Small Firms Exporting to Asia: An Innovative Export Model

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His research is focused on identifying strategies for small business export success. His recent publications appeared in the Thunderbird International Business Review (2010) titled “An Emerging Asian Niche Market for Exports” and the Journal of Internet Business (2008) titled “The Internet in the Performance of Small Exporting Firms: a developed to developing country market context”. Dr. Amarasena is a member of the Australian Marketing Institute (AMI) and the Academy of Management (AOM).

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Abstract
The purpose of this exploratory research paper is to offer an understanding on the role of the Internet in the context of small firms exporting from an advanced to an emerging market. The research study involves face to face interviews with the owner/managers of small exporting firms in Australia. The analysis of data reveals that the exporters’ knowledge on the customer base of the export market and their advantage of being connected to various networks both in the exporters and the importers markets make their exporting business high performing. The owner/managers prior experience in working as managers of firms in the export market would add further advantage to the exporting firms. The paper suggests that the capability of owner/managers to identify the right blend of Internet technology at its highest level while managing human factors in the export process is critical to their export success.

Keywords: Exporting, Small exporting firms, the Internet, Internet Technology, Australia, Sri Lanka

Paper type: Research Paper
Introduction

The purpose of this exploratory research paper is to offer an understanding on the role of the Internet in the context of small firms exporting from an advanced to emerging market, and what impact the use of this technology bring upon the performance of these exporting firms.

To examine and answer the research question developed, mixed method was adopted in collecting data through face to face interviews with the owner/managers of Australian small firms exporting consumables (N=15 Small firms from Victoria, Australia). Quantitative data was analysed using SPSS (Statistical Package for Social Sciences) and Qualitative data was analysed using editing analysis technique.

The analysis revealed that the exporters’ clear understanding of the customer base in the export market and their advantage of being connected to various networks both in Australia and the emerging market make their firms high performing ones. The owner/managers who gained a number of years of international business experience from working as managers of firms in the export market were also a plus factor in this regard. The paper offers a novel view of exporting in the context of an advanced to emerging market and the use of the Internet in small firms from the perspective of the owner/managers of the firms. As the main contribution of this research, the paper suggests that export success of small firms in advanced markets is determined by the capability of owner/managers to identify the right blend of internet technology at its highest level while strategically managing human factors in the export process.

The article begins with a literature review to discuss exporting as the preferred mode of international business for small firms and the use of the Internet in this business, determinants of export performance, the issue of business relationships in exporting and the vital elements that nurture it and make the relationship sustainable. The paper explores the role of the Internet in small firms exporting in the context of an advanced to emerging market and formulate the research question. Then the research methodology, data collection and analysis are presented.
Finally export performance model is presented based on the analysis and conclusions while indicating the limitations and future implications.

2. Small Firms and Exporting

2.1. Small firms

There are a number of criteria that can be used to define a small firm but in Australia the Australian Bureau of Statistics (ABS) uses the number of employees as a guide to classify these firms. The firms that employ fewer than 20 people are considered small firms (ABS, 2002).

Small firms are important and their significance is increasing in Australia as well as in many other industrialised countries. In many countries, the small firm sector provides the foundation for the entire economy as it plays a very important role in job creation, innovation and the long-term development in their economies (Andersson, Gabrielsson and Wictor, 2004; Fink, 1998; Hardill and Wynarczyk, 1996; Kaplan, Johnson, Pearce and George, 1997; Nieto and Fernandez, 2006; OECD 1998a; 1998b; 1993; Pospisil, 1994; Storey, 1994). It is largely uncontested that small firms play a very important role in the many economies of the developed and developing countries around the world. As argued by Martin and Matlay (2003), small firms are equally important to both industrially developed and developing countries where their role is recognised by academics, practitioners and policy makers as crucial to wealth creation and employment generation.

2.2. Exporting

Exporting is defined as “the selling of goods or services supplied from one’s own country for use in other countries” (Mahoney, Trigg, Griffin and Pustay 2001, p. 12). Exporting is generally considered as having a lower level of risk and commitment in contrast to other market entry modes such as joint ventures (Taylor, Zou and Osland, 2000, p. 148).
It is known that exports contribute positively to economic growth of countries. Increase in exports assists countries to improve their macroeconomic conditions by overcoming their ongoing current account deficits, encouraging economic prosperity and stability with employment generation and income growth. At the microeconomic level increase in exports improves the competitiveness of firms, their growth, entrepreneurial training and influences them to adopt new technologies (Levy, Bery and Nugent 1999; Richardson and Rindal, 1996). Australia has recognised these facts in principle in formulating its export-oriented policies and the development of an export culture. This culture highlights the fact that exporting is vital for firms to be competitive with the rest of the world in creating wealth. It has been evident over the last two decades in Australia that firms are internationalising and becoming more competitive in the global economy (Harcourt, 2000; Shaw and Hughes 2001).

