strategic marketing decisions (for example, positioning, product differentiation or branding) with the objective being to generate and sustain the competitive advantage(s) of the firm.

Moreover, Veliyath and Fitzgerald (2000: 56) state that longterm sustainability of competitive advantages depends on matching the firm's resources and capabilities with the provision of customer values and satisfying customer needs within a given set of environmental variables. The emphasis in particular is premised on longterm sustainable competitive advantages. Before discussing international marketing mix strategies, it is important to reflect on business competitive strategies to illustrate the link between the two levels of strategy, that is, the competitive strategies and the marketing mix strategies.

3.2 COMPETITIVE STRATEGIES

Depending on the industry, be it attractive or not, some firms will always outperform their competitors because they have certain competitive advantages. These competitive advantages may include a cost advantage, superior quality, better locations, safety

features, favourable image, better design of products or access to distribution channels (Lamb, Hair, McDaniel, Boshoff and Terblanche, 2004: 19; and Calantone and Knight, 2000: 493). Invariably, the existence of particular competitive advantages will influence the choice of competitive strategies to be pursued by the firm.

Piercy, Kaleka and Katsikeas (1998: 387) stress that competitive advantages are not only based on resources, such as product quality, high tech equipment to produce low cost products, but are also gained through competitive skills, such as informational skills (knowledge of markets), customer relationships skills, product development skills and supply chain skills (the ability to manage relationships with customers, distributors and suppliers).

Michael Porter's (1990) classic work on competitive advantage identified three generic strategies, namely, cost leadership, differentiation and focus. These strategies differ in scope with regard the target market and the market needs they serve (see Table 3.1). If a firm pursues a broad competitive scope, it will target the mass market whereas, in the case of a narrow competitive scope approach, the firm will focus on one or more niche markets.

Furthermore, the strategy may be based on the competitive advantage of either lower cost or differentiation (Walker, Boyd, Mullins and Larreche, 2003: 173; and Suutari, 2000: 16). However, the competitive advantage must be sustainable so that it cannot be

imitated, otherwise the firm will lose its competitive edge, and profitability will invariably suffer. Each of Porter's generic strategies will now be briefly explained:

Cost leadership – In this case, firms strive to achieve the lowest cost in the industry. This can be achieved, for example, through economies of scale, preferential access to raw materials and superior proprietary technology. Suutari (2000: 16) notes that cost leadership is effective only if the company can command prices close to the industry average, and does not have to give away its cost advantage by discounting prices.

TABLE 3.1: Generic Competitive Strategies

		Competitive Advantage	
		Lower Cost	**Differentiation**
Competitive Scope	**Broad Scope**	Cost Leadership Strategy	Differentiation Strategy
	Narrow Scope	Focus Strategy (Cost-Based)	Focus Strategy (differentiation-Based)

Source: Walker, Boyd, Mullins and Larreche, 2003: 173.

Differentiation – A firm may physically or psychologically differentiate itself, or its products from its competitors. Some consumers may conclude, based on their perceptions (psychological), that competing products are different, but in reality the

physical difference may be marginal. Differentiation, for example, is where the firm may strive to make a product or service unique, so that the firm can charge a higher price, or is able to develop loyal customers where the product or service will enjoy the customers' preference of first choice. In this case it will be difficult for competitors to lure the firm's customers away. Differentiation may impose higher costs on the firm, and, therefore, may only be viable if the firm is able to recover the additional costs.

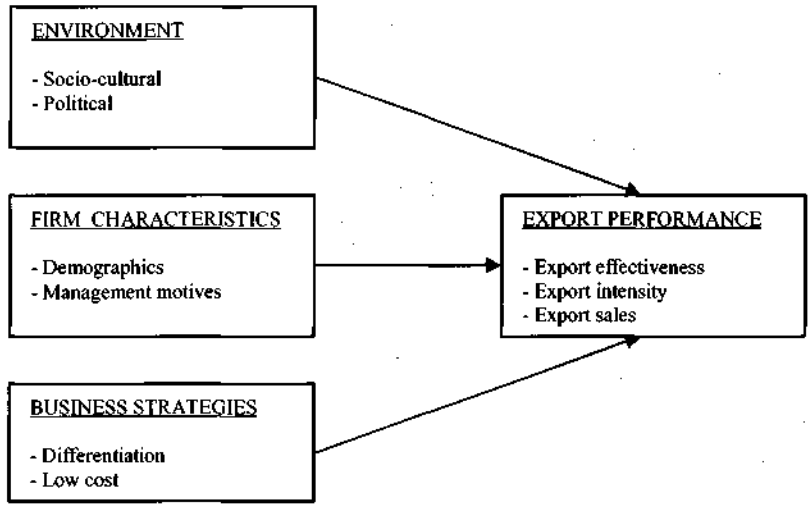
Focus – A firm normally adopts a focus strategy if it wants to exploit a niche market. A niche market may be small but tend to be highly profitable. A firm may also adopt a focus strategy if it does not have the resources to compete with larger firms in bigger or mass markets.

Baldauf, Cravens and Wagner (2000: 66) were some of the researchers who looked at the relationship between business strategies (or competitive strategies) and export performance. Their study particularly looked at differentiation and low cost strategies and the impact thereof on export performance (see Figure 3.1).

Balduaf, Cravens and Wagner (2000: 71) found a significant positive association between a differentiated strategy and export performance of firms from Austria (a small open economy), and a negative association between a low cost strategy and export performance. An interesting finding by Aulakh, Kotabe and Teegen (2000: 342) with regard to competitive strategies, suggest that firms from emerging economies should use

cost-based strategies in developed countries and differentiation strategies in developing economies as such tactics will enhance export performance.

FIGURE 3.1: Predictors of Export Performance



Source: Baldauf, Cravens and Wagner, 2000: 63.

Factors such as intensity of competition, technological advances, country image, consumer loyalty and fickleness of consumers in a particular industry will influence which strategy may be more appropriate for a firm to pursue. Firms, whether competing in a domestic or international market, need to have a clear understanding of the basis of its competitive strategy. Firms need to know what sets it apart from its competitors, or stated otherwise, what value is created by the firm that is important to customers and provides a sustainable competitive edge to the firm (Flint, 2000: 122; and Piercy, Kalela and Katsikeas, 1998: 379).

Given the competitive advantages and the general business strategy the firm now needs to translate this into its particular international marketing strategy with regard to the marketing mix, namely, product, promotion, place and price. This raises the question as to what extent the firm should standardise or adapt its marketing mix strategy. There is no shortage of debate in the literature with regard to whether a firm should standardise or adapt its marketing mix strategy. For example, the articles "The Globalization of Markets" by Levitt (1983) and "The Myth of Globalization" by Wind (1986) are pioneer writings with regard to this debate (O'Donnell and Jeong, 2000: 19).

3.3 STANDARDISATION VERSUS ADAPTATION OF INTERNATIONAL MARKETING MIX STRATEGIES

Many researchers have endeavoured to determine a link between adaptation and competitive advantage and/or standardisation and competitive advantage, and to show how each of these strategies affected the performance of the firm (Albuam and Tse, 2001: 59; Samiee and Roth, 1992, 1; Melewar and Saunders, 1999: 583; and Schuh, 2000: 133). Many of the research studies used different units of analyses, analysed different product and industries, and surveyed varying firm sizes. Consequently, conflicting results between the relationship of adaptation and firm performance and the relationship between standardisation and firm performance were found (Shoham, 1995: 109)

Chung (2005: 1345) notes, that despite the 40 years of development in the literature with regard to the standardisation and adaptation of marketing strategies, many of the theories that were developed still need to be established as conclusive. Ryans, Griffith and White (2003: 588) also refer to the last 40 years of scholarly research that has advanced without a strong underlying theoretical framework. Johnson and Arunthanes (1995: 31) argue that although the "dust has settled" with regard to the standardisation and adaptation debate, many questions remain unanswered, for example, there is no complete understanding of how product adaptation affects performance, or what drives product adaptation of consumer and industrial products.

Zou, Andrus and Norvell (1997: 108) state that advertising was the first to be subjected to the standardisation debate and that the product and advertising variables received most of the attention of researchers. For example, Elinder (1965: 11) argued that advertising need to become international and that the European business leaders need to follow the Americans by building up their advertising on a greater-market basis, alluding to promotion standardisation. Killough (1978: 102) also argued that advertising resources should be transferred from one country to others, and "resources" are meant to be advertising form and content.

However, Melewar and Vemmervik (2004: 863) highlight the following deficiencies in the literature; Firstly, there is a lack of definition of a standardised advertisement. Secondly, schools of adaptation and standardization take extreme positions and thirdly, the compromise school is too vague and the contingency models are complex.

Buzzell (1968; 102) states that there are real potential gains to standardise. Boddewyn, Soehl and Picard (1986: 69 and 75) challenge Levitt's theory of "Globalization of Markets" and state that while competition is a reality in many industries, standardisation is not a must to cope with it. Furthermore, they state that the level of standardisation would be dependent on the type of product. For example, the standardisation of consumer nondurable products would be difficult to achieve, the standardisation of consumer durable products is already fairly advanced and the standardisation of industrial goods would be fairly complete. Walters (1986: 64) states that management is more willing to standardise the international product policy.

Both standardisation and adaptation (also known as customisation or localisation) present certain advantages to a firm. A firm has the choice, for example, to change its product or advertising strategy in another country or just use or extend the same strategy in the foreign country, which is being used in the domestic country, or it may adopt a mixed approach (Shoham, 1995: 96). According to Vrontis and Vronti (2005: 15), although markets differ, global firms aim to benefit from economies of scale and guarantees of quality that stem from worldwide advertising and standardised products. However, the choice of these strategies will depend, for example, on how similar or dissimilar these countries/markets are.

Johansson (1997: 401-403) argued that because of the advantages and disadvantages of pursuing a marketing mix strategy of either standardisation or adaptation, the firm will

select a particular strategy that is most beneficial to the firm (see Table 3.2 as possible advantages and disadvantages of standardisation and adaptation). Furthermore, Shoham and Fiegenham (1999: 442) and O'Donnell and Jeong (2000: 20) note that it is not only the choice of strategy that influences performance, but also the implementation of strategy.

Given the convergence towards a global market, using a strategy like standardisation would be appropriate, as it would allow the firm to take advantage of the consequent benefits of economies of scale (Hu and Griffith, 1997: 117). Moreover, according to Korey (1995: 75), larger volumes of production could further justify capital investment in more advanced equipment in mechanised production methods, thus increasing efficiency. A firm can improve and utilise more sophisticated marketing methods derived from extended world contacts (or global customers referred to in Table 3.2) in foreign markets.

As both standardisation and adaptation have advantages and disadvantages, it is the view of certain scholars that firms should rather adopt an integrative approach to international marketing. Perry (1990: 48), for example, makes reference to Levitt's (1983) vision of what may be called a "new international integrative order". Sheth and Parvatiyar (2001: 16) cite a number of researchers advocating the concept of global marketing, and they themselves state that a transformation from an international marketing approach towards an integrative global marketing approach is taking place.

TABLE 3.2: Advantages and Disadvantages of Standardising International Marketing Mix Strategies

ADVANTAGES	DISADVANTAGES
• Cost reduction – through scale and scope economies	• Off-target – it may not meet customer expectations
• Enhanced customer preference – positive experiences in one country may encourage purchase in another country	• Lack of uniqueness – especially where exclusivity is an overriding purchasing consideration
• Improved quality – a standardised product/service is likely to offer improved quality	• Sensitive to protectionism – where countries are protected by trade barriers, local manufacturing the firm may be forced to adapt product
• Global customers – global customers demand uniform quality wherever they happen to buy the product	• Strong local competitors – firm will be forced to adapt products to make inroads in market because of strong competition
• Global segments – the advantage that it fits with the emergence of global customer segments	

Source: Johansson, 1997: 400-403.

Differences in technical product requirements and government requirements are examples of why a firm may be forced to make adaptations to its marketing mix strategies. According to Van Mesdag (2000: 74), differences in cultural features, such as colour, taboos, history, political make-up, religion and education could be other major stumbling blocks that prevent firms from taking advantage of a standardised international marketing strategy.

Schuh (2000: 135) draws the following important conclusions regarding standardisation: Firstly, the consumer goods industry shows a higher propensity to customise compared to the industrial goods industry. Secondly, rapid changes in technology and greater emphasis on capacity utilisation favour international programme standardisation. Thirdly, multinational firms benefit greatly from standardisation and fourthly, international programme standardisation is most feasible in settings where marketing infrastructure is well developed.

However, Cavusgil, Zou and Naidu (1993: 483) point out that more and more researchers are proposing that neither complete standardisation nor adaptation of marketing programmes is conceivable. A contingency perspective is advocated in that standardization and adaptation are seen as two extremes on a continuum, and that external and internal factors will determine where on this continuum the appropriate international marketing strategy will fall. Firm performance and its relationship with regard to a standardisation or adaptation strategy will be briefly discussed in the next section by reviewing a number of selected studies and their findings.

According to Cavusgil, Zou and Naidu (1993: 480), although a significant number of articles have been published on the topic of international marketing mix strategies, there is little agreement on the conditions under which either standardisation or adaptation would be appropriate. Many experts are of have the opinion that a firm needs to adapt its marketing strategy. However, many multinational firms attempt to develop global strategies, for example, firms such as Shell and Coca Cola try to standardise their international marketing strategies as much as possible to take advantage of the benefits of standardisation (refer Table 3.2).

Keegan (2005: 345-353) states that a firm can typically contemplate four possible strategies if it wishes to expand internationally. The first alternative is called product-communications extension. In this case the firm simply duplicates its existing product mix strategy and promotion elements in the foreign country. This approach is relatively inexpensive but does not always work. The second alternative is called product extension-communications adaptation. Here the promotion mix strategy is changed but the same product mix strategy is used. This may be an example where a standardised product is being repositioned.

The third alternative is product localisation-communications extension. In this case the product mix strategy is adapted but the same promotion mix strategy is used. The fourth alternative is dual adaptation where both the product mix and promotion mix strategies are adapted. This may be in a case where the way the product is used is different and, therefore, another product positioning strategy needs to be employed. Keegan (2005:

351) also suggests a fifth alternative, namely, product invention, where an entirely new product is developed for a foreign market. Each of the elements of the international marketing mix will be briefly discussed.

3.3.1 International Product Strategies

Product and promotion are elements of the marketing mix that are adapted more than the other elements (Cavusgil, Zou and Naidu, 1993: 485). Product adaptations are normally the response of the firm to the legal and technical requirements of a particular country. According to Schuh (2000: 142), adaptations or adjustments occur mainly among the noncore elements of the product mix, for example, labelling content, package design, names of consumer products, and product instructions when translated.

Labelling and label symbols exhibit the highest levels of adaptation (Leonidou, 1996: 63). Changes in label text include information on ingredients, production/expiry dates and manufacturing origin. Consumer products are more subject to adaptations than industrial goods (Leonidou, 1996: 64). Consumer products may need to be adapted for a number of different reasons. For example, household appliances may need different voltage settings.

In the Netherlands, for example, the shelf space in retail outlets is much smaller compared with a country like South Africa and therefore, container sizes of consumer products need to be smaller. In a country like Japan, which has a land/space problem,

household goods need to be built smaller to fit in a typical house in Japan. In many cases firms sell the same product with slight modifications or adaptations in different markets.

Chee and Harris (1998: 375) provide a list of factors in Table 3.3 as to when standardisation or adaptations may be favoured. Factors such as differences in consumer needs, buying behaviour, cultural differences and variations in ability to afford would favour a strategy of marketing adaptation. High costs of adaptation, scale economies in production and marketing, and the convergence of markets with regard to similar tastes would favour the standardisation of products. Medina and Duffy (1998: 233) also argue that due to global trends of rapid changes in technologies, people's mindsets have changed and consequently customers are more willing to accept ideas and practices from other countries.

Related to the product adaptation debate are the issues with regard to the branding of products and brand image. The question can also be raised whether the brand should be changed (adapted) or extended to other foreign markets. In many instances consumers buy the brand and not the product. When a product has strong brand identity then the firm should try to leverage this advantage internationally.

Francis, Lam and Walls (2002: 99) stress that it is important to maintain a strong core brand in a world of greater international competition. There are proponents for the standardisation of brands because of economies of scale, message consistency and the

TABLE 3.3: Factors Influencing the Decision to either Standardise or Adapt Product Strategies

Standardisation	Adaptation
• High costs of adaptation • Primary industrial products • Convergence and similar tastes of diverse country markets • Predominant use in urban environments • Marketing to predominantly similar countries (i.e. the Triad economies) • Centralised management of international operations when mode of entry is mainly exports • Strong country of origin image and effect • Scale economies in production and marketing • Standardised products marketed by competitors	• Differences in technical standards • Variations in consumer needs • Primary consumer and personal-use products • Variations in conditions of use • Variations in the ability to buy – differences in income levels • Fragmentation, with independent national subsidiaries • Strong cultural differences, language, etc. affecting purchase and use • Local environment-induced adaptation: differences in raw material available, government required standards and regulations • Adaptation strategy successfully used competitors

Source: Adapted from: Chee and Harris, 1998: 375.

building of an international brand or image of the firm. Supporters of brand adaptation argue that because of factors such as cultural diversity and socio-economic differences, adaptation should be considered. However, the firm should make an in depth investigation of all the factors before a decision is taken.

According to Johansson (1997: 444), the "country-of-origin" is similar to the "brand effect". A positive country image can have a positive effect if the product is labelled "made in" a particular country. It is therefore important for all firms in all industries of a country to make a positive contribution to the development of the business reputation of that country. Poor business practices, such as poor quality, not meeting delivery deadlines, not providing value for money can impact negatively on a country's image.

Schaefer (1997: 62) is of the opinion that country of origin affects the evaluation of a product. Because of the significance of the country-of-origin effect, Baker and Curry (1993) in Al-Sulaiti and Baker, (1998: 173) suggested that country-of-origin should be considered a fifth element of the international marketing mix. A positive country-of-origin can assist in bringing down promotional cost (Papvassiliou and Stathakopoulos, 1997: 504).

3.3.2 International Promotion Strategies

The controversy around using standardised or localised advertising campaigns has not been settled yet (Kanso and Nelson, 2002: 79; Harris, 1996: 5; Papavassiliou and

Stathakopoulos, 1997: 504; and Agrawal, 1995: 26). Elinder was the first to take up the debate in the 1960s of whether to standardise or adapt the promotion strategy (Elinder, 1965).

According to Agrawal (1995: 26), there are three schools of thought with regard to the advertising debate. There are the proponents of standardisation, and they argue that because of faster communication there is a convergence of art, media activity, living conditions and cultures. Because of this convergence advertising should be standardised (Kanso and Nelson, 2002: 79).

The proponents of adaptation or localisation cite insurmountable barriers such as differences in culture, taste, media infrastructure, economic development and media regulation to support their views. Then there are the proponents who take the moderate view and state that neither complete standardisation nor complete adaptation is necessary, as all possible factors should first be considered that can affect advertising effectiveness.

The following factors that favourably influence the decision to standardise advertising campaigns have been extracted by Harris (1996: 5) from other studies. They are: reduced media production costs; good ideas are rare and should be extended to other countries; standardisation helps to establish a uniform world image and a consistent brand identity; consumer confusion is reduced in areas where media overlap or when consumers travel abroad; standardisation is a necessary component of a global strategy; a common advertising approach helps support basic business decisions; many national subsidiaries

lack the financial and management resources to develop effective local advertising; and standardisation represents a simple solution to an otherwise complex co-ordination process. One of the key benefits of standardisation of advertising is positioning a product globally (Melewar and Vemmervik, 2004: 868).

Agrawal (1995) conducted a review of the 40-year debate in international advertising to determine the perspectives of practitioners and academics on adaptation and standardisation. The author wanted to ascertain whether their views were different and whether these perspectives have changed over time. In Table 3.4 it can be seen that in the 1950s both practitioners and academics supported advertising adaptation. However, in the 1980s academics supported adaptation and practitioners supported standardisation.

TABLE 3.4: Approaches of Practitioners and Academics to International Advertising: 1950s-1980s

Practitioners:			
1950s	1960s	1970s	1980s
Adaptation	Trend towards Standardisation	Adaptation	Standardisation
Academics:			
1950s	1960s	1970s	1980s
Adaptation	Contingency	Adaptation/ Contingency	Adaptation

Source: Adapted from: Agrawal, 1995: 44.

During the 1950s preference was given to localisation or adaptation because advertising agencies and firms were not familiar with international customers and markets. One of the reasons advanced for the reversal of practitioners to standardisation in the 1980s, was the rise in the number of multinational advertising agencies and the expansion of such agencies to underdeveloped countries. Unfortunately, no research has been done whether the views of academics and practitioners have changed after the 1980s.

It is apparent that cost pressures, the need for a global identity, and increasing international competition are, and will still be, major factors that will influence advertising decisions to adapt, standardise or find a compromise. In a world of rapid change firms will need to take a position of what advertising strategy would be best over the longterm.

Sorenson and Wiechmann (1975: 42) conducted a study among multinational firms and had the following findings. The basic advertising message was highly standardised. Less frequently standardised was that of the media allocation of the budget, because media availability in different countries can vary considerably. Furthermore, legislation has a big influence in terms of what products may be advertised in different media.

3.3.3 International Distribution Strategies

Many scholars acknowledge that selecting channels of distribution is a complex and difficult task for a number of reasons (Rialp, Axinn, and Thach, 2002: 133; Vandersluis,

1999: 13; and Griffith and Ryans, 1995: 52). The following are some of the questions to be considered when deciding which distribution strategy to use: Firstly, what extent of control does the firm want to exercise over its channel members? Secondly, how selective should the distribution channel be? Thirdly, what types of channel members are to be selected? And fourthly, how many channels should be established for a given product?

The lack of information regarding distribution alternatives is another problem cited that inhibits the improvement in the efficiency and effectiveness of marketing programmes (Richey and Myers, 2001: 335). Moreover, Griffith and Ryans (1995: 52) argue that it is because of the complexities of international channels that research in this area has been very limited.

Regarding the selection of distribution channels, Mallen (1996: 7) argues that a firm needs to deal with four decision areas, that is, firstly, how to maximise sales, secondly, how to minimise cost, thirdly, how to maximise channel goodwill, and fourthly, how to maximise channel control. Table 3.5 gives an overview of the relationship among these decision areas: For example, if one deals with selectivity (or number of middlemen), then intensive distribution is more compatible with the objective to maximise sales, but less compatible with exclusive distribution to maximise sales. However, these objectives can be in conflict. For example, the strategy of intensive distribution is less compatible with the objective to minimise costs and exclusive distribution more compatible to minimise cost.

TABLE 3.5: Relationships among Objectives and Decision Areas

Objectives	Directness (length of channel)		Selectivity (number of middlemen)		Type of middlemen		Number of channels		Degree of cooperation	
	Direct	In-direct	Inten-sive	Ex-clusive	Full service	Limited function	Single	Multiple	Maxi-mum	Mini-mum
Maximise sales	+	-	+	-	NA	NA	-	+	+	-
Minimise costs	-	+	-	+	+	-	+	-	-	+
Maximise channel goodwill	+	-	-	+	+	-	+	-	+	-
Maximise channel control	+	-	-	+	-	+	+	-	+	-

Notes: + Indicates that the alternative is more compatible with the stated objective; - indicates that the alternative is less compatible with the stated objective; NA indicates not applicable.

Source: Mallen, 1996: 8.

The extent to which firms can maximise channel control is also dependent on available resources. For example, multinational firms, which normally have large resource endowments generally internalise much of their distribution and production functions (Rialp, Axinn and Thach, 2002: 133). In other words, they tend to perform these functions themselves. Smaller firms may not have this option and will possibly need to resort to an alternative channel arrangement where distributors in foreign countries will have more control.

The distribution structure in a particular country may also impact on the choice of distribution channels. For example, in Japan and Taiwan, which have complex distribution structures, a firm should rather make use of multiple wholesalers and retailers, as it is very difficult to penetrate these markets by other means of distribution (Chung, 2001: 87; and Martin, Howard, and Herbig, 1998: 109).

Griffith and Ryans (1995: 55) state that the global process is dynamic and that an ever-changing environment forces the management of a firm to re-assess its international distribution strategy on a continual basis. The authors also proposed a conceptual model, which incorporates all the influential factors that may have a bearing on the channel strategy. These factors are classified as corporate elements, product elements, market elements and customer elements (see Table 3.6 which lists all these factors).

Under product elements, for example, brand power will be a critical factor in determining brand leverage and could be used to protect its market share. Under market elements the channel culture will influence the distribution channel decision. For example, in Japan it is common knowledge that the distribution system, as stated, is complex. Japan's entire distribution is based on networks with a large number of wholesalers selling to other wholesalers (Doole and Lowe, 1999: 467) and it would be prudent to use the existing distribution network through the appointment of a local distributor.

The competitive environment, as one of the important market elements, will influence distribution channel choice. Under customer elements cultural characteristics and buying

TABLE 3.6: Elements Affecting the International Distribution Decision

Corporate Elements	Product Elements	Market Elements	Customer Elements
Strategy Corporate culture Organisational design Approach to equity Firm size International experience Brand leverage	Asset specificity Cultural boundedness Brand power Product standards	Channel culture Competitive conditions Economic development Government influences Political risk Foreign exchange risk Environmental uncertainty Economic alliances	Socio-cultural issues Economic issues Third-country influences Consumption patterns Lifestyle

Source: Griffith and Ryans, 1995: 56.

behaviour of customers can influence how firms will distribute their product in the target market. In the case of corporate elements, the elements such as strategy, corporate culture, organisation design, approach to equity, firm size, international experience and brand leverage, for example, would influence the decision to make the distribution strategy intensive, selective or exclusive.

The strategy of the firm can determine which channel structure can provide the firm with a competitive advantage. Firm size can determine whether the firm does have the financial resources to take responsibility for the distribution of its own products.

3.3.4 International Pricing Strategies

Notwithstanding the fact that pricing is complex in domestic markets, it is even more difficult in international markets due to factors such as multiple currencies, the instability of economies of foreign countries, trade barriers, additional cost considerations and longer distribution channels (Raymond, Tanner and Kim, 2001: 20; Cavusgil, 1996: 67; and Samli and Jacobs, 1993/1994: 29). Moreover, pricing is becoming increasingly difficult due to increased competition (Myers, Cavusgil and Diamantopoulos, 2002: 159).

In addition it would become more difficult to maintain price differentials because of the collapse of trade barriers, more trade agreements and advances in communication technologies, such as the Internet (Stöttinger, 2001: 40; Hermann, 1995: 4; and Sinclair, 1993: 16). For example, the Internet leads to more transparency, as a firm in one country can determine prices charged in other countries by simply using the Internet as part of its negotiating tools.

According to Stöttinger (2001: 40), no other marketing tool is so powerful as international pricing which can have an immediate effect on a firm's sales and

profitability, and yet international pricing has attracted little research compared to the other marketing tools. Furthermore, although previous research has pointed out that managers judge international pricing as one of the most crucial decisions, they admit the lack of using a systematic approach in determining international prices. Pricing decisions are mainly based on intuition and prior experiences.

The obligation of international marketing strategy is to match the firm with the target market, and international pricing is one of the key decisions to facilitate this fit (Marsh, 2000: 201). Basically, three approaches are used in setting international prices. They are the rigid cost-plus method, the flexible cost-plus method and the dynamic incremental approach (Stöttinger, 2001: 53; and Cavusgil, 1996: 74). The rigid cost-plus method adds all the costs to get the product to the foreign market, plus a profit margin. A possible disadvantage of this method is that the firm may price its products out of the market.

The flexible cost-plus method applies the same principle as the rigid cost-plus method but the firm may adjust (adapt) it according to market conditions. The dynamic incremental approach acknowledges the existence of fixed costs. Prices are therefore set by the firm to recover fixed and variable costs.

However, price setting is influenced by a number of variables. Marsh (2000: 201) uses a classification where these variables are categorised as factors at the internal level, micro level and macro level. Examples of factors at the internal level are pricing objectives and marketing objectives. The market competitive structure, market pricing structure,

distribution structure and consumer behaviour are viewed by Marsh (2000: 202) as critical factors at the micro level to influence pricing. Macro level factors will include examples such as economic conditions, government legislation and social factors.

Cavusgil (1996: 68) points out that within the large constellation of factors that influence pricing for international pricing, the following five factors are the most important, namely, the nature of product and industry, location of production facility, the distribution system, location and environment of the foreign market, and foreign currency differentials. Pricing therefore is very dissimilar in different countries even for multinationals (Sorenson and Wiechmann, 1975: 42).

Up to this point in the chapter a theoretical platform has been developed with regard to competitive strategies and international marketing strategies. The next section will provide, in chronological order, models or conceptual frameworks that have been developed in the literature to determine the interrelationships of internal and external variables and how they impact on the performance of the firm in international markets.

3.4 FIRM PERFORMANCE AND ITS RELATIONSHIP WITH EITHER STANDARDISATION OR ADAPTATION OF MARKETING MIX STRATEGIES

The debate is still unresolved as to whether a firm would be more successful should it pursue a strategy of either marketing mix standardisation or adaptation in international markets. A number of empirical research studies have been conducted to determine if there was an impact on firm performance when the firm adapted its international marketing mix to fit the particular demands of the foreign market, or if there was an impact on firm performance when the firm decided to pursue a standardised strategy with regard to its international marketing mix.

Many of the findings of earlier studies with regard to the debate of standardisation versus adaptation were confounding, inconclusive and/or contradictory. The following are examples illustrating some of the problematic findings:

In a study by Samiee and Roth (1992: 12-13) of business units of American international firms, it was found that firms stressing global standardisation of its international marketing mix elements had higher sales growth, but the financial performance of these firms was no different compared to firms that stressed less global standardisation of its international marketing mix elements.

Zou, Andrus and Norvell (1997: 107-123) conducted a study in Columbia (a developing country) to ascertain whether the standardisation of international marketing strategies of firms had any impact on the performances of the firms. It was found that export performances were positively influenced in cases where the firms standardised its core product and pricing. However, the performance of firms was negatively influenced in cases where firms standardised brand names, product features, warranties and customer service levels.

A study of multinational firms by O'Donnell and Jeong (2000: 27) found that there was a significant positive relationship between global standardisation and subsidiary performance of high-tech industrial product firms. This finding contradicts some of the findings of the previous two examples. One of the possible reasons for this could be that multinational firms are able to leverage their international experience. Furthermore, O'Donnell and Jeong (2000: 27) also stated that a manager's previous international experience in subsidiary firms of the multinational firm had a positive, moderating effect on the performance of the firm, unlike in the case of firms that employed managers with no international experience.

Albaum and Tse (2001: 59) suggested that in an era of globalisation, adaptation can still be a powerful strategy. Furthermore, they say that as the firm expands internationally the firm will choose a strategy that gives it optimal risk and return. Variables such as culture and the legal systems of countries are paramount in forcing firms to adapt their marketing mix strategies.

Albuam and Tse (2001: 76) found that a firm's success is positively related to adaptation after market entry, contradicting some of the finding of earlier studies mentioned (see Hypothesis 2 in Table 3.7).

TABLE 3.7: Summary of Hypotheses and Propositions of the Research Study of Albuam and Tse

Hypotheses/Propositions		Result
H_1	A Firm's current adaptation strategy is positively related to its adaptation strategy at entry	Supported
H_2	Perceived instrumentality of a marketing-mix component to the firm's success is positively related to adaptation after market entry	Supported
H_3	There is a positive relationship between the current level of adaptation and competitive advantage along each marketing-mix component	Not supported
H_4	A firm's performance is positively related to its competitive advantage in marketing strategy	Supported
P_1	Adaptation strategy at time of initial entry is related to the decision-making orientation of the firm	Not supported
P_2	The perceived instrumentality to success of a marketing-mix component is positively related to competitive advantage in that component	Supported

Source: Albuam and Tse, 2001: 76.

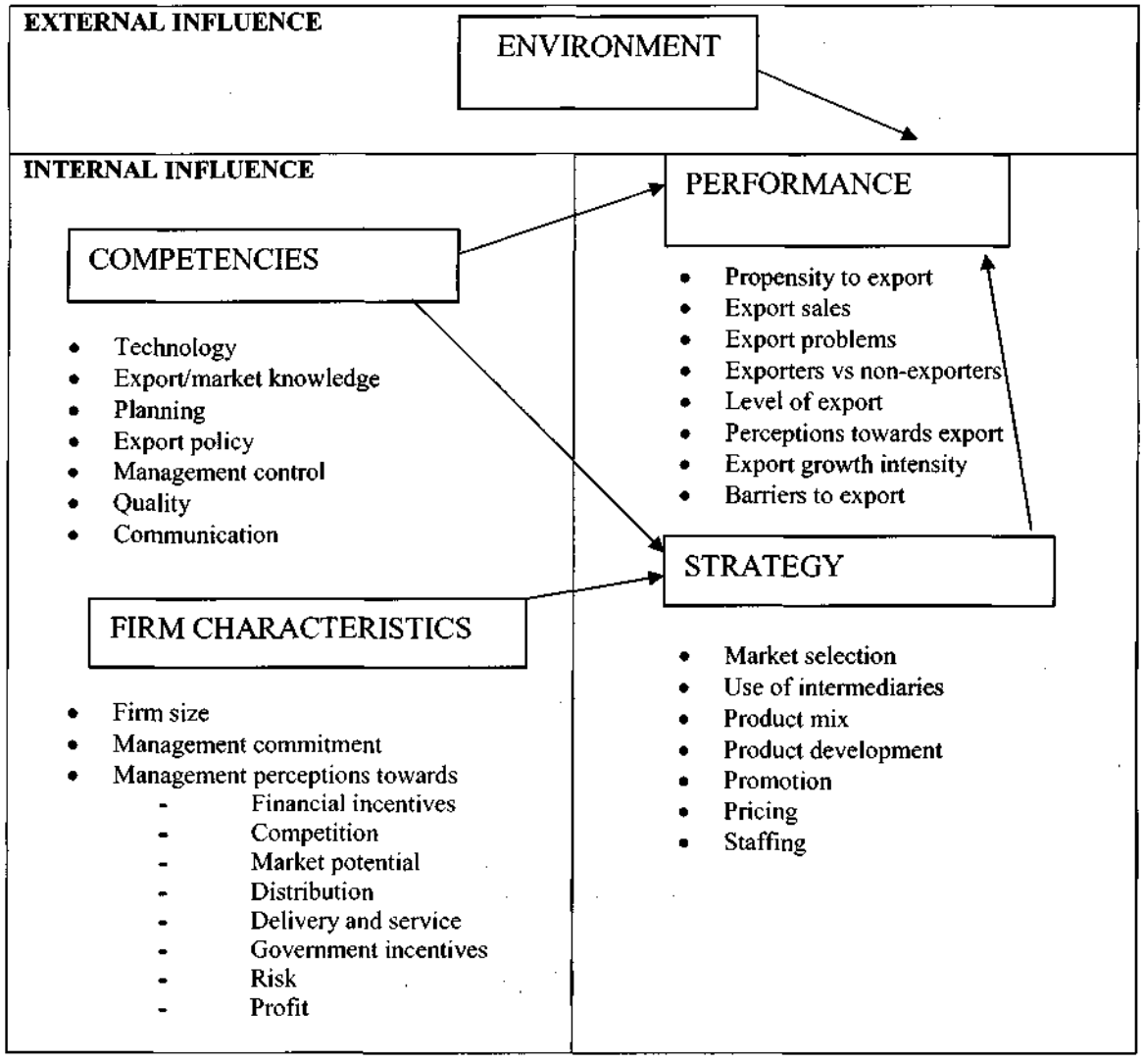
They also found a positive relationship between adaptation and competitive advantage, and between competitive advantage and firm performance (see Table 3.7). Another interesting finding was that firms not only adapted their marketing mix strategy at entry, but continued to adapt it gradually after entry as it became familiar with the foreign market.

Aaby and Slater (1989), whose classic work has been cited by numerous researchers, conducted a review of the empirical literature of export performance from 1978 to 1988, with particular emphasis on management influences on export performance. (Note that export performance here, is viewed as a surrogate for international performance.) Their theoretical (or conceptual) model, based on prior studies by other researchers, is presented in Figure 3.2 to illustrate the various competencies, firm characteristics and strategies that have been identified that could influence the performance of the firm.

Although Aaby and Slater (1989: 21) concluded that there is no clear-cut formula for developing a successful export programme, the following were important findings of the 55 studies that they reviewed: Firstly, company size by itself was not an important factor for international performance, unless it was related to financial strength or some other variables related to economies of scale and secondly, where management was firmly committed to export, export performance tended to be higher. This has been confirmed by many other studies, for example, Lim, Sharkey and Kim (1993: 103) and Walters and Samiee (1990: 46) who conducted research on US firms. Thirdly, firms with better management and planning systems were more successful. This was also a finding by

Shoham and Kropp (1998: 119) in a study on U.S. firms. Fourthly, export experience was essential for firms to effectively compete in international markets, and fifthly, firm competencies were perceived to be probably more important than firm characteristics.

FIGURE 3.2: Internal and External Influences on the International Performance of Firms



Source: Aaby and Slater, 1989: 8.

The study of Aaby and Slater (1989) was used here as a starting point to review the international performance of firms because they were the first to develop an integrative model of export performance.

Moreover, Chetty and Hamilton (1993) built on the work of Aaby and Slater (1989) by reviewing the published literature between 1978 and 1991 and came up with interesting findings regarding the contradictions of many of these studies. They used meta-analysis to present their findings. Table 3.8 provides a summary of the findings of Chetty and Hamilton (1993: 31) with regard to the relationship of firm characteristics and firm export performance.

TABLE 3.8: The Relationship between Firm Characteristics and Export Performance

Firm characteristic	Number of findings which were			
	NS*	+S	-S	Total
Firm Size	6	17	6	29
Management commitment	11	16	0	27
Perceptions on:				
• Financial incentives	1	6	0	7
• Competition	5	6	4	15
• Domestic market potential	6	7	2	15
• Distribution	8	4	0	12
• Delivery service	2	2	0	4
• Pricing	4	3	0	7
• Government incentives	6	3	3	12
• Risk aversion	3	5	3	11
• Profit likelihood	5	9	0	14
• Promotion	2	1	0	3

*NS = not significant; +S = positive significant and S – negative significant

Source: Chetty and Hamilton, 1993: 31.

In interpreting their findings of a total number of 29 studies reviewed, it can be seen, for example, that in the case of the relationship between firm size and performance, of, six studies found no significance, 17 studies found a significant positive relationship and six found a significant negative relationship. With regard to government incentives only three out of twelve studies indicated a positive relationship with export performance, while six studies indicated no significant relationships and three studies showed a negative relationship. It would be interesting to ascertain the differences in these incentive schemes that provided these varied results.

Chetty and Hamilton (1993) did similar analyses to indicate the relationship between firm competencies and export performance (see Table 3.9), and the relationship between export strategy and export performance (see Table 3.10). It is apparent that the studies on firm competencies and export strategies showed more positive significant relationships and significantly fewer contradictions compared to the studies on firm characteristics and its relationship regarding export performance.

Zou and Stan (1998) also conducted an empirical literature review of the determinants of export performance for the period 1987 to 1997 and had similar concerns raised in earlier studies, for example, the lack of clear conclusions, lack of synthesis and assimilation, and fragmented knowledge. Cavusgil and Zou (1994) were two of the first researchers to present an integrative and comprehensive framework to show the interrelationship of export marketing strategy and performance and tested it with path analysis.

TABLE 3.9: The Relationship between Firm Competencies and Export Performance

Firm competence	Number of findings which were			
	NS*	+S	-S	Total
Technology	1	13	0	14
Market knowledge	15	11	0	26
Market planning	2	8	0	10
Export exploration analyses	11	11	2	24
Export policy	1	10	0	11
Management control systems	2	0	0	2
Quality control	2	6	0	8
Communication ability	5	3	0	8

*NS = not significant; +S = positive significant and S – negative significant

Source: Chetty and Hamilton, 1993: 32

Their main hypothesis was that export marketing performance in an export venture is enhanced when the degree of product adaptation increases, the degree of promotion adaptation increases, when support to distributors/subsidiary increases, price competitiveness increases, firm's international competence increases and commitment to the export venture increases. Various other sub-hypotheses were formulated but will not be discussed here.

Zou and Cavusgil (2002) further developed a global marketing strategy (GMS) framework to assess the relationship between global marketing strategies and firm performance. To test the GMS framework (which is a broad conceptualisation of global

TABLE 3.10: The Relationship between Export Strategies and Export Performance

Export strategy	Number of findings which were			
	NS*	+S	-S	Total
Market selection	10	13	1	14
Use of intermediaries	7	5	1	13
Product mix	8	5	0	13
Product development	3	4	2	9
Promotion	2	6	0	8
Pricing	7	11	0	18
Staffing	0	3	0	3

*NS = not significant; +S = positive significant and S – negative significant

Source: Chetty and Hamilton, 1993: 32

marketing strategy) they included the following dimensions: product standardisation, promotion standardisation, standardised channel structure, standardised price, concentration of marketing activities, coordination of marketing activities, global market participation and integration of competitive moves. Structural path analysis was used to test the model. In addition to the discussion provided above with regard to marketing strategy and performance, a summary in Table 3.11 is provided of other selected studies that have been conducted in various countries around the world from 1990 to 2004. Some important findings are also provided.

Some of the contradictions that are evident in Table 3.11 are supported by findings of Katsikeas, Leonidou and Morgan (2000: 493-511) for a number of reasons. For example, they highlighted that different measures were used to operationalise export performance, data were collected differently, the unit of analysis used was not the same, different sampling methods were used, and the scope of the studies was not the same.

