Investigation of Factors Influencing Development of Export in SMEs (Case Study: Food Industries in Zanjan Prov., Iran)

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ABSTRACT

The present research investigates factors affecting development of export in SMEs of food industries in Zanjan Province in Iran. Statistical population of the research included Zanjan Province SMEs which are active in the field of food industries. Because all population members were accessible, a census was conducted and this adds to the validity of the research. Research was conducted in the form of survey (research methodology) and data collecting instrument was questionnaire. Kai-squared test was used for hypotheses test. The main goal of the tests was to investigate presence of absence of relationship between independent and dependent variables of the research. Results of hypotheses tests revealed that procedural barriers, competition level in internal market, company size, packaging and manager's ability to speak foreign languages have significant relationship with export development.

KEYWORDS: export, export barriers, SMEs, procedural barriers, packaging, company size.

INTRODUCTION

A review of SMEs activities in developed or developing countries indicates that there is some kind of close and effective relationship between socio-economic progress of the countries and development of SMEs in these countries.

Although theories underlying SMEs have a history about one century and classic theorists have propounded them, the theories have become important in the framework of entrepreneurship within the past 2 or 3 decades and with development of neo-classic theorists influence. It is generally believed that development of SMEs result in development of society in four dimensions:

Social dimension; i.e. development of enterprises increases employment, such enterprises tend to apply work-related techniques rather than capital-related techniques.

Economic dimension; i.e. distribution of income within society becomes more homogeneous and many social tensions are prevented;

Political dimension; i.e. development of SMEs distributes opportunities among people and prevents from some special groups becoming powerful; some consider it as a step towards development of democracy and civil society;

Personal dimension; i.e. a more appropriate space will be provided for development of creativity of economic minds.

Development of these four dimensions is accompanied by a kind of increasing flexibility against global transformations. In advanced countries, SMEs play important roles in economic balance. Such enterprises grow but their growths are not dependent on capital and factors like initiative, seizure of opportunities and application of appropriate marketing methods play important role in such enterprises. From international institutes (like World Bank and international money fund) viewpoint, SMEs play decisive role in increasing employment and development of economy. Many developed and developing countries especially in the east and south-eastern part of Asia have adopted proper and coordinated policies and have developed SMEs and therefore have taken steps to reduce economic and social crises and mainly unemployment. Considering the importance of SMEs, it seems necessary to conduct studies in this field and identify such enterprises problems and needs and help them with finding appropriate position in international and competitive arenas.

Theoretical literature

Many studies have been conducted on the factors which influence development of export and negative impacts of barriers ahead of export. Examples are (2001, Darocha & Dasilva; 2003, Ortega – Suarez; 1994, Morgan &Katsikeas).

Morgan & Katsikeas (1997) classified export barriers into three groups: strategic barriers, operational barriers, and information barriers (Hakan & Tokol, 2007). Borchmit et al (1985) classified export barriers into 5 categories: factors concerning national export policy, comparative telemarketing, absence of commitment to

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export, economic restrictions and competition (Hakan & Tokol, 2007). Leonido (1995) classified export barriers into internal and external barriers. Internal barriers are concerned with human resource capabilities and export methods of company and external barriers are concerned with internal and external governments with which the company has something to do (Suarez-Ortega & R.Alamo-Vala, 2005). Leonido (2004) again re-classified internal factors into three clear elements: applied, information and marketing, and external factors into four elements: procedural, governmental, task and environmental (Leonidou, 2004). Kalka & Katsikeas (1995) also investigated export barriers in exporters which were regularly involved in export and exporters which were occasionally involved in export (Hakan & Tokol, 2007). Shaw & Daroch (2004) classified export barriers into 5 categories: financial, managerial, industrial, company and market-based (internal and external). One of the recent studies is Tesfom's research (2006). He reviewed 40 papers published over 25 years (1980-2004) and classified barriers ahead of SMEs export in developing countries. Tesfom reviewed 135 papers and investigated 40 papers which were related to the subject. he presented a model which included a comprehensive classification and embraced all previously-studied factors. Tesfom classified export barriers into two categories: internal barriers and external barriers. Internal barriers are divided into two groups: company-related barriers and product-related barriers. External barriers were also classified into three groups: industry-related barriers, export market-related barriers and macro-environment barriers (Tesfom&Iutz, 2006, 262).