However, the literature highlights that firms face difficulties in foreign markets due to various impediments to export activities in the increasingly competitive global market. Even though the literature available on these impediments is substantial, views are often contradictory. Nevertheless, a detailed review of relevant previous literature (see Bennett, 1997; Hamill and Gregory, 1997; Hornby, Goulding and Poon, 2002) identifies psychological, operational, organisational, and product/market as four main categories of barriers to exporting. As Bennett (1997) argues, the Internet has the ability to remove all geographical constraints and to allow firms to make instant connections throughout the world. It is also able to facilitate immediate foreign market entry even to small firms.

2.3. International business and small firms

Small firms rely heavily on niche markets in their exporting process and most of the learning in this process results from being linked to information networks both at home and overseas markets. Internet technology plays a major role in getting access to appropriate contacts abroad thereby assisting the small firms to overcome the disadvantage of small size (Davis and Harveston, 2000; Gallo and Pont, 1996; Hardill and Wynarczyk, 1996; Hornby et al., 2002; Knight and Cavusgil, 1996).
As Moini (1997, p.69) states, many variables that may have been considered prominent a few decades ago may not be very important in the current business environment due to the dynamics of international business. Oviatt and McDougall’s (2005) explanation of international new ventures or born globals highlights the main role of the owner of the business who possesses international business experience as one of the contributory factors in this new internationalisation trend in small firms.

Developments in ICT were given as one of the main reasons for some firms to become born globals as the psychic distance, which is mentioned as an obstacle to internationalisation in the traditional theories (Rutashoby and Jaensson, 2004) can be overcome. Psychic distance is described as the major differences between the home country and the foreign country. It is suggested that differences such as language barriers, cultural misunderstandings, different political systems, different business practices, differences in industrial development and educational systems can contribute negatively to the flow of information (Fink and Kraus, 2007, p. 678; Johanson and Vahlne, 1977).

The role of networks in firm internationalisation has also drawn special attention particularly in explaining internationalisation of small firms. The reason is that the network perspective on internationalisation can also provide the opportunity to understand how it could help the resourced limited small firms enter into foreign markets (Rutashoby and Jaensson, 2004).

As explained under ‘Market entry modes in IB’, the network perspective suggests that internationalisation process is assisted by networks of relationships (Johanson and Mattsson, 1988). It is suggested by Rutashoby and Jaensson (2004, p. 164) also that social capital, human variables and trust have important roles in building value adding relationships between these firms. These relationships assist small firms to overcome their disadvantages such as small size and isolation. They also help in overcoming the difficulties that may involve from lack of market knowledge and psychic distance.
These networks of people who trust and help each other in a relationship are considered important assets particularly to resource-limited, small firms as they can assist in reaching vital information. These relationship assets are grounded in both the resource-based view of the firm and the relationship marketing paradigm (Barney, 1991; Hunt and Morgan, 1995). According to Premaratne (2001), networks can be identified as social, supporting and inter-firm. For example,

- Social: relatives and friends
- Supporting: banks and government agencies
- Inter-firm: clients, suppliers, organisational networks

Although the findings of Bell (1995) suggest that internationalisation of small firms may be influenced by inter-firm relationships, other literature suggests that social networks provide better and stable resources to small firms than inter-organisational networks. In brief, the information that is accessed through networks is not only useful in identifying new business opportunities but also in promoting the success of existing businesses and their growth. Thus, it is argued that having access to networks could provide small firms with the necessary resources to successfully face competition (Gibb, 1993; Johanson and Mattsson, 1987; Premaratne, 2001).