TABLE 3.11: A Review of Selected Studies on International and Export Performance of Firms since 1990

Study	Country	Sample Size	Response Rate	Findings
Walters and Samiee (1990)	USA	167	29.5%	• Management commitment, administrative arrangements and strategy variables are important success factors • No significant differences between small and larger exporters re export commitment • Sharp differences re administrative arrangements between small and larger exporters
Bonaccorsi (1992)	Italy	NA as the author used other studies conducted in Italy to substantiate his theories on 8,810 firms	*NA	• Empirical research carried out in Italy indicate that there is no positive relationship between export intensity and firm size • Firm size may have an impact on export intensity at the sector level • Firm size was positively associated with propensity to export
Lim, Sharkey and Kim (1993)	USA	138	22.8%	• Top management commitment and international market aspirations are the key factors that discriminate firms in different international marketing activities • Competitive pricing, marketing and sales expertise, efficient production and superior strategic planning were related to international marketing strategy • Competitive technology and unique product were not related to international expansion strategy

Study	Country	Sample Size	Response Rate	Findings
Calof (1993)	Canada	38	81%	• There was a positive relationship between firm size and internationalisation • Firm size was not a barrier • Size only limit the number of markets served because of resource constraints
Calof (1994)	Canada	14,072	*NA	• Firm size was positively related to a firm's propensity to export • There was a positive relationship between size and the number of markets exported to • A positive and significant relationship was found between size and internationalised attitudes • The larger the firm the more experience the firm tend to have in international markets
Das (1994)	India	58	*NA	• Nature of product, years in business, country of origin of buyer, past experience in exporting, foreign experience, manager's experience in current position of employment and overall nature of industry were the significant discriminating variables between successful and less successful exporters
Styles and Ambler (1994)	Britain	67	52.8%	• The following five export success factors (in order of importance) were regarded as most important: consistent quality, overall company reputation, meeting delivery dates, matching customer specifications and personal visits by the director
Cavusgil and Zou (1994)	USA	202 export ventures from 79 firms	*NA	• The firm's international competence and managerial commitment are the key determinants of export performance

Study	Country	Sample Size	Response Rate	Findings
				• Marketing variables have an impact on export performance • Promotion adaptation has no impact on export marketing performance • Price competitiveness was not significant to export performance. • Brand familiarity of customers was insignificant to promotion adaptation
Calof and Viviers (1995)	South Africa	172	19.1%	• The more advanced the firm in exporting the lower the perception of costs and risks • Programmes need to be developed to overcome barriers of trade
Valos and Baker (1996)	Australia	Reviewed 14 Australian research articles and 19 internatio nal articles	*NA	• Australian exporters perform relatively poorly in terms of customer contact, research and development and the ability to harness technology compared to the other firms studied from other countries • Australian firms compare unfavourably in export commitment, confidence, marketing orientation and export vision
Shoham and Kropp (1998)	USA	81	5%	• Planning was consistently and positively related to performance • High quality, extensive services, and broad lines have a positive relation with performance • The relationship between high prices and export performance was expected to be positive but was insignificant • Promotion should be limited since there was a negative relationship between advertising and performance • Channel support and export performance had a positive relationship

Study	Country	Sample Size	Response Rate	Findings
Thirkell and Dau (1998)	New Zealand	253	50.3%	• Firm size, degree of market competition were found to significantly and positively correlate with marketing orientation • Marketing orientation, export market knowledge, quality and service, cultural affinity and channel support were found to significantly and positively correlate with export performance
Shoham (1999)	Israel	98	21.2%	• Product adaptation results in improved performance • Adaptation of advertising has a stronger relationship with performance • Distribution and price standardisation enhance performance contrary to expectations of the author • Planning had a positive effect • The higher the influence of local government, the higher the level of product standardisation and the lower the level of promotion standardisation
Baldauf, Cravens and Wagner (2000)	Austria	184	53%	• Managers regarded the effects of environmental factors to be relatively unimportant • Higher export performance was associated with greater firm size • Higher performing firms were younger • No significant relationship was found between experience and export effectiveness • Higher performing firms had more proactive managers • The relationship between low cost strategies and export effectiveness was negative • Export intensity and export sales were negatively related to differentiation strategies • Low cost strategies were not significant related to export intensity or export sales.

Study	Country	Sample Size	Response Rate	Findings
Dean, Mengüç and Myers (2000)	New Zealand	95	36.5%	• Within firm characteristics larger firms had higher export sales performance • High performing firms considered commitment to foreign markets as important • Export marketing strategy variables were significant, but the high performing firms had lower mean values for each variable
Julian (2003)	Thailand	151	15.1%	• Firm specific characteristics and export marketing strategy had no effect on export performance • Competition, commitment, export marketing characteristics and product characteristics had a significant effect on export performance
O'Cass and Julian (2003a)	Australia	293	26%	• Firm characteristics and environmental characteristics had a significant impact on overall performance and marketing mix strategy adaptation • The decision to adapt or standardise the marketing mix strategy did not impact significantly on marketing performance, implying that either standardisation or adaptation is appropriate and yield comparable performance
Lee and Griffith (2004)	Korea	58	32.2%	• Adaptation to foreign customer tastes, adjustment of export prices, direct exporting and trade promotion toward overseas distributors positively influenced export performance • Expenditure on overseas advertising was not found to influence export performance

*NA – Not Available

All of the research studies reviewed concentrated on sectors of the manufacturing industry. However, sectors differed in terms of market growth, degree of competition, use of technology and the rate of technological change and advancement, all of which can influence the way firms will develop and implement international marketing strategies. Some of the studies listed in Table 3.11, for example, had different sample sizes and response rates, which also could have influenced the research findings.

The studies listed in Table 3.11 are recent ones (1990 – 2004) because the inclusion of older studies could be of questionable relevance, as the global environment has undergone sweeping changes of late. Trade patterns and the economies of countries have also changed significantly. In addition the research studies covered a range of areas that contributed to successful firm performance. Most of the studies were conducted in developed countries.

Many of research studies in Table 3.11 investigated the relevance of firm size to firm performance. Management commitment, adaptation and standardisation of the marketing mix, international experience, pricing strategies, promotion strategies, distribution strategies, and product strategies were other variables researched. The study of the impact of external variables on firm performance was lacking in most of these studies. Table 3.11 gives a summary of factors that contributed or did not contribute to the international performance of firms. Most of the studies had sample sizes of fewer than 200 respondents, and even less than a 100.

Shoham (2002: 116) also conducted a meta-analysis on 17 research studies published between 1993 to 2001 on "standardisation of international strategy and export performance" and presented the following guidelines: Firms should pursue a high degree of product adaptation as it will improve export performance. Firms should have a high degree of channel adaptation as this will improve performance. The degree of adaptation on advertising and pricing should be evaluated for each product/market combination and, export planning is critical to improve export performance.

3.4 CONCLUSION

This chapter highlighted that firms could pursue different competitive strategies and be equally successful, whether the emphasis was on cost leadership, differentiation or a focused strategy. A particular competitive strategy, for example, cost leadership, will influence the particular international marketing mix strategies to be pursued. One of the key questions to deal with is whether the firm needs to adapt its international marketing mix, standardise it, or find some optimal compromise. The literature review showed that there are multiple considerations to be taken into account that may eventually influence a decision to either standardise or adapt the elements of the international marketing mix. The final decision will hinge on optimal return and risk.

Studies on the international performances of firms have highlighted particular contradictions in the findings as to which factors and strategies may influence success.

Although these contradictions exist, it would be important to identify which factors have a greater or lesser influence on the international performance of firms. Furthermore, it would also provide insight of how the importance of these factors is different with regard to different product categories, different sectors and under different types of market conditions. Researchers are still trying to develop a model that will be reliable to be used in different countries and market settings. However, the research in international performance models is becoming more sophisticated. Replication of research models and longitudinal studies will greatly contribute towards enhancing the knowledge in international marketing and international performance of firms.

The next chapter deals with the research design. It elaborates on guidelines with regard to questionnaire design, the questionnaire construction process, the survey administration process, measurement scales, and reliability and validity issues. The chapter discusses the development of the questionnaire as the survey instrument, the selection of questions used in the questionnaire, and the operationalisation of the constructs, for example, how the measure of international firm performance was operationalised.

Issues with regard to response rates, sample size and sample representativeness are also addressed, especially in respect of the field of research in international marketing. The choice and use of the different statistical techniques are discussed. The survey population and sampling procedure are also covered. Conceptual frameworks of international marketing strategy and performance are compared and a motivation is provided why the conceptual framework of Cavusgil and Zou has been chosen.

CHAPTER 4

THE RESEARCH DESIGN

4.1 INTRODUCTION

Chapters 2 and 3 presented an overview of the literature on international marketing. In Chapter 2 it was stated that international marketing is a complex process, and decisions are interrelated. A discussion was also provided of why firms internationalise, barriers that prevent firms from internationalising, the international marketing decision-making process, and the alternative international market entry strategies firms can pursue.

Chapter 3 dealt with the arguments that favour the standardisation and adaptation of international marketing strategies. Furthermore, international marketing mix strategies were discussed in more detail, and a review is provided with regard to selected research studies on international and export performances of firms since 1990.

The questionnaire is the primary measuring instrument in this research study. Chapter 4 therefore, firstly, introduces a discussion on guidelines in developing the pilot survey questionnaire of this research study. Theoretical issues are also addressed, for example, issues with regard to measurement scales, reliability and validity. Secondly, given the theoretical underpinnings in Chapters 2 and 3, this chapter restates the research objectives in order to contextualise and link the development of the pilot survey questionnaire to the

literature review conducted in the earlier chapters. Thirdly, motivations are provided for the inclusion of questions and constructs in the development of the pilot questionnaire. Fourthly, a discussion of the contemplated statistical analyses is given, and lastly, survey population characteristics and sample selection procedures are discussed.

4.2 GUIDELINES IN QUESTIONNAIRE DESIGN

Numerous articles have been published in journals that provide guidelines in questionnaire design (Baker, 2003: 343-370; Synodinos, 2003: 221-237 and Meadows, 2003: 562-570). However, the purpose here is just to address some of the issues that guided the development of the pilot questionnaire.

According to Baker (2003: 343), it takes time, effort and money to conduct research. In the development of a questionnaire, the researcher needs to address the problem of getting as much of the information sought and to keep the questionnaire simple and clear. Then, the researcher needs to obtain the willingness of the respondents to answer the questions honestly and finally, to encourage them to return the questionnaire.

Unfortunately, there are trade-offs to be made. For example, if the budget is a constraint, the researcher may have to reduce the sample size, or reduce the length of the questionnaire, or resort to convenience sampling, which may impair the reliability of the results. In questionnaire design these trade-offs will have a major bearing upon

questionnaire design with regard to length, complexity, layout, the wording of the questionnaire and the different types of scales to be used (Baker, 2003: 343). The construction of questionnaires requires skill and an understanding of the key issues and objectives of the research study.

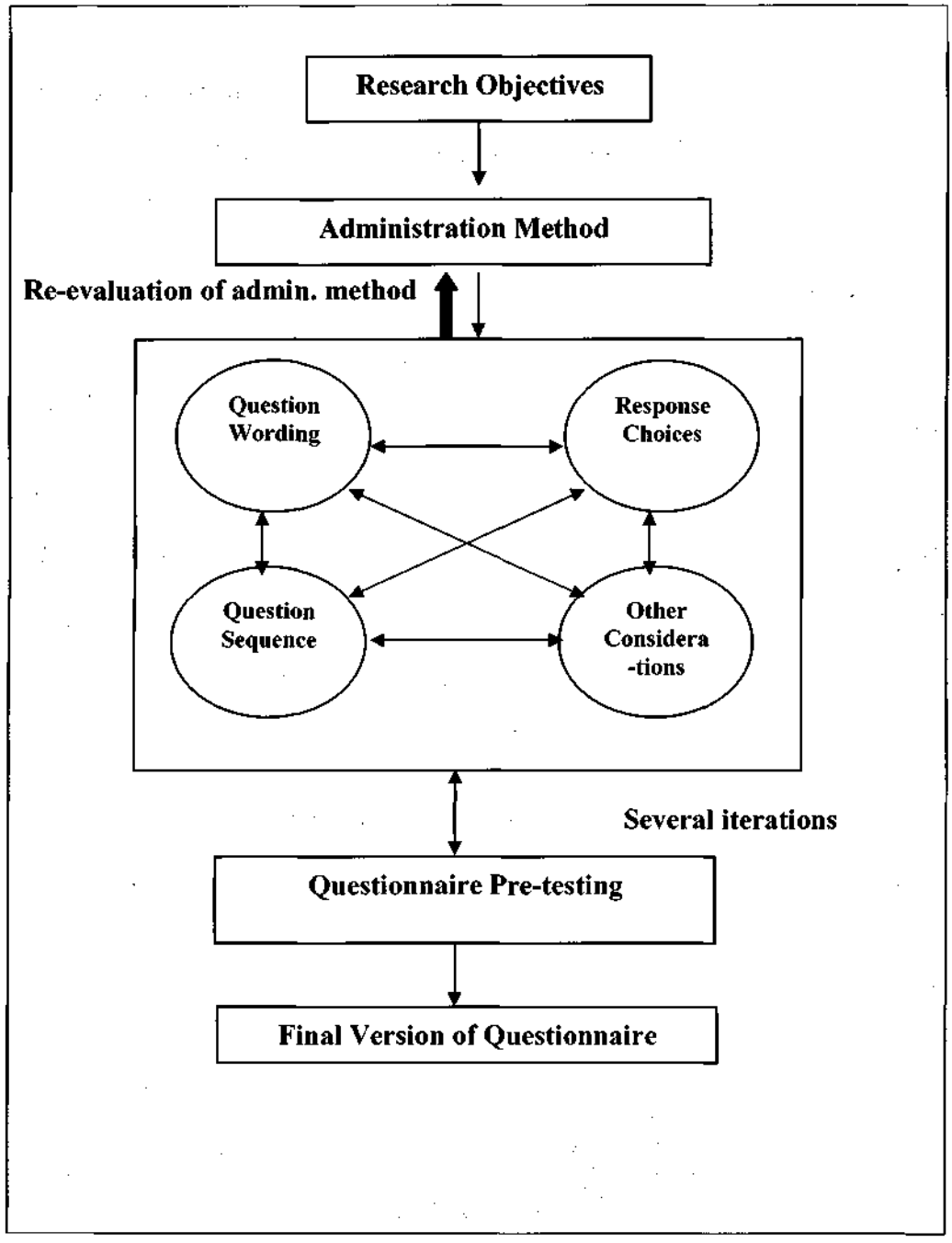
The following section discusses the process of questionnaire construction.

4.2.1 A Questionnaire Construction Process

According to Malhorta (2004: 281), the greatest weakness in questionnaire design is the lack of theory, as there are no scientific principles that would guarantee an optimal questionnaire. Questionnaire design consists of a number of interrelated steps, which starts with the research objectives (Synodinos, 2003: 224). The research objectives will influence the method of data collection – also referred to as the administration method. For example, if complicated questions need to be asked, then a personal interview may be more appropriate.

A typical process of questionnaire construction is given in Figure 4.1. The data collection method will influence the format of the questionnaire. The questionnaire construction will need to deal with aspects of question wording, question sequence, response choices, and other considerations. From Figure 4.1 it can be seen from the arrow indicators that question wording, question sequence, response choices and other

FIGURE 4.1: Questionnaire Construction Process



Source: Adapted from: Synodinos, 2003: 225

considerations are interrelated, and a decision in one dimension will affect the nature of decisions in the other three dimensions.

Other considerations will include, for example, that the questionnaire needs to appear professional and branching instructions should be user-friendly and unambiguous. It may be necessary to review the data collection method once the pilot questionnaire has been designed (see Figure 4.1). The pilot questionnaire must then be pre-tested and changes made where necessary. After pre-testing of the questionnaire, it can be fielded for final data collection.

It should be highlighted that the components of the questionnaire in this chapter is the initial questionnaire before changes were made on the advice of ten exporters in the private sector and 11 academics at two universities. The final questionnaire that was sent out to respondents is given in Appendix 1. Details about the actual testing of the questionnaire, its validity and reliability will be discussed in Chapter 5.

4.2.2 The Survey Administration Method

According to Aaker, Kumar and Day (1998: 223) the choice of a data collection is a critical point in the research process. The basic survey methods are personal interviews, intercept interviews, telephone interviews, mail surveys, fax surveys and online surveys. However, no data collection method is consistently superior (Synodinos, 2003: 224 and Aaker, Kumar and Day, 1998: 223). The choice of the data collection method is mainly

influenced by considerations of questionnaire design, sample quality, response quality, time and cost.

Given these considerations, personal interviews, for example, are the most flexible, as the interviewer can probe for more information. With intercept interviews one has the problem with population coverage. Response rates are very high when personal interviews are used, and the cost per respondent is low with respect to mail surveys.

The mail survey option has been chosen for this research study because of the overall low cost compared to personal and telephone interviews (Sudman and Blair, 1998: 165; and Smit, 1987: 240). Van Wyk and Steenkamp (2000: 29) indicate that the response rate for mail surveys can be as low as 20%. The online survey method, as an alternative, was not considered, as many of the email addresses of potential respondents are not registered on the database of the Bureau of Market Research at the University of South Africa.

4.2.3 Measurement Scales

Marketing researchers use many types of scales to measure attitudes, perception, opinions and the impact of marketing strategies. According to Zikmund (2003: 326), a scale may be defined as any series of items that are arranged progressively according to a value or magnitude. The choice of type of scale is very important, as the nature of the scale will determine if the intended information can be collected, and whether certain types of

descriptive and inferential statistics can be executed, as indicated in Table 4.1. The basic types of scales are nominal, ordinal, interval and ratio.

Zikmund (2003: 326) says that the nominal scale is the simplest type of scale, while Baker (2003: 358) refers to it as the weakest type of scale. In the case of the nominal scale, a number is assigned to identify the subject under consideration, for example, assigning the numeral 1 for male and 2 for female. Only percentages and the mode, as examples of descriptive statistics, can be calculated.

The Chi-square and the binomial test are examples of inferential statistics that can be calculated from the use of nominal scales. Nominal scales are normally used to profile respondents, for example, to classify firms in terms of size, whether they are small, medium or large firms.

Ordinal scales represent numbers, letters, or other symbols used to rank items, or stated otherwise, it arranges objects or alternatives according to their magnitude in an ordered relationship, for example, to assign the numeral 1 for first preference and 2 for second preference (Zikmund, 2003: 327 and Tull and Hawkins, 1993: 306).

For possible statistical analysis and tests with regard to ordinal scales see Table 4.1. Interval scales not only indicate order, but they also measure order (or distance) in units of equal intervals. Moreover, the scale has no absolute zero value. Baker (2003: 358)

TABLE 4.1: Types of Measurement Scales

Scale	Basic Empirical Operations	Typical Use	Typical Statistics* Descriptive	Inferential
Nominal	Determination of equality	Classification: Male-female Purchaser – non-purchaser Social class	Percentages Mode	Chi-square Binomial test
Ordinal	Determination of greater or less	Rankings: Preference data Market position Attitude measures Many psychological measures	Median	Mann-Whitney U Friedman two-way ANOVA Rank-order correlation
Interval	Determination of equality of intervals	Index numbers Attitude measures Level of knowledge of brands	Mean Range Standard deviation	Product-moment correlation T-test Factor analysis ANOVA
Ratio	Determination of equality of ratios	Sales Units produced Number of customers Costs		Coefficient of variation

* All statistics applicable to a given scale are also applicable to any higher scale in the table. For example, all the statistics applicable to an ordinal scale are also applicable to interval and ratio scales.

Source: Tull and Hawkins, 1993: 309.

states that ratio scales are the most powerful and possess all the properties of nominal, ordinal and interval scales (see Table 4.1). Ratio scales have an absolute zero value.

It is important to note that many marketing researcher refer to the four scales listed in Table 4.1. However, many statisticians make reference to only three scales, namely, measurements, ordinal and nominal (Kotze, 2004; Malhorta, 2004: 237; Churchill and Iacobucci, 2002: 369; and Kinnear and Gray, 2001: 3).

For the purpose of the research study, a combination of scales is used to solicit the required information for analysis purposes. For example, questions in Table 4.2 (see page 145) make use of nominal and ratio scales to profile the firms that will be studied, those in Table 4.5 (see page 149) make use of 5-point interval bipolar scales, and questions in Table 4.13 (see page 160) make use of ratio and interval scales. The objective was to make use of more interval and ratio scales to facilitate more powerful tests and analysis (see Table 4.1 as motivation).

It is also important to note that multiple measures or scales are becoming more acceptable as researchers have moved away from using single scales to measure a variable (Balduaf, Cravens and Wagner, 2000: 62). Some researchers refer to it as composite scales (Cavusgil and Zou, 1994: 7). For example, in a study by Julian (2003: 215) four indicators of export performance were summed up in a composite scale to measure export performance. The approach of this research study is similar as a number of scales or questions were included to measure export performance (see Table 4.13). Furthermore, other research studies have used both subjective and objective measures as an approach to measure export performance (Thirkell and Dau, 1998: 814).

4.2.4 Reliability and Validity

Meadows (2003: 563) states that the practical value of a questionnaire is dependent on the reliability and validity of the information collected. Reliability refers to the ability of the questionnaire to reproduce the same data by using the questionnaire again. One method to test for reliability is to administer the questionnaire at two different points of time and to ascertain if there are significant differences. However, this reliability test will not be appropriate for a research study like this, as it is a once off study and not longitudinal. Another method to test for reliability is to the address the issue of internal reliability. This is normally used to measure how well a group of questions correlate with a concept or construct (Meadows, 2003: 563). Cronbach's alpha will be used to measure internal consistency for this research study.

According to Baker (2002: 105), validity is the extent to which a measurement actually measures those features the researcher wishes to measure. Furthermore, Meadows (2003: 563) makes the important point that for a measure to be valid it must be reliable, but something can be reliable without being valid. Validity can be measured in terms of face, content, criterion and construct validity.

Face validity is based on a review by experts in the field of study to assess whether the questions are appropriate. Content validity is an assessment by experts whether the questionnaire includes all the relevant questions – that nothing is excluded for the

purpose of the study. Criterion validity is the ability of the questionnaire to predict some future event or behaviour.

Construct validity is based on the extensive use of the questionnaire, and that the evidence of the studies are consistent. It is therefore evident that face and content validity are the only measures that can be used for a study of this nature. The discussion about the validity of the questionnaire of this research study is found in Chapter 5.

The choice of scales also influences scale reliability. Nunnally (1978: 595), for example, states that reliability increases with the number of scale points, but tends to level off at about seven points. For this reason the pilot questionnaire mainly uses five-point scales.

4.2.5 Response Rates

One of the considerations that a researcher needs to take into account is the choice of the data collection method to ensure a high response rate. Babbie and Mouton (2001: 261) provide some guidelines for acceptable response rates. A response rate of 50 percent is regarded as being adequate for analysis and reporting. A response rate of 60 percent is good and 70 percent very good.

Sudman and Blair (1998: 165) state the following with regard to response rates - mail surveys achieve response rates of 10 percent to 60 percent; telephone surveys achieve response rates of 50 percent to 70 percent; intercept surveys less than 50 percent; and

personal interviews 50 percent to 90 percent. Pre-notification and various incentives can be used to improve the response rates of mail surveys. Due to the low response rates of mail surveys, it was decided to randomly select 50 percent (approximately 1153) of the exporters from the sample frame of all the exporters in manufacturing (2305), and to mail the questionnaire to the exporters selected (also see next section on sample size). A second mail follow-up will be considered should the first wave of response rates be too low. This will be augmented by telephone and e-mail communication where possible.

In the international and export marketing literature views are expressed about acceptable response rates, and obviously these views may differ and even conflict with one another. The following is just one example. Shoham and Kropp (1998: 117) in a particular research study they conducted had a response rate of 5 percent and they stated that although it was low, it was within the range of responses reported in previous studies. Calantone and Knight (2000: 499) in a study they conducted, reported a response rate of less than 22 percent. However, they again were of the opinion that it was less than desirable.

Cavusgil and Zou (1994: 1-21) in their research study did not report anything on response rates, but had a sample size of 79 firms with a total of 202 export venture cases. However, Julian (2003: 215) tested the Cavusgil and Zou conceptual framework in Thailand and found a 15% response rate acceptable. Styles (1998: 22) indicated that past export studies involving mail surveys mostly varied between 24 percent and 35 percent.

4.2.6 Sample size and Sample Representativeness

Another issue that the researcher needs to deal with regarding sample size is to ensure that it is representative of the survey population. Normally, the larger the sample, the more accurate the research (Zikmund, 2003: 464; and Leedy and Ormrod, 2001: 221). If one has to follow a statistical approach to determine sample size, one can choose an appropriate formula from a set of formulae that statisticians have developed.

According to Crouch and Housden (2003: 163-166), other factors that need to be taken into account are variability in the population, required level of confidence, required limits of accuracy, allowance for non-response and subgroup analysis requirements. Sudman and Blair (1998: 376) say that when business market research (research on firms) is done the typical sample sizes used are as follows; if the number of subgroups is few, then the sample size would approximately be 20 to a 100 firms; if the number of subgroups is average, then the sample size would approximately be 50 to 200 firms; and if the subgroups are many, the sample size would be 200 and more firms to be surveyed.

The following section restates the research objectives of the study to provide a basis and link to the development of the pilot questionnaire. The operationalisation of international marketing strategies and constructs is also discussed in the development of the questionnaire. The hypotheses to be developed will need to have a link with the research objectives and are presented in Chapter 5.

4.3 THE PRIMARY AND SECONDARY RESEARCH OBJECTIVES

4.3.1 The Primary Research Objective

The primary research objective of the research study is to determine the relationship between international marketing strategies and business performance of South African manufacturing firms, as well as the role of internal and external determinants with regard to international marketing strategy and performance.

4.3.2 Secondary Research Objectives

The following are the secondary research objectives:

(a) To determine how firm characteristics and export market characteristics influence the choice of marketing strategies and consequently performance.

(b) To determine how international marketing mix strategies impact on organisational performance and to evaluate international marketing strategy along the standardisation and adaptation continuum.

(c) To determine the relationship of market entry strategy of the firm and export marketing performance.

(d) To obtain a broad understanding of driving factors that facilitate internationalisation, and barriers that hinder the execution of international marketing strategies that affect export marketing performance.

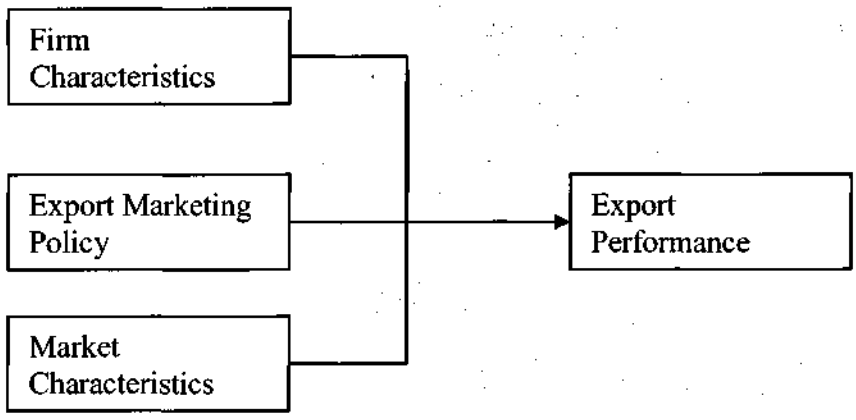
The development of the research objectives has been modelled on the conceptual framework of export marketing strategy and performance. The next section will provide an overview of export marketing strategy and performance models.

4.4 A CONCEPTUAL FRAMEWORK OF INTERNATIONAL MARKETING STRATEGY AND PERFORMANCE

Many conceptual models or frameworks have been developed in the literature on international and export marketing, from simple to very sophisticated frameworks. The example in Figure 4.2 (see page 140) is a simple framework that has been presented by Madsen (1993: 43). The framework suggests that firm characteristics, export marketing policy and market characteristics directly affect export performance.

The framework of Cavusgil and Zou in Figure 4.3 (see page 141) is more integrative than that of Madsen in Figure 4.2. According to the Cavusgil and Zou (1994: 3), export marketing strategy is determined by internal forces such as firm and product characteristics, and external forces such as industry and export market characteristics. However, in their opinion export performance is influenced by both export marketing strategies and firm characteristics. Firm characteristics are interpreted by Cavusgil and Zou (1994: 5) as the ability to implement the chosen strategy.

FIGURE 4.2: Madsen's Conceptual Framework of Export Performance

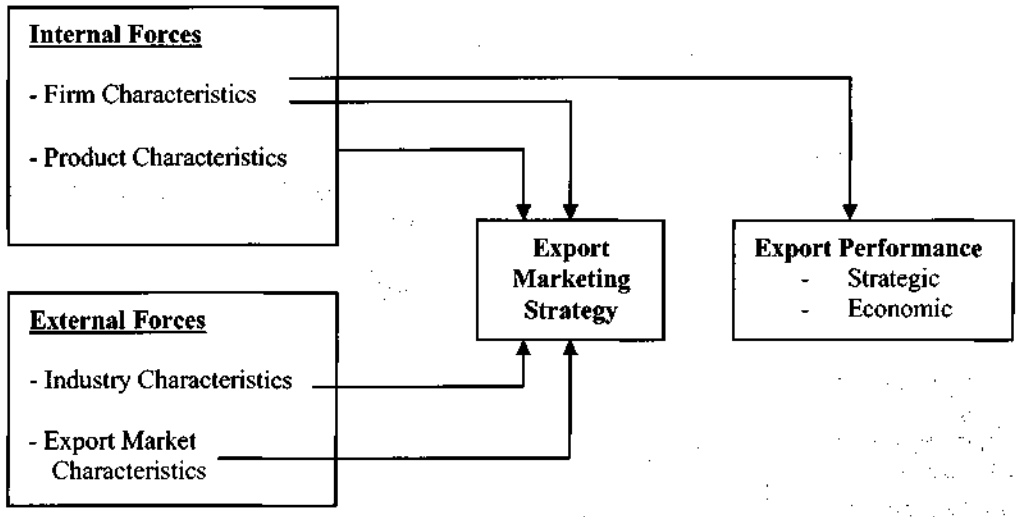


Source: Adapted from Madsen, 1993: 43

In earlier studies, like in the case presented in Figure 4.2, internal and external forces were viewed as having a direct impact on export. Cavusgil and Zou (1994: 4) argue that these links are mediated through export marketing strategies.

However, the framework of O'Cass and Julian (2003a: 368) shown in Figure 4.4 (see page 142) contradicts the views of Cavusgil and Zou (1994: 3-4). According to them, environmental factors also have a direct impact on export performance and not only through a mediating affect of export marketing strategy. It should be noted that Cavusgil and Zou (1994), in their research study, investigated the impact of many more factors on export performance compared to the research study of O'Cass and Julian (2003a).

FIGURE 4.3: Cavusgil and Zou's Conceptual Framework of International Marketing Strategy and Performance



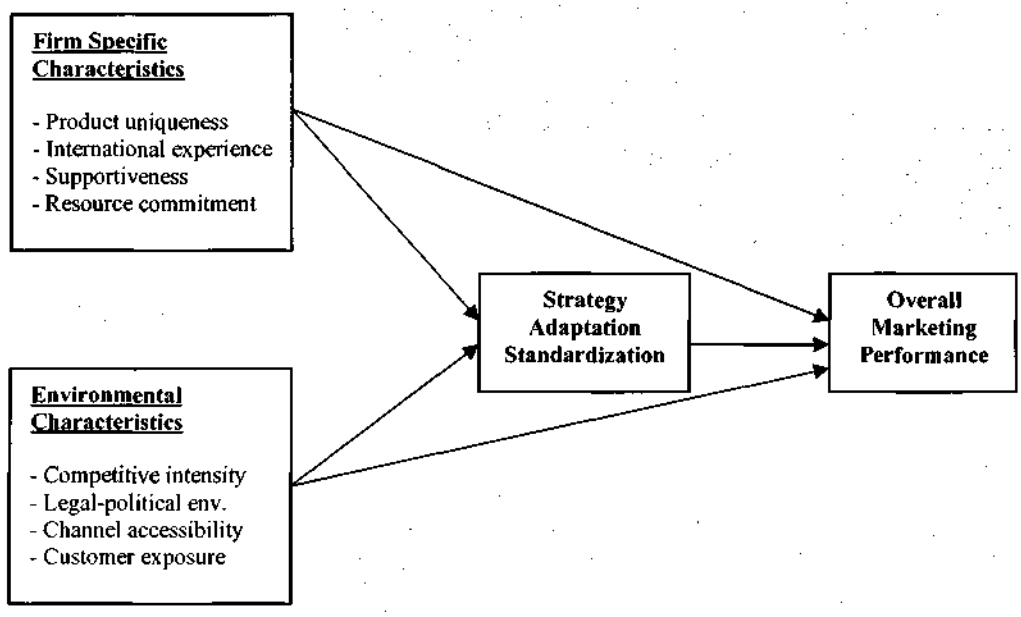
Source: Adapted from Cavusgil and Zou, 1994: 3

The choice of the Cavusgil and Zou (1994: 1-21) framework as a platform for this research study was mainly influenced through the literature review, as many of the researchers referred to this model. Others indicated that it has the most comprehensive export marketing performance scale in both content and form in strategy, management, marketing and export (Lages and Montgomery, 2004; 1197; Lee and Griffith, 2004: 323; Julian, 2003: 213, O'Cass and Julian, 2003a: 367; Styles, 1998:13).

Furthermore, the unit of analysis of Cavusgil and Zou (1994: 1) is the individual product-market export venture of the firm, chosen to avoid the confounding results of previous studies, which looked at all the export marketing strategies of the firm. Obviously firms

would pursue different marketing strategies for different types of products and one cannot aggregate all the export marketing strategies of a firm.

FIGURE 4.4: O'Cass and Julian's Conceptual Framework of Export Performance



Source: Adapted from O'Cass and Julian, 2003a, 379

The proposed conceptual framework emphasizes that export performance is determined by the coalignment of export marketing strategy and internal and external environments of the firm, and that export performance is perceived as the accomplishment of both strategic and economic goals.

4.5 THE DEVELOPMENT OF THE QUESTIONNAIRE THROUGH THE OPERATIONALISATION OF INTERNATIONAL MARKETING VARIABLES RELATED TO INTERNATIONAL PERFORMANCE

Many of the published research studies on the development of the pilot questionnaire provided a synopsis of (or limited information on) the research questions used in the studies (Zou and Cavusgil, 2002; Baldauf, Cravens and Wagner, 2000; Stewart and McAuley, 2000; Katsikeas, Leonidou and Morgan, 2000; Shoham, 1998; Shoham and Kropp, 1998; Styles 1998; Doyle and Wong, 1998; Thirkell and Dau, 1998; Moini, 1995; Bodur, 1994; Cavusgil and Zou, 1994; and Samli and Jacobs, 1993/1994).

Thirkell and Dau and Shoham and Kropp provided their detailed questionnaires to the researcher as a basis for assistance of this research study so that he could determine whether some of the validated questions of their research studies could be included in this research study. It is common practice of many researchers to use the scales of other researchers whose questionnaires have been properly validated in their own studies (Julian, 2003, 214; O'Cass and Julian, 2003a: 374 and Shoham and Kropp, 1998, 118). Scales re-used by later researchers need only to be verified, which can be done through factor analysis.

Section 4.2 on "Guidelines to Questionnaire Design" in this chapter was used as a platform to guide the questionnaire development of this research study. Although the main aim is to identify relationships between international marketing strategies and

international performance of the firm, it is important to include profile questions to classify firms, for example, according to the type of product marketed, the type of industry, the number of years in international marketing, the number of people employed, and the number of markets entered or currently served by the firm.

The questions discussed in the next section were the initial questions before the questionnaire was pre-tested (see Appendix 1 for final questionnaire, after a series of five modifications were completed).

4.5.1 Questions Related to the Profiles of Firms

Table 4.2 gives a summary of all the profile questions. International sales could have been used as a profile question, but is included at a later stage in the questionnaire because firms tend to be very sensitive about this type of question as it may be viewed as eliciting confidential information. Question 1 in Table 4.2 is to be used to categorise the firms by product type to ascertain if the marketing strategies by type in order of product are different and how they impact on the performance of firms. Question 2 has the same objective as Question 1. Question 3 is to be used to determine the experience of the firm in international markets and whether there is a relationship between experience and firm performance.

Table 4.2 Questions Related to the Profiles of Firms

1.	**With reference to your major product (category) of international/export sales, under what type of product category would you classify this product category of your firm?** ***Please tick the appropriate box. Please describe the product if you have ticked the "Other" category.***
	Consumer product ☐ Industrial product ☐
	Other ☐ Describe: ☐
2.	**In which industry does your firm operate? (For example, clothing, canning)** ☐
3.	**For how many consecutive years have your firm been engaged in marketing/exporting this major product (category) in international/export markets?** ☐
4.	**Name the two most important countries for export sales of the firm's major product category.**
	1. **2.**
5.	**What is the TOTAL number of FULL-TIME people employed by your firm in SOUTH AFRICA? (Note for all products sold)** ☐

With Question 4 it will be possible to identify the main export destinations and also indicate which marketing strategies are more popular in certain countries or continents. It would also be possible to ascertain which markets are more accessible and profitable. Question 5 deals with the number of full-time people employed. This variable is to be used to classify the firms in terms of the size of the firm, for example, large, medium, small or micro.

Table 4.3 includes the latest classification criteria provided by the National Small Business Amendment Bill (2003: 5) to classify manufacturing firms according to class size. The reason for choosing full-time employees to determine firm size, is because turnover is affected by the rate of inflation over a period of time and total gross asset values may be affected if firms lease major assets instead of purchasing them. The agriculture category has been included in the table for comparison purposes.

TABLE 4.3: Classification of Manufacturing Firms by Class Size

Sector or Sub-sectors in Accordance with the Standard Industrial Classification	Size or Class	Total Full-time Equivalent of Employees	Total Annual Turnover (R million) less than	Total Gross Asset Value (fixed property excluded) (R million) less than
Manufacturing	Large	> 200	≥ 51	≥ 19
	Medium	200	51	19
	Small	50	13	5
	Very Small	20	5	2
	Micro	5	0,2	0,1
Agriculture	Large	> 100	≥ 5	≥ 5
	Medium	100	5	5
	Small	50	3	3
	Very Small	10	0,5	0,3
	Micro	5	0,2	0,1

Source: Adapted from: *National Small Business Amendment Bill* 2003: 5.

In manufacturing, a large firm would be defined as having more than 200 full-time employees, or have more than R 51 million in turnover, or have more than R 19 million in total gross assets. The Organisation of Economic Co-operation and Development (OECD) categorises firms with less 500 employees as small and medium enterprises (Styles, 1998: 13).

4.5.2 Questions Related to Market Entry Strategies

This section of the questionnaire addresses the secondary research objective 4.3.2 (c). The choice of market entry mode is critical to the success of any international expansion strategy (see Section 2.7 of the literature study in Chapter 2). A myriad of factors can impact on the appropriate choice of a market entry strategy (see Tables 2.7 and 2.9 on pages 73 and 77 respectively). However, all these factors collectively influence the level of resource commitments required, the amount of control to be exercised by the firm, and the level of technology risk (Whitelock, 2002: 342; and Osland, Taylor and Zou, 2001: 254).

The various modes of entry are indirect exporting, direct exporting, setting up a sales branch in the import country, licensing, franchising, joint ventures and foreign investment. Table 4.4 lists the questions that deal with modes of entry strategies. These questions will allow the researcher to establish if there is a relationship between mode of entry and the international performance of firms.

TABLE 4.4: Questions Related to Market Entry Strategies

6.	**What mode of entry was used when your firm entered the export target market for the first time?** ***Please tick appropriate alternative.***			
	Through an Agent	Direct Exporting	Licensing	Own Subsidiary
	Other mode? Describe			
7.	**How are you currently conducting business in the export market/country – in marketing this major product category?**			
	Through an Agent	Direct Exporting	Licensing	Own Subsidiary
	Other mode? Describe			

4.5.3 Questions Related to Adaptation and Standardisation

This section of the questionnaire addresses the secondary research objective 4.3.2(b). If a firm intends to enter a foreign market, it needs to decide whether it will need to adapt its marketing mix strategies or duplicate the home country strategies in the host country.

This decision also has a bearing on the orientation of the firm, whether it has an ethnocentric, polycentric or geocentric orientation as introduced by Perlmutter (Albaum and Tse, 2001: 62; Shoham and Kropp, 1998: 117; and Perlmutter, 1969). Figure 1 in Chapter 1 (see page 16) explains the different phases of international involvement.

TABLE 4.5: Questions Related to Adaptation and Standardisation

8.	Think of your major product category of international/export sales: to what extent are adaptations made to the following?					
(a)	What was the degree of initial product adaptation?	None 1	2	3	4	substantial 5
(b)	What was the degree of product adaptation subsequent to entry?	None 1	2	3	4	substantial 5
(c)	What was the degree of adaptation of the promotional approach?	None 1	2	3	4	substantial 5
(d)	What was the degree of adaptation to pricing?	None 1	2	3	4	substantial 5
(e)	What was the degree of adaptation to positioning?	None 1	2	3	4	substantial 5
(f)	What was the degree of adaptation to packaging?	None 1	2	3	4	substantial 5
9.	Think of your major product category of international/export sales. Do you agree or disagree with the following statements					
(a)	Your firm duplicates the domestic market strategy in the foreign market.	Strongly Disagree 1	2	3	4	Strongly Agree 5
(b)	Your firm adapts its marketing mix strategy to suit the requirements of each of the individual international markets it serves.	Strongly Disagree 1	2	3	4	Strongly Agree 5
(c)	Your firm uses the same global marketing strategies in all international markets.	Strongly Disagree 1	2	3	4	Strongly Agree 5

Chapter 3 provides a detailed discussion about the consequences of adapting or standardising international marketing strategies. For example, the results of previous studies show a positive relationship between export performance and product adaptation, but a negative relationship between export performance and promotion adaptation (Lee and Griffith, 2004: 330; and Cavusgil and Zou, 1994: 14).

Furthermore, the firm may decide to not adapt its marketing strategies on entry to the host market, but only to do so afterwards, once enough experience has been gained in the international or host market. The questions listed in Table 4.5 (see page 149) address the issues of adaptation, standardisation and orientation toward home and host countries.

4.5.4 Questions Related to Trade Barriers in International Markets

Although many opportunities exist in the international market, many firms resist internationalisation because of perceived or real barriers (refer Table 2.1 in Chapter 2, see page 45). The questions related to barriers to trade in Table 4.6 (see page 151), therefore, address the secondary research objective 4.3.2 (d), which reads "To obtain a broad understanding of driving factors that facilitate internationalisation, and barriers that hinder the execution of international marketing strategies that affect marketing performance". The barriers listed in Table 4.6 are all external environmental influences.