Research conceptual framework

After investigation of research literature, the following framework is presented as the conceptual model of our research. This model depicts causal relationships among 6 variables (procedural barriers, competition in internal market, company size, products packaging, and manager's skill in destination country language and export development). Research hypotheses are proposed based upon the conceptual model:
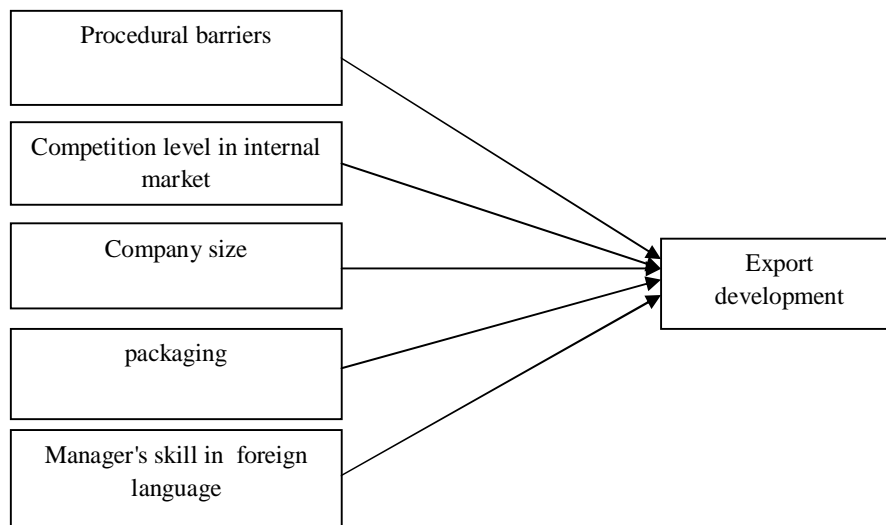
Research hypotheses
H1: procedural barriers influence export development.
H2: competition in internal market influence export development.
H3: company size influences on export development.
H4: products packaging influence on export development.
H5: manager's skill in destination country language influence on export development.

RESEARCH METHODOLOGY

Research was conducted in the form of survey and questionnaire was used as data collection instrument. The questionnaire contained 50 questions (6 questions concerning cognitive issues and 44 questions concerning dependent and independent variables). Its validity was verified apparently and reliability was verified by Chronbach's alpha (79%). SPSS software was used for calculating this coefficient. Kai-squared test was used for investigation of research hypotheses. The hypotheses were aimed to investigate relationship between independent and dependent variables of the research.

Questionnaire validity:
In order to determine the validity of questionnaire, "apparent validity" method was used. Experts and professors were asked to make statements and adjustments on the questions and after collecting their ideas, some adjustments were exerted.

Research reliability:
In this research, Chronbach's alpha method was used. Alpha was calculated (79%) using SPSS software.

Statistical population
Statistical population of the research included all SMEs in Zanjan Province in Iran which were active in food industries area. Since all population members were in access, no sampling was implemented and all population members were surveyed (census) and this, in part, adds to validity of the research.

Data analysis
Non-parametric statistical methods were used for data analysis. Data were described by means of frequency distribution tables and circular graph. Kai-squared test was used for testing significance of relationship between independent and dependent variables of the research.

Hypotheses test
In general, statistical hypothesis test is aimed to determine whether a guess about population is verified strongly or not. This guess typically includes a claim on a parameter of a society depending on research goal. In fact, any kind of statement about a society is considered as a statistical hypothesis. We must collect enough evidence to verify the validity of a statement. Therefore, an analyst must consider a statement as wrong unless obtained data verify the opposite of his or her claim. Since a claim may be wrong or right, two complementary hypotheses are proposed as follows:
H0: claim
H1= anti-claim
In statistics, it is an acceptable rule that a researcher tests H0 and the analyzes research hypothesis based upon verification or rejection of H0. Sometimes, H0 states a claim and sometimes, it states anti-claim.
Expected frequencies of each variable are calculated using H0 or the hypothesis of variables independence. Then, observed frequencies are compared with expected frequencies. If their difference is insignificant, H0 is defendable and we conclude that the two variables are independent (do not influence each other). However, if their difference is considerable, H0 is rejected and we conclude that the two variables are not independent (influence each other). According to test statistic value, we can conclude that whether the difference between observed frequencies and expected frequencies is considerable or inconsiderable, which is stated as follows:

$$\chi^2 = \sum_{i=1}^{k} \frac{(fo_i - fe_i)^2}{fe_i}$$

In this equation, fe_i and fo_i are expected and observed frequencies, respectively. In this research, Kai-squared was calculated via SPSS.
First hypothesis analysis:
H0=procedural barriers do not influence on development of export.
H1= procedural barriers influence on development of export.

Test Statistics	
412.551	Chi-Square
4	Df
0	(significance level)Asymp. Sig.
	0 cells (.0%) have expected frequencies less than 5.
	The minimum expected cell frequency is 98

Considering the results of the table above (df is equal to 4, significance level is zero and Kai-squared is equal to 412.551), H0 is rejected and it can be said with certainty that procedural barriers influence on export development.