3. Exporter-Importer Relationship

3.1. Determinants of Export Performance

Internal variables are explained by the resource-based view (RBV) of the firm which argues that the resources internal to the firm are responsible for its export performance (Barney, 1991; Collis, 1991; Zou and Stan, 1998). External variables are explained by industrial organisation (IO) theory which suggests that the survival of a firm depends on its adaptability to the pressures coming from the external environment. Therefore the main determinants of export performance are the external variables and export strategy of a firm (Collis, 1991; Scherer and Ross, 1990; Zou and Stan, 1998).
However, the concept of ‘dynamic capabilities’ explains the ability of management to coordinate and use a firm’s resources effectively to overcome the pressure generating from the external environment of the firm (Leonard-Barton, 1992; Teece et al., 1997). Kogut and Zander (1992) and Teece et al., (1997) have offered an extension of the RBV of the firm theory in the form of a ‘dynamic capabilities’ view of competitive strategy. ‘Dynamic capabilities’ are defined as “the firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments” (Teece et al. 1997, p. 516). Thus capabilities of managers in responding to sudden changes in the environment push firms into competitive advantage in the global marketplace (Teece et al., 1997). The manipulation of knowledge resources is also critical in this exercise (Eisenhardt and Martin, 2000; Grant, 1996b; Kogut, 1996).

Even though a substantial amount of research has been conducted to discover factors that affect performance of exporting firms, the theoretical knowledge on this subject is still limited. This creates the need to further explore the subject which offers better insights for owner/managers responsible for export performance (Gregory et al., 2007, Morgan, Kaleka and Katsikeas, 2004).

It is noteworthy that previous export performance related research was undertaken mainly in the USA and other industrialised countries including Japan. As observed by O’Cass and Julian (2003, p. 54) and Raymond, Kim and Shao, 2001, p. 6) research studies which examine and compare strategies for small exporting firms in a developed and developing country context is sparse.

The review of literature also shows the importance given to the role of maintaining sustained business relationships between the exporters and importers in contributing to the success of many export businesses (Louter et al., 1991) for which researchers provide a behaviourist explanation rather than the cost and efficiency features of the business (Hakansson, 1982; Leonidou, Katsikeas and Hadjimarcou, 2002, p. 97). There is literature in support of the
critical role of sound exporter-importer relationships in successful export performance (see Evangelista, 1994; Leonidou and Kaleka, 1998; Leonidou et al., 2002; Ford and Rosson, 1982; Styles and Ambler, 1994). Thus the following section addresses the issue of business relationships in exporting and the elements that nurture it and make the relationship sustainable.

3.2. Factors which lead to successful exporter-importer relationship

The discussion on this topic is based on a major research study by Leonidou et al. (2002) conducted in the United States. It is particularly important to discuss this study in detail due to the nature of its involvement in a wide area of investigation and the relevant past literature used in explaining the outcome. The research adopted the behaviourist approach to study the exporter-importer transaction rather than the cost-efficiency of the business. The way the relationship was managed between the exporter and importer was the main emphasis. Thus the study was about having an analytical look at the comparison between exporters of harmonious and problematic foreign business relationships.

The findings showed that exporting firms with harmonious relationships sold to a larger number of markets, undertook business with more importers and received more export orders. Such firms maintained greater dependence, trust, understanding, commitment, communication and cooperation remarkably with importers while maintaining less conflict level, distance and uncertainty.

From this Leonidou et al. (2002) argued that relationship management was the key to superior export performance. A number of studies support the important role of sustainable and sound exporter-importer business relationship to successful export involvement and firm performance (Evangelista, 1994; Hakansson, 1982; Leonidou and Kaleka, 1998; Leonidou et al., 2002; London, 1999; Ford and Rosson, 1982; Styles and Ambler, 1994).

While discussing the importance of communication to building sound exporter-importer relationship Leonidou et al. (2002, p. 110) also suggested benefits could be drawn from the use of online computer technology permitting cost effective, fast and a constant flow of information
between the exporters and importers. However, Leonidou et al. (2002) did not provide the details as to how it could be done as their research did not address this issue.

3.3. The Internet-export performance dyad

The voluminous literature that has been discussed so far has had a focus on various factors responsible for the performance of exporting firms. With the rapid development of ICTs, the role of the Internet in business activities has intensified and the environmental factors that influence exporting businesses have changed. The literature highlights that attention given to the major role of the Internet in exporting is inadequate and consequently current theories are ill-equipped to explain a firm’s performance related factors (Amarasena, 2008; Bennett, 1997; Karavdic and Gregory, 2005; Sinkovics and Bell, 2006). As stated by Samiee (1998, p. 413), there has been little attempt to learn the potential role of the Internet in exporting. Thus there is a need for empirical investigations as to what extent the Internet integrates into firm’s export strategies and how this relates to export performance (Prasad, Ramamurthy and Naidu, 2001, p. 84). This is supported by Eid, Elbeltagi and Zairi (2006, p. 87) and Karavdic and Gregory (2005, p. 76). Gregory, Karavdic and Zou (2007, p. 31) also suggested this stating that without integrating the Internet into current export marketing theories, the current knowledge of the determinants of export performance would be incomplete.