4.5.5 Questions Related to International Marketing Mix Strategies

The international marketing mix questions that are presented here address the primary research objective and the secondary research objective 4.3.2 (a) in order to establish if

TABLE 4.6: Questions Related to Barriers in International Markets

10.	Thinking of your major product category of international/export sales, express your opinion as to how each of the following questions applies to your firm.					
(a)	Competitive intensity of international/export market	Low 1	2	3	4	High 5
(b)	Exchange rate risk	Low 1	2	3	4	High 5
(c)	Foreign tariffs	Low 1	2	3	4	High 5
(d)	Import controls	Low 1	2	3	4	High 5
(e)	Foreign legislation requirements	Low 1	2	3	4	High 5
(f)	Cultural similarity of international market to home market	Dissimilar 1	2	3	4	Similar 5
(g)	Channel accessibility of international market	Not difficult 1	2	3	4	Difficult 5

TABLE 4.7: Questions Related to International Product Strategies

11. Thinking of your major product category of international/export sales, to what extent is your firm using the following international/export product strategies?

		We hardly use this strategy				We often use this strategy
(a)	Broad lines	1	2	3	4	5
(b)	High quality products	1	2	3	4	5
(c)	Extensive customer care	1	2	3	4	5
(d)	Unique product features	1	2	3	4	5
(e)	Speciality goods	1	2	3	4	5

TABLE 4.8: Questions Related to International Pricing Strategies

12. Thinking of your major product category of international/export sales, to what extent is your firm using the following international/export pricing strategies?

		We hardly use this strategy				We often use this strategy
(a)	High prices	1	2	3	4	5
(b)	Low prices	1	2	3	4	5
(c)	Long credit terms	1	2	3	4	5
(d)	Market price leaders	1	2	3	4	5

there is a relationship between the different international marketing mix strategies and the performance of firms in international markets. Table 4.7 (see page 152) presents a list of questions related to international product strategies. Tables 4.8, 4.9 and 4.10 address pricing, promotion and distribution strategies respectively. The literature on this section is covered under Section 3.5 in Chapter 3.

TABLE 4.9: Questions Related to International Promotion Strategies

13. Thinking of your major product category of international/export sales, to what extent is your firm using the following international/export promotion strategies?

		We hardly use this strategy			We often use this strategy	
(a)	Heavy promotion	1	2	3	4	5
(b)	Building brand awareness	1	2	3	4	5
(c)	Building reputation	1	2	3	4	5
(d)	Mainly uses sales promotion to intermediaries	1	2	3	4	5
(e)	Mainly uses sales promotion to customers	1	2	3	4	5
(f)	Advertise in newspapers	1	2	3	4	5
(g)	Advertise in magazines	1	2	3	4	5

4.5.6 Questions Related to the Firm's Internal Environment

International marketing strategies would be a function of internal factors, such as firm size, extent of management's commitment to international ventures, and resource commitments. International success would be dependent on these factors. The questions in Table 4.11 address the primary and secondary research objective 4.3.2(a). Valos and Baker (1996: 13) classify many of these internal factors as mainly attitudinal and intangible.

TABLE 4.10: Questions Related to International Distribution Strategies

14. Thinking of your major product category of international/export sales, to what extent is your firm using the following international/export product strategies?

		We hardly use This strategy				We often use this strategy
(a)	Direct selling to end users	1	2	3	4	5
(b)	Exercise levels of control over channels	1	2	3	4	5
(c)	Use short channels	1	2	3	4	5
(d)	Use high quality channels	1	2	3	4	5
(e)	Use well trained salespeople	1	2	3	4	5
(f)	Have high customer contact	1	2	3	4	5

4.5.7 Questions Related to International Performance

According to Shoham (1998: 59), many measures have been developed by researchers over the years to measure success of performance in international markets. However, many of these studies measured export performance. But, Shoham (1998: 60) states that the conceptual definition of export performance has two parts, namely, export and performance. According to him, export is conceptually defined as the international marketing related decisions and activities of firms. Should a firm, for example, have a wholly owned subsidiary in another country then performance will be dependent on a number of other functional activities in the host market.

There are a number of diverse measures to measure performance, as illustrated in Table 4.12. Researchers tend to use different measures to operationalise export performance. For example, Shoham (1998: 116) used a composite or summated scale of four variables to operationalise export performance, namely, international sales, international profits and changes in each. Das (1994: 24) again measured success of exporting in two ways, namely, percentage of exports to sales (export intensity) and growth in export volume during the past five years.

Katsikeas, Leonidas and Morgan (2000: 497) have identified 42 different performance indicators through a literature review. Twenty-three of the indicators were sales, profit and market share related, 14 were non-economic and five generic in nature. Zou and Stan (1998: 341) say that there is still no agreement on how to measure export performance.

TABLE 4.11 Questions Related to Internal Influences on Performance

15. Thinking of your major product category of international/export sales, to what extent do you agree or disagree with the

		Strongly Disagree				Strongly Agree
(a)	Managements is committed in supporting this product	1	2	3	4	5
(b)	Adequate resources are allocated to support this product	1	2	3	4	5
(c)	The firm has extensive international market knowledge	1	2	3	4	5
(d)	Management is aware of government incentives for selling in international markets	1	2	3	4	5
(e)	The firm makes use of export market government incentives	1	2	3	4	5
(g)	The firm has unique management competencies	1	2	3	4	5
(h)	The firm has unique product competitive advantages	1	2	3	4	5
(i)	The firm has international marketing skills	1	2	3	4	5
(j)	The firm has production competencies	1	2	3	4	5
(k)	Management engages in careful planning for all international operations	1	2	3	4	5

TABLE 4.12: Export Performance Measures Used in Previous Research

Sales	Profitability	Change in Sales and Profitability
Export Intensity	Return on Assets	Change in Export Sales
Total Export Sales	Return on Investments	Change in Export Intensity
Export Intensity Relative to Industry	Export Sales Operating Profit Margin	Perception of Dynamic Success
Perception of Static Success	Absolute Export Profits	Entering New Difficult Markets
Export Intensity Variability	Export Gross Margin	Number of New Export Markets
Entering Difficult Markets	Perception of Success	Six Years' Export Survival
Number of Export Markets		Change in Market Share
Six Years' Export Survival		Satisfaction with Change in Market Share
Export Market Share		Change in Net Profit
Perceived sales Relative to Industry		Satisfaction with Change in Net Profits
Variability of Export Sales Ratio		Change in Return on Assets
		Change in Return on Investment

Source: Shoham, 1998: 63

The conceptual definitions of export performance tend to follow three sub-dimensions, namely, that of sales, profits and change in sales and profitability. Shoham (1998: 61) defines export performance conceptually as the composite of a firm's international sales. These conceptual definitions of Shoham (1998: 60 - 61) are applicable to this research study. Moreover, each of the three sub-dimensions of sales, namely, profits, change in sales and profitability can be divided into subjective and objective satisfaction-based measures. An example of a subjective measure will be to ask a manager how satisfied he/she is with the profitability achieved in a particular market (see Question 21 in Table 4.13).

The reason for asking such a question is that a firm, compared to another firm, may show higher levels of growth, but the marketing manager may not be satisfied, as he/she has not attained the targeted profits in the international market. The purpose of such a question is to determine whether the strategic goals of the firm have been achieved.

Careful attention should be given to the framing of the question regarding performance measures, as managers are not keen to divulge information on sales or profits. The questions in Table 4.13 have been developed as such to make them less sensitive. For example, Questions 16, 17, 18 and 19 were asked in such a manner in order to elicit sensitive information but avoiding asking exact information, such as "What were the firm's international sales in 2003?"

The questions in Table 4.13 address sales growth and profitability, approximate sales in both international and domestic markets, and satisfaction measures. These questions address the primary research objective of the research study. Many of the research studies developed composite scales to operationalise export performance. For example, Cavusgil and Zou (1994: 7) summed up the questions. by asking , whether the initial strategic objective was met, what the annual sales growth rates over a five year period was, the profitability over a five year period, and what the managers' perceived success of the export venture was.

The questions on export performance address the primary research question and secondary research questions as that all would have an influence on export performance (also refer to Table 3.11 and Section 3.6 in Chapter 3 and Section 4.4 in this chapter).

The next section provides a brief overview of the statistical analysis that will be performed from the data collected from the survey.

4.6 STATISTICAL ANALYSIS

Once the data have been collected and entered, using the Statistical Package for the Social Sciences (SPSS), factor analysis will be used to assess whether certain questions load on the same construct as expected.

TABLE 4.13: Questions Related to International Performance

16. Sales growth and profitability: Please indicate the sales growth rates of your major international/export product category for its first five years. For each year indicate whether the product made a loss, broke even or made a profit.

	Sales Growth							Profitability		
	Decline	Stable	1-5%	6-10%	11-15%	16-20%	20%+	Loss	Breakeven	profit
Year 1	1	2	3	4	5	6	7	1	2	3
Year 2	1	2	3	4	5	6	7	1	2	3
Year 3	1	2	3	4	5	6	7	1	2	3
Year 4	1	2	3	4	5	6	7	1	2	3
Year 5	1	2	3	4	5	6	7	1	2	3

17. What was the approximate range of your firm's international/export sales in 2003?

(a) Under R 500 000		(e) R10m – R 14 999 999	
(b) R 500 000 – R 999 999		(f) R15m – R 19 999 999	
(c) R1m – R 4 999 999		(g) More than R 20m	
(d) R 5m – R 9 999 999			

18. What was the approximate range of your firm's average domestic sales in 2003?

(a) Under R 500 000		(e) R10m – R 14 999 999	
(b) R 500 000 – R 999 999		(f) R15m – R 19 999 999	
(c) R1m – R 4 999 999		(g) More than R 20m	
(d) R 5m – R 9 999 999			

19. Percentage of sales/profits derived from foreign operations for the major product category of the firm the firm?

_____% of total sales _____% of total profits

20. Satisfaction with sales of this product in international markets?

Very dissatisfied				Very Satisfied
1	2	3	4	5

21. Satisfaction with profit margin of international sales?

Very dissatisfied				Very Satisfied
1	2	3	4	5

For example, one can assess whether all the product strategy questions in Table 4.7 load on the construct "product strategies". Furthermore, it should be determined if there are factors with eigenvalues of less than one. If so, then these factors should be dropped from the database, as they have no significant explanatory value (Mehran and Moini, 1999: 89; and Thirkell and Dau, 1998: 821). It is therefore the intention to reduce the number of insignificant independent variables, if necessary.

Cronbach's coefficient alphas will be calculated to test the reliability of the questions (or scales). According to Churchill and Iacobucci (2002: 416), coefficient alpha should be calculated to assess the quality of the measure, in this case the questionnaire. It is generally accepted that the Cronbach alpha score need to be at least 0.70 to pass the reliability test (Pallant, 2003: 85; and Thirkell and Dau, 1998: 821).

Basic summary statistics such as means, standard deviations and cross tabulations will be provided to give adequate perspective and insight into the results. Chi-square analysis will be conducted on nominal scale data to test for any significant differences, for example, if size of firm had an impact on initial entry strategy. Analysis of variance (ANOVA) will be conducted on a number of variables to determine if significant differences exist among variables, for example, if the mean profits of firms in different industries are significantly different.

Since the primary research objective is to determine the influence of international marketing strategies on the performance of firms, a number of multiple regression

analyses will be performed to determine these relationships. The dependent variables will be either, profitability, sales as performance criteria, or a composite scale. The independent variables will include the various international marketing strategies.

Table 4.14 presents examples of the types of statistical analyses that were conducted in past research studies to determine how the independent variables influence the dependent variable. As can be seen from Table 4.14 most of the studies presented a choice between multiple regression analysis and path analysis. Factor analysis was mainly used to test for multicollinearity and to reduce the number of variables for the purpose of developing the hypotheses.

4.7 THE SURVEY POPULATION AND SAMPLING PROCEDURE

The survey population constitute all South African exporters in the manufacturing industry. It was decided to utilise the database (or register) of all South African exporters of the Bureau of Market Research at the University of South Africa, as it has a comprehensive list of exporters of South Africa. This database, therefore, serves as the sample frame of this survey study. According to Prof van Wyk (2004), a Director of the Bureau of Market Research, the database is regularly updated through telephone and personal interviews with companies, cyber trade and local authorities.

TABLE 4.14 A Summary of Statistical Analyses Conducted to Determine the Relationships between Marketing Strategies and Export Performance

Authors and Title	Country and Sample Size	Statistical Analyses
Lee, C. and Griffith, D. (2004). "The Marketing Strategy-Performance Relationship in an Export-driven Developing Economy"	Korea (58)	- Multi-item analysis - Cronbach alpha - Regression analysis
Lages, L. and Montgomery, D. (2004). "Export Performance as an Antecedent of Export Commitment and Marketing Strategy Adaptation: Evidence from Small and Medium-sized Exporters".	Portugal (413)	- Non-response bias - Confirmatory factor analysis - Comparative fit index - Incremental fit index - Tucker-Lewis fit index - Convergent validity - Discriminant validity - LISREL 8.3
Julian, C. (2003). "Export Marketing Performance: A Study of Thailand Firms"	Thailand (151)	- Factor Analysis (Principal components with varimax rotation) - Cronbach alpha - Multiple regression
O'Cass, A. and Julian, C. (2003a) "Examining Firm and Environmental Influences on Export Marketing Mix Strategy and Export Performance of Australian Exporters"	Australia (293)	- Non-response bias / T-test - Principal components analysis - Partial least squares analysis (SEM) -
O'Cass, A. and Julian, C. (2003b) "Modelling the Effects of Firm-Specific and Environmental Characteristics on Export Marketing Performance"	Thailand (151)	- Mean and standard deviations - Exploratory factor analysis - Partial least squares
Thirkell, P. and Dau, R. (1998). "Export Performance: Success Determinants for New Zealand Manufacturing Exporters"	New Zealand (253)	- Sensitivity analysis - Cronbach alpha - Pairwise correlation matrix - Principal components / varimax rotation - Multiple regression

Authors and Title	Country and Sample Size	Statistical Analyses
Shoham, A. and Kropp, F. (1998). "Explaining International Performance: Marketing Mix, Planning, and their Interaction	United States (81)	- Cronbach alpha - Confirmatory factor analysis - ANOVA - Regression analysis
Cavusgil, S. and Zou, S. (1994). "Market Strategy-Performance Relationship: An Investigation of the Empirical Link in Export Market Ventures"	United States (202)	- Exploratory factor analysis - Confirmatory factor analysis - Path analysis - Coefficient alpha - Item-factor correlation

Three years ago the Bureau of Market Research was able to get data from the Department of Customs and Excise with regard to registered exporters. Unfortunately, the Department of Customs and Excise is not keen to provide information of registered exporters.

Van Wyk and Steenkamp (2000: 27-28) of the Bureau of Market Research cautions clients about the shortcomings of registers. Although compilers of registers, like the Bureau of Market Research, try to access all available sources to make the registers as comprehensive as possible, certain shortcomings may render registers incomplete or incorrect. Shortcoming can result from the base source being incomplete, the base source may be outdated, the firm may have relocated to a new address, or the updating of registers could take place in phases. In the case of the register for exporters, some

sources regard their lists as confidential and could contain impurities such as once-off exporters (van Wyk and Steenkamp, 2000: 31).

Table 4.15 provides a summary of all the export manufacturing industries, with Standard Industrial Classification (SIC) codes, as provided by the Bureau of Market Research. The two-digit SIC code classification was used to reduce the number of classes of exporters. Although the address list also provides a classification of the exporters by the international codes of the Harmonised System (HS codes), it was not used because the presence of too many categories could not be conveniently collapsed into fewer for analysis purposes.

TABLE 4.15: Bureau of Market Research Universe of Manufacturing Exporters

SIC Codes	Description of Industry	Number of Firms	% of Total Number of Firms
30	Food	185	8.0%
31	Clothing and Textiles	229	10.0%
32	Paper and Publishing	175	7.6%
33	Fuels and Chemicals	454	19.7%
34-35	Machinery, Household Appliances, other Metal Products, Glass, Ceramic and Related Products	726	31.5%
36-37	Electrical and Medical Supplies	222	9.6%
38-39	Motor Vehicles, Ships and Aircraft	314	13.6%
	TOTAL	2305	100%

The category machinery, household appliances and other related products (SIC 35) constitute 28%, which is the biggest category of all exporters. However, the SIC 34 category has been collapsed with the SIC 35 category as they only represented 4% of all manufacturing exporters. Moreover, the exporters in manufacturing constitute 61% of all South African exporters as per the Bureau of Market Research's address list (total exporters include 3805 firms). This database is very small if one has to take a country like Canada which has more than 14 000 manufacturing firms in exporting (Calof, 1993b: 367).

4.8 CONCLUSION

This chapter on research design introduced guidelines in questionnaire design, restated the primary and secondary research objectives, explained the operationalisation of international marketing strategy variables related to international performance, and addressed issues with regard to statistical analyses and the survey population.

Research concepts, such as the questionnaire construction process, question wording, question sequence, response choices and questionnaire pre-testing were mentioned in order to highlight importance of questionnaire design, as there are many pitfalls in this phase of the research process, which can result in the failure of attaining the research objectives of any survey. Furthermore, types of measurement scales, reliability and validity requirements, and considerations with regard to response rates were discussed.

The construction of the questionnaire, with particular reference to the operationalisation of dependent and independent variables, was discussed in detail. The methods of statistical techniques to be employed were briefly discussed and finally, comments were given with regard to the survey population.

Chapter 5 addresses issues with regard to the actual execution of the survey study in the research field. Response rate issues with regard to the mail survey, is discussed. Assessment of non-response bias is addressed, by making use of the independent sample *t*-test, comparing the means of early and late respondents. Reliability testing and measurement purification which was conducted, are explained. This was the basis for the development of the hypotheses, and the use of regression analysis for testing the model fit. Data presentation, other statistical analyses and findings are also presented. The proposed conceptual framework that is presented in Chapter 5 is based on both an adaptation of Cavusgil and Zou's conceptual framework as well as the literature review.

CHAPTER 5

STATISTICAL ANALYSIS AND RESEARCH RESULTS

5.1 INTRODUCTION

Theoretical and practical issues with regard to guidelines in questionnaire design, statistical analysis, the survey population and sampling procedure were discussed in Chapter 4. Conceptual frameworks of international marketing strategy and performance of various researchers have been presented. This was followed by the development of the questionnaire through the operationalisation of international marketing variables related to international performance of firms. The construction of the questionnaire, with particular reference to the operationalisation of the dependent and independent variables, was discussed in detail.

Chapter 5 provides a discussion of the sampling method that was used. Furthermore, aspects of instrument development, data collection, assessment of non-response bias, reliability, validity and the statistical analyses used, are elaborated upon. The main elements of the statistical analyses included the use of principal factor analysis, Cronbach's alpha coefficient, item-to-total correlation, the purification of factors that led to the development of more relevant hypotheses, which were then tested using regression analysis. This chapter also includes a range of basic descriptive statistics and other analyses, for example, one-way between-groups ANOVA and independent sample *t*-tests.

To enhance the analyses, cross tabulations and graphs are provided. After the analyses the main findings are presented.

5.2 QUESTIONNAIRE DEVELOPMENT AND VALIDATION

The research study made use of a self-administered mail survey, and the development of the questionnaire was mainly based on the framework of Cavusgil and Zou (1994). The reason for the selection of this conceptual framework was influenced by the views of leading researchers in the field of study. These researchers viewed the conceptual framework of Cavusgil and Zou as the most comprehensive approach to export marketing performance to date (Julian, 2003: 214; and Styles, 1998: 13). In addition, questionnaire designs of Shoham and Kropp (1998), Styles (1998), Thirkell and Dau (1998) and Das (1994) were also consulted. The objective was to select previously validated scales to obtain valid and reliable measures of the variables (O'Cass and Julian, 2003a: 374; and Shoham and Kropp, 1998: 118).

Styles (1998: 12) and Julian (2003: 213) encourage the use of similar measurement instruments to compare findings across different international marketing environments in order to have a more systematic approach in the development of international export marketing theory. However, Douglas and Nijssen (2003: 621) do raise the concern that if scales were used in one particular country and duplicated in another country, the cross national studies may be flawed.

This research study incorporated the Cavusgil and Zou (1994) research instrument by classifying their list of general marketing mix strategy questions into appropriate categories of product, promotion, price and distribution strategies. Some changes in the sequence of questions were also made. However, this did not change the substance of the questionnaire.

The questionnaire was pre-tested, and content and face validity were established by consulting ten exporters and eleven academics at two universities. A number of changes were suggested and implemented. For example, some semantic changes were made, and certain questions were either eliminated or added. One of the major changes was to change all the bipolar scales by providing labels to the different levels of the Likert scales. The following is an example of changes made with regard to question 10(a) in the pre-tested questionnaire:

10. Thinking of your major product category of international/export sales, express your opinion as to how each of the following questions applies to your firm.

(a)	Competitive intensity of international/export market	Low				High
		1	2	3	4	5

was changed to:

10. ENVIRONMENTAL FACTORS: Think of your major product category of international/export sales. Express your opinion as to how each of the following questions applies to your firm. *(For example, encircle a "1" if you believe that the competitive intensity in the export country is very low).*

(a) The competitive intensity of international/export market is?	Very Low	Low	Moderate	High	Very High
	1	2	3	**4**	**5**

5.3 RESPONSE RATE

The database of South African manufacturing exporters of the Bureau of Market Research of the University of South Africa was used as the sample frame. This database was selected, as it is believed to be the most comprehensive database on a national scale (Van Wyk, 2004). A sample size of 1 153 (50 percent) of the sample frame of 2 305 was randomly selected. A cover letter, the questionnaire and a pre-paid reply envelope were mailed to the respondents. This was followed up by telephone calls, faxes and finally by e-mail, where these contact numbers and e-mail addresses were available.

A total number of a 173 firms responded, 45.5 percent (77) were consumer firms and 55.5 percent (96) were industrial firms. Table 5.1 provides a breakdown by industry and SIC codes of the firms that responded. Eighty seven (87) of the mailed envelopes were returned as either RTS (return to sender) or box closed. Thirty nine (39) of the respondents indicated that they never exported or stopped exporting. These two

categories were therefore classified as non-eligible firms, and were subtracted from the original total of 1 153 to calculate the actual response rate. Furthermore, 13 firms indicated that they had either a policy of not participating in external research studies, or were not prepared to supply information that was sensitive to them, and should be viewed as non-response firms.

TABLE 5.1: Analysis of the Response Rate

SIC Codes	Description of Industry	Number of Firms that Responded	% of Total Number of Firms that Responded	% of Sample Distribu-tion
30	Food	27	15.6	8.0
31	Clothing and Textiles	31	17.9	10.0
32	Paper and Publishing	16	9.2	7.6
33	Fuels and Chemicals	27	15.6	19.7
34-35	Machinery, Household Appliances, other Metal Products, Glass, Ceramic and Related Products	38	22.0	31.5
36-37	Electrical and Medical Supplies	16	9.3	9.6
38-39	Motor Vehicles, Ships and Aircraft	18	10.4	13.6
	TOTAL	**173**	**100.0**	**100.0**

Researchers in the marketing research industry use different calculations to determine response rates. Churchill and Iacobucci (2002: 529) highlighted the concern that there are a number of different calculations to measure the extent of response and non-response rates. However, a response rate of 17 percent was attained in this research study by using the formula provided by Dillon, Madden and Firtle (1993: 165).

As per their formulation, the response rate was calculated as:

$$\text{Response rate} = \frac{\text{Number of firms that cooperated}}{\text{Total number of eligible firms}} = \frac{173}{1027} = 17\%$$

The total number of eligible firms was calculated as being equal to 1027, being the sample size less 87 returned envelopes and 39 "other" non-response reasons [1153 – (87 + 39)]. According to Malhorta (2004: 183), the response rate of mail surveys is typically less than 15%. Julian (2003: 215) tested the Cavusgil and Zou conceptual framework in Thailand and found a response rate of 15 percent as acceptable. Shoham and Kropp (1998: 117) found a response rate of 5 percent acceptable in an international study.

Given the aforementioned response rate statements, the response rate of 17 percent in this study is viewed as acceptable compared to other studies in this field of research. The distribution of firms in the different industries that responded was not exactly the same as the distribution of the original sample size. For example, firms that responded in the food industry made up 15.6 percent of the firms that responded compared to the original sample distribution where firms constituted 8.0 percent of the total number of firms.

5.4 ASSESSMENT OF NON-RESPONSE BIAS

According to Armstrong and Overton (1977: 396), mail surveys have been criticized for non-response bias and have highlighted three methods of estimation, namely, comparisons with known values for the population, subjective estimates, and

extrapolation. No known values exist for exporters, and this method was eliminated. Subjective estimates are difficult, and there is a lot of uncertainty about this method. The third method, namely, the extrapolation method, was used to determine potential non-response bias. The extrapolation method entails the comparison of the data of late respondents with that of early respondents, and it is assumed that late respondents have similar characteristics to that of non-respondents.

The early respondents were compared with the late respondents with respect to the following variables; consecutive years in export, firm by class size, international sales growth for 2003, total international sales for 2003, total domestic sales for 2003, satisfaction with international sales and satisfaction with international profits (see Table 5.2). Firm by class size has been determined by using number of employees as per the National Small Business Amendment Bill of 2003 (see Table 4.3 on page 146).

Independent samples *t*-tests were used to determine whether significant differences existed between early and late respondents (Lages and Lages, 2004: 45; Morgan, Kaleka and Katsikeas, 2004: 95; O'Cass and Julian, 2003a: 375; and Morgan and Katsikeas, 1998: 168). Pallant (2003: 177) states that an independent samples *t*-test is used when a researcher wants to compare the mean score, on some continuous variable, for two different groups of subjects. The two groups of subjects in this research study are the early and late respondents. Early respondents were considered as the first 70 percent of the returned questionnaires and late respondents as the last 30 percent. The early respondents of 121 firms made up the 70 percent, and 52 firms made up the 30 percent.

TABLE 5.2: A Comparison of Early and Late Respondents to Assess Non-response Bias using the Independent Samples *t*-tests

Variable		Levene's Test for Equality of Variances		*t*-Test for Equality of Means
		F	Sig.	Sig. (2-tailed)
Consecutive years in export	Equal variances assumed	2.441	.120	.173
	Equal variances not assumed			.196
Firm by class size	Equal variances assumed	1.994	.160	.569
	Equal variances not assumed			.581
International sales growth 2003	Equal variances assumed	1.454	.230	.488
	Equal variances not assumed			.476
Total international sales in 2003	Equal variances assumed	1.862	.174	.788
	Equal variances not assumed			.799
Total domestic sales in 2003	Equal variances assumed	2.583	.110	.134
	Equal variances not assumed			.155
Satisfaction with international sales	Equal variances assumed	.518	.473	.625
	Equal variances not assumed			.632
Satisfaction with international profits	Equal variances assumed	.440	.508	.232
	Equal variances not assumed			.239

When SPSS is used to determine if the mean values of different groups are the same (or not significantly different), it provides the Levene's test for equality of variances (Pallant, 2003: 179). Assuming the use of a 95 percent confidence level, equal variances will be assumed if the significant value would be greater than .05. If the significance level of Levene's test is .05 or less, then the means of the groups are not the same. Similarly, the same applies for the significant 2-tailed results. If the value is equal or less than .05, then there is a significant difference in the mean scores of the two groups. If the value is above .05, then there is no significant difference between the two groups.

Appendix 2 provides the detailed SPSS output of the independent samples *t*-tests. The means and standard deviations are also presented in Appendix 2. Table 5.2 provides a summary of the results of the independent samples *t*-tests, and it can be seen that both the Levene's test for equality of variances and the 2-tailed results have values of more than .05. The results therefore indicate that non-response bias is not a serious concern and addresses the issue of sample representativeness.

5.5 MEASUREMENT PURIFICATION AND RELIABILITY TESTING

The purification of data collected is the process of eliminating items that do not discriminate between subjects with fundamentally different positions on a construct (Churchill and Iacobucci, 2002: 419; and Styles, 1998: 17). The objective of the purification of data is to develop suitable measures of constructs or factors. Furthermore,

to develop multi-item scales which are considered as superior to single-item scales to measure a construct (Styles, 1998: 16). Churchill (1979: 66) suggests that exploratory factor analysis and coefficient alpha should be used to purify measures. This approach has been adopted by many researchers, such as Morgan, Kaleka and Katsikeas (2004), Styles (1998) and Cavusgil and Zou (1994). This process was also followed to develop factors.

According to Pallant (2003: 85), it is very important to determine the reliability of any measurement instrument. The internal consistency of scales is one of them. Internal consistency refers to whether scales measure the same underlying construct. Cronbach's alpha coefficient is commonly used to test for internal consistency, and the coefficient should ideally be more than .70. SPSS also calculates the corrected item-total correlation. The corrected item-total correlation gives an indication of the degree to which each item correlates to the total score (Pallant, 2003: 87). Values less than .3, with regard to the corrected item-total correlation, indicate that the item is measuring something different to the scale as a whole. However, if the Cronbach's alpha coefficient of the overall scale is less than .7, the researcher needs to consider removing variables with low-item correlations (Pallant, 2003: 87).

Factor analysis can also be used to test for reliability. Pallant (2003: 152) points out that if the researcher wants an empirical summary of the data set, then principal component analysis is the better option than factor analysis. Principal factor analysis was also used for scale purification, and to reduce the number of variables to a smaller set (Pallant,

2003: 153; and Coakes and Steed, 1999: 156). Moreover, another function of factor analysis is to determine whether items or variables load on the same construct.

Multicollinearity is another problem that arises when one wants to determine the impact of several independent variables on the dependent variable. Multicollinearity arises when intercorrelations among the independent variables are high (Malhorta, 2004: 521). Multicollinearity was not expected to be a difficulty, as factor analysis was used to reduce the number of variables and to ascertain that these variables loaded on the required constructs (Thirkell and Dau, 1998: 823).

According to Coakes and Steed (1999: 156), the anti–image correlation matrix of SPSS can be used to assess the sampling adequacy of each variable. If the measures of sampling adequacy fall below the acceptable level of .5 then the variable should be excluded from the analysis. Bartlett's test of sphericity and the Kaiser-Meyer-Olkin measure of sampling adequacy can also be used to determine the factorability of the matrix. Bartlett's test of sphericity (or homogeneity of covariance) should be significant ($p<.05$), and the Kaiser-Meyer-Olkin measure should be greater than .6, for factorability to be assumed. To test sampling adequacy Bartlett's test of sphericity and the Kaiser-Meyer-Olkin measure were used.

If the requirements of Barlett's test and the Kaiser-Meyer-Olkin measures have been met, one needs to decide how many factors to retain. Only factors with an eigenvalue of 1.0 or more should be retained for further investigation. An eigenvalue of a factor represents

the amount of the total variance explained by a factor (Pallant, 2003: 155). The scree test should also be utilised to ascertain which factors to retain. All factors above the "elbow" or break, that is, where the graph starts to become horizontal, should be retained.

Factor analysis was conducted and Table 5.3 presents the factors extracted for each of the independent variables. A summary of all the factor analysis results is provided in Appendix 3.

TABLE 5.3: Summary of the Extracted Factors of All the Independent Factors

Firm Characteristics

Rotated Component Matrix[a]

	Component	
	1	2
Firm Has Unique Management Competencies	.785	
Firm Has International Marketing Skills	.739	
Firm Has Unique Product Competitive Advantages	.667	
Firm has Extensive International Market Knowledge	.667	
Adequate Resources are Provided	.594	
Firm Has Production Compentencies	.498	.350
Firm is Aware of Government Incentives		.822
Firm Makes Use of Government Incentives		.815
Firm takes Advantage of Trade Agreements		.645

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

Market Characteristics

Component Matrix[a]

	Component	
	1	2
Exchange Rate Risk	.309	-.149
Foreign Tariffs	.631	-.457
Import Controls	.714	-.457
Foreign Legislation Requirements	.664	-.381
Language Barriers	.534	.620
Channel Accessibility	.680	.396
Cultural Differences	.699	.448

Extraction Method: Principal Component Analysis.
a. 2 components extracted.

TABLE 5.3 Continued

International Marketing Strategies

Rotated Component Matrix[a]

	Component			
	1	2	3	4
Distributor and Subsidiary Support	.883			
Spend Substantial Amounts on Overall Promotion	.849			
Build Brand Awareness	.779			
Degree of Promotional Adaptation	.584	.502		
Mainly Uses Sales Promotion to Final Customers	.563			
Degree of Subsequent Adaptation		.831		
Degree of Initial Product Adaptation		.774		
Degree of Adaptation of Positioning		.658		
Degree of Pricing Adaptation		.625		
Degree of Packaging Adaptation		.461		
Direct Sales to End Users			-.744	
Use High Quality Channels			.688	
Mainly Uses Sales Promotion to Trade			.545	
Use Short Channels			.514	
Participate in Trade Shows	.386		.429	
Have High Customer Contact				.690
High Levels of Control				.639
Use Well Trained Salespeople				.589
Regular Overseas Trips				.564
Low Prices				-.402

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

Firm characteristics loaded on two components and these factors were renamed as firm competencies and government support. Market characteristics loaded on only one component and all the items were included to develop the market characteristics construct. International marketing strategies loaded on four factors, however, three factors were identified and included for further analysis, namely, factors (components) 1, 2 and 4. Factor 3 was not taken into account because of the different items that loaded on this factor. Factors 1, 2 and 4 were renamed as promotion adaptation, product adaptation and distributor support respectively.

The variables under pricing strategies were not included in the factor analysis exercise as the responses were considered as inadequate. For example, when respondents were asked whether their firms set high or low prices, they invariably indicated no and said they were setting competitive prices. By setting competitive prices one can assume that the pricing for products is adapted.

The factors that were selected were subjected to reliability analysis. Table 5.4, the purified measurement model, presents a summary of all the constructs included for further analysis. Apart from the composite scales developed from the factor analysis exercise, a number of single item scales were included. They were identified through the literature review as important variables influencing export performance. They were; consecutive years in export, firm by class size, investment commitment, competitive intensity, management is committed, and management engages in careful planning.

TABLE 5.4: Purified Measurement Model

Factors Included	Items	KMO Measure	Coefficient Alpha	Corrected Item-Total Correlation
Export Performance		.690	.708	
	Sales growth 1999			.423
	Sales growth 2000			.503
	Sales growth 2001			.548
	Sales growth 2002			.582
	Sales growth 2003			.386
	Profitability 1999			.240
	Profitability 2000			.288
	Profitability 2001			.385
	Profitability 2002			.444
	Profitability 2003			.293
	Total international sales for 2003			.162
	Satisfaction with international sales			.220
	Satisfaction with international profits			.160
Firm Characteristics		.718	.760	
	Firm has unique management competencies			.437
	Adequate resources are provided			.450
	Firm has extensive international market knowledge			.537
	Firm has unique management competencies			.579
	Firm has international marketing skills			.580
	Firm has production competencies			.436
Export Market Characteristics		.721	.731	
	Exchange rate risk			.191
	Foreign tariffs			.453
	Import controls			.504
	Foreign legislation requirements			.448
	Channel accessibility			.489
	Language barriers			.435
	Cultural differences			.599

TABLE 5.4: Continued

Factors Included	Items	KMO Measure	Coefficient Alpha	Corrected Item-Total Correlation
Promotion Adaptation			.712	
	Spend substantial amounts on overall promotion			.608
	Build brand awareness			.513
	Degree of promotional adaptation			.519
	Mainly uses sales promotion to final customers			.386
Product Adaptation			.820	
	Degree of initial product adaptation			.695
	Degree of subsequent adaptation			.695
Distribution Support			.582	
	Regular overseas trips			.375
	High levels of control			.346
	Have high customer contact			.391
	Use well trained salespeople			.334
Pricing Adaptation			N.A.	1.00
Consecutive Years in Export			N.A.	1.00
Firm by Class Size			N.A.	1.00
Investment			N.A.	1.00
Competitive Intensity			N.A.	1.00
Management is Committed			N.A.	1.00
Management Engages in Careful Planning			N.A.	1.00

Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, the coefficient alpha and the corrected item-total correlations are provided in Table 5.4. All the KMO values were greater than .6 for export performance, firm characteristics and export market

characteristics. The KMO value for international marketing strategies was .669. The coefficient alpha values for all composite scales were greater than .70, except for the distribution support scale which was .582.

However, the distribution support scale has been included because it was viewed as an important variable influencing export performance. Government support was not included for further analyses, as it was not considered important in determining firm export performance. Other variables such as adaptation to positioning and packaging were eliminated from further analysis through the factor analysis exercise.

5.6 HYPOTHESES

According to O'Cass and Julian (2003b: 56), export marketing performance is mainly influenced by four broad groups of variables, namely, firm-specific characteristics, product characteristics, market characteristics and export marketing strategy. Table 5.4 reflects these categories and highlights the more dominant items in each of the categories. For example, the variables - spend substantial amounts on overall promotion, build brand awareness, degree of promotional adaptation and mainly uses sales promotion to final customers - were the more dominant variables identified in terms of their high loading on the promotion strategy construct.

The literature provides a number of factors of how export marketing performance can be measured, namely, export sales levels, export sales growth, ratio of export sales to total sales, ratio of export profits to total profits, increase of importance of export to total business, overcoming barriers to export, propensity to export, acceptance of product by export distributors, export involvement, exporter internationalisation and attitudes toward export. While there are different export performance measures, five year sales growth and profitability, actual sales for 2003 and satisfaction with international sales and profits were the objective and subjective measures used in this research study to measure export performance measure.

Export marketing strategy is also being seen as playing a mediating role in terms of export marketing performance. The conceptual framework of export marketing strategy and performance (as discussed in Chapter 4) postulates that international marketing strategy is determined by both internal and external factors (Cavusgil and Zou, 1994: 3). The export marketing strategy is the means by which the firm responds to the interplay of internal and external factors. The key question here is: To what extent should the firm either adapt or standardise the export marketing strategy? Cavusgil and Zou (1994: 5) affirm that the degree of marketing adaptation and standardisation is a function of product, industry, market, firm and environmental factors.

Cavusgil and Zou (1994: 15) also state that a high degree of product adaptation is found when the firm is internationally competent, the product is unique or culture specific, the industry is less technology intensive or the export market is competitive. Most of the

markets that the South African firms were exporting to were viewed as highly competitive. Previous research studies have found that adapting international promotion strategies can affect performance (Cavusgil and Zou, 1994: 15).

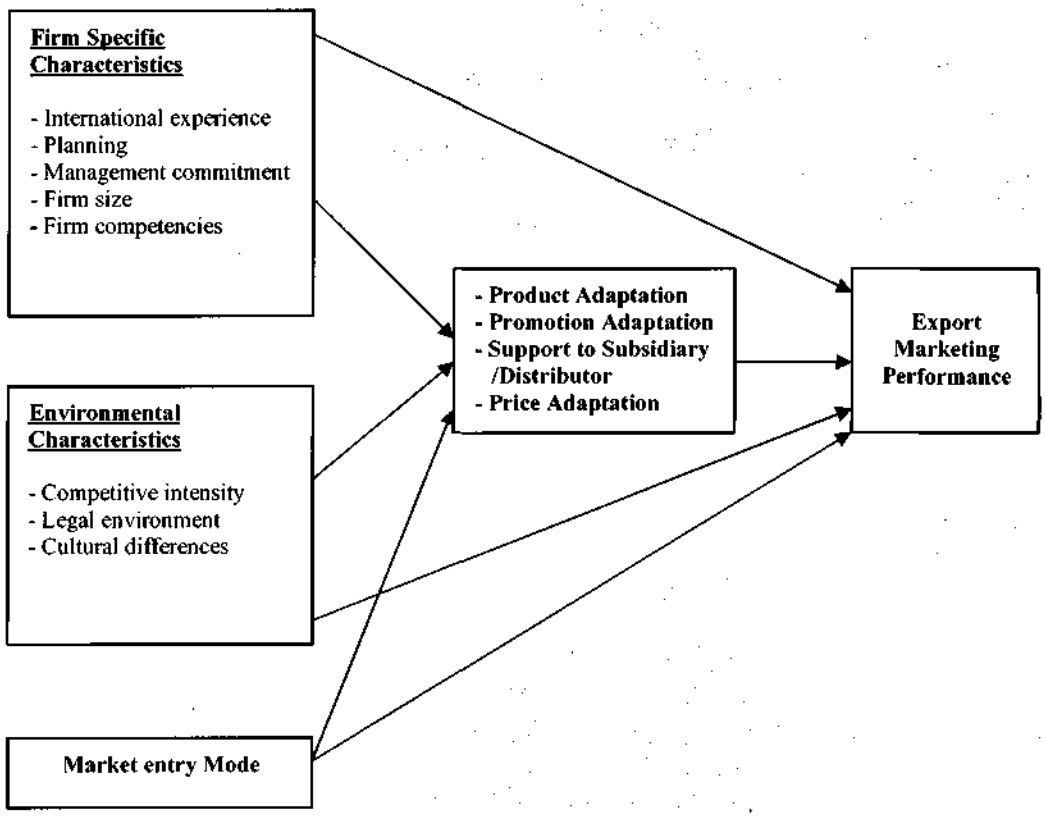
Firms tend to adapt the international promotion strategy when the product has some unique features or is not a technology-intensive product. Firms view relationship with foreign partners as key to the success of export marketing. Furthermore, firms tend not to use price as a competitive weapon. Competitive pricing strategies are used more frequently in technology-intensive industries. Many of the respondents have indicated that competitive pricing in international markets was vital and therefore impacted significantly on export performance.

Firm characteristics, especially firm competencies, influence the choice of marketing strategy. Firm factors that have been identified as positively influencing export marketing performance are, amongst others, sustainable competitive advantages, channel support, size advantages, international experience, extent of international involvement, resources available, culture specificity, strength of patent and product uniqueness (O'Cass and Julian, 2003a: 367; O'Cass and Julian, 2003b: 57; and Cavusgil and Zou, 1994: 5).