Second hypothesis analysis:
H0=level of competition in internal market does not influence on development of export.
H1= level of competition in internal market influences on development of export.

Test Statistics	
488.362	Chi-Square
4	Degree of freedom
0	Asymp. Sig. (significance level)
	0 cells (.0%) have expected frequencies less than 5.
	The minimum expected cell frequency is 105

Considering the results of table above (df is equal to 4, significance level is equal to zero and Kai-squared value is equal to 488.362), H0 is rejected and it can be said with certainty that competition level in internal market influences on development of export.

Third hypothesis analysis:
H0=company size does not influence export development.
H1= company size influences on export development.

Test Statistics	
172.286	Chi-Square
4	Df (degree of freedom)
0	Asymp. Sig. (significance level)
	0 cells (.0%) have expected frequencies less than 5.
	The minimum expected cell frequency is 35

Considering the table above (df is equal to 4, significance level is equal to zero and Kai-squared is equal to 172.286), H0 is rejected and it can be said with certainty that company size influences on development of export.

Fourth hypothesis analysis:
H0= packaging does not influence development of export.
H1= packaging influences on development of export.

Test Statistics	
336.612	Chi-Square
4	Df (degree of freedom)
0	Asymp. Sig. (significance level)
	0 cells (.0%) have expected frequencies less than 5.
	The minimum expected cell frequency is 48

Considering the results of table above (df is equal to 3, significance level is equal to zero, and Kai-squared is equal to 336.612), H0 is rejected and it can be said with certainty that packaging influences export development.

Fifth hypothesis analysis:
H0= manager's skill in foreign language does not have a positive influence on export development.
H1= a manager's skill in foreign language has a positive influence on export development.

Test Statistics	
150.571	Chi-Square
4	Df (degree of freedom)
0	Asymp. Sig. (significance level)
	0 cells (.0%) have expected frequencies less than 5.
	The minimum expected cell frequency is 28

Considering the results of table above (df is equal to 4, significance level is equal to zero and Kai-squared is equal to 150.571), H0 is rejected and it can be said with certainty that a manager's skill in foreign language has influence on export development.

CONCLUSION AND DISCUSSION

1. Influence of procedural barriers on development of export

This influence was verified by the analyses. In this regard, one of the most important barriers is the time and bureaucracy needed for completing regulations of internal and external market. A company which wants to enter export markets or increase its export activities has to obtain necessary information and knowledge about executive procedures. In fact, it is difficult for inexperienced managers to deal with foreign documents and

bureaucracy. Therefore, if managers confront with high level of complexity in commercial documents, this has a negative influence on export sales and if complexity of documents is low, companies' performance will improve.

2. Influence of competition level in internal market on export development

Great experience in internal market is like an additional advantage which facilitates export. Some companies may have to develop internal markets before starting export. They can obtain appropriate experience for future export markets and therefore might be able to select international marketing strategies effectively.

Competition cannot be actually considered as an export barrier if information is distributed evenly among competitors but market opportunities information is not obtained easily. The type of perceived competition by a company influences the tendency of that company to export activities. For instance, if price competition is an issue and the company is unable to reach competitor's prices, this is a barrier ahead of entering export markets. in this study, factors like price competition, presence of aggressive competitors in external markets, not reaching competitive prices and serious competition in internal market were identified as factors influencing export.

3. Influence of company size on export development

Larger companies have more abilities to develop resources and confront risks and may be of great haggling power. Therefore, larger companies are more likely to enter export activities. Smaller companies are confronted with financial and technological and personnel restrictions and grow gradually and can reach more resources for international activities and increase their international sales gradually. Results of the present research verified that company size influence export activities. Large companies have scale advantages which enable them to do export activities effectively.

4. Influence of packaging on export development

In the process of creating competitive advantage, a company needs to identify key success factors in a special industry and it should have the capacity to put the capacities into action. Packaging is one of these key factors.

Packaging can bring competitive advantage. An innovative packaging can change even perception of a product and bring a new place for a product in a market because packaging establishes communication with consumers and forms their perception of products. Consumers' judgment about products quality depends to a large extent on packaging. Therefore, packaging can convey a desirable or undesirable message about a product. Results of the present research also verified the importance and influence of packaging on export activities of companies.

5. Influence of manager's skill in foreign language on export development

Having a good command of foreign language is an effective factor on managers' attitude towards export and exporters can speak more languages than non-exporters. Results of the present study revealed that a large number of exporters had the experience of living abroad, travelling abroad and also had skills in foreign languages and these factors resulted in their orientation towards export. Language skills can help with establishing foreign social and commercial relationships and improving relationship with foreign customers, understanding foreign commerce stages and operations and facilitating effective planning and controlling in foreign markets.

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