4. Research methodology

In the literature reviewed, the objective of exploring the role of the Internet in small firms exporting in the context of an advanced to emerging market emerged and the following research question was formulated for the purpose of guiding the research.

The countries chosen in this context were Australia and Sri Lanka. Australia is an advanced market with a growing economic interest in the countries in Asia. Thus the foreign policy of Australia and its aid programmes were centred in developing the trading relationships with these counties. Although Sri Lanka is not a major export market for Australia, there is a
growing commercial relationship in niche markets which are particularly attractive to small firms in Australia (Amarasena and Colombage, 2010).

Research Question:

What impact does the use of the Internet have on small firms’ export performance?

4.1. Data collection and analysis

The research study involved face to face interviews with the owner/managers of the firms in order to answer the research question from the perspective of the exporters. The total number of Victorian small exporting firms identified was 25 and the data was collected from 15 firms, which represent 60 per cent of the total exporter population.

A structured questionnaire was used in conducting face to face interviews with the exporters for collecting qualitative data. The interviews were audio recorded with the participants’ permission and transcribed for analysis.

In the same questionnaire Likert rating scales were used in collecting quantitative data. The scales used were “lower level= 1; same level=2; higher level=3”, “strongly disagree= 1 to strongly agree=5” and “strongly dissatisfied=1 to strongly satisfied=7”. SPSS was used in making aggregations, percentages, mean values and standard deviation of the perceptual values given by the exporters.

In order to conceptualise the qualitative or textual data an editing analysis technique was used. In this method the data gathered from the open question responses were entered into Word program for analysis in order to develop a more effective method to capture meaningful explanations. In this method, the text was entered in a method to an editor looking for meaningful segments of a text. The analysis was also guided by the themes relevant to the research question.
4.2. Demographic profile of respondents

Table 1 shows the summary of background information on the exporters interviewed.

4.3. Firm age

Among the exporters interviewed, the oldest firm started operating in 1937 and the youngest firm started in 1999. The average firm age was about 20 years, which meant, firms began operating sometime during 1985. More than 80% of the firms interviewed were relatively young since they fell below the age category of one to 20 years, and 27% of exporters were even below the age of 10 years.

4.4. Firm size

Among the small exporting firms interviewed, 47% of them employed five or less, while another 53% employed between 6-19 people. All the interviewees of the exporting firms were owners or managers working on a full-time basis.

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interview sample</td>
<td>Total population: 25</td>
</tr>
<tr>
<td></td>
<td>Interviewed/surveyed: 15</td>
</tr>
<tr>
<td></td>
<td>Response rate: 60%</td>
</tr>
<tr>
<td>Age of the exporters</td>
<td>Oldest firm operated since: 1937</td>
</tr>
<tr>
<td></td>
<td>Youngest firm operated since: 1999</td>
</tr>
<tr>
<td></td>
<td>Age category of 80% firms: 1 to 20 yrs.</td>
</tr>
<tr>
<td>Firm size</td>
<td>Number of employees 5 or less: 47% firms</td>
</tr>
<tr>
<td></td>
<td>Number of employees between 6 to 19: 53% firms</td>
</tr>
<tr>
<td></td>
<td>Nature of the interviewees: Owners or Managers</td>
</tr>
</tbody>
</table>

Table 1: Overview of the exporters in Victoria
4.5. Use of computers and the Internet

One hundred percent of these exporters responded positively to their use of computers and the Internet for exporting activities, and all of them used a mix of online and other common methods in communicating in exporting. Sixty seven percent of the exporters used the Internet with a company website, whilst 33% of exporters did not have their own website.

None of the exporters used the Internet to make direct financial transactions with their importers in Sri Lanka or other countries. The reason was that Internet technology was still relatively new to the small firms, particularly for undertaking financial transactions at B2B level with their importers overseas. Furthermore, the Sri Lanka sector was underdeveloped to make financial transactions with the importers. The data indicated 80% of exporters started using the Internet within the last 4-8 year period and only 20% of them started using the Internet within the last 1-3 years.