The hypotheses developed are based on the literature review conducted, and after reliability and factor analyses have been performed (refer to Appendices 3 and 4). The development of the hypotheses is therefore directly linked to the model given in Figure

5.1 and it is important to note that the hypotheses developed present the model in more detailed qualitative terms. The development of the conceptual framework presented in Figure 5.1 has been mainly based on the Cavusgil and Zou's (1994) framework.

FIGURE 5.1: Conceptual Framework of Export Marketing Performance



It was therefore hypothesised that:

H1. Export marketing performance is enhanced as;

a. the degree of product adaptation increases

b. the degree of promotion adaptation increases

c. the degree of distributor/subsidiary support increases

d. the degree of pricing adaptation increases

e. the firm's international marketing experience increases

f. firm size increases

g. investment commitment increases

h. competitive intensity decreases

i. management's commitment to exporting increases

j. management engages in more careful planning

k. firm competencies increases

l. export market barriers decreases (export market characteristics)

Investment commitment was used as a substitute for the variable subsequent mode of entry. Mode of entry presents the actual stage of the internationalisation of the firm at present. For example, the firm can use any of the following alternatives to enter foreign markets, an agent, direct exporting, licensing, a subsidiary, or a combination of each. As one moves from using an agent to eventually establishing a subsidiary in a foreign country, the risk and investment increases. It is assumed that the greater the investment and risk in a foreign country, the greater the expected export marketing performance of a firm.

H2. Product adaptation increases as;

a. the firm's international marketing experience increases

b. firm size increases

c. investment commitment increases

d. competitive intensity increases

e. management's commitment to exporting increases

f. firm competencies increases

g. export market barriers increases (export market characteristics)

H3. Promotion adaptation increases as;

a. the firm's international marketing experience increases

b. firm size increases

c. investment commitment increases

d. competitive intensity increases

e. firm competencies increases

f. export market barriers increases (export market characteristics)

H4. Support to foreign distributor/subsidiary increases as;

a. the firm's international marketing experience increases

b. firm size increases

c. investment commitment increases

d. competitive intensity increases

e. management's commitment increases

f. export market barriers increases (export market characteristics)

H5. Pricing adaptation increases as;

a. firm size increases

b. investment increases

c. competitive intensity increases

d. export market barriers increases (export market characteristics)

The following section is a summary of the linkages of the hypotheses developed and the objectives of the research study (see section 4.3 on page138). Certain hypotheses statements are duplicated in more than one of the stated research objectives, as some of the independent variables have both a direct and indirect effect on the dependent variable.

Hypotheses 1 addresses the overall primary research objective, that is, to determine the relationship between international marketing strategies and international/export marketing performance of South African manufacturing firms, as well as the role of internal and external determinants with regard to international marketing strategy and performance.

Hypotheses 1(a), 1(b), 1(c), 1(d), 2, 3, 4 and 5 address the secondary research objective (a), that is, to determine how firm characteristics and export market characteristics influence the choice of marketing strategies and consequently export performance. Note that Hypotheses 1(a), 1(b), 1(c), 1(d) impact on the primary research objective referred to in the previous paragraph, and on the secondary research objective (b) referred to in the next paragraph. The reason for this is that the international marketing mix strategies,

such as product, pricing, distribution and promotion, can have both a direct or mediating effect on international/export marketing performance. For example, the experience of the firm in the export market can influence the choice of marketing strategies and consequently the export marketing performance of the firm.

Hypotheses 1(a), 1(b), 1(c) and 1(d) address the secondary research objective (b), that is, to determine how international marketing mix strategies impact on international/export marketing performance and to evaluate international marketing strategy along the standardisation and adaptation continuum. Hypothesis 1(g) addresses the secondary research objective (c), that is, to determine the relationship of market entry strategy of the firm and international/export marketing performance.

Hypotheses 1(i), 1(j), 2, 3, 4 and 5 address the secondary research objective (d), that is, to obtain a broad understanding of the driving factors that facilitate internationalisation, and barriers that hinder the execution of international marketing strategies that affect international/export marketing performance. The essence of this research objective is to identify the main driving forces and barriers that influence the internationalisation of the firm. For example, legal requirements in the export market can be a major barrier, and may influence the extent to which a firm may change its product and promotion strategies.

5.7 REGRESSION ANALYSIS

Pallant (2003: 134) eloquently summarises the uses of regression analysis, that is, it can determine which variable in a set a variables is able to predict a particular outcome, which variable is the best predictor and whether a particular variable is still able to predict an outcome when the effects of another variable are controlled.

Given the five hypotheses as stated under section 5.6, the following regression equations were specified:

Hypothesis 1:

$$Y_{experfi} = A_i + B_1X_{prodai} + B_2X_{promai} + B_3X_{distri} + B_4X_{priceai} + B_5X_{intexpi} + B_6X_{fsizei} + B_7X_{invest} + B_8X_{compi} + B_9X_{mancomi} + B_{10}X_{plani} + B_{11}X_{firmcomi} + B_{12}X_{bari}$$

Hypothesis 2:

$$Y_{prodai} = A_i + B_1X_{intexpi} + B_2X_{fsizei} + B_3X_{invest} + B_4X_{compi} + B_5X_{mancomi} + B_6X_{firmcomi} + B_7X_{bari}$$

Hypothesis 3:

$$Y_{promai} = A_i + B_1X_{intexpi} + B_2X_{fsizei} + B_3X_{invest} + B_4X_{compi} + B_5X_{firmcomi} + B_6X_{bari}$$

Hypothesis 4:

$$Y_{distri} = A_i + B_1X_{intexpi} + B_2X_{fsizei} + B_3X_{invest} + B_4X_{compi} + B_5X_{mancomi} + B_6X_{bari}$$

Hypothesis 5:

$$Y_{priceai} = A_i + B_1X_{fsizei} + B_2X_{invest} + B_3X_{compi} + B_4X_{bari}$$

Where:

$Y_{experfi}$	=	export performance
Y_{prodai}	=	the degree of product adaptation
Y_{promai}	=	the degree of promotion adaptation
Y_{distri}	=	the degree of distributor/subsidiary support
$Y_{priceai}$	=	the degree of pricing adaptation
$X_{intexpi}$	=	the firm's international marketing experience
X_{fsizei}	=	firm size
$X_{investi}$	=	the investment commitment
X_{compi}	=	the competitive intensity
$X_{mancomi}$	=	management's commitment to exporting
X_{planai}	=	management engages in careful planning
$X_{firmcomi}$	=	firm competencies
X_{bari}	=	export market barriers (export market characteristics)

Regression analyses were conducted for all five hypotheses. Multiple regression, forward and backward selection stepwise regression analyses were used to analyse causality or cause and effect relationships. Appendices 5, 6 and 7 provide the output results for the multiple regression analysis, forward selection stepwise regression analysis and the backward selection stepwise regression analysis respectively. It should be noted

that stepwise regression is viewed by some scholars as controversial. For example, Tabachnick and Fidell (2001: 133) note that variables are entered based solely on statistical criteria and the meaning and interpretation of the variables are irrelevant.

All three techniques identified the same variables having a significant effect on the dependent variables for Hypotheses 2 to 5. However, for Hypothesis 1 the forward stepwise regression only identified two variables as significant, namely, management engages in careful planning and the degree of investment commitment. The backward stepwise regression again identified seven variables, namely, firm by class size, degree of investment commitment, competitive intensity, management engages in careful planning, degree of product adaptation, degree of promotion adaptation and degree of pricing adaptation. The standard multiple regression identified six variables, namely, firm by class size, degree of investment commitment, competitive intensity, management engages in careful planning, degree of product adaptation, and degree of pricing adaptation.

The following reason is therefore given as motivation for the use of the output results of the standard multiple regression analysis. The significant results of the different regression techniques for Hypothesis 1 were different (as indicated in the previous paragraph), furthermore stepwise regression is viewed as controversial by some scholars. Forward and backward selection stepwise regression will therefore not be elaborated on any further.

5.7.1 Regression Analysis with Regard to Dependent Variable Export Performance – Hypothesis 1

Table 5.5 provides the R^2, the ANOVA and coefficient table results for Hypothesis 1 with regard to significant relationships between export marketing performance and the specified exogenous variables. Firm size, degree of investment commitment, competitive intensity, management engages in careful planning, degree of product adaptation and degree of pricing adaptation had a significant effect on export marketing performance. Competitive intensity had a negative effect on export performance, being that the greater the intensity of competition the lower the export performance of the firm.

Product adaptation had a negative relationship with export performance. One can only assume that the greater the product adaptation the greater the costs incurred to bring about product adaptation. Furthermore, it can be assumed that the more the firm adapts its pricing to be competitive, the more it impacts positively on firm performance. Firm experience, firm competencies, commitment of management, export market characteristics, the degree of promotion adaptation and distributor support had no significant effects on export performance.

The R^2 for regression equation 1 for Hypothesis 1 was .181 (the adjusted R^2 was .119) which indicates how much of the variance of the dependent variable is explained by the model. With regard to the R^2 value, Sudman and Blair (1998: 517) state that there is no rule as to what fraction of the variance needs to be explained to conclude that the

TABLE 5.5: Hypothesis 1 – Multiple Regression Analysis Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.425	.181	.119	7.11061

Dependent Variable: Export Performance

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1786.172	12	148.848	2.944	.001
	Residual	8089.719	160	50.561		
	Total	9875.890	172			

Dependent Variable: Export Performance

The F value of 2.944 (observed value) is calculated by dividing the mean square value of 148.848 by the mean square value of 50.561 in the ANOVA table. Note the critical value in the critical F value tables of p=.01 for the above degrees of freedom is 2.18. The observed value is greater than the critical value, therefore, the significant result.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	32.820	6.146		5.340	.000		
	Consecutive Years in Export	.655	.516	.093	1.269	.206	.945	1.058
	Firm by Class Size	.972	.514	.148	1.893	**.060#**	.835	1.198
	Investment	.719	.352	.149	2.046	**.042***	.959	1.043
	Degree of Pricing Adaptation	1.562	.697	.197	2.241	**.026***	.665	1.504
	Competitive Intensity	-1.710	.732	-.191	-2.336	**.021***	.765	1.308
	Management is Committed	-.011	1.040	-.001	-.010	.992	.687	1.455
	Management Engages in Careful Planning	1.613	.754	.194	2.138	**.034***	.620	1.614
	Degree of Product Adaptation	-.690	.336	-.162	-2.055	**.042***	.824	1.214
	Promotion Adaptation	.268	.189	.111	1.418	.158	.834	1.198
	Firm Competencies	.149	.266	.057	.559	.577	.497	2.013
	Export Market Characteristics	.090	.143	.049	.627	.531	.838	1.193
	Distributor Support	-.005	.222	-.002	-.021	.984	.670	1.492

a. Dependent Variable: Export Performance

#$p < .10$
*$p < .05$
**$p < .001$

relationship is strong or very strong. According to them, many researchers would consider an R^2 of .30 or larger to be moderately strong. The R^2 for the regression equation 1 (Hypothesis 1) in this study was acceptable and statistically significant - $p <$ .001, (Cavusgil, Zou and Naidu, 1993: 494).

Multicollinearity was not a problem, as all the values in the tolerance column of the coefficients table were quite high (see Table 5.5). Should these values have been near zero then it would have been an indication of multicollinearity (Pallant, 2003: 143). However, with regard to the Pearson correlation analysis, all values for the independent variables were less than .3, except for the following independent variables which had correlations of more than .3, management engages in careful planning and management is committed (.315), firm competencies and management is committed (.513), firm competencies and management engages in careful planning (.573) - see the Pearson Correlation Table in Appendix 8. High correlations also existed between the marketing mix variables and the independent variables. However, these highlight the relationships between the independent variables and the marketing mix strategies (see Hypotheses 2 to 5).

According to Tabachnick and Fidell (2001: 84), should any of the independent variables have bivariate correlations of more than .70, consideration should be given to either omit one variable or combine the variables in a composite score. The Pearson Correlation Table in Appendix 8 also provides the significant relationships between the dependent variable and the independent variables, and among all the independent variables. It is

also possible to identify other possible relationships from this Table, For example, apart from export performance, firm size also had significant relationships with degree of pricing adaptation and degree of distributor support.

5.7.2 Regression Analysis with Regard to the Marketing Mix Variables – Hypotheses 2 to 5

Only three of the four regression equations with regard to the influence of the independent variables on the dependent marketing variables were significant in respect of the model specifications. The regression equation regarding degree of product adaptation had a significant value of .128. All the equations met the multicollinearity assumption. Table 5.6 presents the regression results for Hypothesis 2 with degree of product adaptation as the dependent variable.

Only the competitive intensity independent variable influenced the degree of product adaptation and the independent variable export market characteristics on the degree of promotion adaptation (see Tables 5.6 and 5.7). Because of the competitive nature of international markets, South African firms are required to adapt their products to the needs of foreign customers to stay competitive. As could have been expected, the independent variable of export market characteristics (or export market barriers) was the major influence on the degree of promotion adaptation.

TABLE 5.6: Hypothesis 2 - Multiple Regression Analysis Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.256	.066	.026	1.75581

Dependent Variable: Degree of Product Adaptation

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.386	7	5.055	1.640	.128
	Residual	502.505	163	3.083		
	Total	537.892	170			

Dependent Variable: Degree of Product Adaptation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.160	1.452		1.487	.139		
	Consecutive Years in Export	.059	.126	.036	.467	.641	.981	1.020
	Firm by Class Size	.015	.123	.010	.123	.902	.903	1.107
	Investment	.010	.087	.009	.112	.911	.968	1.033
	Competitive Intensity	.401	.169	.191	2.374	**.019***	.885	1.130
	Management is Committed	-.158	.252	-.056	-.626	.532	.721	1.388
	Firm Competencies	.004	.054	.007	.076	.939	.728	1.375
	Export Market Characteristics	.049	.033	.114	1.472	.143	.956	1.046

a. Dependent Variable: Degree of Product Adaptation

*$p < .05$
**$p < .001$

TABLE 5.7: Hypothesis 3 - Multiple Regression Analysis Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.335	.112	.080	3.02454

Dependent Variable: Promotion Adaptation

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	189.999	6	31.667	3.462	.003
	Residual	1500.244	164	9.148		
	Total	1690.243	170			

Dependent Variable: Promotion Adaptation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.210	2.210		2.358	.020		
	Consecutive Years in Export	.276	.216	.095	1.278	.203	.982	1.018
	Firm by Class Size	-.158	.211	-.058	-.747	.456	.906	1.104
	Investment	.114	.149	.057	.763	.447	.976	1.025
	Competitive Intensity	-.283	.290	-.076	-.974	.331	.890	1.123
	Firm Competencies	.119	.081	.109	1.469	.144	.980	1.020
	Export Market Characteristics	.212	.057	.278	3.700	**.000****	.960	1.041

a. Dependent Variable: Promotion Adaptation

#$p < .10$
*$p < .05$
**$p < .001$

TABLE 5.8: Hypothesis 4 – Multiple Regression Analysis Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.553	.306	.276	2.53725

Dependent Variable: Distributor Support

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	463.078	7	66.154	10.276	.000
	Residual	1049.337	163	6.438		
	Total	1512.415	170			

Dependent Variable: Distributor Support

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.965	2.099		-.460	.646		
	Consecutive Years in Export	.154	.181	.056	.849	.397	.981	1.020
	Firm by Class Size	.362	.177	.140	2.042	**.043***	.903	1.107
	Investment	.073	.126	.039	.581	.562	.968	1.033
	Competitive Intensity	.569	.244	.162	2.329	**.021***	.885	1.130
	Firm Competencies	.406	.079	.394	5.157	**.000****	.728	1.375
	Export Market Characteristics	.148	.048	.205	3.067	**.003***	.956	1.046
	Management is Commited	.138	.364	.029	.378	.706	.721	1.388

a. Dependent Variable: Distributor Support

#$p < .10$
*$p < .05$
**$p < .001$

A number of independent variables had an influence on the dependent variable distributor support. They were firm size, competitive intensity, firm competencies and export

market characteristics. Firm competencies had the greatest influence on this dependent variable (see Table 5.8).

TABLE 5.9: Hypothesis 5 – Multiple Regression Analysis Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.427	.182	.163	.87350

Dependent Variable: Degree of Pricing Adaptation

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.522	4	7.130	9.345	.000
	Residual	128.183	168	.763		
	Total	156.705	172			

Dependent Variable: Degree of Pricing Adaptation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.274	.437		.626	.532		
	Firm by Class Size	.147	.060	.178	2.426	**.016***	.908	1.101
	Investment	.061	.043	.100	1.428	.155	.983	1.017
	Competitive Intensity	.305	.083	.270	3.664	**.000****	.895	1.118
	Export Market Characteristics	.029	.016	.127	1.793	**.075#**	.969	1.032

a. Dependent Variable: Degree of Pricing Adaptation

#$p < .10$
*$p < .05$
**$p < .001$

Firm by class size, competitive intensity and export market characteristics all had significant influences on the degree of pricing adaptation (see Table 5.9). Pricing is a

very important factor to South African firms because of the intensity of competition in international markets. Before the appreciation of the rand against the dollar in the late 1990s many of the firms were riding on the back of a weak exchange rate of the rand against the dollar to be competitive in international markets. Because of the strengthening of the rand many of the firms had to close down. Therefore, competitive advantage cannot be based on pricing alone and for firms to be sustainable they need to improve on other firm competencies.

5.7.3 Testing for Mediation

Baron and Kenny (1986: 1177) state that to test for mediation the following three regression equations should be estimated: Firstly, regressing the mediator on the independent variable, secondly, regressing the dependent variable on the independent variable and thirdly regressing the dependent variable on both the independent variable and on the mediator.

Furthermore, to test for mediation the following conditions must hold: Firstly, the independent variable must affect the mediator in the first equation, secondly, the independent variable must be shown to affect the dependent variable in the second equation and thirdly the mediator must affect the dependent variable in the third equation. The effect of the independent variable must be less in the third equation than in the second equation. According to Baron and Kenny (1986: 1177) perfect mediation holds if the independent variable has no effect when the mediator is controlled. If the

independent variables are still significant, it is partial mediation. A two-block regression was conducted to test for mediation (see the output results in Table 5.10).

TABLE 5.10: Two-block Regression Analysis Testing for Mediation

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.366[a]	.134	.091	7.22306	.134	3.162	8	164	.002
2	.425[b]	.181	.119	7.11061	.047	2.307	4	160	.060

a. Predictors: (Constant), Export Market Characteristics, Management is Commited, Firm by Class Size, Consecutive Years in Export, Investment, Competitive Intensity, Management Engages in Careful Planning, Firm Competencies

b. Predictors: (Constant), Export Market Characteristics, Management is Commited, Firm by Class Size, Consecutive Years in Export, Investment, Competitive Intensity, Management Engages in Careful Planning, Firm Competencies, Degree of Product Adaptation, Promotion Adaptation, Distributor Support, Degree of Pricing Adaptation

ANOVA[c]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1319.584	8	164.948	3.162	.002[a]
	Residual	8556.307	164	52.173		
	Total	9875.890	172			
2	Regression	1786.172	12	148.848	2.944	.001[b]
	Residual	8089.719	160	50.561		
	Total	9875.890	172			

a. Predictors: (Constant), Export Market Characteristics, Management is Commited, Firm by Class Size, Consecutive Years in Export, Investment, Competitive Intensity, Management Engages in Careful Planning, Firm Competencies

b. Predictors: (Constant), Export Market Characteristics, Management is Commited, Firm by Class Size, Consecutive Years in Export, Investment, Competitive Intensity, Management Engages in Careful Planning, Firm Competencies, Degree of Product Adaptation, Promotion Adaptation, Distributor Support, Degree of Pricing Adaptation

c. Dependent Variable: Export Performance

TABLE 5.10: Continued

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	36.507	5.974		6.111	.000
	Consecutive Years in Export	.552	.515	.079	1.071	.286
	Firm by Class Size	1.183	.503	.180	2.350	.020
	Investment	.805	.356	.167	2.264	.025
	Competitive Intensity	-1.592	.702	-.178	-2.267	.025
	Management is Commited	-.499	1.032	-.041	-.483	.630
	Management Engages in Careful Planning	1.443	.752	.174	1.919	.057
	Firm Competencies	.193	.258	.074	.748	.456
	Export Market Characteristics	.159	.136	.087	1.167	.245
2	(Constant)	32.820	6.146		5.340	.000
	Consecutive Years in Export	.655	.516	.093	1.269	.206
	Firm by Class Size	.972	.514	.148	1.893	.060
	Investment	.719	.352	.149	2.046	.042
	Competitive Intensity	-1.710	.732	-.191	-2.336	.021
	Management is Commited	-.011	1.040	-.001	-.010	.992
	Management Engages in Careful Planning	1.613	.754	.194	2.138	.034
	Firm Competencies	.149	.266	.057	.559	.577
	Export Market Characteristics	.090	.143	.049	.627	.531
	Degree of Pricing Adaptation	1.562	.697	.197	2.241	.026
	Degree of Product Adaptation	-.690	.336	-.162	-2.055	.042
	Promotion Adaptation	.268	.189	.111	1.418	.158
	Distributor Support	-.005	.222	-.002	-.021	.984

a. Dependent Variable: Export Performance

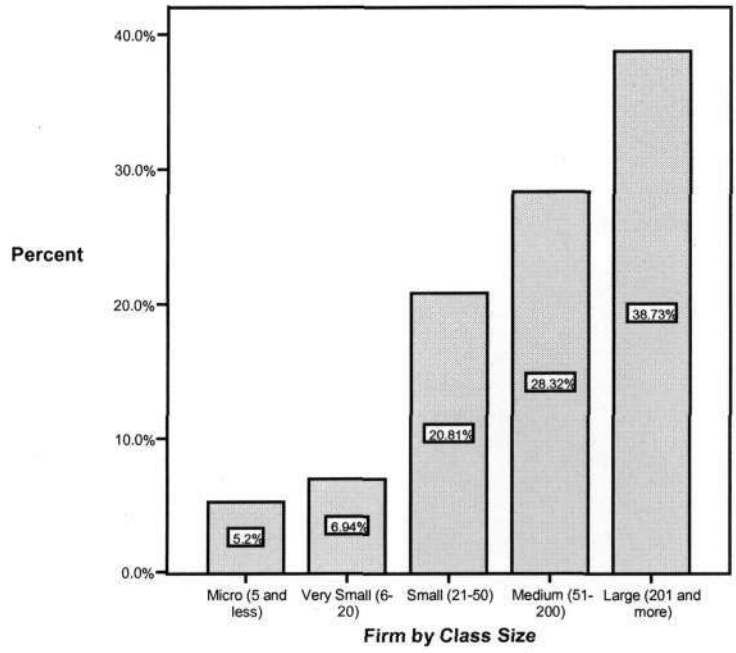
The F values of the model were significant. Furthermore, the total standardised coefficients of the second block regression of the independent variables is less than the first block regression, namely, .882 for the second block regression compared to .980 for the first block regression. This indicates partial mediation and not full mediation.

5.8 FIRM SIZE CLASSIFICATION ANALYSIS IN A SOUTH AFRICAN CONTEXT

The relationship of firm size and export performance has been addressed under section 5.7.1. This section will more specifically deal with the relationship of micro, small, medium and large firms in relation to international marketing strategies, export performance and other marketing issues. The South African government is particularly interested in the SMME sector with regard to creating employment and contributing to the economic growth of the country. Therefore, the classification of firm size was used in accordance with the National Small Business Bill of 2003 (see Table 4.3 on page 146).

Graph 5.1 presents the distribution of the sample by firm size classification. Large firms constituted 38.73 percent of the sample and micro firms 5.2 percent of the sample. The SMME sector therefore made up 61.27 percent of the sample of South African firms exporting.

GRAPH 5.1: Distribution of Sample by Firm Size Classification



5.8.1 The Relationship between Firm Size Classification and International/Export Marketing Strategies

One-way between-groups ANOVA was used to determine whether the size of firms had an effect on the different international marketing strategies used, or otherwise stated, whether these international marketing strategies were significantly different compared to the size of the firm. One-way between-groups ANOVA determines whether the means of dependent variables are the same or different. As an example, the output results of the degree of pricing adaptation in the international/export market among micro, very small, small, medium, and large firms were used. The objective was to determine if the degree

of pricing adaptation amongst the different sizes of firms was significantly different (see Table 5.11).

TABLE 5.11: Output Results of One-way Between-Groups ANOVA of Differences between Firm Size Classification and Degree of Pricing Adaptation in International/Export Markets

Descriptives

Degree of Pricing Adaptation

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Micro (5 and less)	9	2.1111	.78174	.26058	1.5102	2.7120	1.00	3.00
Very Small (6-20)	12	2.3333	.98473	.28427	1.7077	2.9590	1.00	4.00
Small (21-50)	36	2.6667	.95618	.15936	2.3431	2.9902	1.00	4.00
Medium (51-200)	49	2.8163	.92811	.13259	2.5497	3.0829	1.00	4.00
Large (201 and more)	67	3.0597	.91917	.11229	2.8355	3.2839	1.00	4.00
Total	173	2.8092	.95450	.07257	2.6660	2.9525	1.00	4.00

Test of Homogeneity of Variances

Degree of Pricing Adaptation

Levene Statistic	df1	df2	Sig.
.462	4	168	.763

ANOVA

Degree of Pricing Adaptation

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	12.042	4	3.010	3.496	.009
Within Groups	144.664	168	.861		
Total	156.705	172			

Multiple Comparisons

Dependent Variable: Degree of Pricing Adaptation

Tukey HSD

(I) Firm by Class Size	(J) Firm by Class Size	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Micro (5 and less)	Very Small (6-20)	-.22222	.40919	.983	-1.3506	.9062
	Small (21-50)	-.55556	.34583	.495	-1.5092	.3981
	Medium (51-200)	-.70522	.33653	.227	-1.6332	.2228
	Large (201 and more)	-.94859*	.32944	.036	-1.8571	-.0401
Very Small (6-20)	Micro (5 and less)	.22222	.40919	.983	-.9062	1.3506
	Small (21-50)	-.33333	.30932	.818	-1.1863	.5196
	Medium (51-200)	-.48299	.29888	.489	-1.3072	.3412
	Large (201 and more)	-.72637	.29088	.096	-1.5285	.0758
Small (21-50)	Micro (5 and less)	.55556	.34583	.495	-.3981	1.5092
	Very Small (6-20)	.33333	.30932	.818	-.5196	1.1863
	Medium (51-200)	-.14966	.20370	.948	-.7114	.4121
	Large (201 and more)	-.39303	.19176	.247	-.9218	.1358
Medium (51-200)	Micro (5 and less)	.70522	.33653	.227	-.2228	1.6332
	Very Small (6-20)	.48299	.29888	.489	-.3412	1.3072
	Small (21-50)	.14966	.20370	.948	-.4121	.7114
	Large (201 and more)	-.24337	.17443	.632	-.7244	.2376
Large (201 and more)	Micro (5 and less)	.94859*	.32944	.036	.0401	1.8571
	Very Small (6-20)	.72637	.29088	.096	-.0758	1.5285
	Small (21-50)	.39303	.19176	.247	-.1358	.9218
	Medium (51-200)	.24337	.17443	.632	-.2376	.7244

*. The mean difference is significant at the .05 level.

Degree of Pricing Adaptation

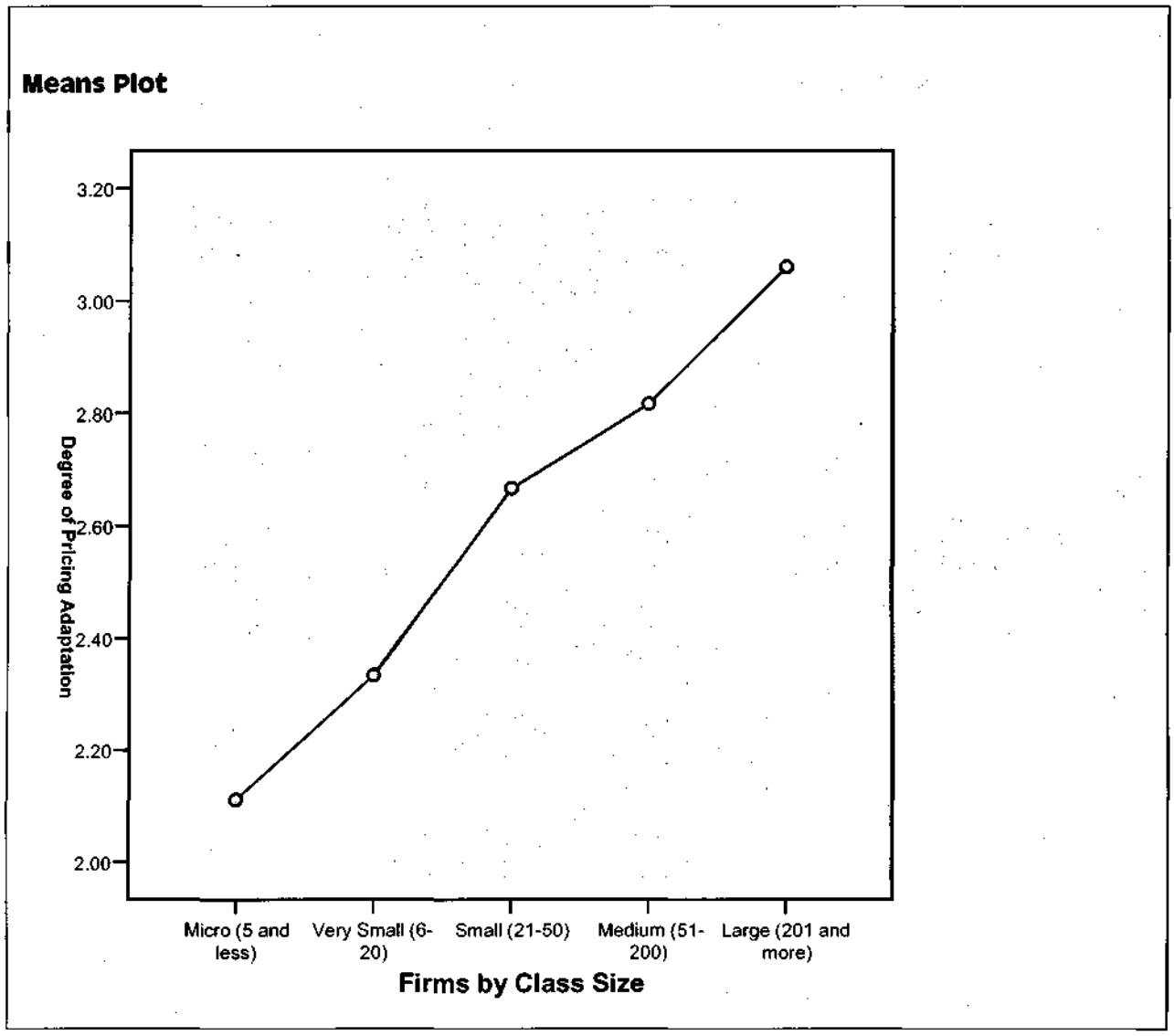
Tukey HSD

Firm by Class Size	N	Subset for alpha = .05	
		1	2
Micro (5 and less)	9	2.1111	
Very Small (6-20)	12	2.3333	2.3333
Small (21-50)	36	2.6667	2.6667
Medium (51-200)	49	2.8163	2.8163
Large (201 and more)	67		3.0597
Sig.		.129	.110

Means for groups in homogeneous subsets are displayed.

a Uses Harmonic Mean Sample Size = 19.413.

b The group sizes are unequal.



The different firm sizes are the independent variable and the degree of pricing adaptation the dependent variable. Table 5.11is an example of the output results of a one-way between-groups ANOVA analysis, and would provide descriptive statistics such as mean and standard deviation values, a test of homogeneity of variances, an ANOVA table, a Multiple Comparisons table (where the results of the Tukey's Honestly Significance Difference test is given), and a means plot. The test of homogeneity of variance gives

Levene's test for homogeneity of variances (Pallant, 2003: 190). It determines if the variance in scores is the same in each group. If the significance number is greater than .05, then the homogeneity of variance assumption has not been violated. In Table 5.11 this number is .763 and the assumption of homogeneity of variance has therefore not been violated.

The ANOVA table gives both between-groups and within-groups sum of squares, degrees of freedom, mean square values, the F-statistic and the significance value. If the significance value is less or equal to .05, then there is a significant difference somewhere among the mean scores of the dependent variable (Pallant, 2003: 190). According to the ANOVA table in Table 5.11, the significant value is .009 and therefore there is somewhere a significant difference among the mean scores with regard to the degree of pricing adaptation, which is the dependent variable for the 5 firm sizes.

This difference can be detected in the Multiple Comparisons table of Table 5.11, which indicates that there is a significant difference between the micro and large firms with regard to the extent they adapt pricing in the export market. Table 5.11 presents the descriptive values and it can be seen that the large firms (mean value 3.0597) adapt the pricing in the international/export markets to a greater extent, compared to micro firms (mean value 2.11). The mean plot is an easy way to compare the mean scores of different groups.

Table 5.12 presents a summary of all the dependent variables of international marketing strategies, the significant differences, and to which firm size it relates to. With regard to

the marketing mix category "adaptations to the marketing mix", the dependent variables of degree of pricing adaptation and degree of adaptation of positioning had significant differences.

TABLE 5.12: A Summary of Significant Differences between Firm Size Classification and International/Export Marketing Strategies

Marketing Mix Categories	Dependent Variable	Sig.*	Firm Size Identified as Responsible for Differences and Mean Values
Adaptations to the marketing mix	Degree of pricing adaptation (1=None; 4=Substantial)	.009	Micro (2.1111) Large (3.0597)
	Degree of adaptation to positioning (1=None; 4=Substantial)	.006	Medium (1.8571) Large (2.3881)
Overall marketing strategies	No significant differences		
Product strategies	No significant differences		
Pricing strategies	Low prices used as a strategy (1=Never; 5=Always)	.027	Medium (3.4898) Small (2.7222)
	Long credit terms (1=Never; 5=Always)	.010	Large (2.5970) Micro (1.3333)
	Prices quoted in rand (1=Never; 5=Always)	.007	Large (1.7910) Micro (3.2222) Large (1.7910) Small (2.1667)
Promotion strategies	Regular overseas trips (1=Never; 5=Always)	.000	Medium (3.5714) Micro (2.3333) Large (3.9104) Micro (2.3333) Large (3.9104) Small (3.1389)
Distribution strategies	No significant differences		

* Significance value as per the ANOVA table

Note that this interpretation applies to all the sections where one-way between-groups ANOVA analysis is used to highlight significant differences. However, the other dependent variables in this category did not have any significant differences, and they were the degree of initial product adaptation, product adaptation, promotional adaptation and adaptation to packaging. Furthermore, the marketing mix categories of overall marketing strategies, product strategies and distribution strategies had no significant differences.

Overall international/export marketing strategies included questions whether, the domestic strategies are duplicated the foreign market, whether strategies suit the requirements of individual target markets and whether the same global strategies are used. With regard to international promotion strategies, the variable regular overseas trips provided the largest value of significant difference. As can be expected, large firms had more regular overseas trips (mean value of 3.9104) compared to the other firm sizes.

5.8.2 The relationship of Firm Size Classification and the Views of Firms with regard to International/Export Market Environmental Characteristics

Large firms indicated that the competitive intensity of international markets is high, while micro firms did not have the same view. However, micro firms and large firms viewed the exchange rate risk as very high (see Table 5.13).

TABLE 5.13: A Summary of Significant Differences between Firm Size Classification and Views of Firms with regard to International/Export Market Environmental Characteristics

Dependent Variable	Sig.*	Firm Size Identified for Differences and Mean Values	
Competitive intensity (1=Very low; 5=Very high)	.003	Micro Large	(3.4440) (4.4330)
Exchange rate risk (1=Very low; 5=Very high)	.000	Very Small Micro Medium Micro Large Micro Large Small	(3.0000) (4.2500) (4.0204) (4.2500) (4.4478) (4.2500) (4.4478) (3.8056)
Foreign tariffs (1=Very low; 5=Very high)	.059	Micro Large	(2.2222) (3.3134)

* Significance value as per the ANOVA table

There were no significant differences among firm size with regard to perceptions of import controls, foreign legislation requirements, cultural barriers, channel accessibility and language barriers. The average group mean values were 3.0, meaning that these barriers were neither too high nor too low.

5.8.3 The Relationship between Firm Size Classification and Firm Characteristics

There were no significant differences among firm size with regard to responses on management commitment, provision of adequate resources, extent of international market knowledge, production competencies, unique product advantages, international marketing skills, management competencies, and adequate planning. Most of the responses on these

questions had group mean values of 4, which indicate positive views with regard to the skills and resources of South African manufacturing firms. The only significant differences related to awareness of government incentives and firms taking advantage of trade agreements. The larger firms were more aware of government export incentives and trade agreements (see Table 5.14).

TABLE 5.14: A Summary of Significant Differences between Firm Size Classification and Firm Characteristics

Dependent Variable	Sig.*	Firm Size Identified for Differences and Mean Values	
Firm is aware of government incentives (1=Strongly disagree; 5=Strongly agree)	.011	Large Medium	(4.1045) (3.4849)
Firm takes advantage of trade agreements (1=Strongly disagree; 5=Strongly agree)	.005	Large Small	(3.5373) (2.6667)

* Significance value as per the ANOVA table

5.8.4 The Relationships between Firm Size Classification and Export Marketing Performance

No significant differences were found between firm size and export performance, except for small and large firms (see Table 5.15). However, the homogeneity of variance assumption has been violated as the test of homogeneity of variances had a significance value of .020, which was less than .05, and therefore, should be interpreted with care. The sales of large firms were higher than all the other firms (also see the graph in Table 5.15).

TABLE 5.15: A Summary of Significant Differences between Firm Size Classification and Export Performance

Descriptives

Export Performance

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Micro (5 and less)	6	44.0000	4.69042	1.91485	39.0777	48.9223	39.00	52.00
Very Small (6-20)	11	41.0909	12.21847	3.68401	32.8824	49.2994	18.00	57.00
Small (21-50)	32	48.7813	6.57333	1.16201	46.4113	51.1512	28.00	61.00
Medium (51-200)	40	48.0750	7.91100	1.25084	45.5449	50.6051	31.00	62.00
Large (201 and more)	57	49.1930	8.20592	1.08690	47.0157	51.3703	30.00	65.00
Total	146	47.9726	8.25285	.68301	46.6227	49.3225	18.00	65.00

Multiple Comparisons

Dependent Variable: Export Performance

Tukey HSD

(I) Firm by Class Size	(J) Firm by Class Size	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Micro (5 and less)	Very Small (6-20)	2.90909	4.08930	.954	-8.3913	14.2095
	Small (21-50)	-4.78125	3.58458	.671	-14.6869	5.1244
	Medium (51-200)	-4.07500	3.52752	.777	-13.8229	5.6729
	Large (201 and more)	-5.19298	3.45823	.563	-14.7494	4.3635
Very Small (6-20)	Micro (5 and less)	-2.90909	4.08930	.954	-14.2095	8.3913
	Small (21-50)	-7.69034	2.81617	.054	-15.4725	.0919
	Medium (51-200)	-6.98409	2.74319	.086	-14.5646	.5964
	Large (201 and more)	-8.10207*	2.65349	.022	-15.4347	-.7694
Small (21-50)	Micro (5 and less)	4.78125	3.58458	.671	-5.1244	14.6869
	Very Small (6-20)	7.69034	2.81617	.054	-.0919	15.4725
	Medium (51-200)	.70625	1.91099	.996	-4.5746	5.9871
	Large (201 and more)	-.41173	1.77983	.999	-5.3301	4.5067
Medium (51-200)	Micro (5 and less)	4.07500	3.52752	.777	-5.6729	13.8229
	Very Small (6-20)	6.98409	2.74319	.086	-.5964	14.5646
	Small (21-50)	-.70625	1.91099	.996	-5.9871	4.5746
	Large (201 and more)	-1.11798	1.66194	.962	-5.7106	3.4746
Large (201 and more)	Micro (5 and less)	5.19298	3.45823	.563	-4.3635	14.7494
	Very Small (6-20)	8.10207*	2.65349	.022	.7694	15.4347
	Small (21-50)	.41173	1.77983	.999	-4.5067	5.3301
	Medium (51-200)	1.11798	1.66194	.962	-3.4746	5.7106

*. The mean difference is significant at the .05 level.

Test of Homogeneity of Variances

Export Performance

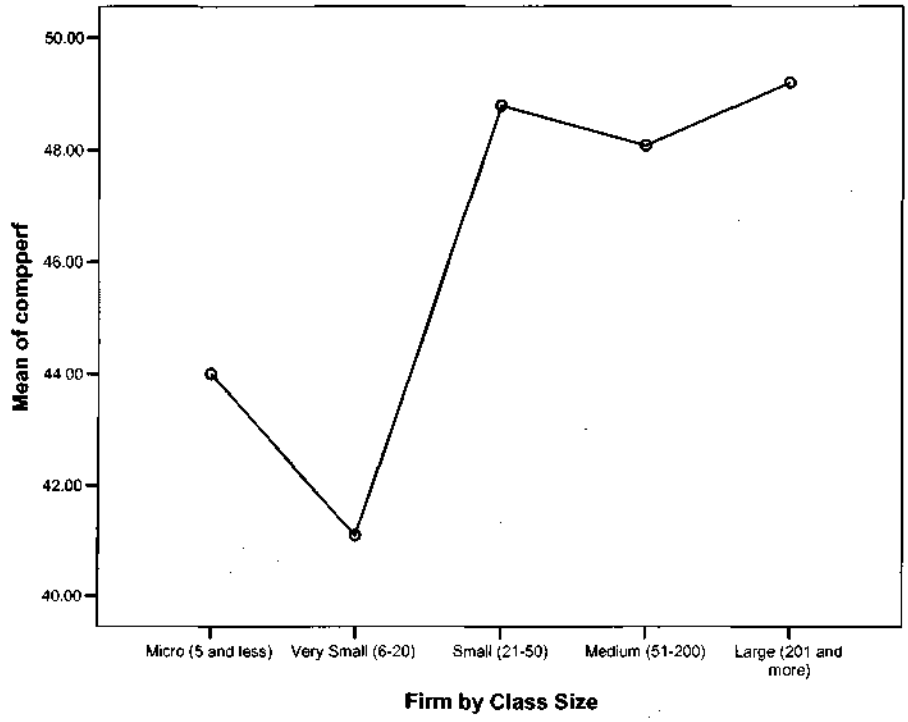
Levene Statistic	df1	df2	Sig.
3.033	4	141	.020

ANOVA

Export Performance

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	721.860	4	180.465	2.780	.029
Within Groups	9154.030	141	64.922		
Total	9875.890	145			

Means Plot



5.9 INDUSTRY ANALYSIS

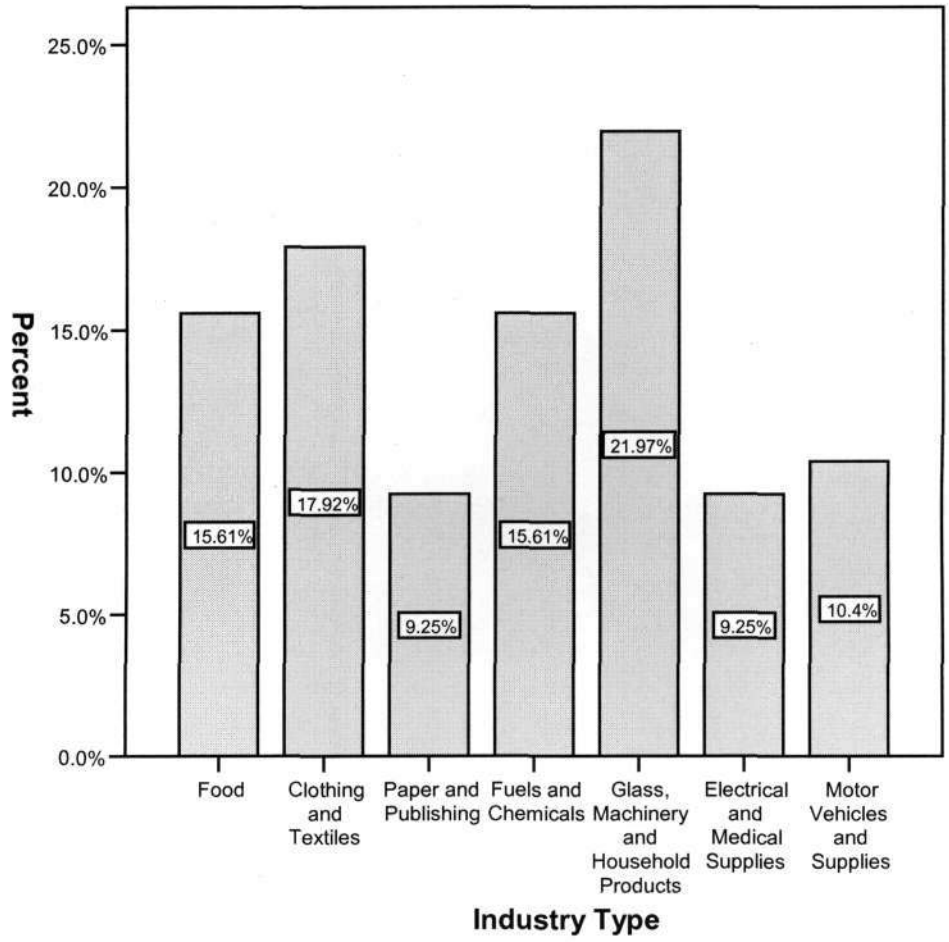
There are various ways of classifying industries. However, for the purpose of this research study, industries have first been classified in terms of the Standard Industrial Classification (SIC) codes, and are discussed in this section. Secondly, it has been classified in terms of consumer and industrial firms, and the analyses are dealt with in section 5.10. The industries included in this research study, according to the Standard Industrial Classification, were food, clothing and textiles, paper and publishing, fuels and chemicals, machinery and household appliances, electrical and medical supplies, and motor vehicles, ships and aircraft.

The one-way between-groups ANOVA statistical technique was employed to compare the industry relationships. Graph 5.2 presents the distribution of firms by industry type. The category glass, machinery and household products had the largest percentage of respondents, namely, 21.97 percent.

5.9.1 The Relationship between Industry Type and International/Export Marketing Strategies

In Table 5.16 it can be seen that there were no significant differences between types of industries and their international marketing strategies with regard to adaptations to the marketing mix, overall marketing strategies and distribution strategies. Under product

GRAPH 5.2: Distribution of Firms by Industry Type



strategies, the clothing and textile industry differed significantly with a number of other industries, as firms in the clothing and textile industry indicated that they produce more specialised and customised goods. Under pricing strategies, firms in the food industry tended to ask higher prices in the international/export markets compared to firms in the machinery and household industry, but lower prices compared with firms in the paper and publishing industry.

TABLE 5.16: A Summary of Significant Differences between Industry Type and International/Export Marketing Strategies

Marketing Mix Categories	Dependent Variable	Sig.*	Industries Identified as Having Significant Differences and Mean Values per Industry	
Adaptations to the marketing Mix	No significant differences			
Overall marketing strategies	No significant differences			
Product strategies	Unique product features (1=Never; 5=Always)	.018	Fuels and Chemicals Machinery and Households	(4.1852) (3.3947)
	Speciality goods (1=Never; 5=Always)	.001	Machinery and Households Clothing and Textiles Clothing and Textiles Paper and Publishing	(2.1053) (3.3226) (3.3226) (1.1750)
	Customised goods (1=Never; 5=Always)	.002	Clothing and Textiles Food Machinery and Households Clothing and Textiles	(4.0968) (2.7778) (3.0263) (4.0968)
Pricing strategies	High prices used as a strategy (1=Never; 5=Always)	.004	Machinery and Households Food	(1.8684) (2.9630)
	Low prices used as a strategy (1=Never; 5=Always)	.010	Paper and Publishing Food	(3.8750) (2.5556)
Promotion strategies	Build brand awareness (1=Never; 5=Always)	.000	Clothing and Textiles Food Clothing and Textiles Fuels and Chemicals Clothing and Textiles Machinery and Households	(2.3548) (3.4074) (2.3548) (3.3704) (2.3548) (3.2632)
	Participate in trade shows (1=Never; 5=Always)	.006	Paper and Publishing Food Fuels and Chemicals Food Machinery and Households Food Vehicles and Other Food	(2.3125) (3.5556) (2.4444) (3.5556) (2.6316) (3.5556) (2.2222) (3.5556)

Marketing Mix Categories	Dependent Variable	Sig.*	Industries Identified as Having Significant Differences and Mean Values per Industry
Distribution strategies	No significant differences		

* Significance value as per the ANOVA table

Under promotion strategies, firms in the clothing and textiles industry focused less on building brand awareness compared with firms in a number of other industries. Firms in the food industry participated more in trade shows compared with firms in a number of other industries.

5.9.2 The Relationship between Industry Type and Views of Firms of International/Export Market Environmental Factors

The motor vehicle industry had the highest mean rating of 4.5560 with regard to their views of the competitive intensity of international/export markets they operate in, and the electrical and medical industry the lowest (see Table 5.17 which provides the significant differences among different industries with regard to their views of the characteristics of the export/international market). Except for the electrical and medical industries, all the other industries had mean ratings of more than 4.0, which are indicative of their views of competitive nature of the international market in general. Firms in the clothing and textile industry viewed the exchange rate risk as very high, and this is evident in terms of clothing and textile firms that are closing down.

TABLE 5.17 A Summary of Significant Differences between Industry Type and Views of Firms of International/Export Market Environmental Factors

Dependent Variable	Sig.*	Industry Type Identified for Differences and Mean Values	
Competitive intensity (1=Very low; 5=Very high)	.037	Clothing and Textile	(4.1480)
		Electrical and Medical	(3.6250)
		Vehicles and Other	(4.5560)
		Electrical and Medical	(3.6250)
Exchange risk (1=Very low; 5=Very high)	.005	Clothing and Textile	(4.6129)
		Electrical and Medical	(3.5000)
Channel accessibility (1=Very low; 5=Very high)	.016	Clothing and Textiles	(2.3548)
		Food	(3.3704)
Cultural differences (1=Very low; 5=Very high)	.019	Clothing and Textile	(2.4516)
		Paper and Publishing	(3.2813)

* Significance value as per the ANOVA table

Firms in the clothing and textile industry did not see channel accessibility as a problem and firms in the paper and publishing industry had the highest rating for cultural differences that they experience. Overall, foreign tariffs, import controls, foreign legislation, cultural differences had mean ratings of approximately 3.0, which indicate that the industries do not view these variables as either too high or too low. Language was not seen as a major barrier, as it had a low average mean rating of 2.0.

5.9.3 The Relationship between Industry Type and Firm Characteristics

Firms in the clothing and textile industry were more in agreement that adequate resources were provided to sustain the export activities of the firm (see Table 5.18). Firms in the

paper and publishing industries had the lowest rating with regard to the variable that the firm has unique management competencies, and the fuel and chemical firms had the highest rating. The clothing and textile firms make more use of government incentives.

TABLE 5.18: A Summary of Significant Differences between Industry Type and Firm Characteristics Relationships

Dependent Variable	Sig.*	Industry Types Identified for Differences and Mean Values	
Adequate resources are provided (1=Strongly disagree; 5=Strongly agree)	.012	Clothing and Textiles Paper and Publishing	(4.4516) (3.6875)
Firm has unique management competencies (1=Strongly disagree; 5=Strongly agree)	.033	Paper and Publishing Fuels and Chemicals Paper and Publishing Machinery and household	(3.3125) (4.0741) (3.3125) (4.0526)
Firm takes advantage of trade agreements (1=Strongly disagree; 5=Strongly agree)	.001	Clothing and Textiles Electrical and Medical Vehicles and Others Electrical and Medical Vehicles and Others Machinery and Household	(3.7097) (2.6250) (3.8889) (2.6250) (3.8889) (2.9211)
Firm makes use of government incentives (1=Strongly disagree; 5=Strongly agree)	.024	Clothing and Textiles Food Clothing and Textiles Paper and Publishing	(3.8710) (2.8148) (3.8710) (2.6250)

* Significance value as per the ANOVA table

The motor vehicle and clothing and textile firms are taking advantage of trade agreements. For example, firms in the clothing and motor vehicle industries are in a position to take advantage of the African Growth and Opportunity Act (AGOA) of the United States of America. Essentially, AGOA is a trade agreement between sub-Saharan African countries and the United of America, allowing sub-Saharan African countries to

export to the United States and enjoying preferential rights of lower tariffs being applied to products entering the United States of America, giving firms a more price competitive advantage exporting to the United States of America.

5.9.4 The Relationship between Industry Type and Export Marketing Performance

In terms of the export marketing performance variable, the clothing and textile industry fared the worst and the food industry the best. However, there were no significant differences among the industries in terms of export performance (see Table 5.19).

TABLE 5.19: Export Marketing Performance of Firms by Industry Type

Descriptives

Export Performance

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Food	22	52.3182	6.12867	1.30664	49.6009	55.0355	39.00	65.00
Clothing and Textiles	24	45.5833	8.53594	1.74239	41.9789	49.1877	30.00	59.00
Paper and Publishing	15	50.3333	8.43180	2 17708	45.6640	55.0027	35.00	63.00
Fuels and Chemicals	24	47 1667	8.67614	1.77101	43.5031	50.8303	31.00	61.00
Machinery and Household	33	45.6970	8.48338	1.47677	42.6889	48.7050	18 00	56.00
Electrical and Medical	12	49.8333	5.09605	1.47110	46.5955	53.0712	39.00	58.00
Vehicles and Other	16	47.8750	9.06182	2.26546	43.0463	52.7037	34 00	62.00
Total	146	47.9726	8.25285	.68301	46.6227	49.3225	18.00	65.00

TABLE 5.19: Continued

Test of Homogeneity of Variances

Export Performance

Levene Statistic	df1	df2	Sig.
1.449	6	139	.200

ANOVA

Export Performance

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	864.231	6	144.039	2.222	.044
Within Groups	9011.659	139	64.832		
Total	9875.890	145			

5.10 ANALYSIS OF INDUSTRIAL AND CONSUMER FIRMS

Industrial firms constituted 55.49 percent and consumer firms 44.51 percent of the sample (see Graph 5.3). Independent samples *t*-tests were used to compare the mean values of responses of industrial and consumer firms. The only differences that were significant were for promotion and distribution as international marketing strategies (refer Table 5.20). There were also no significant differences with regard to firm characteristics and the international performances of industrial and consumer firms.

GRAPH 5.3: Distribution of Industrial and Consumer Firms

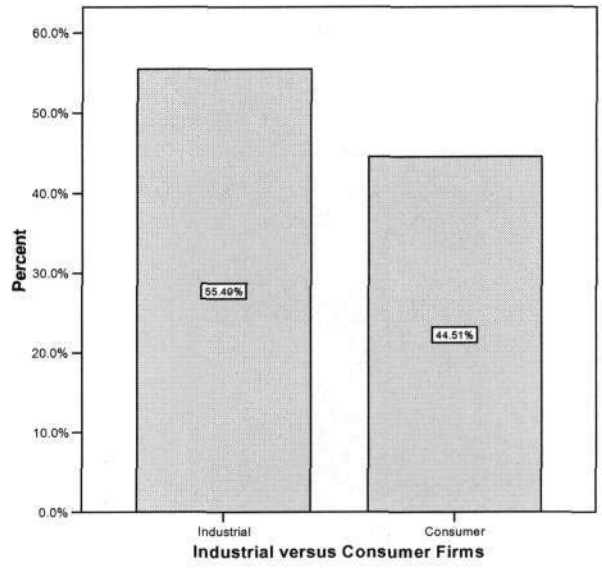


TABLE 5.20: A Summary of Significant Differences between Industrial and Consumer Firms' International Marketing Strategies

Marketing Mix Categories	Dependent Variable	Sig.	Significant Differences and Mean Values of Industrial and Consumer Firms	
Adaptations to the marketing mix	No significant differences			
Overall marketing strategies	No significant differences			
Product strategies	No significant differences			
Pricing strategies	No significant differences			
Promotion strategies	Use the Internet to advertise	0.028	Industrial Consumer	(3.0521) (2.5844)
Distribution strategies	Direct sales to end users	0.000	Industrial Consumer	(3.2396) (2.3247)
	High levels of control	0.023	Industrial Consumer	(3.5208) (3.0779)

Industrial firms make more use of the Internet. As can be expected, industrial firms make use of more direct channels and therefore also have greater control over their distribution channels. It was found that consumer firms gave a higher rating than industrial firms with regard to the competitive intensity of the international market.

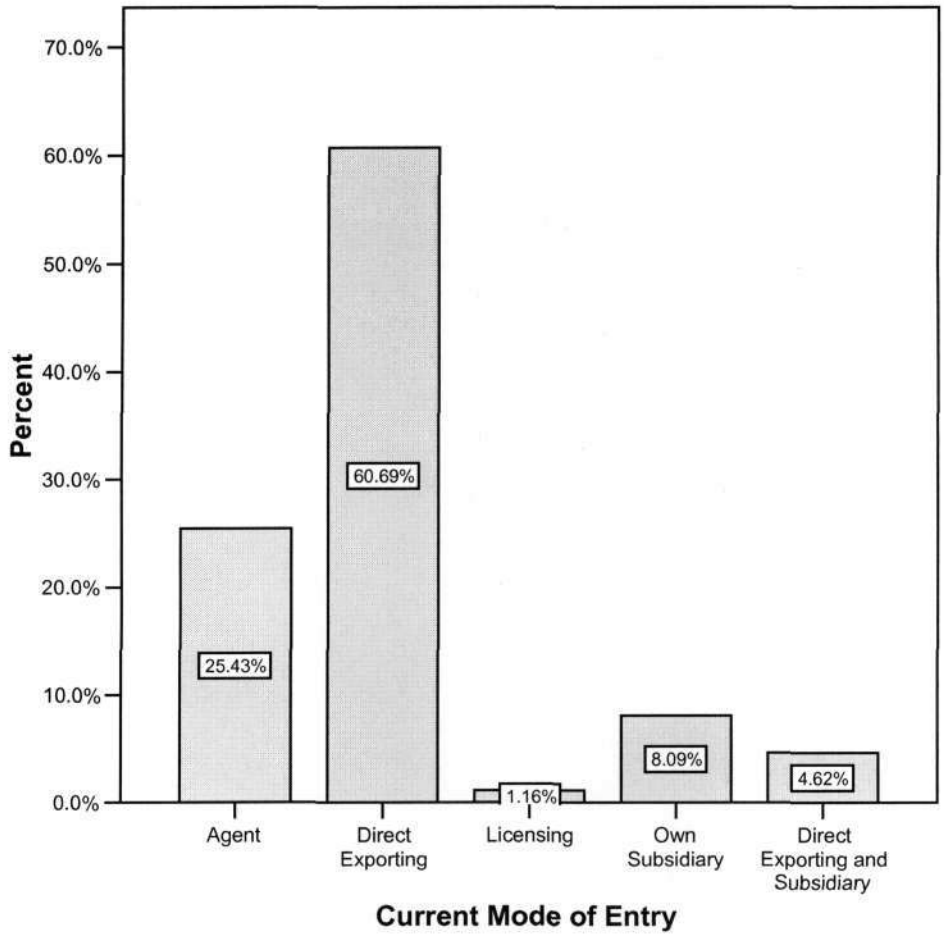
5.11 ANALYSIS OF CURRENT MODE OF ENTRY

Mode of entry refers to how firms can enter international markets, for example, by establishing their own subsidiary or making use of intermediaries. The choice would be dependent on a number of factors. For example, do they have knowledge about the market, and if not, then the use of local intermediaries in the export market may be the more appropriate option. There may be other barriers, for example language proficiency, access to distribution channels and legal requirements.

In some countries, for example, should a firm decide to establish a subsidiary, the government may require that local residents own 51 percent of the firm, effectively taking control away from the firm. A firm may also wish to position their product in a particular manner. However, should the firm make use of agents then the firm may effectively lose control to manage its positioning strategy.

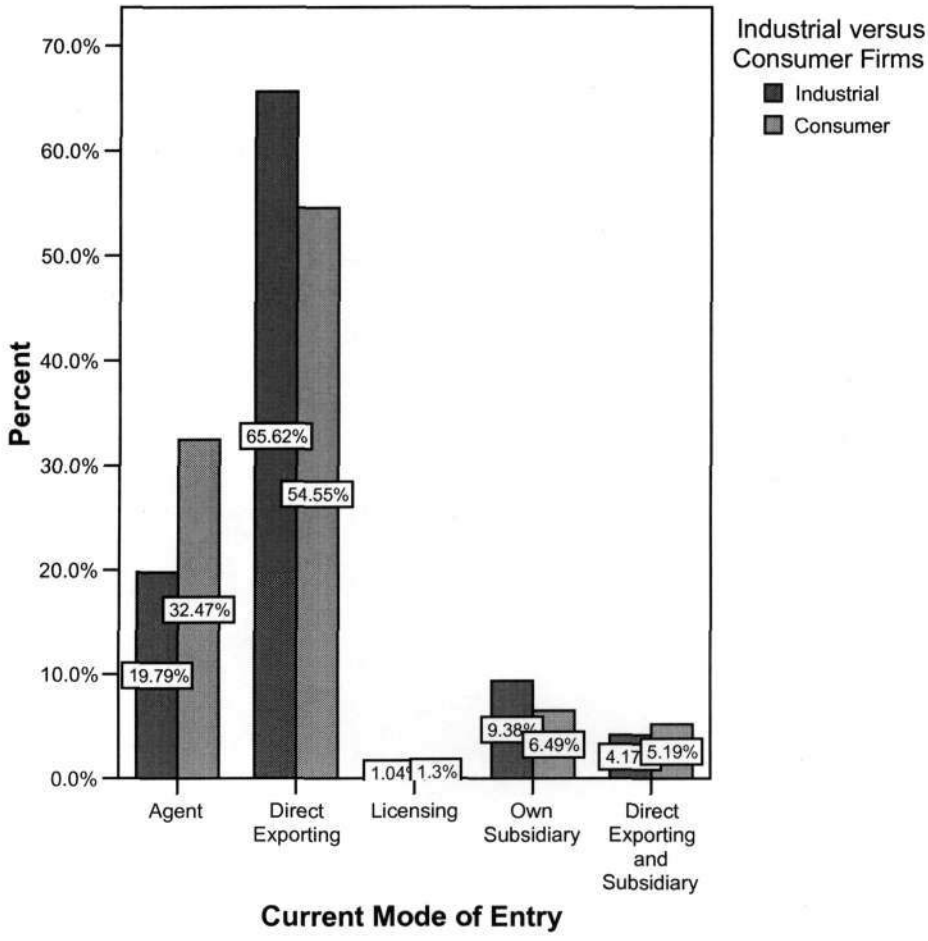
Direct exporting is the most popular means of exporting for South African firms, being 60.69 percent of the sample (see Graph 5.4). Still a large number of firms make use only of agents.

GRAPH 5.4: The Current Mode of Entry of Firms



Industrial firms make use of more direct marketing compared to consumer firms, and consumer firms make more use of agents (see Graph 5.5). The differences in mode of entry had no impact on the performance of firms in international markets.

GRAPH 5.5: Current Mode of Entry of Consumer and Industrial Firms



Furthermore, marketing strategies were not significantly different, given the different modes of entry. In total, approximately 12.71 percent of the firms had subsidiaries in other countries. Licensing is not a popular means of entering foreign markets.

5.12 COUNTRIES OF EXPORTS

Most of the sample firms exported to Europe, followed by Africa (see Graph 5.6). Only a very few firms have exported to South America which can be seen as an unexploited opportunity. The United Kingdom was the top export destination (see Table 5.21). Some firms were very sensitive about indicating to which countries they were exporting. The non-response made up 4.91 percent of the sample of firms because firms did not specify or provide information on export destinations (see Graph 5.6).

GRAPH 5.6: Export Destinations by Continent

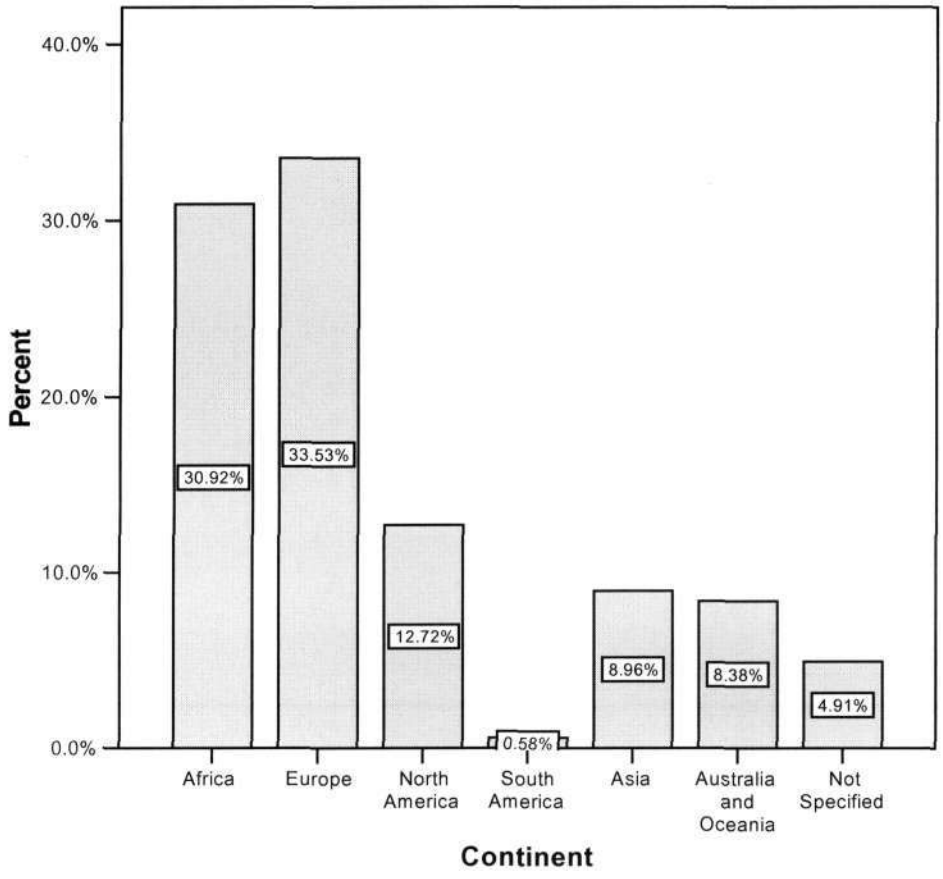


TABLE 5.21: Top 10 Destinations of Export by Country

COUNTRY	RANK	FREQUENCY
UK	1	**48**
USA	2	**39**
Australia	3	**17**
Germany	4	**16**
Botswana	5	**15**
Zimbabwe	6	**13**
Zambia	7	**12**
Namibia	8	**9**
Kenya	9	**8**
Angola	10	7

5.13 GENERAL FINDINGS

Past research has shown that experience in international/export marketing contributes to the performance of firms. Through experience a firm gains market knowledge. For example, Thirkell and Dau (1998: 826) found that export market knowledge and experience were the single most significant differentiators between higher and lower levels of export marketing performance. Six of the firms had more than 50 years of export experience, four of them were large firms (see Table 5.22). Four of these firms are in the food industry. It is interesting to note that 4 of the micro firms had between 21 and 50 years of international experience (see Table 5.22). Approximately 72.3 percent of the firms had 20 or less years of experience in the international market.

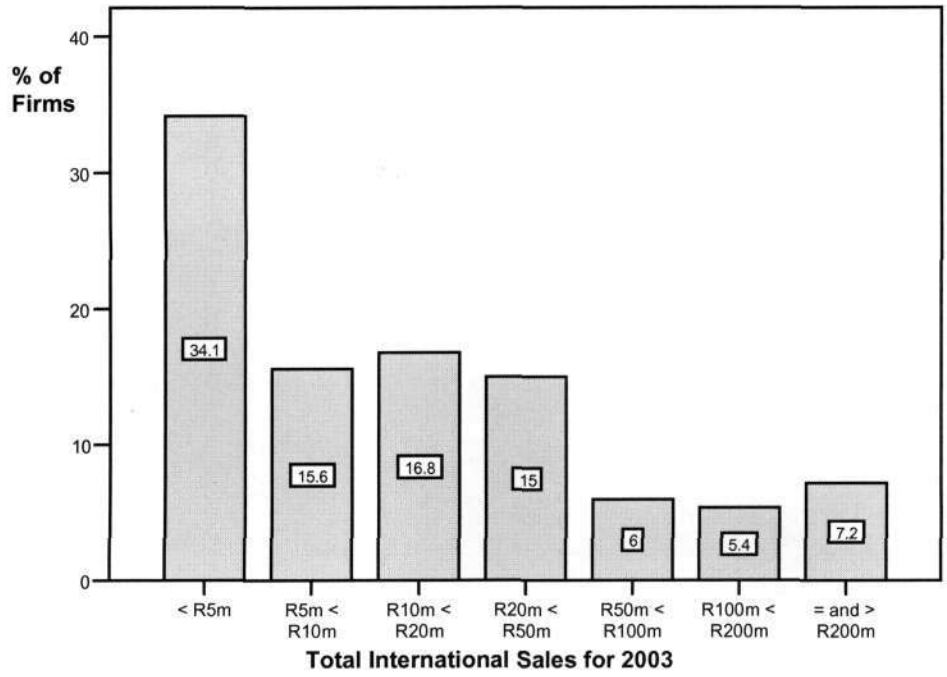
TABLE 5.22: Years of Export Experience by Firm Size and Type of Industry

		Consecutive Years in Export					Total
		1-5	6-10	11-20	21-50	More than 50	
Firm by Class Size	Micro (5 and less)	2	1	2	4	0	9
	Very Small (6-20)	2	2	4	4	0	12
	Small (21-50)	6	10	10	8	2	36
	Medium (51-200)	9	11	18	11	0	49
	Large (201 and more)	7	17	24	14	4	66
Total		26	41	58	41	6	172

		Consecutive Years in Export					Total
		1-5	6-10	11-20	21-50	More than 50	
Sic Code	Food	0	8	6	9	4	27
	Clothing and Textiles	7	9	9	6	0	31
	Paper and Publishing	3	4	5	4	0	16
	Fuels and Chemicals	4	5	11	6	1	27
	Glass, Machinery and Household Products	5	6	17	9	1	38
	Electrical and Medical Supplies	5	4	3	4	0	16
	Motor Vehicles and Supplies	2	5	7	3	0	17
Total		26	41	58	41	6	172

With regard to total international sales for 2003, approximately 66 percent of firms had international sales of less than R20m and 7.2 percent of firms had more than R200m international sales (see Graph 5.7).

GRAPH 5.7: Total International Sales for 2003



Approximately 46 percent of firms were either very dissatisfied or dissatisfied with their international sales of 2003 and 43 percent with regard to international

TABLE 5.23: Satisfaction Responses with Regard to International Sales and Profits for 2003

	Very Dissatisfied	Dissatisfied	Neither Dissatisfied or Satisfied	Satisfied	Very Satisfied
Satisfaction with International Sales	7.02%	38.6%	18.71%	30.99%	4.68%
Satisfaction with International Profits	13.69%	29.17%	22.02%	33.33%	1.79%

profits (refer Table 5.23). A very small percentage of firms were very satisfied with both 2003 sales and profits. Table 5.24 provides a summary of the significant differences of views of firms in respect of the environmental characteristics of the export market. For example, the competitive environment of Europe is viewed to be intense compared with the African continent. The exchange rate risk is viewed to be higher in North America compared to that of Africa.

Table 5.25 is a summary of the different marketing strategies employed by firms over the different continents, and whether there are significant differences. For example, South African firms offer a broader range of product lines on the African continent compared to that on the North American continent. South African firms tend to charge higher prices on the Asian continent compared to the African continent. There were no significant differences with regard to promotion and distribution strategies across the different continents.

TABLE 5.24: A Summary of Significant Differences between Export Destinations and Views of Firms with regard to International/Export Market Environmental Characteristics

Dependent Variable	Sig.*	Continents Identified for Differences and Mean Values	
Competitive intensity (1=Very low; 5=Very high)	.014	Africa Europe Africa North America	(3.8650) (4.3280) (3.8650) (4.4070)
Exchange rate risk (1=Very low; 5=Very high)	.000	Africa Europe Africa North America	(3.6538) (4.2500) (3.6538) (4.5556)
Import controls (1=Very low; 5=Very high)	.078	Africa Europe	(3.3077) (2.7460)

* Significance value as per the ANOVA table

TABLE 5.25: A Summary of Significant Differences between Continents of Exports and International/Export Marketing Strategies Employed on these Continents

Marketing Mix Categories	Dependent Variable	Sig.*	Different Continents of Exports. Differences and Mean Values
Adaptations to the Marketing Mix	Degree of initial product adaptation (1=None; 4=Substantial)	.003	Africa (1.6923) Europe (2.3594)
Overall Marketing Strategies	No significant differences		
Product Strategies	Broad product lines (1=Never; 5=Always)	.021	Africa (3.3269) North America (2.3846) Europe (3.2031) North America (2.3846)
	Customised products (1=Never; 5=Always)	.021	Asia (3.8750) Australia and Oceania (2.5833)
Pricing Strategies	High prices used as a strategy (1=Never; 5=Always)	.043	Africa (2.1538) Asia (3.0625)
	Prices quoted in rand (1=Never; 5=Always)	.000	Africa (3.3654) Europe (2.3125) Australia and Oceania (2.0833) Europe (2.3125) Africa (3.3654) North America (2.3846) Asia (3.0625 Australia and Oceania (2.0833) Australia and Oceania (2.0833) North America (2.3846) Africa (3.3654) Asia (3.0625)
Promotion Strategies	No significant differences		
Distribution Strategies	No significant differences		

* Significance value as per the ANOVA table

5.14 SUMMARY OF FINDINGS

The objective of this section was to compare the findings of this research study with the findings of the research studies conducted by Cavusgil and Zou (1994) and O'Cass and Julian (2003b). However, the results may not be exactly comparable due to the different research methodologies used, but it provides some insight as to which relationships between dependent and independent variables were found to be significant (also refer to the notes under Table 5.26 and 5.27). Table 5.26 presents the comparisons with regard to the variables that impact on firm performance (Hypothesis 1).

TABLE 5.26: Comparison of the Results of Hypothesis 1

Hypothesis 1: Export marketing performance is enhanced as:	Expected Sign	Regression Analysis Results	Cavusgil and Zou Results	O'Cass and Julian Results
the degree of product adaptation increases	+	**SR***	**S**	n.a.[3]
the degree of promotion adaptation increases	+	NS	**S/R**	n.a.
the degree of distributor/subsidiary support increases.	+	NS	**S**	NS
the degree of pricing adaptation increases	+	**S***	n.a.[1]	n.a.
the firm's international marketing experience increases	+	NS	**S**[2]	n.a.
firm size increases	+	**S#**	n.a.	NS
the investment commitment increases	+	**S***	n.a.	n.a.
the competitive intensity decreases	-	**S***	NS	n.a.
management's commitment to exporting increases	+	NS	**S**	NS

management engages in careful planning	+	S*	n.a.	n.a.
Firm competencies increases	+	NS	S	NS
Export market barriers decrease	+	NS	n.a.	S

#$p < .10$
*$p < .05$
**$p < .001$

S = Significant
NS = Not-significant
RS = Hypothesis refuted
n.a.[1] = Not applicable means that this particular variable was not included in the specific study
S[2] = Cavusgil and Zou refer to international competence and can be equated to international experience
n.a.[3] = O'Cass and Julian had significant findings for a collective marketing mix variable

For example, the results of Cavusgil and Zou (1994) indicated that product adaptation had a significant influence on export marketing performance, while in this research study this relationship was significant, but the relationship between product adaptation and export performance was negative, refuting the hypothesis of a positive relationship. Cavusgil and Kirpalani (1993: 9) found that product adaptation on the initial entry does not necessarily contribute to success, but adaptation afterwards does. In a study by Christensen, da Rocha and Gertner (1987: 66) it was stated that successful exporters tend to be manufacturers of standardised products and not adapted products. Other factors also play a role, for example, in a study by Kaynak and Kuan (1993: 41) it was found that products with a higher technology level are less successful than low-technology products.

The study of O'Cass and Julian (2003b) showed that the relationship between firm size and export marketing performance was not significant while the findings of this research study showed a significant relationship. The research study of Cavusgil and Zou showed

a significant relationship between international experience and export marketing performance, whilst this research study had a non-significant finding. However, a research study by O'Donnell and Jeong (2000: 29) also found a lack of effect of international experience on the standardization-performance relationship. According to them it was an unexpected finding. Cavusgil and Zou found a significant relationship between distributor/subsidiary support and export marketing performance, while both this research study and that of O'Cass and Julian had non-significant findings.

TABLE 5.27: Comparison of the Results of Hypothesis 2

Hypothesis 2: Product Adaptation Increases as:	Expected Sign	Regression Analysis Results	Cavusgil and Zou Results	O'Cass and Julian Results*
the firm's international marketing experience increases.	+	NS	n.a.	n.a.
firm size increases	+	NS	n.a.	NS[1]
investment commitment increases	+	NS	n.a.	n.a.
the competitive intensity increases	+	S*	S	n.a.
management's commitment to exporting increases	+	NS	n.a.	NS
firm competencies increases	+	NS	S[1]	S[2]
export market barriers increases	+	NS	n.a.	n.a.

*$p < .05$
**$p < .001$

O'Cass and Julian Results* = Careful interpretations should be made with regard to the O'Cass and Julian research study as their hypotheses are phrased with regard to the total marketing mix and not to the specific elements. For example, their H1 reads "Channel support will influence marketing mix strategy" which is broader than hypotheses 2 above. This also applies to hypotheses 3, 4 and 5.
S^1 = Cavusgil and Zou refer to international competence.
ns^1/S^2 = The Study of O'Cass and Julian used an overall strategy of adaptation and standardisation of the marketing mix, whereas this study focussed on each of the individual marketing mix strategies. Therefore, the comparison should be viewed in terms of this background. This will apply to Tables 5.28, 5.29 and 5.30.

Of the twelve independent variables included in Hypothesis 1, six had a significant influence on export marketing performance. O'Cass and Julian also had eight independent variables of which only four had significant relationships with export performance. The results of Hypothesis 2 is presented Table 5.27. With regard to Hypothesis 2 (the degree of product adaptation the dependent variable) both this research study and that of Cavusgil and Zou showed a significant relationship between the competitive intensity of the export market and the degree of product adaptation (see Table 5.27).

TABLE 5.28: Comparison of the Results of Hypothesis 3

Hypothesis 3: Promotional Adaptation Increases as:	Expected Sign	Regression Analysis Results	Cavusgil and Zou Results	O'Cass and Julian Results*
the firm's international marketing experience increases.	+	NS	n.a.	n.a.
firm size increases	+	NS	n.a.	NS
investment commitment increases	+	NS	n.a.	n.a.
the competitive intensity increases	+	NS	S	n.a.
firm competencies	+	NS	NS[2]	S
export market barriers increases	+	S**	n.a.	n.a.

*$p < .05$
**$p < .001$
O'Cass and Julian Results* = Refer to notes under Table 5.27.
NS[2] = Cavusgil and Zou refer to international competence.

Both this study and that of O'Cass and Julian found a non-significant relationship between management/firm commitment and degree of product adaptation. For

comparison purposes of the different studies, one should take note of the explanatory notes given at the bottom of Table 5.27. With regard to Hypothesis 3 (the degree of promotional adaptation the dependent variable) only the variable export market barriers (or export market characteristics) had a significant effect on the dependent variable (see Table 5.28). The promotion strategy is normally the one that is more affected by foreign country legislation of what a firm can advertise and which medium a firm can use to advertise.

With regard to Hypothesis 4 (support to foreign distributor/subsidiary the dependent variable) four independent variables had a significant effect on the degree of distributor/subsidiary support; they were firm size, competitive intensity, firm

TABLE 5.29: Comparison of the Results of Hypothesis 4

Hypothesis 4: Support to foreign distributor/subsidiary increases as:	Expected Sign	Regression Analysis Results	Cavusgil and Zou Results	O'Cass and Julian Results*
the firm's international marketing experience increases.	+	NS	n.a.	n.a.
firm size increases	+	S*	n.a.	NS
investment commitment increases	+	NS	n.a.	n.a.
the competitive intensity increases	+	S*	S	n.a.
firm competencies	+	S**	n.a.	S
export market barriers increases	+	S*	n.a.	n.a.
management is committed	+	NS	S	NS

*$p < .05$
**$p < .001$

O'Cass and Julian Results* = Refer to notes under Table 5.27.

competencies and export barriers (see Table 5.29). Only Cavusgil and Zou found the relationship between management commitment and the degree of distributor support significant, this research study and that of O'Cass and Julian had non-significant findings.

With regard to Hypothesis 5 (the degree of pricing adaptation the dependent variable) three out of the four relationships of dependent versus independent variables were significant. They were firm size, the competitive intensity of the export market and export market barriers (or export market characteristics. Surprisingly, the study of Cavusgil and Zou came up with a non-significant finding of the relationship between competitive intensity and degree of pricing adaptation. One would have expected that the more competitive the market the greater the need for pricing adaptation.

TABLE 5.30: Comparison of the Results of Hypothesis 5

Hypothesis 5: Pricing Adaptation Increases as:	Expected Sign	Regression Analysis Results	Cavusgil and Zou Results	O'Cass and Julian Results*
firm size increases	+	S*	n.a.	NS
investment commitment increases	+	NS	n.a.	n.a.
the competitive intensity increases	+	S**	NS	n.a.
export market barriers increases	+	S#	n.a.	n.a.

#$p < .10$
*$p < .05$
**$p < .001$

O'Cass and Julian Results* = Refer to notes under Table 5.27.

Although there are similarities in the findings of this and the other two research studies, differences were also highlighted, underlining what other scholars have referred to as the contradictory nature of research findings (Lee and Griffith, 2004: 321; Zou, Fang and Zhao, 2003: 33; and Halliburton and Hünerberg, 1987: 244).

If one has to provide reasons why the research findings of this research study may be different to the research study of Cavusgil and Zou, the following may be raised. The study of Cavusgil and Zou (1994) has been conducted in the United States, a developed country, whereas South Africa is still a developing country. The exports of South Africa are more capital intensive than labour intensive, while the United States exports a far greater number of high technology products. The United States is also nearer to the main export markets and, being an advanced economy, it has a better image than South Africa with regard to the quality and innovativeness of products. Given the findings of the research study, recommendations will be made in Chapter 6 of possible marketing strategies South African firms should employ.

5.15 CONCLUSION

This chapter gave an in-depth discussion of the analysis and validation of the data collected in the mail survey. In particular, issues of questionnaire validation, assessment of response rates, reliability testing, measurement purification and the development of the questionnaire were discussed. The analyses of the data were conducted using regression

analysis. Descriptive statistics were also provided under sections 5.9 to 5.13 where the data were further explored as to what extent the marketing strategies differed among firm size, industry types with regard to current mode of entry, countries of export, experience and export performance of firms. Section 5.14 summarises the findings with regard to the hypotheses that were formulated.

Chapter 6 will discuss the recommendations based on the findings of the research study, the limitations of the study, direction for future research and the contribution the research study has made.

CHAPTER 6

RECOMMENDATIONS AND DIRECTIONS FOR FUTURE RESEARCH

6.1 INTRODUCTION

The statistical analyses and research results were presented in Chapter 5. Regression analysis was used to test the five hypotheses and a summary of the findings is presented in section 5.15. For example, in the case of Hypothesis 1, the findings were that the variables; degree of pricing adaptation, degree of product adaptation, firm size, investment commitment, competitive intensity and that management engages in careful planning had a significant effect on export/international marketing performance. Furthermore, the results of this research study were compared with the results of other international research studies to highlight differences and similarities of the findings of these different research studies.

Chapter six reviews the findings of this research study and provides a discussion of the implications of the most important findings. Recommendations are provided with regard to possible marketing and other business strategies as a response to the findings of each of the following categories, namely, firm characteristics, market characteristics, and international marketing mix adaptations. Furthermore, the limitations of this research study, the contribution of the research study, and directions for future research in terms of the findings, are provided.