4.6 Knowledge of information and communication technology (ICT)

The exporters were asked about their views on the statements given in Table 2 and the answers were rated on a Likert scale of 1 (Strongly disagree) to 5 (Strongly agree). The mean and standard deviation are shown and the responses indicate that more than half of the exporters agreed that they had strong information technology planning capabilities and two third of the exporters agreed that they had very capable technical support staff, possessed adequate in-house knowledge on information technology and gave high priority to the skilful use of technology.

<table>
<thead>
<tr>
<th>ICT knowledge of the exporters</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has strong information technology planning capabilities</td>
<td>3.47</td>
<td>1.25</td>
</tr>
<tr>
<td>Has very capable technical support staff</td>
<td>3.92</td>
<td>1.19</td>
</tr>
<tr>
<td>Has an adequate in-house knowledge about information technology</td>
<td>3.93</td>
<td>0.80</td>
</tr>
<tr>
<td>Gives high importance to the strategic (skilful) use of technology</td>
<td>3.47</td>
<td>1.60</td>
</tr>
<tr>
<td>Is experienced with ICT</td>
<td>4.40</td>
<td>0.51</td>
</tr>
</tbody>
</table>

N=15; SD=1; SA=5.

Table 2: ICT Knowledge of the exporters
All exporters agreed that they were experienced with Internet technology. This analysis suggests that more than half of the exporters interviewed carried the knowledge and skills required to skillfully use Internet technology in their business. Thus the majority of exporters were positively embracing Internet technology for the benefit of their export business.

However, the responses also indicate that less than one third of exporters did not have an adequate level of Internet technology usage with sufficient planning capabilities and expertise to skillfully use the technology to add value to their ongoing export business. It is particularly important to note that one fifth of the exporters did not give high priority to the skillful use of Internet technology in their firms.

5. Results & Discussion

5.1 Use of the Internet and its value creation in exporting

According to Barney (1986) and Wernerfelt (1984) resources are recognised as specific physical, human and organisational assets that can be used to implement value-creating strategies for the firm. There is an ongoing debate on distinction between capabilities and resources. However, literature identifies firms’ ability to change and adjust their resources and capabilities to respond to dynamic environment as ‘dynamic capabilities’ (Nickerson, Yen and Mahoney, 2012, 56). Teece et al. (1997, 516) define a dynamic capability as “a firm’s ability to integrate, build and reconfigure internal and external competencies” and suggest that dynamic capabilities are a source of persistent performance differences among firms in rapidly changing environments (Nickerson et al. 2012, 56).

5.2 Communication and research

All exporters use Internet technology for fast communication which has become an integral part of conducting international business. The Internet offers various useful tools in business communication for exporters based on the web and e-mail which are used for exchanging information and communication with the importers and organisations linked to the export process.
The Internet allows Victorian exporters to identify those exporters, who are competitors in other countries and to understand their strengths and weaknesses. Even though looking at a competitor’s webpage in another country may not be completely accurate, it helps exporters to develop some understanding of their competitors’ capabilities.

Ten percent of exporters use Internet technology for communication thereby taking advantage over the time difference between Australia and Sri Lanka. This method of communication assists exporters to increase their export volume with the opportunity to offer alternative consumables to importers in the shortest possible time. This is recognised in this paper as one of the flexibilities that exporters adopt. The owner/manager of such exporting firms have demonstrated timely responsiveness and flexibility in offering alternative products, along with their capability to effectively communicate with the importers to secure successful deals. Research evidence by Katsikea, Theodosiou, Morgan and Papavassiliou (2005, p. 80) suggest that certain personality characteristics such as empathy and interpersonal communication skills are necessary for owner/managers in addition to their skills and knowledge to carry out international business activities effectively. Etemad (2004, p. 18) also supports this view stating that owner/manager’s capabilities in communication and interpersonal relations seem to contribute positively to the export success of firms.