6.2 DISCUSSION AND IMPLICATIONS OF THE MOST IMPORTANT FINDINGS

6.2.1 Introduction

The primary objective of this research study dealt with determining the relationship between international marketing strategies and international/export marketing performance of South African manufacturing firms, as well as the role of internal and external determinants with regard to international marketing strategy and international/export marketing performance. The research study intended to determine whether these different independent variables had a significant impact on the dependent variable, namely, international/export performance. The following sub-sections present the findings of the regression analysis and recommendations with regard to the findings of the regression analysis. Furthermore, the findings of the regression analysis are augmented by some of the findings of the general descriptive analysis of this research study.

6.2.2 Findings with Regard to Firm characteristics

The findings of this research study indicated that firm size, investment commitment and that management engages in careful planning as firm characteristics had a significant influence on export/international marketing performance. Notably, O'Cass and Julian (2003b: 67), Baldauf, Cravens and Wagner (2000: 61) and Dean, Mengüç and Myers

(2000: 471) also found that firm size has a significant effect on export marketing performance. Calof (1994: 384), on the other hand found that the propensity for South African firms to export tend to increase as the firm grows in size, but he did not indicate the relationship between firm size and export marketing performance.

In a South African study conducted by Rankin (2002: 3) in the Greater Johannesburg Metropolitan area, it was found that larger firms are more likely to export, but once a firm of any size exports, it seems that the size of the firm does not matter. Findings on firm size are still a controversial issue, as studies in the past have used different measures to determine size, such as, number of people employed, total foreign sales, export intensity and foreign sales growth.

The finding on the relationship between export experience and export performance was insignificant. This is in contradiction with other studies, for example Das (1994: 27) especially has highlighted the fact that foreign experience was related to success in exporting. According to him, while there were contradictory findings in the past, he found that managers in firms with higher export intensity had higher foreign experience. Cavusgil and Zou (1994: 15) referred to international competence as another firm characteristic that significantly enhances export performance. International competence obviously is also influenced through international experience gained by managers.

Market entry choice, as a firm characteristic, is a crucial decision, as it will eventually affect the international performance of the firm. Many of the past research studies have

tried to determine the link between choice of market entry mode and market share, export performance and profitability. According to Koch (2000b, 65), the literature distinguishes between three broad groups of foreign market entry modes. They are export, contractual and investment based. A well-chosen mode can provide a competitive advantage and a poor choice can result in financial disaster. Osland, Taylor and Zou (2001:153) state that the choice of mode of entry will be subject to the resource commitments to be made, the amount of control the firm wants to exercise, and the level of technology risk involved.

Furthermore, models from the Uppsala School suggest that market entry is a sequential pattern where commitment is increased with a higher level of entry (Whitelock, 2002: 342). For example, a firm would start off with indirect exporting, followed by direct exporting, licensing, joint ventures and finally direct foreign investment. Many firms take decisions on a contingency basis, that is, that the best alternative at a particular time, given the circumstances, will be chosen.

Investment commitment (a surrogate for market entry mode), as a firm characteristic, was introduced in the model to determine whether mode of current entry has an influence on export/international marketing performance. The theoretical argument for this is that different entry modes have varying levels of control, commitment, involvement and risks (Albaum, Duerr and Strandskov, 2005: 252). For example, direct exporting requires more involvement and commitment than indirect exporting. The greater the involvement and commitment, the greater the risk, therefore, equating to the level of investment

commitment. The finding of this research was that the greater the investment commitment, the greater the export performance. This variable of investment commitment was not included in the research studies of Cavusgil and Zou (1994) or O'Cass and Julian (2003b). Although investment commitment had a significant relationship with export performance, management commitment did not. Cavusgil and Zou (1994: 15) found a significant relationship between commitment to the venture and export marketing performance.

The firm characteristic that management engages in careful planning had a significant effect on export performance. The research studies of Shoham (1999: 41) and Shoham and Kropp (1998: 120) had similar findings. Furthermore, the following comments were made: That planning results in the identification of better marketing strategies that improves performance and that the more elaborate the planning of international operations the greater the international performance of the firm (Shoham, 1999: 41; and Shoham and Kropp, 1998: 120). Moreover, Shoham (2002: 116) stresses that planning is a "must –do" for exporters as it enhances export performance.

Firm characteristics can have both a direct or indirect affect on the export marketing performance of the firm. Therefore, given the secondary research objective - to determine how firm characteristics influence choice of international marketing strategies, and consequently export marketing performance - the following were the important findings of the influence of firm characteristics on international marketing strategies.

There were no significant findings between firm characteristics and product adaptation, or firm characteristics and promotion adaptation. However, firm size and firm competencies had a significant relationship with distributor/subsidiary support. It can be assumed that the larger the firm, the more resources the firm have to support distributors and subsidiaries. Furthermore the finding between firm size and the degree of pricing adaptation was also significant indicating that the larger the firm, the more willing the firm is to adapt pricing. O'Cass and Julian (2003b: 66) found a non-significant relationship between firm size and degree of pricing adaptation and firm size and distributor/subsidiary support. Cavusgil and Zou (1994: 15) did find a significant relationship between management commitment and support for foreign distributors/subsidiaries, while both this study and O'Cass and Julian (200b:66) had non-significant findings.

6.2.3 Recommendations with Regard to the Findings on Firm Characteristics

Given the findings on firm characteristics, it is recommended that South African firms need to review their market entry strategies to enhance export performance. Firms should also implement sound planning processes that would aid the planning of export activities. Furthermore, firms should invest more resources to support foreign trading activities. Growth in the size of the firm would allow the firm to build up more resources and reserves to support foreign activities. Recruitment of marketing people with experience in foreign trade and exporting is very important. People with more foreign/international experience should be used to develop the competence of staff

members in the organisation for future sustainability. More international visits of staff can also improve the knowledge base of the firm.

The provision of training programmes and relevant information by chambers of commerce and government departments, such as the Department of Trade and Industry, can assist in the development of the international knowledge base of firms, especially small, medium and micro enterprises. Fortunately, the internet and websites have afforded firms greater access to information and the potential to link up with possible trading partners.

Given the strategic nature of unique product advantages, South African manufacturing firms should invest more in research and development to be more competitive in international markets. Although this research study did not reflect on any finding between unique product advantages and export/international marketing performance, the research study of O'Cass and Julian (2003b: 66), however, did. The international market is becoming increasingly competitive and unique product advantages would serve as a competitive edge, and firms cannot compete on pricing, as a competitive advantage, alone.

6.2.4 Findings with Regard to Export/International Market Characteristics

The nature and characteristics of the export market can either serve as a barrier or a driving force that facilitate internationalisation. These barriers and/or driving forces can also influence the nature of the international marketing mix strategies that are employed by firms. The barriers and/or driving forces can have both direct and indirect effects on export marketing performance. The competitive intensity of the export markets had a significant relationship with export performance. Furthermore, it had the most significant relationship with export performance compared to all the other independent variables and the relationship was also negative, meaning that the export performances of firms were negatively affected with increased competitive activity.

However, given the secondary research objective - to determine how export/ international marketing characteristics influence the choice of international marketing strategies, and consequently export marketing performance - the following relationships were identified. Competitive intensity had a significant relationship with the degree of product adaptation and export market characteristics with the degree of promotion adaptation. Both competitive intensity and export market characteristics had a significant relationship with both the degree of distributor/subsidiary support and the degree of pricing adaptation. Export market characteristics equate to export market barriers, and what the above implies is that with more export market barriers, firms tend to adapt distributor/subsidiary support and pricing more.

Cavusgil and Zou's (1994: 15) research study found a positive relationship between competitive intensity and support to foreign distributor/subsidiary. Cavusgil and Zou (1994: 15) surprisingly had a non-significant finding between the competitive intensity of the export market and the degree of pricing adaptation. One would expect a greater degree of pricing adaptation with increased competition.

6.2.5 Recommendation with Regard to the Findings on Export/International Market Characteristics

As a result of these findings, South African manufacturing firms should especially analyse the competitive nature of the export market to determine to what extent the marketing mix strategies need to be adapted. Given the significant findings with regard to export market characteristics, firms need to look at ways to overcome these differences. These could include, improving foreign language skills, employing people of the foreign market, arranging more foreign visits, developing business contacts and networking, improving relationships with foreign intermediaries, developing strategic alliances with foreign firms, and investigating how the promotion strategies in foreign markets could be improved.

Awareness of export market characteristics is imperative. Legal and cultural differences between domestic and export markets should be identified. Legal and cultural differences would determine to what extent products will need to be adapted. If it is

costly to adapt the product, the firm should seriously consider if it is worthwhile entering a particular export market.

6.2.6 Findings with Regard to the Degree of International Marketing Mix Adaptations

Whether to standardise or adapt the international marketing mix strategies of a firm is still an ongoing debate. Cavusgil, Zou and Naidu (1993: 481- 482) point out that those who favour adaptation of international mix strategies provide arguments, such as, the significant differences among countries with regard to culture, market development, political and legal systems, customer values and life styles. Those who are in favour of standardisation argue that there is an increasing trend towards the homogenisation of world markets and that there are cost-saving benefits when standardisation is used.

However, there are some researchers who are of the opinion that a firm can neither have complete standardisation nor complete adaptation. This is referred to as the contingency perspective where the degree of adaptation or standardisation may vary on a continuum of complete adaptation or standardisation to no adaptation or standardisation. Whatever the degree of adaptation or standardisation of international marketing mix strategies, it will be dependent on finding the appropriate fit of international marketing strategies to the target market requirements and the marketing objectives of the firm. Given this background, the following are the important findings of the research study with regard to

the degree of adaptation of the international marketing mix strategies of South African manufacturing firms.

The degree of pricing adaptation had a significant effect on export/international marketing performance. Both the studies of Cavusgil and Zou (1994) and O'Cass and Julian (2003b) did not test this relationship. The relationship between pricing adaptation and firm size was also significant. The reason for this significance was that large firms tended to adapt their pricing strategy much more than micro firms did (also see Table 5.12 on page 212). Shoham (2002:116) states that there are not clear guidelines of whether to standardise or adapt the pricing strategy.

There was a significant relationship between the degree of product adaptation and export/international marketing performance. However, this relationship was negative, in that the greater the degree of product adaptation, the more negative the performance. One would have expected that the greater the degree of product adaptation, the greater the export/international marketing performance. This hypothesis was therefore refuted. However, Cavusgil and Zou (1994: 15) found a significant relationship. They firmly believe that that export performance can be enhanced substantially through product adaptation. Shoham (2002: 116) also suggests that firms should pursue a high degree of product adaptation as it would improve export performance.

A non-significant relationship was found between the degree of promotion adaptation and export/international marketing performance. Cavusgil and Zou (1994: 15) found a

significant relationship, but it was a negative relationship. To them it was an unexpected finding and they argued that adaptation to promotion should be done after due consideration of costs and benefits. Cavusgil, Zou and Naidu (1993: 499) found that a greater adaptation of product and promotion is necessary for consumer products than for industrial product. However, in this research study, there were no significant differences between consumer and industrial firms with regard to the degree of adaptation of international marketing mix strategies (see Table 5.16 on page 220).

The relationship between the degree of distributor/subsidiary and export performance was non-significant. O'Cass and Julian (2003b: 66) also found a non-significant relationship while the finding of Cavusgil and Zou (1994: 15) was significant. Again Shoham (2002: 116) suggests a high degree of adaptation of the channel components of the marketing mix to improve the export performance of the firm.

6.2.7 Recommendations with Regard to the Findings on the Degree of International Marketing Mix Adaptations

It is recommended that pricing should be adapted to increase profitability, given the interplay of internal and external determinants with regard to international marketing mix strategy and export/international marketing performance. There are two options, firstly, to use cost leadership as an option, and through this to increase volume of sales and, consequently, profitability. Secondly, to use product differentiation as an option and peg prices at higher levels. Here the firm can develop and introduce innovative and quality

products. Patents and unique product competitive advantages would be other options. South African manufacturing firms need to build a positive image of South African products.

Given the negative relationship between the degree of product adaptation and export performance, it is recommended that more care should be taken in decision-making when product adaptations are considered. All costs and benefits in decision-making should be evaluated. The negative correlation may be explained by the phenomenon that increases in costs with regard to product adaptations do not necessarily have a positive impact on export marketing performance. Although there were no significant relationships found between promotion adaptation and export/international marketing performance product and promotion adaptation decisions are still key factors in attaining export/international marketing performance.

Many other studies have reported positive relationships between these two variables and export performance (Zou and Stan, 1998: 348). Cavusgil and Zou (1994: 16), for example, suggest that a firm should pursue a high degree of product adaptation, especially if the firm has substantial international competence or little experience with the product.

6.3 LIMITATIONS OF THE STUDY AND DIRECTIONS FOR FUTURE RESEARCH

The research study used a mail survey to collect the information. However, if such an approach is used, a researcher has less control to ensure that the appropriate person completes the questionnaire. Furthermore, the researcher does not know if the person who completed the questionnaire, understood all the questions. Personal interviews would have been a more appropriate method to address these concerns. However, because personal interviews are expensive and time consuming to conduct, the mail survey alternative was selected as the most appropriate method, as this was a national survey. The size and geographical distribution of the random sample selected would have complicated the use of personal interviews substantially.

Ensuring adequate response rates in mails surveys is quite challenging. Although acceptable response rates were attained when compared with other studies in the field, the results of this study could have been more representative with a higher response rate. Furthermore, it was difficult to ensure that the distribution of respondent firms match the distribution of firms of the sample frame, although the firms were randomly selected. However, a large number of questionnaires were returned, because either the firm did not exist anymore, or had changed its postal address. Many firms also indicated that it was the policy of the firm not to engage in any kind of external research.

The qualitative dimension of the research was constrained due to the fact that a mail survey was conducted to collect the information, and not personal interviews. If personal interviews were conducted, it would have provided more opportunities to probe respondents and obtain more qualitative information. Furthermore, if more qualitative questions had to be added, it would have made the questionnaire too lengthy, consequently increasing the probability of more resistance on the part of the respondents to complete the questionnaire.

Another challenge in conducting research is that of getting reliable and objective information. Many firms were not prepared to provide exact figures on profits and sales, as these were viewed as confidential or sensitive. Because of the concerns of firms, researchers are therefore obliged to pose questions in a less sensitive manner to overcome this problem, for example, the question on international sales had to be presented on a scale with seven categories or levels of international sales. This influences the analysis of the study in a negative way, as the analysis could have been more reliable with objective and exact information. Some firms in this study were not prepared to release information with regard to which countries there were exporting to. The involvement of government organisations, such as the Department of Trade, or chambers of commerce could assist in getting greater cooperation from firms.

The sales and profitability questions were retrospective in nature, as respondents had to provide information over a five-year period, and as Cavusgil and Zou (1994: 17) and Dean, Mengüç and Myers (2000: 474) point out, it is problematic to rely on a manager's

retrospective perceptions. The factor analysis uncovered that the responses on these questions did not load on the same constructs (as discussed in Chapter 4). However, all the objective and subjective questions on sales and profitability were included in one composite scale.

It was also found through follow-up discussions with exporters that their attitudes were very negative with regard to the questions on satisfaction with profits and sales of 2003. This was because of the negative affect of the rand/dollar exchange rate on the performance of firms during the data-gathering period of the research study. At that time, the rand was at an all time high against the dollar. Many firms also indicated that they had ceased their exporting operations because of the exchange rate.

The research study lacks information on export performance from a strategic perspective. It was the opinion of the researcher that the timing of the execution of the study had an influence on the two strategic questions posed in the questionnaire. Responses on the two strategic questions were very negative because of the disappointment of export/international sales as a consequence of the dollar/rand exchange rate (see questions 20 and 21 of Appendix 1).

There are many export performance scales that were used in other research studies (Shoham, 1998: 73). The challenge lies in the development of a reliable international/export performance scale that can be used internationally for comparison purposes. However, the scales to be used should also be of such a nature that it will

allow the researcher to get the necessary information without any difficulty. Because research studies in export performance are inherently cross-cultural, Katsikeas, Leonidou and Morgan (2000: 507) state that it would assist research if a universally accepted internationally/export performance measure could be developed.

The results of this study are based on firms in a developing country and the reliability can only be established by duplicating the research study in other developing countries. Although the research study, to a large extent, is based on the Cavusgil and Zou study, it must be noted that the study of Cavusgil and Zou was conducted in the United States, a developed country. The comparisons of the results of these two studies should take this difference into account. Although the study of Cavusgil and Zou has been replicated in Thailand, a developing country, the actual findings provided were too limited for detailed comparisons (Julian, 2003: 213-221).

Although a large number of variables were investigated, not all possible variables were investigated. For example, other variables that could have been explored were marketing orientation of firms, productivity levels of firms, technology intensiveness of firms, capital or labour intensiveness of firms, and the impact of these on export/international performance of firms. Furthermore, questions were not directly posed whether the marketing strategies of the same product differed in various countries. Another major area that has not been covered in detail was the extent of perceptions of barriers in international markets and whether these perceptions differed in terms of the stage of internationalisation.

More research can also be conducted on marketing management variables. For example, what marketing management skills and competencies should employees have to operate effectively and efficiently in international markets? Another research variable to be investigated from an export barrier point of view is the perception of international markets and consumers with regard to the quality and value of South African products. Furthermore, whether the branding of South African products play a major role in international export success, or whether the route of brand development will play an important role in international and export success, needs investigating. Morgan, Kaleka and Katsikeas (2004: 98) refer to the concepts of developing positional advantages and competitive strategies. Branding as a strategy would be an important element to research.

Other areas of research include: To determine the competitive advantages of firms in different industries. To determine whether firms have a strategic objective to expand internationally to the extent to establish subsidiaries in other countries. To determine whether firms view their adaptation strategies as minor or major. To determine the major challenges as perceived by firms and how they intend to overcome them, and to determine the different promotion strategies used by firms in foreign markets

The research study was largely cross-sectional and the findings of regression analysis were based on manufacturing firms of South Africa in general, and not sectorially specific. There is therefore scope to investigate international/ export performance of firms specifically in different sectors and the variables that impact on their performances.

Similarly, it applies to the international/export marketing strategies of firms in different countries and the strategies employed by industrial and consumer firms.

Katsikeas, Leonidou and Morgan (2000: 507) refer to the lack of longitudinal studies in international/export marketing and this, in their opinion, is detrimental to dynamic model building and the determination of the longterm stability and functional relationships between international/export performances and the variables that affect it. Dean, Mengüç and Myers (2000: 474) also highlight this limitation, adding that variables measured over time may change. By conducting longitudinal studies one would be able to determine which variables become more or less important in impacting on international/export performance with the changing nature of economies of countries and the globalisation of international markets.

Although the study indicated the impact of the independent variables on export performance, no distinction was made between high performing (more successful) firms and low performing (less successful) firms. The findings would have been of more value if one could have determined which variables were significantly affecting export performance with respect to both the more and less successful firms in export markets. Thirkell and Dau (1998: 828) also pointed out in their research in New Zealand, that there is a need to determine the views of high performing exporters in respect of important future determinants of success. This also applies to South Africa. In addition, future research should also look at the strategies of high performing firms versus low

performing firms. There is also a need to determine which barriers are responsible for failure of firms in international markets.

6.4 THE CONTRIBUTION OF THE RESEARCH STUDY

This research study advanced knowledge with regard to the theory of export/international marketing with particular emphasis on the relationship between international marketing strategies and international/export marketing performance, as well as the role of internal and external determinants with regard to international marketing strategy and international/export marketing performance for the following reasons:

Firstly, a model have been developed and tested through regression analysis. It identified the firm characteristics, export market characteristics, international marketing strategies that had a significant effect on export/international marketing performance. It also identified the firm characteristics and export market characteristics that had a significant relationship on international marketing mix strategies.

Secondly, a model - to enhance the knowledge base with regard to export/international marketing performance - has been developed which may prove useful if applied in other research studies in developing countries.

Thirdly, the results of the research study have been compared with the results of research studies of leading researchers to identify whether findings were similar or contradictory. This is especially important for further investigation on why findings are contradicting one another and for building a body of knowledge that will provide more insight into these differences. This research study underscores what many of the other research studies have alluded to, that is, that the findings of various studies are contradictory and inconsistent.

Fourthly, constructs on export/international marketing have been developed which can be tested and used again in other studies. These constructs can either be standardised or developed further as export performance constructs for future research studies.

Fifthly, from a South African perspective, knowledge has been advanced with respect to whether the marketing strategies of micro, small medium and large firms differed, whether the marketing strategies of consumer and industrial firms differed and whether the marketing strategies of firms by industry type (SIC classification) differed. Furthermore, whether the export performances across these different firm classifications differed.

Furthermore, the theory of export and international marketing has been advanced through studying firms in a developing country as opposed to a developed country. As noted, most of the research studies conducted in this field of study were done in developed countries.

Apart from the contribution to the theory of export and international marketing, a number of problematic practical issues were raised in conducting the research. Some of the issues were the shortcomings of mail surveys and why personal interviews should rather be considered to get more reliable information and cooperation from firms.

6.5 CONCLUSION

Notwithstanding the important findings of the research study, it once again highlighted the inconsistency of findings in the export/international marketing literature. Furthermore, given the increasingly competitive nature of international markets, it is more important for firms to identify the success factors in their particular industries that would contribute to greater export/international marketing performance.

As a number of techniques and models exist to evaluate the export/international marketing performance of firms, the development of a single cross-country model is suggested. However, a dual approach should be used while trying to develop a single model. The researcher should simultaneously use another model the researcher believes need testing. The results of the different models could then therefore be compared. The use of a dual approach should be a more effective research strategy to review the application of new models.

While the study provided a number of insights, it should be viewed in terms of the limitations discussed. However, while the research study can be classified as exploratory in nature, it demonstrated strong relationships between firm characteristics, export market characteristics, international marketing mix strategies and export/international marketing performance. These relationships will need to be monitored and continued to be researched, as their relevance will change over time. Changes in market structures, the development of economies of countries, trends with regard to the homogenisation of the world, further reduction of trade barriers, and developments in communication, transportation and technology are some of the factors that would influence the importance of variables that will have an impact on export/international performance in the future.

APPENDIX 1: SURVEY QUESTIONNAIRE

SURVEY QUESTIONNAIRE

TO THE ATTENTION OF ALL SENIOR INTERNATIONAL/EXPORT MARKETING MANAGERS

Dear Respondent

You are hereby kindly invited to participate in this NATIONAL RESEARCH SURVEY to develop an understanding of the marketing strategies of firms in international markets and the impact of these strategies on the performance of firms. Your participation will greatly contribute to enhancing the knowledge base of SOUTH AFRICAN FIRMS IN INTERNATIONAL MARKETS.

Please note the following important points:

- ***It* is requested that the most senior marketing executive of the firm should complete this questionnaire. If your firm does not have a designated marketing executive, the person who makes marketing decisions is then requested to complete the questionnaire.**
- **To complete the questionnaire, choose your major product (category) that your firm markets in a foreign country and use it as a basis to complete the questionnaire.**
- **PLEASE NOTE that the information supplied by you will be treated as STRICTLY CONFIDENTIAL and ANONYMITY of firms and respondents is ASSURED.**
- ***PLEASE RETURN THIS QUESTIONNAIRE BY 28 January 2005***

Should you require a copy of the abbreviated report of the findings please provide your name, e-mail address or telephone number below.

POSITION/TITLE OF PERSON WHO COMPLETED THE FORM

1. With reference to your major product (category) of international/export sales, under what type of product category would you classify this product category of your firm? ***Please tick the appropriate box. Please describe the product if you have ticked the "Other" category.***

Consumer product ☐ Industrial product ☐

Other ☐ Describe:

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2. In which industry does your firm operate? (For example, clothing, canning)

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3. For how many consecutive years have your firm been engaged in marketing/exporting this major product (category) in international/export markets?

---

4. Name the two most important countries for export sales of the firm's major product category.

1. 2.

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5. What is the TOTAL number of FULL-TIME people employed by your firm in SOUTH AFRICA? (Note for all products sold)

6. **What mode of entry was used when your firm entered the export target market for the first time?** ***Please tick appropriate alternative.***

Through an Agent	Direct Exporting	Licensing	Own Subsidiary

Other mode? Describe _____

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7. **How are you currently conducting business in the export market/country – in marketing this major product category?**

Through an Agent	Direct Exporting	Licensing	Own Subsidiary

Other mode? Describe _____

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8. **CHANGES/ADAPTATION TO THE MARKETING MIX: Think of your major product (category) of international /export sales. To what extent were adaptations/changes made with regard to each of the following situations?** ***(For example, should you have made substantial changes to your product in entering the market, you would encircle a "4"). Please encircle the appropriate rating***

		None	Limited	Moderate	Substantial
(a)	What was the degree of initial product adaptation when you entered the export market?	1	2	3	4
(b)	What was the degree of product adaptation after entry?	1	2	3	4
(c)	What was the degree of adaptation of the promotional approach?	1	2	3	4
(d)	What was the degree of adaptation to pricing?	1	2	3	4
(e)	What was the degree of adaptation to positioning? (In other words did your product positioning change?)	1	2	3	4
(f)	What was the degree of adaptation to packaging?	1	2	3	4

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9. **OVERALL EXPORT MARKETING STRATEGIES: Think of your major product category of international/export sales. Do you agree or disagree with the following statements?** ***(For example, if you would strongly agree with any statement below encircle a "5").***

		Strongly disagree	Disagree	Neither agree or disagree	Agree	Strongly agree
(a)	Your firm duplicates the domestic market strategy in the foreign market	1	2	3	4	5
(b)	Your firm adapts its marketing mix strategy to suit the requirements of each of the individual international target markets it serves	1	2	3	4	5
(c)	Your firm uses the same global marketing strategies in all international markets.	1	2	3	4	5

10. ENVIRONMENTAL FACTORS: Think of your major product category of international /export sales. Express your opinion as to how each of the following questions applies to your firm. ***(For example, encircle a "1" if you believe that the competitive intensity in the export country is very low).***

		Very Low	Low	Moderate	High	Very High
(a)	The competitive intensity of international/export market is?	1	2	3	4	5
(b)	Exchange rate risk?	1	2	3	4	5
(c)	Foreign tariffs?	1	2	3	4	5
(d)	Import controls?	1	2	3	4	5
(e)	Foreign legislation requirements?	1	2	3	4	5
(f)	Cultural differences of international market compared to home market?	1	2	3	4	5
(g)	Barriers to channel accessibility of international market?	1	2	3	4	5
(h)	Language barriers?	1	2	3	4	5

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11. PRODUCT STRATEGIES: Think of your major product category of international/export sales. To what extent is your firm using the following international/export product strategies? ***(For example, should the firm's strategy be to keep multiple or broad lines of products then you will need to encircle a '5").***

		Never	Seldom	Sometimes	Often	Always
(a)	Broad/many product lines	1	2	3	4	5
(b)	High quality products	1	2	3	4	5
(c)	Extensive customer care	1	2	3	4	5
(d)	Unique product features	1	2	3	4	5
(e)	Speciality goods (e.g. luxury products)	1	2	3	4	5
(f)	Generic product features	1	2	3	4	5
(g)	Customised products	1	2	3	4	5
(h)	Short production runs/small batches	1	2	3	4	5
(i)	Quick response times	1	2	3	4	5

12. PRICING STRATEGIES: Thinking of your major product category of international/export sales. To what extent is your firm using the following international/export pricing strategies? (*For example, you will need to encircle a "1"where the following strategies are never used).*

		Never	Seldom	Sometimes	Often	Always
(a)	High prices	1	2	3	4	5
(b)	Low prices	1	2	3	4	5
(c)	Long credit terms	1	2	3	4	5
(d)	Price is quoted in Rands for export market	1	2	3	4	5

13. PROMOTION STRATEGIES. Thinking of your major product category of international/export sales. To what extent is your firm using the following international /export promotion strategies? (*For example, if you always use some of the following strategies you need to encircle a "5").*

		Never	Seldom	Sometimes	Often	Always
(a)	Spend a substantial amount in overall promotion of product	1	2	3	4	5
(b)	Building brand awareness	1	2	3	4	5
(c)	Make regular trips abroad	1	2	3	4	5
(d)	Mainly uses sales promotion to trade intermediaries/middlepersons	1	2	3	4	5
(e)	Mainly uses sales promotion to final/end customers	1	2	3	4	5
(f)	Advertise in newspapers	1	2	3	4	5
(g)	Advertise in magazines	1	2	3	4	5
(h)	Participate in international trade shows	1	2	3	4	5
(i)	Use Internet to advertise product	1	2	3	4	5

14. DISTRIBUTION STRATEGIES: Think of your major product category of international /export sales. To what extent is your firm using the following international/export distribution strategies? (*For example, if you never use any of the following strategies you need to encircle a "1").*

		Never	Seldom	Sometimes	Often	Always
(a)	Direct sales to end users	1	2	3	4	5
(b)	High levels of control over channels	1	2	3	4	5
(c)	Using short channels (few intermediaries)	1	2	3	4	5
(d)	Using high quality channels (e.g. reputable intermediaries)	1	2	3	4	5
(e)	Using well trained salespeople	1	2	3	4	5
(f)	Have high customer contact	1	2	3	4	5

15. FIRM CHARACTERISTICS: Think of your major product category of international /export sales. To what extent do you agree or disagree with the following statements? ***(For example if you strongly disagree with any of the following statements you would need to encircle a "1").***

		Strongly disagree	Disagree	Neither agree or disagree	Agree	Strongly agree
(a)	Our management is committed to supporting this product	1	2	3	4	5
(b)	Our firm allocates adequate resources to support this product	1	2	3	4	5
(c)	Our firm has extensive international target market knowledge	1	2	3	4	5
(d)	Our firm is aware of government incentives for selling in international markets	1	2	3	4	5
(e)	Our firm makes use of government incentives to export	1	2	3	4	5
(f)	Our firm has production competencies	1	2	3	4	5
(g)	Our firm has unique product competitive advantages	1	2	3	4	5
(h)	Our firm has international marketing skills	1	2	3	4	5
(i)	Our firm has unique management competencies	1	2	3	4	5
(j)	Our management engages in careful planning for all international operations	1	2	3	4	5
(k)	Our firm takes advantage of international trade agreements	1	2	3	4	5

16. SALES GROWTH AND PROFITABILITY: Please indicate the sales growth rates of your <u>major international/export product category</u> for the <u>immediate past five years</u>. For each year indicate whether the product made a loss, broke even or made a profit.

(For example, you would encircle a "3" if your SALES GROWTH was between 1% and 5%, and encircle a "2" if the PROFITABILITY was breakeven)

	Sales Growth							Profitability		
	Decline	Stable	1-5%	6-10%	11-15%	16-20%	20%+	Loss	Breakeven	profit
1999	1	2	3	4	5	6	7	1	2	3
2000	1	2	3	4	5	6	7	1	2	3
2001	1	2	3	4	5	6	7	1	2	3
2002	1	2	3	4	5	6	7	1	2	3
2003	1	2	3	4	5	6	7	1	2	3

***TO WHAT DO YOU ATTRIBUTE THE SALES GROWTH OF YOUR FIRM?**

17. What was the approximate range of your firm's TOTAL INTERNATIONAL/EXPORT SALES in 2003? (This includes international sales of ALL PRODUCTS, including the major product category) ***Please tick the appropriate box.***

(a) Less than R5m		(e) R50m – R 99 999 999	
(b) R 5m – R 9 999 999		(f) R100m – R 199 999 999	
(c) R10m - R 19 999 999		(g) R 200m and more*	
(d) R 20m – R49 999 999			

* If your sales were more than R200m, give an indication of how much, e.g. between R500m-R600m.

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18. What was the approximate range of your firm's TOTAL DOMESTIC SALES in 2003? (This includes domestic sales of ALL PRODUCTS, including the major product category) ***Please tick the appropriate box.***

(a) Less than R5m		(e) R50m – R 99 999 999	
(b) R 5m – R 9 999 999		(f) R100m – R 199 999 999	
(c) R10m - R 19 999 999		(g)R200m and more*	
(d) R 20m – R49 999 999			

* If your sales were more than R200m, give an indication of how much, e.g. between R500m-R600m.

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19. What was the percentage of sales/profits derived from total EXPORT/FOREIGN OPERATIONS for this major product category of the firm in 2003?

_____% of total foreign sales* _____% of total foreign profits**

(*Sales of major product category expressed as a percentage of total export/foreign sales)
(** Profits of major product category expressed as a percentage of total export/foreign profits)

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20. Are you satisfied with the level of sales of this major product in the international/export market in 2003? ***Please encircle your answer.***

Very Dissatisfied	Dissatisfied	Neither Dissatisfied or satisfied	Satisfied	Very Satisfied
1	2	3	4	5

---

21. Are you satisfied with the net profit margin achieved on this major product in the international/export market in 2003? ***Please encircle your answer.***

Very Dissatisfied	Dissatisfied	Neither Dissatisfied or satisfied	Satisfied	Very Satisfied
1	2	3	4	5

THANK YOU VERY MUCH FOR YOUR COOPERATION

APPENDIX 2: TEST RESULTS OF INDEPENDENT SAMPLES *t*-TEST FOR NON-RESPONSE BIAS

Group Statistics

	Non-Response Bias	N	Mean	Std. Deviation	Std. Error Mean
Consecutive Years in Export	Early Responsents	120	2.8417	1.03709	.09467
	Late Respondents	52	2.5962	1.17590	.16307
Firm by Class Size	Early Responsents	121	3.9174	1.12980	.10271
	Late Respondents	52	3.8077	1.22135	.16937
Sales Growth 2003	Early Responsents	117	3.4615	2.07422	.19176
	Late Respondents	50	3.7000	1.92989	.27293
Total International Sales for 2003	Early Responsents	117	2.9060	1.80985	.16732
	Late Respondents	50	2.8200	2.06714	.29234
Total Domestic Sales in 2003	Early Responsents	115	4.3217	2.05002	.19117
	Late Respondents	49	3.7755	2.30276	.32897
Satisfaction With International Sales	Early Responsents	121	2.8512	1.06193	.09654
	Late Respondents	50	2.9400	1.11410	.15756
Satisfaction with International Profits	Early Responsents	118	2.7373	1.08940	.10029
	Late Respondents	50	2.9600	1.12413	.15898

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Consecutive Years in Export	Equal variances assumed	2.441	.120	1.368	170	.173	.24551	.17941	-.10864	.59967
	Equal variances not assumed			1.302	86.942	.196	.24551	.18856	-.12927	.62029
Firm by Class Size	Equal variances assumed	1.994	.160	.571	171	.569	.10966	.19199	-.26932	.48864
	Equal variances not assumed			.554	90.221	.581	.10966	.19808	-.28384	.50317
Sales Growth 2003	Equal variances assumed	1.454	.230	-.694	165	.488	-.23846	.34340	-.91648	.43956
	Equal variances not assumed			-.715	99.117	.476	-.23846	.33356	-.90031	.42338
Total International Sales for 2003	Equal variances assumed	1.862	.174	.269	165	.788	.08598	.31932	-.54449	.71646
	Equal variances not assumed			.255	82.617	.799	.08598	.33683	-.58401	.75598
Total Domestic Sales in 2003	Equal variances assumed	2.583	.110	1.505	162	.134	.54623	.36304	-.17067	1.26313
	Equal variances not assumed			1.436	81.957	.155	.54623	.38048	-.21067	1.30313
Satisfaction With International Sales	Equal variances assumed	.518	.473	-.490	169	.625	-.08876	.18112	-.44631	.26879
	Equal variances not assumed			-.480	87.653	.632	-.08876	.18478	-.45600	.27847
Satisfaction with International Profits	Equal variances assumed	.440	.508	-1.200	166	.232	-.22271	.18558	-.58911	.14369
	Equal variances not assumed			-1.185	89.803	.239	-.22271	.18797	-.59615	.15073

APPENDIX 3: SUMMARY OF THE FACTOR ANALYSIS RESULTS

1. Factor Analysis Results of Export Performance

KMO and Bartlett's Test

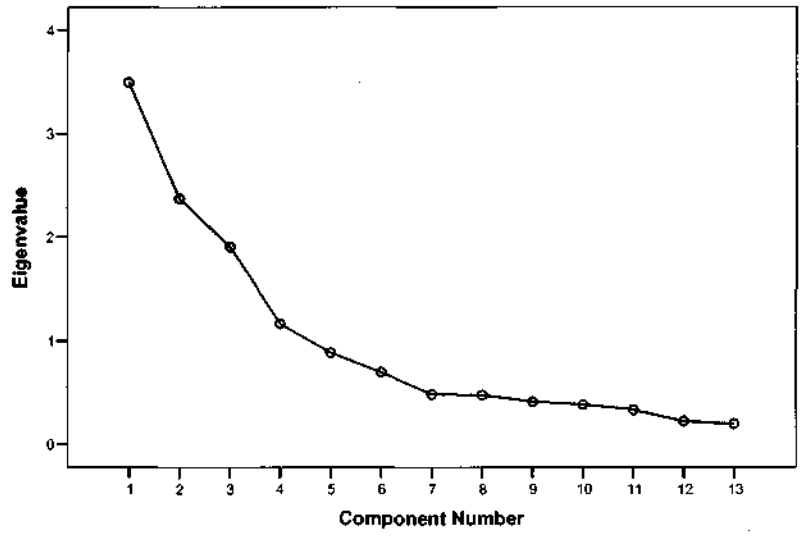
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.690
Bartlett's Test of Sphericity	Approx. Chi-Square	740.730
	df	78
	Sig.	.000

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.492	26.858	26.858	3.492	26.858	26.858
2	2.377	18.283	45.141	2.377	18.283	45.141
3	1.906	14.659	59.800	1.906	14.659	59.800
4	1.165	8.958	68.759	1.165	8.958	68.759
5	.885	6.806	75.564			
6	.693	5.333	80.898			
7	.480	3.694	84.592			
8	.472	3.630	88.222			
9	.407	3.134	91.356			
10	.379	2.912	94.267			
11	.330	2.537	96.805			
12	.221	1.701	98.505			
13	.194	1.495	100.000			

Extraction Method: Principal Component Analysis.

Scree Plot



Rotated Component Matrix[a]

	Component	
	1	2
Sales Growth 1999	.738	
Sales Growth 2000	.737	
Sales Growth 2001	.693	
Profitability 2000	.657	
Profitability 1999	.637	
Profitability 2001	.624	
Sales Growth 2002	.466	.433
Total International Sales for 2003		
Profitability 2003		.782
Satisfaction with International Profits		.775
Profitability 2002		.662
Satisfaction With International Sales		.616
Sales Growth 2003		.574

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

2. Factor Analysis Results of Firm Characteristics

KMO and Bartlett's Test

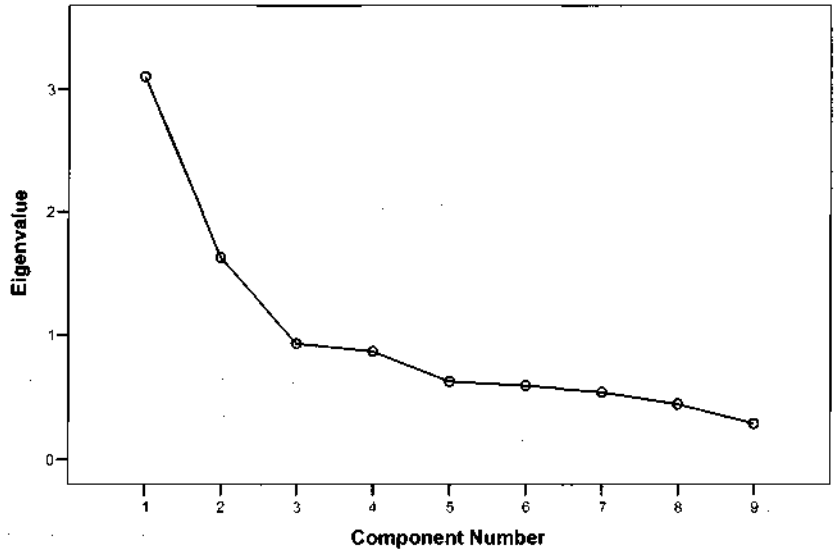
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.718
Bartlett's Test of Sphericity	Approx. Chi-Square	382.224
	df	36
	Sig.	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.105	34.503	34.503	3.105	34.503	34.503
2	1.622	18.019	52.522	1.622	18.019	52.522
3	.929	10.318	62.839			
4	.865	9.608	72.447			
5	.622	6.914	79.362			
6	.588	6.532	85.894			
7	.538	5.983	91.876			
8	.443	4.926	96.803			
9	.288	3.197	100.000			

Extraction Method: Principal Component Analysis.

Scree Plot



Rotated Component Matrix[a]

	Component	
	1	2
Firm Has Unique Management Competencies	.785	
Firm Has International Marketing Skills	.739	
Firm Has Unique Product Competitive Advantages	.667	
Firm has Extensive International Market Knowledge	.667	
Adequate Resources are Provided	.594	
Firm Has Production Compentencies	.498	.350
Firm is Aware of Government Incentives		.822
Firm Makes Use of Government Incentives		.815
Firm takes Advantage of Trade Agreements		.645

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

3. Factor Analysis Results of Export Market Characteristics

KMO and Bartlett's Test

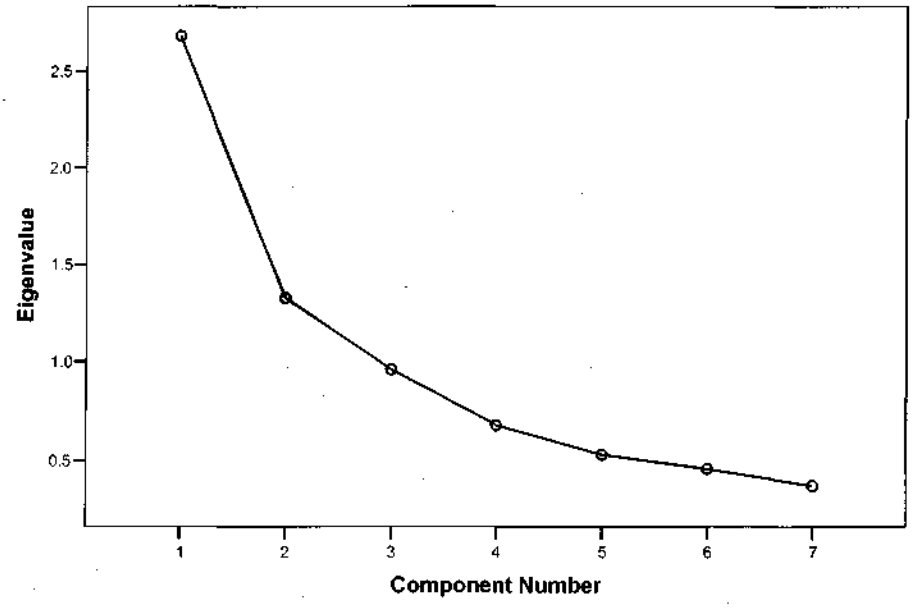
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.721
Bartlett's Test of Sphericity	Approx. Chi-Square	264.319
	df	21
	Sig.	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.681	38.295	38.295	2.681	38.295	38.295
2	1.326	18.945	57.240	1.326	18.945	57.240
3	.959	13.705	70.945			
4	.677	9.677	80.623			
5	.529	7.551	88.174			
6	.456	6.518	94.692			
7	.372	5.308	100.000			

Extraction Method: Principal Component Analysis.

Scree Plot



Component Matrix[a]

	Component	
	1	2
Exchange Rate Risk	.309	-.149
Foreign Tariffs	.631	-.457
Import Controls	.714	-.457
Foreign Legislation Requirements	.664	-.381
Language Barriers	.534	.620
Channel Accessibility	.680	.396
Cultural Differences	.699	.448

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Note: All items loaded on one component

4. Factor analysis Results of International Marketing Strategies

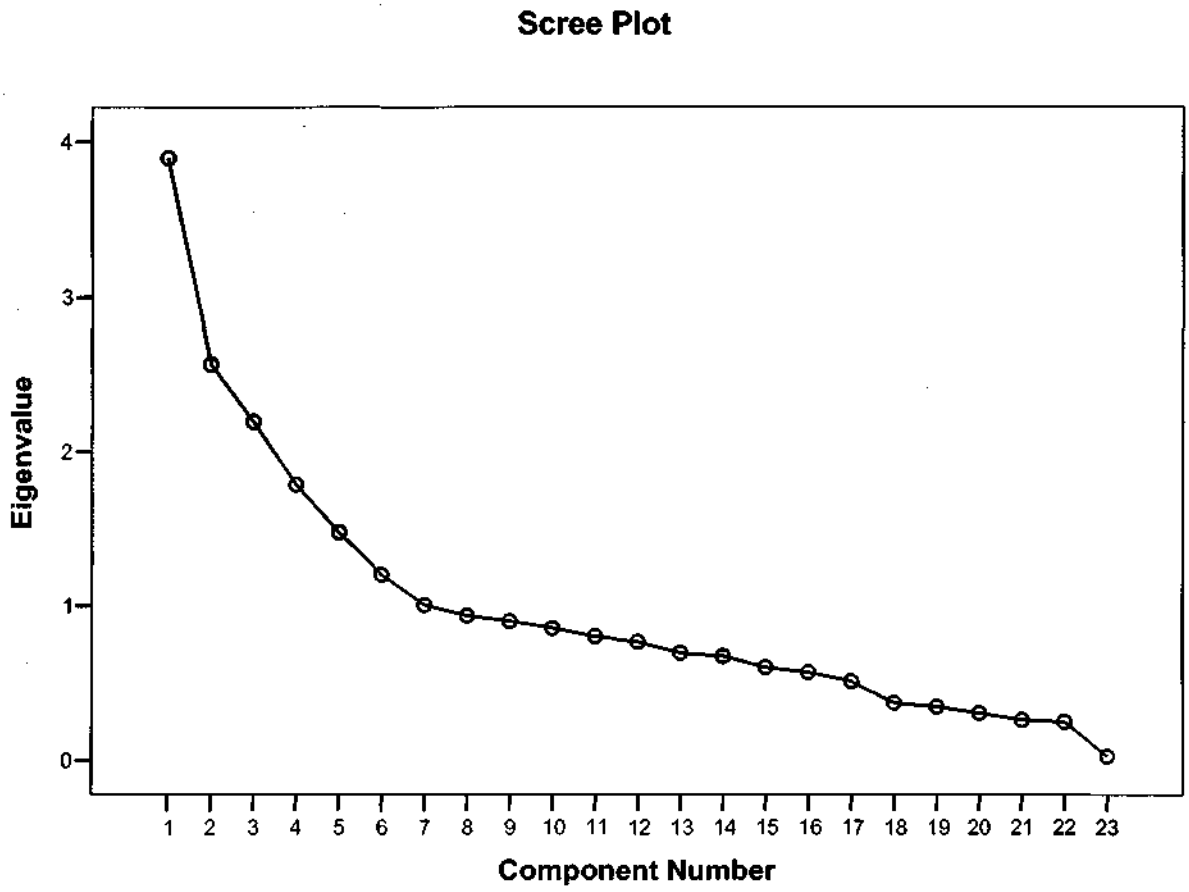
KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.669
Bartlett's Test of Sphericity	Approx. Chi-Square	1034.911
	df	190
	Sig.	.000

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.987	19.936	19.936	3.987	19.936	19.936	3.074	15.371	15.371
2	2.396	11.980	31.917	2.396	11.980	31.917	2.644	13.222	28.593
3	1.969	9.846	41.762	1.969	9.846	41.762	1.824	9.118	37.711
4	1.709	8.546	50.309	1.709	8.546	50.309	1.730	8.650	46.361
5	1.213	6.065	56.374	1.213	6.065	56.374	1.607	8.037	54.398
6	1.002	5.009	61.383	1.002	5.009	61.383	1.397	6.984	61.383
7	.907	4.536	65.919						
8	.903	4.516	70.435						
9	.816	4.078	74.512						
10	.733	3.665	78.178						
11	.685	3.423	81.600						
12	.629	3.146	84.746						
13	.583	2.915	87.661						
14	.571	2.857	90.518						
15	.523	2.616	93.133						
16	.434	2.172	95.305						
17	.315	1.573	96.878						
18	.303	1.514	98.393						
19	.248	1.242	99.634						
20	.073	.366	100.000						

Extraction Method: Principal Component Analysis.


Scree Plot
Eigenvalue
4
3
2
1
0
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23
Component Number

Rotated Component Matrix[a]

	Component			
	1	2	3	4
Distributor and Subsidiary Support	.883			
Spend Substantial Amounts on Overall Promotion	.849			
Build Brand Awareness	.779			
Degree of Promotional Adaptation	.584	.502		
Mainly Uses Sales Promotion to Final Customers	.563			
Degree of Subsequent Adaptation		.831		
Degree of Initial Product Adaptation		.774		
Degree of Adaptation of Positioning		.658		
Degree of Pricing Adaptation		.625		
Degree of Packaging Adaptation		.461		
Direct Sales to End Users			-.744	
Use High Quality Channels			.688	
Mainly Uses Sales Promotion to Trade			.545	
Use Short Channels			.514	
Participate in Trade Shows	.386		.429	
Have High Customer Contact				.690
High Levels of Control				.639
Use Well Trained Salespeople				.589
Regular Overseas Trips				.564
Low Prices				-.402

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

APPENDIX 4: SUMMARY OF THE RELIABILITY ANALYSIS RESULTS OF SCALES

1. Reliability Analysis Results of the Export Performance Scale

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.708	.753	13

Item Statistics

	Mean	Std. Deviation	N
Sales Growth 1999	3.5959	1.76001	146
Sales Growth 2000	3.9726	1.70979	146
Sales Growth 2001	3.9795	1.80218	146
Sales Growth 2002	3.9795	1.94571	146
Sales Growth 2003	3.4521	1.97949	146
Profitability 1999	2.7192	.58420	146
Profitability 2000	2.7466	.57309	146
Profitability 2001	2.8219	.41829	146
Profitability 2002	2.7192	.52184	146
Profitability 2003	2.4932	.76336	146
Total International Sales for 2003	2.9658	1.87695	146
Satisfaction With International Sales	2.8904	1.09622	146
Satisfaction with International Profits	2.8219	1.09975	146

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Sales Growth 1999	37.5616	56.689	.423	.446	.677
Sales Growth 2000	37.1849	55.283	.503	.505	.663
Sales Growth 2001	37.1781	53.334	.548	.512	.654
Sales Growth 2002	37.1781	51.030	.582	.479	.646
Sales Growth 2003	37.7055	55.685	.386	.421	.686
Profitability 1999	38.4384	68.344	.240	.597	.704
Profitability 2000	38.4110	67.954	.288	.657	.701
Profitability 2001	38.3356	68.169	.385	.471	.700
Profitability 2002	38.4384	66.938	.444	.519	.694
Profitability 2003	38.6644	66.762	.293	.573	.698
Total International Sales for 2003	38.1918	62.653	.162	.168	.724
Satisfaction With International Sales	38.2671	65.880	.220	.427	.703
Satisfaction with International Profits	38.3356	66.914	.160	.499	.709

2. Reliability Analysis Results of the Firm Competency Scale

Reliability Statistics

Cronbach's Alpha	N of Items
.760	6

Item Statistics

	Mean	Std. Deviation	N
Adequate Resources are Provided	4.1686	.85193	172
Firm has Extensive International Market Knowledge	3.7209	.89379	172
Firm Has Production Compentencies	4.2209	.75550	172
Firm Has Unique Product Competitive Advantages	3.8140	.95528	172
Firm Has International Marketing Skills	3.7151	.93359	172
Firm Has Unique Management Competencies	3.8953	.81691	172

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Adequate Resources are Provided	19.3663	9.333	.450	.738
Firm has Extensive International Market Knowledge	19.8140	8.761	.537	.715
Firm Has Production Compentencies	19.3140	9.772	.436	.741
Firm Has Unique Product Competitive Advantages	19.7209	8.986	.437	.744
Firm Has International Marketing Skills	19.8198	8.394	.580	.703
Firm Has Unique Management Competencies	19.6395	8.910	.579	.706

3. Reliability Analysis Results of the Government Support Scale

Reliability Statistics

Cronbach's Alpha	N of Items
.678	3

Item Statistics

	Mean	Std. Deviation	N
Firm takes Advantage of Trade Agreements	3.1676	1.16674	173
Firm is Aware of Government Incentives	3.7803	1.05006	173
Firm Makes Use of Government Incentives	3.1850	1.36416	173

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Firm takes Advantage of Trade Agreements	6.9653	4.441	.426	.665
Firm is Aware of Government Incentives	6.3526	4.416	.539	.541
Firm Makes Use of Government Incentives	6.9480	3.364	.534	.535

4. Reliability Analysis Results of the Export Market Characteristics Scale

Reliability Statistics

Cronbach's Alpha	N of Items
.731	7

Item Statistics

	Mean	Std. Deviation	N
Exchange Rate Risk	4.1105	.98201	172
Foreign Tariffs	3.1395	1.05590	172
Import Controls	3.0523	1.09899	172
Foreign Legislation Requirements	3.1570	1.05065	172
Channel Accessibility	2.9070	1.07200	172
Language Barriers	2.5698	1.03212	172
Cultural Differences	2.7936	.92535	172

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Exchange Rate Risk	17.6192	17.432	.191	.753
Foreign Tariffs	18.5901	15.122	.453	.696
Import Controls	18.6773	14.531	.504	.684
Foreign Legislation Requirements	18.5727	15.189	.448	.698
Channel Accessibility	18.8227	14.780	.489	.687
Language Barriers	19.1599	15.376	.435	.701
Cultural Differences	18.9360	14.832	.599	.666

5. Reliability Analysis Results of the Promotion Adaptation Scale

Reliability Statistics

Cronbach's Alpha	N of Items
.712	4

Item Statistics

	Mean	Std. Deviation	N
Spend Substantial Amounts on Overall Promotion	2.4335	1.03003	173
Build Brand Awareness	3.0058	1.23183	173
Degree of Promotional Adaptation	2.3757	1.03029	173
Mainly Uses Sales Promotion to Final Customers	2.6647	1.24955	173

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Spend Substantial Amounts on Overall Promotion	8.0462	6.823	.608	.590
Build Brand Awareness	7.4740	6.437	.513	.642
Degree of Promotional Adaptation	8.1040	7.222	.519	.640
Mainly Uses Sales Promotion to Final Customers	7.8150	7.035	.386	.724

6. Reliability Analysis Results of the Product Adaptation Scale

Reliability Statistics

Cronbach's Alpha	N of Items
.820	2

Item Statistics

	Mean	Std. Deviation	N
Degree of Initial Product Adaptation	2.0809	.95500	173
Degree of Subsequent Adaptation	2.2486	.97740	173

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Degree of Initial Product Adaptation	2.2486	.955	.695	.[a]
Degree of Subsequent Adaptation	2.0809	.912	.695	.[a]

a. The value is negative due to a negative average covariance among items. This violates reliability model assumptions. You may want to check item codings.

7. Reliability Analysis Results of the Distribution Support Scale

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.575	.582	4

Inter-Item Correlation Matrix

	Regular Overseas Trips	High Levels of Control	Have High Customer Contact	Use Well Trained Salespeople
Regular Overseas Trips	1.000	.291	.227	.271
High Levels of Control	.291	1.000	.293	.170
Have High Customer Contact	.227	.293	1.000	.300
Use Well Trained Salespeople	.271	.170	.300	1.000

The covariance matrix is calculated and used in the analysis.

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Regular Overseas Trips	11.2370	5.833	.375	.143	.491
High Levels of Control	11.4509	5.249	.346	.140	.520
Have High Customer Contact	10.6936	6.074	.391	.158	.485
Use Well Trained Salespeople	10.9422	5.694	.334	.135	.523

APPENDIX 5: MULTIPLE REGRESSION OUTPUT RESULTS OF THE FIVE HYPOTHESES

1. Hypothesis 1

H1. Export marketing performance is enhanced as;

a. the degree of product adaptation increases

b. the degree of promotion adaptation increases

c. the degree of distributor support increases

d. the degree of pricing adaptation increases

e. the firm's international marketing experience increases

f. firm size increases

g. investment commitment increases

h. competitive intensity decreases

i. management's commitment to exporting increases

j. management engages in careful planning

k. firm competencies increases

l. export market barriers decrease (export market characteristics)

Descriptive Statistics

	Mean	Std. Deviation	N
Export Performance	47.9726	7.57746	173
Consecutive Years in Export	2.7674	1.08021	173
Firm by Class Size	3.8844	1.15559	173
Investment	2.6301	1.57437	173
Degree of Pricing Adaptation	2.8092	.95450	173
Competitive Intensity	4.197	.8467	173
Management is Committed	4.5838	.62893	173
Management Engages in Careful Planning	3.8208	.91323	173
Degree of Product Adaptation	4.3295	1.77878	173
Promotion Adaptation	10.6279	3.14401	173
Firm Competencies	19.8198	2.88884	173
Export Market Characteristics	17.9422	4.13396	173
Distributor Support	14.7746	2.98271	173

Pearson Correlation Analysis – Significant Relationships

Correlations

		Firm by Class Size	Distributor Support	Consecutive Years in Export	Investment	Degree of Pricing Adaptation	Competitive Intensity	Management is Commited	Management Engages in Careful Planning	Degree of Product Adaptation	Firm Competencies	Promotion Adaptation	Export Performance
Firm by Class Size	Pearson Correlation	1	.218**	.015	.104	.275**	.291**	.037	.135	.072	.030	-.051	.197*
	Sig. (2-tailed)		.004	.850	.173	.000	.000	.625	.078	.344	.693	.506	.017
	N	173	173	172	173	173	173	173	173	173	172	172	146
Distributor Support	Pearson Correlation	.218**	1	.120	.045	.120	.232**	.216**	.397**	.084	.426**	.153*	.154
	Sig. (2-tailed)	.004		.116	.554	.117	.002	.004	.000	.271	.000	.045	.064
	N	173	173	172	173	173	173	173	173	173	172	172	146
Consecutive Years in Export	Pearson Correlation	.015	.120	1	-.036	-.088	.068	.073	.030	.053	.090	.117	.092
	Sig. (2-tailed)	.850	.116		.643	.249	.375	.342	.699	.486	.240	.127	.272
	N	172	172	172	172	172	172	172	172	172	171	171	145
Investment	Pearson Correlation	.104	.045	-.036	1	.146	.064	-.115	-.014	.035	-.073	.056	.192*
	Sig. (2-tailed)	.173	.554	.643		.055	.406	.131	.855	.643	.339	.462	.020
	N	173	173	172	173	173	173	173	173	173	172	172	146
Degree of Pricing Adaptation	Pearson Correlation	.275**	.120	-.088	.146	1	.349**	-.269**	-.026	.363**	-.158*	.135	.148
	Sig. (2-tailed)	.000	.117	.249	.055		.000	.000	.733	.000	.038	.077	.074
	N	173	173	172	173	173	173	173	173	173	172	172	146
Competitive Intensity	Pearson Correlation	.291**	.232**	.068	.064	.349**	1	-.075	.159*	.219**	-.019	-.040	-.073
	Sig. (2-tailed)	.000	.002	.375	.406	.000		.328	.037	.004	.803	.602	.384
	N	173	173	172	173	173	173	173	173	173	172	172	146
Management is Commited	Pearson Correlation	.037	.216**	.073	-.115	-.269**	-.075	1	.315**	-.069	.513**	-.005	.064
	Sig. (2-tailed)	.625	.004	.342	.131	.000	.328		.000	.367	.000	.945	.442
	N	173	173	172	173	173	173	173	173	173	172	172	146
Management Engages in Careful Planning	Pearson Correlation	.135	.397**	.030	-.014	-.026	.159*	.315**	1	.062	.573**	.004	.223**
	Sig. (2-tailed)	.078	.000	.699	.855	.733	.037	.000		.421	.000	.956	.007
	N	173	173	172	173	173	173	173	173	173	172	172	146
Degree of Product Adaptation	Pearson Correlation	.072	.084	.053	.035	.363**	.219**	-.069	.062	1	-.015	.196*	-.078
	Sig. (2-tailed)	.344	.271	.486	.643	.000	.004	.367	.421		.842	.010	.350
	N	173	173	172	173	173	173	173	173	173	172	172	146
Firm Competencies	Pearson Correlation	.030	.426**	.090	-.073	-.158*	-.019	.513**	.573**	-.015	1	.131	.169*
	Sig. (2-tailed)	.693	.000	.240	.339	.038	.803	.000	.000	.842		.088	.042
	N	172	172	171	172	172	172	172	172	172	172	171	146
Promotion Adaptation	Pearson Correlation	-.051	.153*	.117	.056	.135	-.040	-.005	.004	.196*	.131	1	.160
	Sig. (2-tailed)	.506	.045	.127	.462	.077	.602	.945	.956	.010	.088		.054
	N	172	172	171	172	172	172	172	172	172	171	172	146
Export Performance	Pearson Correlation	.197*	.154	.092	.192*	.148	-.073	.064	.223**	-.078	.169*	.160	1
	Sig. (2-tailed)	.017	.064	.272	.020	.074	.384	.442	.007	.350	.042	.054	
	N	146	146	145	146	146	146	146	146	146	146	146	146

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.425[a]	.181	.119	7.11061

a. Predictors: (Constant), Distributor Support, Investment, Degree of Product Adaptation, Consecutive Years in Export, Firm by Class Size, Management is Commited, Promotion Adaptation, Export Market Characteristics, Competitive Intensity, Management Engages in Careful Planning, Degree of Pricing Adaptation, Firm Competencies

b. Dependent Variable: Export Performance

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1786.172	12	148.848	2.944	.001[a]
	Residual	8089.719	160	50.561		
	Total	9875.890	172			

a. Predictors: (Constant), Distributor Support, Investment, Degree of Product Adaptation, Consecutive Years in Export, Firm by Class Size, Management is Commited, Promotion Adaptation, Export Market Characteristics, Competitive Intensity, Management Engages in Careful Planning, Degree of Pricing Adaptation, Firm Competencies

b. Dependent Variable: Export Performance

Coefficients[a]

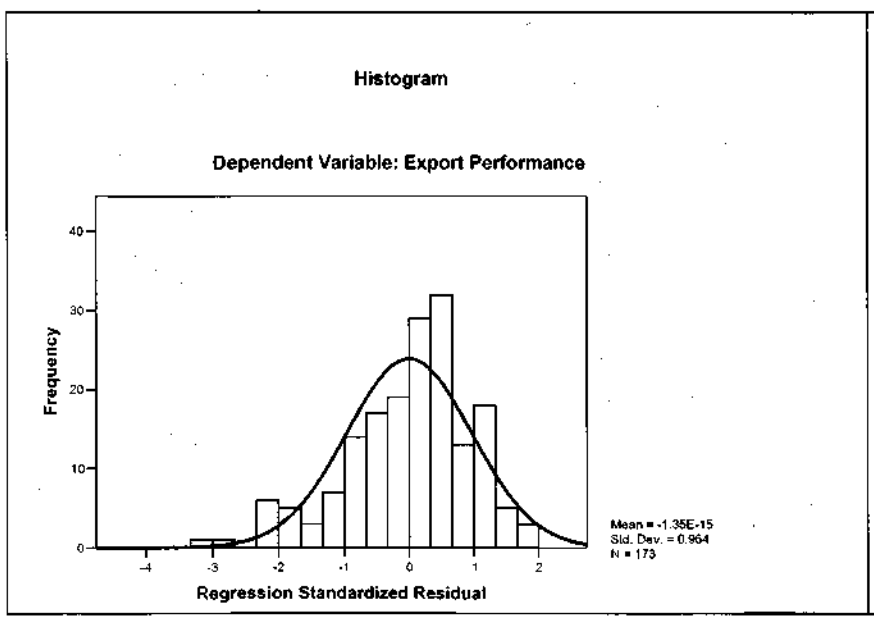
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	32.820	6.146		5.340	.000
	Consecutive Years in Export	.655	.516	.093	1.269	.206
	Firm by Class Size	.972	.514	.148	1.893	.060
	Investment	.719	.352	.149	2.046	.042
	Degree of Pricing Adaptation	1.562	.697	.197	2.241	.026
	Competitive Intensity	-1.710	.732	-.191	-2.336	.021
	Management is Committed	-.011	1.040	-.001	-.010	.992
	Management Engages in Careful Planning	1.613	.754	.194	2.138	.034
	Degree of Product Adaptation	-.690	.336	-.162	-2.055	.042
	Promotion Adaptation	.268	.189	.111	1.418	.158
	Firm Competencies	.149	.266	.057	.559	.577
	Export Market Characteristics	.090	.143	.049	.627	.531
	Distributor Support	-.005	.222	-.002	-.021	.984

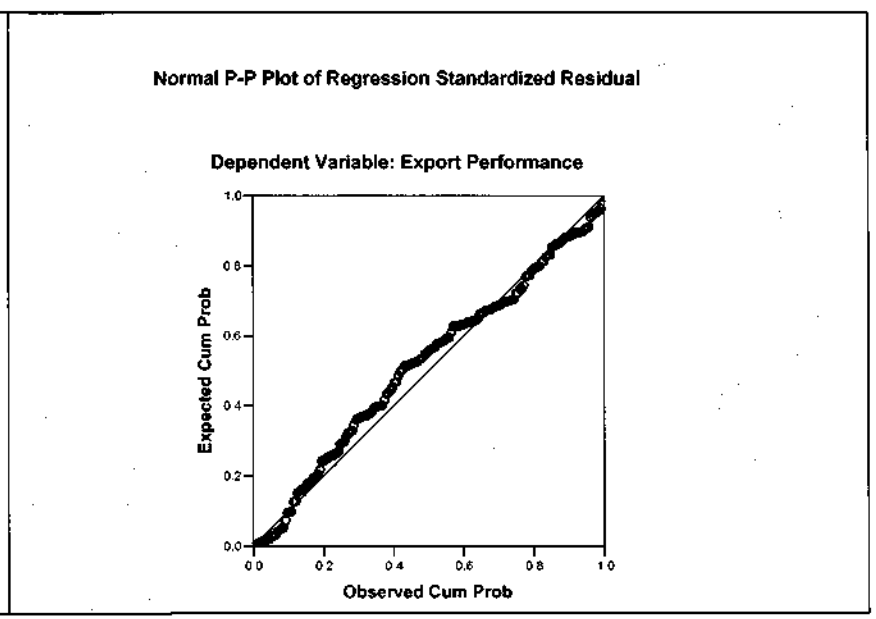
a. Dependent Variable: Export Performance

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	39.0641	56.0490	47.9726	3.22253	173
Residual	-22.36770	13.88995	.00000	6.85808	173
Std. Predicted Value	-2.764	2.506	.000	1.000	173
Std. Residual	-3.146	1.953	.000	.964	173

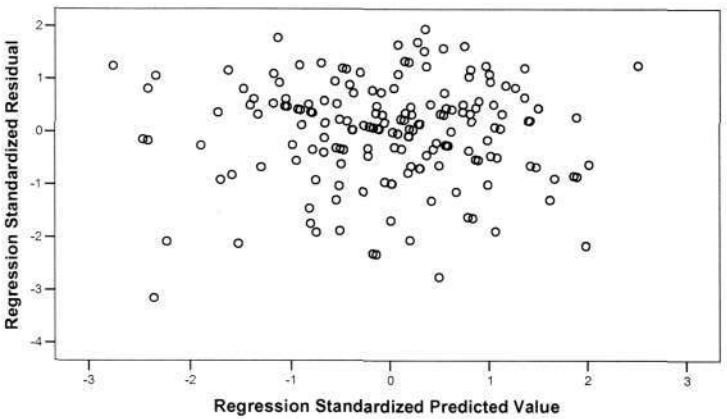
a. Dependent Variable: Export Performance





Scatterplot

Dependent Variable: Export Performance



2. Hypothesis 2

H2. Product adaptation increases as;

a. the firm's international marketing experience increases

b. firm size increases

c. investment increases

d. competitive intensity increases

e. management's commitment to exporting increases

f. firm competencies increases

g. export market barriers increase (export market characteristics)

Descriptive Statistics

	Mean	Std. Deviation	N
Degree of Product Adaptation	4.3295	1.77878	173
Consecutive Years in Export	2.7674	1.08336	172
Firm by Class Size	3.8844	1.15559	173
Investment	2.6301	1.57437	173
Competitive Intensity	4.197	.8467	173
Management is Committed	4.5838	.62893	173
Firm Competencies	19.8198	2.89728	172
Export Market Characteristics	17.9422	4.13396	173

Pearson Correlations – Degree of Product Adaptation Dependent Variable

	Degree of Product Adaptation	Consecutive Years in Export	Firm by Class Size	Investment	Competitive Intensity	Management is Committed
Degree of Product Adaptation	1.000	.053	.072	.035	.219	-.069
Consecutive Years in Export	.053	1.000	.015	-.035	.068	.073
Firm by Class Size	.072	.015	1.000	.104	.291	.037
Investment	.035	-.035	.104	1.000	.064	-.115
Competitive Intensity	.219	.068	.291	.064	1.000	-.075
Management is Committed	-.069	.073	.037	-.115	-.075	1.000

	Degree of Product Adaptation	Firm Competencies	Export Market Characteristics
Degree of Product Adaptation	1.000	-.015	.151
Firm Competencies	-.015	1.000	.064
Export Market Characteristics	.151	.064	1.000

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.256[a]	.066	.026	1.75581

a. Predictors: (Constant), Export Market Characteristics, Management is Commited, Firm by Class Size, Consecutive Years in Export, Investment, Competitive Intensity, Firm Competencies

b. Dependent Variable: Degree of Product Adaptation

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.386	7	5.055	1.640	.128[a]
	Residual	502.505	163	3.083		
	Total	537.892	170			

a. Predictors: (Constant), Export Market Characteristics, Management is Commited, Firm by Class Size, Consecutive Years in Export, Investment, Competitive Intensity, Firm Competencies

b. Dependent Variable: Degree of Product Adaptation

Coefficients[a]

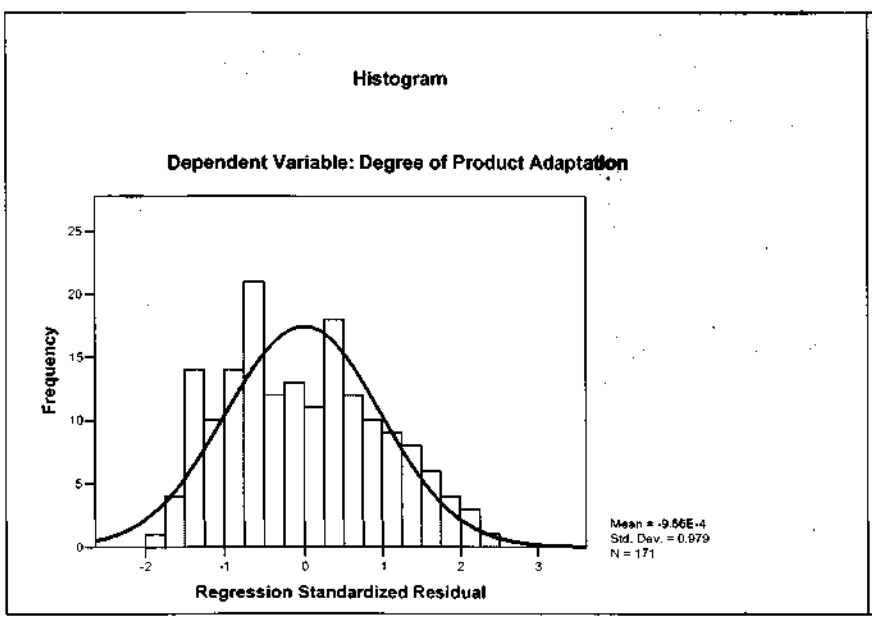
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.160	1.452		1.487	.139		
	Consecutive Years in Export	.059	.126	.036	.467	.641	.981	1.020
	Firm by Class Size	.015	.123	.010	.123	.902	.903	1.107
	Investment	.010	.087	.009	.112	.911	.968	1.033
	Competitive Intensity	.401	.169	.191	2.374	.019	.885	1.130
	Management is Committed	-.158	.252	-.056	-.626	.532	.721	1.388
	Firm Competencies	.004	.054	.007	.076	.939	.728	1.375
	Export Market Characteristics	.049	.033	.114	1.472	.143	.956	1.046

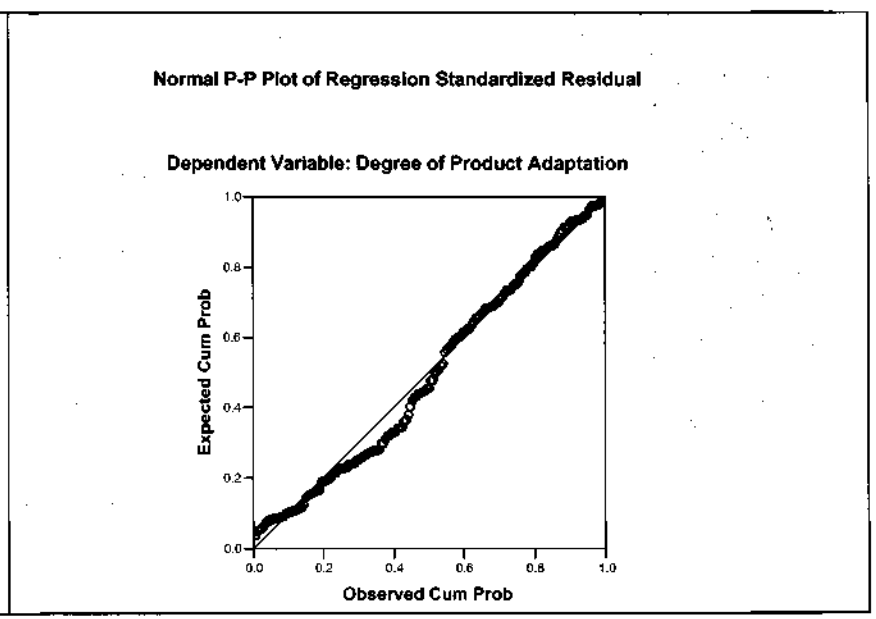
a. Dependent Variable: Degree of Product Adaptation

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.8774	5.2504	4.3233	.45460	171
Residual	-3.14075	4.09707	-.00170	1.71858	171
Std. Predicted Value	-3.183	2.018	-.013	.996	171
Std. Residual	-1.789	2.333	-.001	.979	171

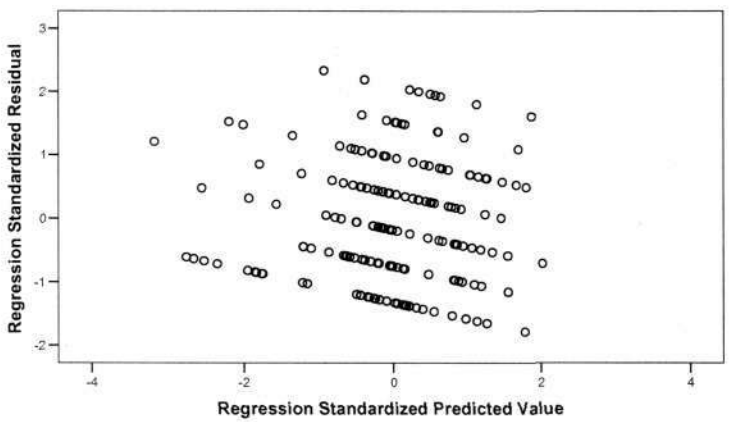
a. Dependent Variable: Degree of Product Adaptation





Scatterplot

Dependent Variable: Degree of Product Adaptation



3. **Hypothesis 3**

H3. Promotion adaptation increases as;

a. the firm's international marketing experience increases

b. firm size increases

c. investment increases

d. competitive intensity increases

e. firm competencies increases

f. export market barriers increase (export market characteristics)

Descriptive Statistics

	Mean	Std. Deviation	N
Promotion Adaptation	10.6279	3.15319	172
Consecutive Years in Export	2.7674	1.08336	172
Firm by Class Size	3.8844	1.15559	173
Investment	2.6301	1.57437	173
Competitive Intensity	4.197	.8467	173
Firm Competencies	19.8198	2.89728	172
Export Market Characteristics	17.9422	4.13396	173

Correlations ~ Degree of Promotional Adaptation Dependent Variable

	Degree of Promotion Adaptation	Consecutive Years in Export	Firm by Class Size	Investment	Competitive Intensity	Firm Competencies	Export Market Characteristics
Degree of Promotion Adaptation	1.000	.116	-.051	.056	-.040	.130	.280
Consecutive Years in Export	.116	1.000	.015	-.035	.068	.090	.073
Firm by Class Size	-.051	.015	1.000	.104	.291	.030	.066
Investment	.056	-.035	.104	1.000	.064	-.073	.079
Competitive Intensity	-.040	.068	.291	.064	1.000	-.019	.161
Firm Competencies	.130	.090	.030	-.073	-.019	1.000	.064
Export Market Characteristics	.280	.073	.066	.079	.161	.064	1.000

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.335[a]	.112	.080	3.02454

a. Predictors: (Constant), Export Market Characteristics, Firm Competencies, Firm by Class Size, Consecutive Years in Export, Investment, Competitive Intensity

b. Dependent Variable: Promotion Adaptation

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	189.999	6	31.667	3.462	.003[a]
	Residual	1500.244	164	9.148		
	Total	1690.243	170			

a. Predictors: (Constant), Export Market Characteristics, Firm Competencies, Firm by Class Size, Consecutive Years in Export, Investment, Competitive Intensity

b. Dependent Variable: Promotion Adaptation

Coefficients[a]

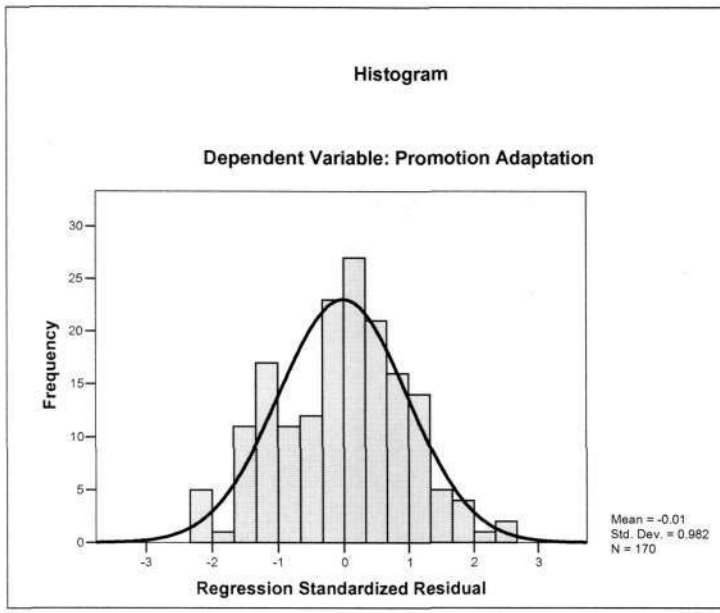
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.210	2.210		2.358	.020		
	Consecutive Years in Export	.276	.216	.095	1.278	.203	.982	1.018
	Firm by Class Size	-.158	.211	-.058	-.747	.456	.906	1.104
	Investment	.114	.149	.057	.763	.447	.976	1.025
	Competitive Intensity	-.283	.290	-.076	-.974	.331	.890	1.123
	Firm Competencies	.119	.081	.109	1.469	.144	.980	1.020
	Export Market Characteristics	.212	.057	.278	3.700	.000	.960	1.041

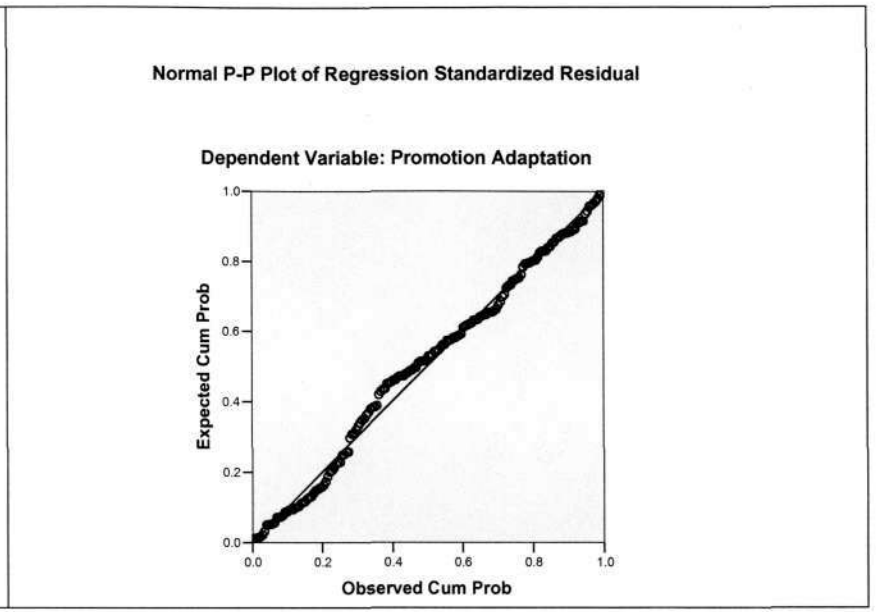
a. Dependent Variable: Promotion Adaptation

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	7.8646	12.9022	10.6220	1.05861	171
Residual	-6.90222	7.75113	-.03331	2.97125	170
Std. Predicted Value	-2.614	2.151	-.006	1.001	171
Std. Residual	-2.282	2.563	-.011	.982	170

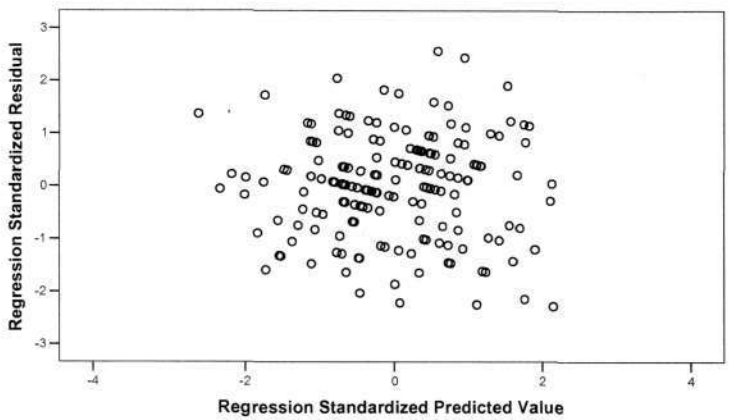
a. Dependent Variable: Promotion Adaptation


Histogram
Dependent Variable: Promotion Adaptation
Frequency
30
25
20
15
10
5
0
-3
-2
-1
0
1
2
3
Regression Standardized Residual
Mean = -0.01
Std. Dev. = 0.982
N = 170


Normal P-P Plot of Regression Standardized Residual
Dependent Variable: Promotion Adaptation
Expected Cum Prob
1.0
0.8
0.6
0.4
0.2
0.0
0.0
0.2
0.4
0.6
0.8
1.0
Observed Cum Prob

Scatterplot

Dependent Variable: Promotion Adaptation



4. Regression 4

H4. Support to foreign distributor/subsidiary increases as;

a. the firm's international marketing experience increases

b. firm size increases

c. investment increases

d. competitive intensity increases

e. management's commitment increases

f. export market barriers increase (export market characteristics)

Descriptive Statistics

	Mean	Std. Deviation	N
Distributor Support	14.7746	2.98271	173
Consecutive Years in Export	2.7674	1.08336	172
Firm by Class Size	3.8844	1.15559	173
Investment	2.6301	1.57437	173
Competitive Intensity	4.197	.8467	173
Firm Competencies	19.8198	2.89728	172
Export Market Characteristics	17.9422	4.13396	173
Management is Commited	4.5838	.62893	173