Unlike large firms, small firms in addition to their resource limitations, often lack the firm specific resources and capabilities needed to operate in overseas markets. However as it was observed that 27% of the exporters used the Internet to access and keep in contact with knowledge resources available in the country of import such as Export Development Board, Austrade-Colombo Branch, in addition to getting such information from importers in Sri Lanka. This is one way the resource limited small firms gain their advantage in doing international business. For example, as explained by Morgan et al. (2004, p. 92) these export market knowledge resources are useful to create high value offerings for the importers with complementary product offering capabilities of such knowledge. The reason is that information is imperfect, costly and regarded as an intangible asset. Thus it is considered as an important
factor for competitive advantage with its usefulness for firms to make offerings for importers. Therefore the ability of exporting firms to sense their markets using such information has been recognised as a critical capability particularly for the firms that are market focused (Yeniyurt, Cavusgil and Hult, 2005, p. 3). There is ample evidence to show the positive effect of the use of export market information in export performance of firms (Souchon et al., 2003, p. 107). The role of export promotion organisations in helping by way of offering cost free information to the exporters for their successful international business has also been highlighted by Wilkinson, Keillor and Amico (2005, p. 96) and Wilkinson (2006). This is particularly important to the small firms as gaining export market information is costly. Apart from that the use of such market information in their decision making is vital for small firms to avoid costly mistakes (Toften and Olsen, 2004, p. 104).

Twenty percent of exporters also used informal networks to update their market knowledge to be ahead of their competitors. The owner/managers of these firms showed remarkable dynamism in their attitudes in getting connected to such networks and influential organisations for the advantage of their international business. Getting connected to the informal networks was advantageous for the exporters as such networks are linked to myriad of organisations in and out of the export market. These human linked informal networks provide access to vital and reliable information cost free. Therefore such networks assist the exporters to gain advantage over their competitors (Fink and Kraus, 2007; Galbreath, 2002). This highlights the fact that having access to the Internet alone may not be sufficient for the exporters to acquire the vital trade related information on foreign markets. The market information that is absorbed on a personal level in addition to the information already available on the Internet appears critical to the exporters to face the international business competition. Thus, small firms which may entirely depend on the Internet for vital market information run the risk of missing out on some of the vital information that can only be accessed through human linked informal networks.

The exporters recognised that their level of relationship with the importers, constant communication using telephone, face to face meetings and the flexibility adopted towards the importers supported their firms to achieve satisfactory export performance. An empirical
assessment of key theoretical relationships in exporting by Morgan, Kaleka and Katsikeas (2004, p. 94) supports this behaviour showing that exporters ability to respond to environmental changes in the form of adaptability as one of the ways to make their firms perform positively.

The owner/managers of these firms gave high priority to gathering the knowledge required for successful marketing of their products overseas using Internet technology. The knowledge gathered involved more than the production of information using the Internet, but also captured vital market information/intelligence and analysis undertaken in Sri Lanka and competitor activities. The knowledge gathered in this way and used for their exporting was much more advanced than the exporting firms who used the Internet mainly for communication and information gathering. Morgan et al. (2004, p. 90) explain that market-based assets that lead to increase the resources and capabilities available to export firms affect positively to the performance outcomes of such firms. Grant (1996a, p. 375) also suggests the use of such knowledge for gaining competitive advantage in dynamically competitive environments arguing that knowledge has emerged as the most significant and pre-eminent resource of the firm. The point here is that the firms with vital market knowledge carry the capabilities to serve markets more effectively than their competitors do as the markets are continually subject to competition and external change.

5.3. Shipping and documentation

It was common for the exporters to use internet technology to communicate with suppliers, shippers, customs, freight forwarders and to exchange documents via email. This helped exporters to save money and time which led to a more competitive international presence. This easier and faster system provided them with better control of their shipping logistics. The analysis indicated that only 20% of the exporters benefited from advanced usage of the Internet, such as getting connected to Customs, the Australian Quarantine and Inspection Service (AQIS), and the Port of Melbourne in addition to making electronic transactions locally.

The AQIS provides an electronic export documentation system known as EXDOC for electronic lodgement which allows exporters to obtain clearance of goods for export from
Customs and AQIS in one transaction. EXDOC supports the preparation of export documentation for consumables which ensures the product meets Australian and importing country standards. Thus those exporters that were electronically connected to AQIS were at an advantage over the other exporters.