Pearson Correlations – Distributor Support Dependent Variable

	Distributor Support	Consecutive Years in Export	Firm by Class Size	Investment	Competitive Intensity	Export Market Characteristics	Management is Committed
Distributor Support	1.000	.120	.218	.045	.232	.271	.216
Consecutive Years in Export	.120	1.000	.015	-.035	.068	.073	.073
Firm by Class Size	.218	.015	1.000	.104	.291	.066	.037
Investment	.045	-.035	.104	1.000	.064	.079	-.115
Competitive Intensity	.232	.068	.291	.064	1.000	.161	-.075
Export Market Characteristics	.271	.073	.066	.079	.161	1.000	-.038
Management is Committed	.216	.073	.037	-.115	-.075	-.038	1.000

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.553[a]	.306	.276	2.53725

a. Predictors: (Constant), Management is Commited, Firm by Class Size, Consecutive Years in Export, Export Market Characteristics, Investment, Competitive Intensity, Firm Competencies

b. Dependent Variable: Distributor Support

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	463.078	7	66.154	10.276	.000[a]
	Residual	1049.337	163	6.438		
	Total	1512.415	170			

a. Predictors: (Constant), Management is Commited, Firm by Class Size, Consecutive Years in Export, Export Market Characteristics, Investment, Competitive Intensity, Firm Competencies

b. Dependent Variable: Distributor Support

Coefficients[a]

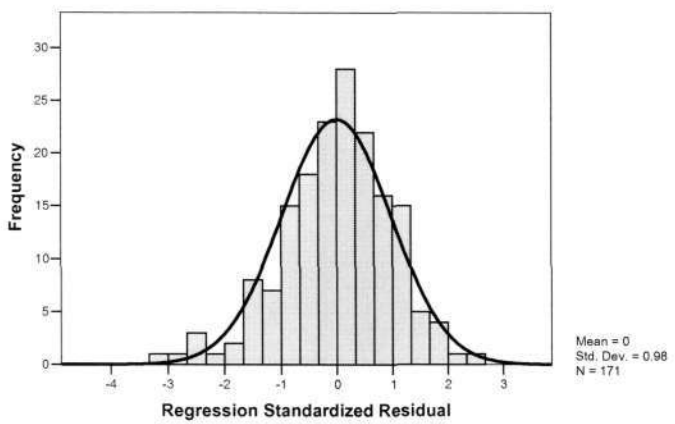
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.965	2.099		-.460	.646		
	Consecutive Years in Export	.154	.181	.056	.849	.397	.981	1.020
	Firm by Class Size	.362	.177	.140	2.042	.043	.903	1.107
	Investment	.073	.126	.039	.581	.562	.968	1.033
	Competitive Intensity	.569	.244	.162	2.329	.021	.885	1.130
	Firm Competencies	.406	.079	.394	5.157	.000	.728	1.375
	Export Market Characteristics	.148	.048	.205	3.067	.003	.956	1.046
	Management is Committed	.138	.364	.029	.378	.706	.721	1.388

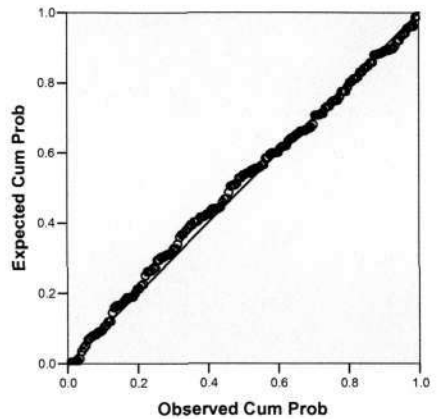
a. Dependent Variable: Distributor Support

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	10.2350	18.0835	14.7593	1.64971	171
Residual	-8.30684	5.97526	-.01661	2.48711	171
Std. Predicted Value	-2.751	2.005	-.009	1.000	171
Std. Residual	-3.274	2.355	-.007	.980	171

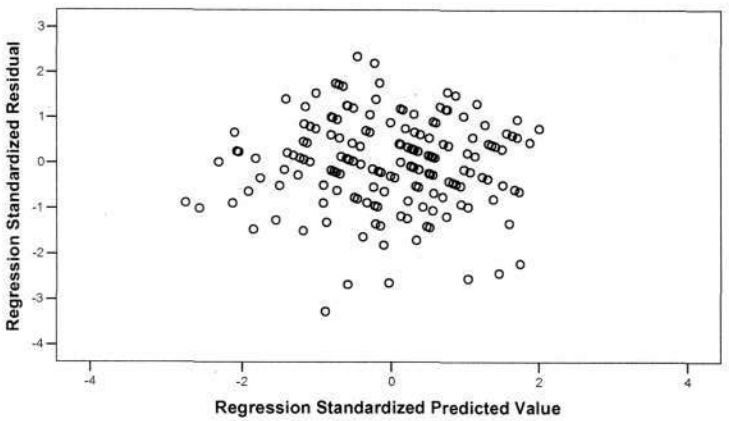
a. Dependent Variable: Distributor Support


Histogram
Dependent Variable: Distributor Support
Frequency
30
25
20
15
10
5
0
-4
-3
-2
-1
0
1
2
3
Regression Standardized Residual
Mean = 0
Std. Dev. = 0.98
N = 171


Normal P-P Plot of Regression Standardized Residual
Dependent Variable: Distributor Support
Expected Cum Prob
1.0
0.8
0.6
0.4
0.2
0.0
0.0
0.2
0.4
0.6
0.8
1.0
Observed Cum Prob

Scatterplot

Dependent Variable: Distributor Support



5. Hypothesis 5

H5. Pricing adaptation increases as;

a. firm size increases

b. investment increases

c. competitive intensity increases

d. export market barriers increase (export market characteristics)

Descriptive Statistics

	Mean	Std. Deviation	N
Degree of Pricing Adaptation	2.8092	.95450	173
Firm by Class Size	3.8844	1.15559	173
Investment	2.6301	1.57437	173
Competitive Intensity	4.197	.8467	173
Export Market Characteristics	17.9422	4.13396	173

Pearson Correlations – Price Adaptation Dependent Variable

	Degree of Price adaptation	Firm by Class Size	Investment	Competitive Intensity	Export Market Characteristics
Degree of Price Adaptation	1.000	.275	.146	.349	.190
Firm by Class Size	.275	1.000	.104	.291	.066
Investment	.146	.104	1.000	.064	.079
Competitive Intensity	.349	.291	.064	1.000	.161
Export Market Characteristics	.190	.066	.079	.161	1.000

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.427[a]	.182	.163	.87350

a. Predictors: (Constant), Export Market Characteristics, Firm by Class Size, Investment, Competitive Intensity

b. Dependent Variable: Degree of Pricing Adaptation

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.522	4	7.130	9.345	.000[a]
	Residual	128.183	168	.763		
	Total	156.705	172			

a. Predictors: (Constant), Export Market Characteristics, Firm by Class Size, Investment, Competitive Intensity

b. Dependent Variable: Degree of Pricing Adaptation

Coefficients[a]

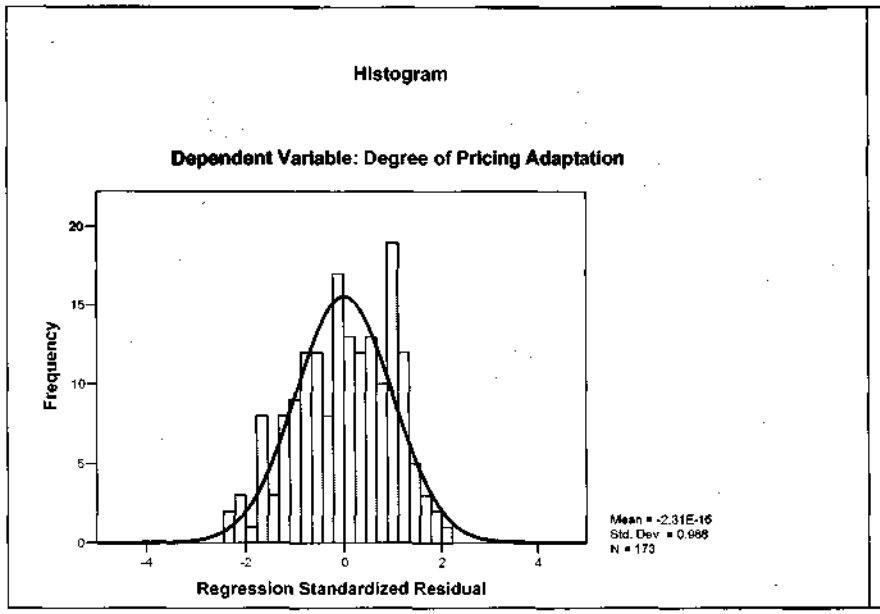
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.274	.437		.626	.532		
	Firm by Class Size	.147	.060	.178	2.426	.016	.908	1.101
	Investment	.061	.043	.100	1.428	.155	.983	1.017
	Competitive Intensity	.305	.083	.270	3.664	.000	.895	1.118
	Export Market Characteristics	.029	.016	.127	1.793	.075	.969	1.032

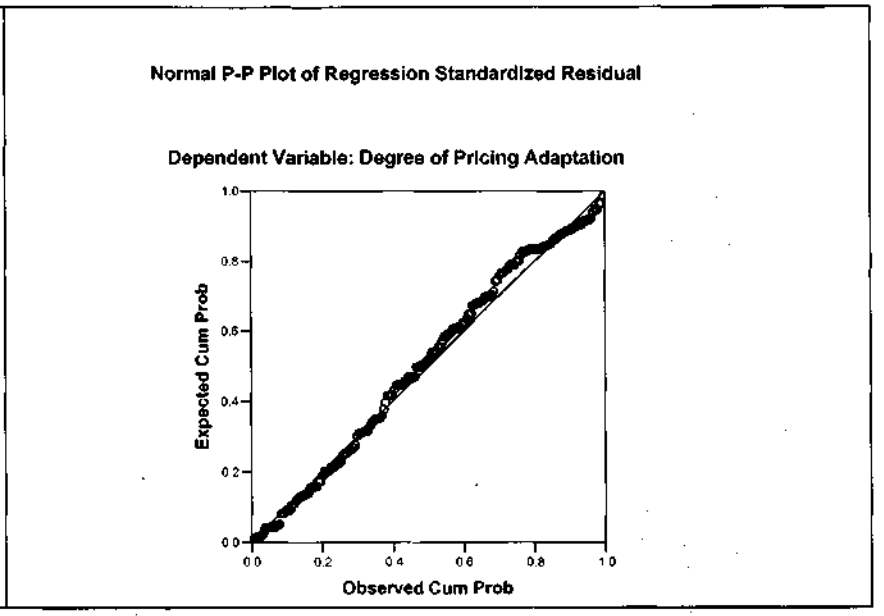
a. Dependent Variable: Degree of Pricing Adaptation

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.5920	3.5715	2.8092	.40722	173
Residual	-2.06368	1.89787	.00000	.86328	173
Std. Predicted Value	-2.989	1.872	.000	1.000	173
Std. Residual	-2.363	2.173	.000	.988	173

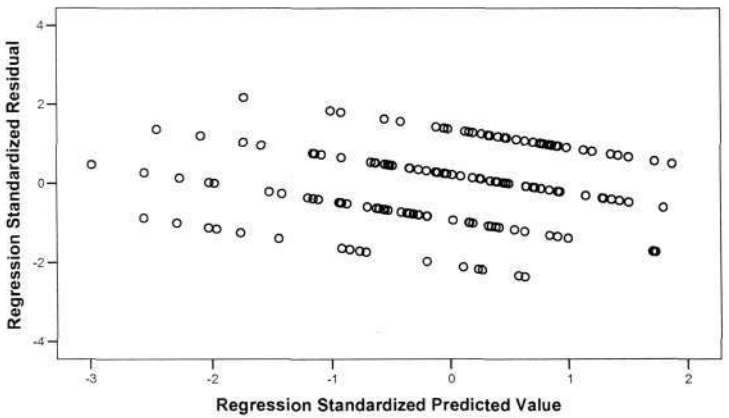
a. Dependent Variable: Degree of Pricing Adaptation


Histogram
Dependent Variable: Degree of Pricing Adaptation
Frequency
Regression Standardized Residual
Mean = -2.31E-16
Std. Dev. = 0.988
N = 173


Normal P-P Plot of Regression Standardized Residual
Dependent Variable: Degree of Pricing Adaptation
Expected Cum Prob
Observed Cum Prob

Scatterplot

Dependent Variable: Degree of Pricing Adaptation



APPENDIX 6: SUMMARY OF THE OUTPUT RESULTS OF THE FORWARD SELECTION STEPWISE REGRESSION ANALYSIS

Hypothesis 1

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.204[a]	.042	.036	7.43921
2	.271[b]	.074	.063	7.33579

a. Predictors: (Constant), Management Engages in Careful Planning

b. Predictors: (Constant), Management Engages in Careful Planning, Investment

c. Dependent Variable: Export Performance

ANOVA[c]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	412.438	1	412.438	7.453	.007[a]
	Residual	9463.452	171	55.342		
	Total	9875.890	172			
2	Regression	727.543	2	363.772	6.760	.001[b]
	Residual	9148.347	170	53.814		
	Total	9875.890	172			

a. Predictors: (Constant), Management Engages in Careful Planning

b. Predictors: (Constant), Management Engages in Careful Planning, Investment

c. Dependent Variable: Export Performance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	41.494	2.440		17.008	.000		
	Management Engages in Careful Planning	1.696	.621	.204	2.730	.007	1.000	1.000
2	(Constant)	39.153	2.593		15.100	.000		
	Management Engages in Careful Planning	1.716	.613	.207	2.802	.006	1.000	1.000
	Investment	.860	.355	.179	2.420	.017	1.000	1.000

a. Dependent Variable: Export Performance

Excluded Variables[c]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics Tolerance
1	Consecutive Years in Export	.072[a]	.966	.335	.074	.999
	Firm by Class Size	.152[a]	2.034	.044	.154	.982
	Investment	.179[a]	2.420	.017	.182	1.000
	Competitive Intensity	-.101[a]	-1.338	.183	-.102	.975
	Management is Commited	-.011[a]	-.142	.887	-.011	.901
	Firm Competencies	.065[a]	.718	.474	.055	.680
	Export Market Characteristics	.094[a]	1.248	.214	.095	.996
	Degree of Pricing Adaptation	.141[a]	1.903	.059	.144	.999
	Degree of Product Adaptation	-.084[a]	-1.126	.262	-.086	.996
	Promotion Adaptation	.146[a]	1.968	.051	.149	1.000
	Distributor Support	.076[a]	.935	.351	.072	.842
2	Consecutive Years in Export	.079[b]	1.066	.288	.082	.998
	Firm by Class Size	.135[b]	1.807	.073	.138	.971
	Competitive Intensity	-.114[b]	-1.524	.129	-.116	.971
	Management is Commited	.011[b]	.139	.890	.011	.889
	Firm Competencies	.083[b]	.924	.357	.071	.676
	Export Market Characteristics	.080[b]	1.074	.284	.082	.989
	Degree of Pricing Adaptation	.118[b]	1.586	.115	.121	.978
	Degree of Product Adaptation	-.091[b]	-1.232	.220	-.094	.995
	Promotion Adaptation	.136[b]	1.859	.065	.142	.997
	Distributor Support	.066[b]	.815	.416	.063	.840

a. Predictors in the Model: (Constant), Management Engages in Careful Planning

b. Predictors in the Model: (Constant), Management Engages in Careful Planning, Investment

c. Dependent Variable: Export Performance

Hypothesis 2

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.219[a]	.048	.043	1.74057

a. Predictors: (Constant), Competitive Intensity

b. Dependent Variable: Degree of Product Adaptation

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.160	1	26.160	8.635	.004[a]
	Residual	518.060	171	3.030		
	Total	544.220	172			

a. Predictors: (Constant), Competitive Intensity

b. Dependent Variable: Degree of Product Adaptation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.397	.671		3.572	.000		
	Competitive Intensity	.461	.157	.219	2.938	.004	1.000	1.000

a. Dependent Variable: Degree of Product Adaptation

Excluded Variables[b]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics		
						Tolerance	VIF	Minimum Tolerance
1	Consecutive Years in Export	.038[a]	.513	.609	.039	.995	1.005	.995
	Firm by Class Size	.009[a]	.121	.904	.009	.915	1.092	.915
	Investment	.022[a]	.288	.773	.022	.996	1.004	.996
	Management is Commited	-.053[a]	-.706	.481	-.054	.994	1.006	.994
	Firm Competencies	-.011[a]	-.149	.882	-.011	1.000	1.000	1.000
	Export Market Characteristics	.119[a]	1.581	.116	.120	.974	1.027	.974

a. Predictors in the Model: (Constant), Competitive Intensity

b. Dependent Variable: Degree of Product Adaptation

Hypothesis 3

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.280[a]	.078	.073	3.02693

a. Predictors: (Constant), Export Market Characteristics

b. Dependent Variable: Promotion Adaptation

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	133.436	1	133.436	14.564	.000[a]
	Residual	1566.750	171	9.162		
	Total	1700.186	172			

a. Predictors: (Constant), Export Market Characteristics

b. Dependent Variable: Promotion Adaptation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.805	1.028		6.621	.000		
	Export Market Characteristics	.213	.056	.280	3.816	.000	1.000	1.000

a. Dependent Variable: Promotion Adaptation

Excluded Variables[b]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics		
						Tolerance	VIF	Minimum Tolerance
1	Consecutive Years in Export	.096[a]	1.311	.191	.100	.995	1.005	.995
	Firm by Class Size	-.070[a]	-.945	.346	-.072	.996	1.004	.996
	Investment	.034[a]	.466	.642	.036	.994	1.006	.994
	Competitive Intensity	-.087[a]	-1.177	.241	-.090	.974	1.027	.974
	Firm Competencies	.113[a]	1.544	.124	.118	.996	1.004	.996

a. Predictors in the Model: (Constant), Export Market Characteristics

b. Dependent Variable: Promotion Adaptation

Hypothesis 4

Model Summary[e]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.423[a]	.179	.174	2.71029
2	.489[b]	.239	.230	2.61734
3	.529[c]	.280	.267	2.55315
4	.547[d]	.299	.283	2.52647

a. Predictors: (Constant), Firm Competencies

b. Predictors: (Constant), Firm Competencies, Export Market Characteristics

c. Predictors: (Constant), Firm Competencies, Export Market Characteristics, Competitive Intensity

d. Predictors: (Constant), Firm Competencies, Export Market Characteristics, Competitive Intensity, Firm by Class Size

e. Dependent Variable: Distributor Support

ANOVA[e]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	274.097	1	274.097	37.314	.000[a]
	Residual	1256.111	171	7.346		
	Total	1530.208	172			
2	Regression	365.629	2	182.815	26.686	.000[b]
	Residual	1164.579	170	6.850		
	Total	1530.208	172			
3	Regression	428.565	3	142.855	21.915	.000[c]
	Residual	1101.643	169	6.519		
	Total	1530.208	172			
4	Regression	457.852	4	114.463	17.932	.000[d]
	Residual	1072.356	168	6.383		
	Total	1530.208	172			

a. Predictors: (Constant), Firm Competencies

b. Predictors: (Constant), Firm Competencies, Export Market Characteristics

c. Predictors: (Constant), Firm Competencies, Export Market Characteristics, Competitive Intensity

d. Predictors: (Constant), Firm Competencies, Export Market Characteristics, Competitive Intensity, Firm by Class Size

e. Dependent Variable: Distributor Support

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.114	1.433		4.267	.000		
	Firm Competencies	.437	.072	.423	6.109	.000	1.000	1.000
2	(Constant)	3.260	1.589		2.052	.042		
	Firm Competencies	.421	.069	.408	6.080	.000	.996	1.004
	Export Market Characteristics	.177	.048	.245	3.655	.000	.996	1.004
3	(Constant)	.531	1.781		.298	.766		
	Firm Competencies	.427	.068	.414	6.323	.000	.995	1.005
	Export Market Characteristics	.153	.048	.212	3.192	.002	.970	1.031
	Competitive Intensity	.724	.233	.206	3.107	.002	.973	1.028
4	(Constant)	-.168	1.793		-.094	.925		
	Firm Competencies	.422	.067	.409	6.308	.000	.994	1.006
	Export Market Characteristics	.151	.047	.209	3.188	.002	.969	1.032
	Competitive Intensity	.577	.241	.164	2.398	.018	.894	1.119
	Firm by Class Size	.374	.174	.145	2.142	.034	.914	1.094

a. Dependent Variable: Distributor Support

Excluded Variables[e]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics		
						Tolerance	VIF	Minimum Tolerance
1	Consecutive Years in Export	.083[a]	1.196	.233	.091	.992	1.008	.992
	Firm by Class Size	.206[a]	3.039	.003	.227	.999	1.001	.999
	Investment	.077[a]	1.105	.271	.084	.995	1.005	.995
	Competitive Intensity	.240[a]	3.580	.000	.265	1.000	1.000	1.000
	Export Market Characteristics	.245[a]	3.655	.000	.270	.996	1.004	.996
	Management is Commited	-.001[a]	-.008	.993	-.001	.738	1.355	.738
2	Consecutive Years in Export	.067[b]	.991	.323	.076	.987	1.013	.987
	Firm by Class Size	.191[b]	2.909	.004	.218	.995	1.005	.992
	Investment	.057[b]	.839	.403	.064	.988	1.013	.988
	Competitive Intensity	.206[b]	3.107	.002	.232	.973	1.028	.970
	Management is Commited	.023[b]	.294	.769	.023	.733	1.365	.731
3	Consecutive Years in Export	.055[c]	.831	.407	.064	.984	1.016	.966
	Firm by Class Size	.145[c]	2.142	.034	.163	.914	1.094	.894
	Investment	.047[c]	.707	.481	.054	.985	1.015	.964
	Management is Commited	.038[c]	.499	.619	.038	.730	1.370	.730
4	Consecutive Years in Export	.056[d]	.861	.391	.066	.984	1.017	.891
	Investment	.034[d]	.520	.604	.040	.977	1.024	.893
	Management is Commited	.030[d]	.395	.693	.031	.728	1.374	.728

a. Predictors in the Model: (Constant), Firm Competencies

b. Predictors in the Model: (Constant), Firm Competencies, Export Market Characteristics

c. Predictors in the Model: (Constant), Firm Competencies, Export Market Characteristics, Competitive Intensity

d. Predictors in the Model: (Constant), Firm Competencies, Export Market Characteristics, Competitive Intensity, Firm by Class Size

e. Dependent Variable: Distributor Support

Hypothesis 5

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.349[a]	.122	.117	.89718
2	.393[b]	.155	.145	.88278

a. Predictors: (Constant), Competitive Intensity

b. Predictors: (Constant), Competitive Intensity, Firm by Class Size

c. Dependent Variable: Degree of Pricing Adaptation

ANOVA[c]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.063	1	19.063	23.683	.000[a]
	Residual	137.642	171	.805		
	Total	156.705	172			
2	Regression	24.226	2	12.113	15.543	.000[b]
	Residual	132.480	170	.779		
	Total	156.705	172			

a. Predictors: (Constant), Competitive Intensity

b. Predictors: (Constant), Competitive Intensity, Firm by Class Size

c. Dependent Variable: Degree of Pricing Adaptation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.159	.346		3.352	.001		
	Competitive Intensity	.393	.081	.349	4.867	.000	1.000	1.000
2	(Constant)	.812	.366		2.217	.028		
	Competitive Intensity	.331	.083	.294	3.984	.000	.915	1.092
	Firm by Class Size	.157	.061	.190	2.574	.011	.915	1.092

a. Dependent Variable: Degree of Pricing Adaptation

Excluded Variables[c]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics		
						Tolerance	VIF	Minimum Tolerance
1	Firm by Class Size	.190[a]	2.574	.011	.194	.915	1.092	.915
	Investment	.125[a]	1.745	.083	.133	.996	1.004	.996
	Export Market Characteristics	.138[a]	1.910	.058	.145	.974	1.027	.974
2	Investment	.109[b]	1.544	.124	.118	.988	1.012	.908
	Export Market Characteristics	.134[b]	1.889	.061	.144	.974	1.027	.895

a. Predictors in the Model: (Constant), Competitive Intensity

b. Predictors in the Model: (Constant), Competitive Intensity, Firm by Class Size

c. Dependent Variable: Degree of Pricing Adaptation

APPENDIX 7: STEPWISE REGRESSION (BACKWARDS) RESULTS

Hypothesis 1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.425[a]	.181	.119	7.11061
2	.425[b]	.181	.125	7.08849
3	.425[c]	.181	.130	7.06659
4	.423[d]	.179	.134	7.05328
5	.420[e]	.177	.137	7.04114
6	.409[f]	.168	.132	7.05884

a. Predictors: (Constant), Distributor Support, Investment, Degree of Product Adaptation, Consecutive Years in Export, Firm by Class Size, Management is Commited, Promotion Adaptation, Export Market Characteristics, Competitive Intensity, Management Engages in Careful Planning, Degree of Pricing Adaptation, Firm Competencies

b. Predictors: (Constant), Distributor Support, Investment, Degree of Product Adaptation, Consecutive Years in Export, Firm by Class Size, Promotion Adaptation, Export Market Characteristics, Competitive Intensity, Management Engages in Careful Planning, Degree of Pricing Adaptation, Firm Competencies

c. Predictors: (Constant), Investment, Degree of Product Adaptation, Consecutive Years in Export, Firm by Class Size, Promotion Adaptation, Export Market Characteristics, Competitive Intensity, Management Engages in Careful Planning, Degree of Pricing Adaptation, Firm Competencies

d. Predictors: (Constant), Investment, Degree of Product Adaptation, Consecutive Years in Export, Firm by Class Size, Promotion Adaptation, Export Market Characteristics, Competitive Intensity, Management Engages in Careful Planning, Degree of Pricing Adaptation

e. Predictors: (Constant), Investment, Degree of Product Adaptation, Consecutive Years in Export, Firm by Class Size, Promotion Adaptation, Competitive Intensity, Management Engages in Careful Planning, Degree of Pricing Adaptation

f. Predictors: (Constant), Investment, Degree of Product Adaptation, Firm by Class Size, Promotion Adaptation, Competitive Intensity, Management Engages in Careful Planning, Degree of Pricing Adaptation

ANOVA[g]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1786.172	12	148.848	2.944	.001[a]
	Residual	8089.719	160	50.561		
	Total	9875.890	172			
2	Regression	1786.167	11	162.379	3.232	.001[b]
	Residual	8089.724	161	50.247		
	Total	9875.890	172			
3	Regression	1786.144	10	178.614	3.577	.000[c]
	Residual	8089.746	162	49.937		
	Total	9875.890	172			
4	Regression	1766.840	9	196.316	3.946	.000[d]
	Residual	8109.051	163	49.749		
	Total	9875.890	172			
5	Regression	1745.147	8	218.143	4.400	.000[e]
	Residual	8130.743	164	49.578		
	Total	9875.890	172			
6	Regression	1654.394	7	236.342	4.743	.000[f]
	Residual	8221.497	165	49.827		
	Total	9875.890	172			

a. Predictors: (Constant), Distributor Support, Investment, Degree of Product Adaptation, Consecutive Years in Export, Firm by Class Size, Management is Commited, Promotion Adaptation, Export Market Characteristics, Competitive Intensity, Management Engages in Careful Planning, Degree of Pricing Adaptation, Firm Competencies

b. Predictors: (Constant), Distributor Support, Investment, Degree of Product Adaptation, Consecutive Years in Export, Firm by Class Size, Promotion Adaptation, Export Market Characteristics, Competitive Intensity, Management Engages in Careful Planning, Degree of Pricing Adaptation, Firm Competencies

c. Predictors: (Constant), Investment, Degree of Product Adaptation, Consecutive Years in Export, Firm by Class Size, Promotion Adaptation, Export Market Characteristics, Competitive Intensity, Management Engages in Careful Planning, Degree of Pricing Adaptation, Firm Competencies

d. Predictors: (Constant), Investment, Degree of Product Adaptation, Consecutive Years in Export, Firm by Class Size, Promotion Adaptation, Export Market Characteristics, Competitive Intensity, Management Engages in Careful Planning, Degree of Pricing Adaptation

e. Predictors: (Constant), Investment, Degree of Product Adaptation, Consecutive Years in Export, Firm by Class Size, Promotion Adaptation, Competitive Intensity, Management Engages in Careful Planning, Degree of Pricing Adaptation

f. Predictors: (Constant), Investment, Degree of Product Adaptation, Firm by Class Size, Promotion Adaptation, Competitive Intensity, Management Engages in Careful Planning, Degree of Pricing Adaptation

g. Dependent Variable: Export Performance

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance
	B	Std Error	Beta			
Constant	36.902	3.990		9.249	.000	
Firm by Class size	1.002	.503	.153	1.993	.04850	.858
Investment	.700	.346	.145	2.020	.045	.971
Competitive Intensity	-.1563	.704	-.175	-2.220	.028	.801
Management Engages in Careful Planning	1.927	.606	.232	3.181	.002	.950
Degree of Product Adaptation	-.669	.332	-.157	-2.017	.045	.829
Promotion Adaptation	.349	.176	.145	1.976	.050	.938
Pricing Adaptation	-1.458	.653	-.183	-2.232	.027	.730

Hypothesis 2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.260[a]	.068	.022	1.75891
2	.260[b]	.068	.028	1.75361
3	.260[c]	.068	.034	1.74838
4	.259[d]	.067	.039	1.74343
5	.257[e]	.066	.044	1.73940
6	.254[f]	.064	.048	1.73582
7	.249[g]	.062	.051	1.73298
8	.219[h]	.048	.043	1.74057

a. Predictors: (Constant), Export Market Characteristics, Management is Commited, Firm by Class Size, Consecutive Years in Export, Investment, Competitive Intensity, Management Engages in Careful Planning, Firm Competencies

b. Predictors: (Constant), Export Market Characteristics, Management is Commited, Consecutive Years in Export, Investment, Competitive Intensity, Management Engages in Careful Planning, Firm Competencies

c. Predictors: (Constant), Export Market Characteristics, Management is Commited, Consecutive Years in Export, Competitive Intensity, Management Engages in Careful Planning, Firm Competencies

d. Predictors: (Constant), Export Market Characteristics, Management is Commited, Consecutive Years in Export, Competitive Intensity, Management Engages in Careful Planning

e. Predictors: (Constant), Export Market Characteristics, Management is Commited, Competitive Intensity, Management Engages in Careful Planning

f. Predictors: (Constant), Export Market Characteristics, Management is Commited, Competitive Intensity

g. Predictors: (Constant), Export Market Characteristics, Competitive Intensity

h. Predictors: (Constant), Competitive Intensity

ANOVA[i]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.840	8	4.605	1.488	.165[a]
	Residual	507.380	164	3.094		
	Total	544.220	172			
2	Regression	36.822	7	5.260	1.711	.110[b]
	Residual	507.397	165	3.075		
	Total	544.220	172			
3	Regression	36.784	6	6.131	2.006	.068[c]
	Residual	507.436	166	3.057		
	Total	544.220	172			
4	Regression	36.617	5	7.323	2.409	.039[d]
	Residual	507.602	167	3.040		
	Total	544.220	172			
5	Regression	35.932	4	8.983	2.969	.021[e]
	Residual	508.288	168	3.026		
	Total	544.220	172			
6	Regression	35.010	3	11.670	3.873	.010[f]
	Residual	509.210	169	3.013		
	Total	544.220	172			
7	Regression	33.670	2	16.835	5.606	.004[g]
	Residual	510.550	170	3.003		
	Total	544.220	172			
8	Regression	26.160	1	26.160	8.635	.004[h]
	Residual	518.060	171	3.030		
	Total	544.220	172			

a. Predictors: (Constant), Export Market Characteristics, Management is Commited, Firm by Class Size, Consecutive Years in Export, Investment, Competitive Intensity, Management Engages in Careful Planning, Firm Competencies

b. Predictors: (Constant), Export Market Characteristics, Management is Commited, Consecutive Years in Export, Investment, Competitive Intensity, Management Engages in Careful Planning, Firm Competencies

c. Predictors: (Constant), Export Market Characteristics, Management is Commited, Consecutive Years in Export, Competitive Intensity, Management Engages in Careful Planning, Firm Competencies

d. Predictors: (Constant), Export Market Characteristics, Management is Commited, Consecutive Years in Export, Competitive Intensity, Management Engages in Careful Planning

e. Predictors: (Constant), Export Market Characteristics, Management is Commited, Competitive Intensity, Management Engages in Careful Planning

f. Predictors: (Constant), Export Market Characteristics, Management is Commited, Competitive Intensity

g. Predictors: (Constant), Export Market Characteristics, Competitive Intensity

h. Predictors: (Constant), Competitive Intensity

i. Dependent Variable: Degree of Product Adaptation

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance
	B	Std Error	Beta			
Constant	2.397	.671		3.572	.000	
Competitive Intensity	.461	.157	.219	2.938	.004	1.000

Hypothesis 3

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.335[a]	.112	.080	3.01551
2	.330[b]	.109	.082	3.01155
3	.326[c]	.107	.085	3.00695
4	.314[d]	.099	.083	3.01111
5	.302[e]	.091	.081	3.01475
6	.280[f]	.078	.073	3.02693

a. Predictors: (Constant), Export Market Characteristics, Firm Competencies, Firm by Class Size, Consecutive Years in Export, Investment, Competitive Intensity

b. Predictors: (Constant), Export Market Characteristics, Firm Competencies, Consecutive Years in Export, Investment, Competitive Intensity

c. Predictors: (Constant), Export Market Characteristics, Firm Competencies, Consecutive Years in Export, Competitive Intensity

d. Predictors: (Constant), Export Market Characteristics, Firm Competencies, Consecutive Years in Export

e. Predictors: (Constant), Export Market Characteristics, Firm Competencies

f. Predictors: (Constant), Export Market Characteristics

ANOVA[g]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	190.702	6	31.784	3.495	.003[a]
	Residual	1509.484	166	9.093		
	Total	1700.186	172			
2	Regression	185.595	5	37.119	4.093	.002[b]
	Residual	1514.591	167	9.069		
	Total	1700.186	172			
3	Regression	181.168	4	45.292	5.009	.001[c]
	Residual	1519.018	168	9.042		
	Total	1700.186	172			
4	Regression	167.903	3	55.968	6.173	.001[d]
	Residual	1532.283	169	9.067		
	Total	1700.186	172			
5	Regression	155.109	2	77.554	8.533	.000[e]
	Residual	1545.078	170	9.089		
	Total	1700.186	172			
6	Regression	133.436	1	133.436	14.564	.000[f]
	Residual	1566.750	171	9.162		
	Total	1700.186	172			

a. Predictors: (Constant), Export Market Characteristics, Firm Competencies, Firm by Class Size, Consecutive Years in Export, Investment, Competitive Intensity

b. Predictors: (Constant), Export Market Characteristics, Firm Competencies, Consecutive Years in Export, Investment, Competitive Intensity

c. Predictors: (Constant), Export Market Characteristics, Firm Competencies, Consecutive Years in Export, Competitive Intensity

d. Predictors: (Constant), Export Market Characteristics, Firm Competencies, Consecutive Years in Export

e. Predictors: (Constant), Export Market Characteristics, Firm Competencies

f. Predictors: (Constant), Export Market Characteristics

g. Dependent Variable: Promotion Adaptation

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance
	B	Std Error	Beta			
Constant	6.805	.1.028		6.621	.000	
Export Market Characteristics	.213	.056	.280	3.816	.000	1.000

Hypothesis 4

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.376[a]	.142	.116	2.80462
2	.376[b]	.142	.121	2.79629
3	.365[c]	.133	.118	2.80145

a. Predictors: (Constant), Export Market Characteristics, Firm by Class Size, Consecutive Years in Export, Investment, Competitive Intensity

b. Predictors: (Constant), Export Market Characteristics, Firm by Class Size, Consecutive Years in Export, Competitive Intensity

c. Predictors: (Constant), Export Market Characteristics, Firm by Class Size, Competitive Intensity

ANOVA[d]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	216.605	5	43.321	5.507	.000[a]
	Residual	1313.603	167	7.866		
	Total	1530.208	172			
2	Regression	216.572	4	54.143	6.924	.000[b]
	Residual	1313.636	168	7.819		
	Total	1530.208	172			
3	Regression	203.874	3	67.958	8.659	.000[c]
	Residual	1326.334	169	7.848		
	Total	1530.208	172			

a. Predictors: (Constant), Export Market Characteristics, Firm by Class Size, Consecutive Years in Export, Investment, Competitive Intensity

b. Predictors: (Constant), Export Market Characteristics, Firm by Class Size, Consecutive Years in Export, Competitive Intensity

c. Predictors: (Constant), Export Market Characteristics, Firm by Class Size, Competitive Intensity

d. Dependent Variable: Distributor Support

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance
	B	Std Error	Beta			
Constant	7.930	.1387		5.715	.000	
Firm by Class Size	.413	.193	.160	2.139	.034	.915
Competitive Intensity	.518	.267	.147	1.942	.054	.895
Export Market Characteristics	.171	.052	3.263	3.263	.001	.974

Hypothesis 5

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.427[a]	.182	.163	.87350
2	.415[b]	.172	.157	.87618

a. Predictors: (Constant), Export Market Characteristics, Firm by Class Size, Investment, Competitive Intensity

b. Predictors: (Constant), Export Market Characteristics, Firm by Class Size, Competitive Intensity

ANOVA[c]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.522	4	7.130	9.345	.000[a]
	Residual	128.183	168	.763		
	Total	156.705	172			
2	Regression	26.966	3	8.989	11.709	.000[b]
	Residual	129.739	169	.768		
	Total	156.705	172			

a. Predictors: (Constant), Export Market Characteristics, Firm by Class Size, Investment, Competitive Intensity

b. Predictors: (Constant), Export Market Characteristics, Firm by Class Size, Competitive Intensity

c. Dependent Variable: Degree of Pricing Adaptation

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance
	B	Std Error	Beta			
Constant	.363	.434		.838	.403	
Firm by Class Size	.154	.060	.187	2.555	.011	.915
Competitive Intensity	.308	.083	.273	3.688	.000	.895
Export Market Characteristics	.031	.016	.134	1.889	.061	.974

APPENDIX 8: PEARSON CORRELATION ANALYSIS – SIGNIFICANT RELATIONSHIPS

Correlations

		Firm by Class Size	Distributor Support	Consecutive Years in Export	Investment	Degree of Pricing Adaptation	Competitive Intensity	Management is Commited	Management Engages in Careful Planning	Degree of Product Adaptation	Firm Competencies	Promotion Adaptation	Export Performance
Firm by Class Size	Pearson Correlation	1	.218**	.015	.104	.275**	.291**	.037	.135	.072	.030	-.051	.197*
	Sig. (2-tailed)		.004	.850	.173	.000	.000	.625	.078	.344	.693	.506	.017
	N	173	173	172	173	173	173	173	173	173	172	172	146
Distributor Support	Pearson Correlation	.218**	1	.120	.045	.120	.232**	.216**	.397**	.084	.426**	.153*	.154
	Sig. (2-tailed)	.004		.116	.554	.117	.002	.004	.000	.271	.000	.045	.064
	N	173	173	172	173	173	173	173	173	173	172	172	146
Consecutive Years in Export	Pearson Correlation	.015	.120	1	-.036	-.088	.068	.073	.030	.053	.090	.117	.092
	Sig. (2-tailed)	.850	.116		.643	.249	.375	.342	.699	.486	.240	.127	.272
	N	172	172	172	172	172	172	172	172	172	171	171	145
Investment	Pearson Correlation	.104	.045	-.036	1	.146	.064	-.115	-.014	.035	-.073	.056	.192*
	Sig. (2-tailed)	.173	.554	.643		.055	.406	.131	.855	.643	.339	.462	.020
	N	173	173	172	173	173	173	173	173	173	172	172	146
Degree of Pricing Adaptation	Pearson Correlation	.275**	.120	-.088	.146	1	.349**	-.269**	-.026	.363**	-.158*	.135	.148
	Sig. (2-tailed)	.000	.117	.249	.055		.000	.000	.733	.000	.038	.077	.074
	N	173	173	172	173	173	173	173	173	173	172	172	146
Competitive Intensity	Pearson Correlation	.291**	.232**	.068	.064	.349**	1	-.075	.159*	.219**	-.019	-.040	-.073
	Sig. (2-tailed)	.000	.002	.375	.406	.000		.328	.037	.004	.803	.602	.384
	N	173	173	172	173	173	173	173	173	173	172	172	146
Management is Commited	Pearson Correlation	.037	.216**	.073	-.115	-.269**	-.075	1	.315**	-.069	.513**	-.005	.064
	Sig. (2-tailed)	.625	.004	.342	.131	.000	.328		.000	.367	.000	.945	.442
	N	173	173	172	173	173	173	173	173	173	172	172	146
Management Engages in Careful Planning	Pearson Correlation	.135	.397**	.030	-.014	-.026	.159*	.315**	1	.062	.573**	.004	.223**
	Sig. (2-tailed)	.078	.000	.699	.855	.733	.037	.000		.421	.000	.956	.007
	N	173	173	172	173	173	173	173	173	173	172	172	146
Degree of Product Adaptation	Pearson Correlation	.072	.084	.053	.035	.363**	.219**	-.069	.062	1	-.015	.196*	-.078
	Sig. (2-tailed)	.344	.271	.486	.643	.000	.004	.367	.421		.842	.010	.350
	N	173	173	172	173	173	173	173	173	173	172	172	146
Firm Competencies	Pearson Correlation	.030	.426**	.090	-.073	-.158*	-.019	.513**	.573**	-.015	1	.131	.169*
	Sig. (2-tailed)	.693	.000	.240	.339	.038	.803	.000	.000	.842		.088	.042
	N	172	172	171	172	172	172	172	172	172	172	171	146
Promotion Adaptation	Pearson Correlation	-.051	.153*	.117	.056	.135	-.040	-.005	.004	.196*	.131	1	.160
	Sig. (2-tailed)	.506	.045	.127	.462	.077	.602	.945	.956	.010	.088		.054
	N	172	172	171	172	172	172	172	172	172	171	172	146
Export Performance	Pearson Correlation	.197*	.154	.092	.192*	.148	-.073	.064	.223**	-.078	.169*	.160	1
	Sig. (2-tailed)	.017	.064	.272	.020	.074	.384	.442	.007	.350	.042	.054	
	N	146	146	145	146	146	146	146	146	146	146	146	146

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

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