The paper based Export Receival Advice (ERA) has been used by exporters in the past as a ‘gate-in’ document. With this system, exporters had to frequently pay the Port of Melbourne for the inefficiencies occurring as a result of ERA processing errors and omissions. The paper based ERA process has been replaced by an electronic Pre-Receival Advice (PRA). This electronic system saves time and money for the exporters by increasing the accuracy of the information and accelerating the movement of containers into the terminals. Twenty percent of exporters using the Internet benefited from this system in cost savings. In contrast, the other exporters had to bear an extra cost for the additional service charges imposed by the Port for the submission of the same information via paper based documents.

Exporters who used this electronic process enjoyed benefits such as reducing the truck-processing time at the wharf gate, eliminating the risk of Customs fines for delivering cargo to the wharf without a valid Customs Authority Number and avoiding the cost associated with rejection due to incorrect information. Only 20% of exporters gained benefits from using the Internet to submit their PRA and the rest of the exporters used their shipping agents to submit it which incurred extra cost to firms other than the additional service charges imposed by the Port.

However, the export channel of the Sri Lanka sector was underdeveloped and insufficient to undertake financial transactions at B2B level and B2C level. This is because Sri Lanka is a country which is not ready for full implementation of e-commerce although the Government of Sri Lanka has recognised the need to bridge the digital divide that could bring the benefits of the global knowledge to the country. As a result of the e-commerce underdevelopment of the Sri Lanka sector of the export channel it appears that the exporters’ ability to make savings and add value using the Internet was mainly restricted to the export process in Australia. As UNDP (2005) identifies that the digital divide between the information-rich and the information-poor is
of increasing concern which is a major challenge for policy-makers, therefore, lies in addressing
the issue of digital divide between developed and developing countries.

5.4. Barriers to creating value using the Internet in exporting

5.4.1. The digital divide

Importers were still slow to implement e-commerce in full to harness the real value from
the use of the Internet because of Sri Lanka’s lack of readiness for full implementation of e-
commerce, as observed in the banking sector, and other government sector organisations such as
Customs. This non-readiness of the e-commerce of the country is also evident in traditional legal
framework as the new development of ICT in the world has brought about the necessity for the
review of the law reforms receptive to e-commerce developments. The traditional law only
recognised the manual aspects of human conduct. Thus these laws are no longer appropriate in
the modern context of the Internet era in conducting B2B level transactions. Although the
Government of Sri Lanka has recognised the need of law reforms to face new challenges posed
by the new technologies on principal, the actual time required for such reforms could be lengthy.
As a result of this e-commerce underdevelopment of the country, the exporters were unable to
integrate their businesses with importers which results slow in gaining real value from their
Internet use in exporting. Even though the adoption of e-commerce practices has obvious
benefits for small exporting firms, literature highlights that the digital divide is supposed to place
time-consuming economies in a position where using information and communication
technology for their advantage might not be an immediate reality (Hinson & Sorensen, 2006).

However, 80% of the exporters did not consider it as a barrier in dealing with the
importers as they explained the exporter-importer transactions were on the basis of bank to bank.
Therefore the banks carried the responsibility of coordinating these transactions which make
B2B electronic transactions less important.
5.4.2. Security concerns

Less than 13% of exporters mentioned that spam and computer viruses were making it difficult for them to effectively use the Internet in exporting. Therefore, these exporters were taking a ‘wait and see’ attitude for advanced implementation of the technology making the assumption that Internet technology was still developing. Research by Eid et al. (2006, p. 100) also state that people are not fully aware of the possible options of Internet protection available for their firms suggesting this as one of the contributory factors to have mistrust over the Internet. However this research provided the evidence that international trading experience of the exporters was essential to overcome such difficulties as their experience helps them to check the credibility of new importers through reputable organisations such as Austrade, or known Australian owned companies already operating in the export market before starting business dealings with them. Thus the exporters who maintained networks were at an advantage in this verification as their scanning system through the network could help them identify appropriate and reliable importers. As discussed by Abrahamsen (2011) the success of a firm may be explained by its ability to develop and handle the interconnectedness of its relationships and the wider network. Hakansson and Snehota (2006) further explain that the firm is not an isolated unit making autonomous decisions as it is linked to the larger environment by its interconnected relationships. Thus, the network becomes vital for the firm in providing opportunities.

The interviews indicated that 80% of the owners did not use Internet technology for banking, giving the main reason as security concerns. These exporters have continued to use traditional methods of financial transactions in their export operations. However, 20% of the exporters looked at every possibility of using the Internet to the firm’s advantage, such as strategies for cost-saving and efficiency and as a medium to communicate with their banks in giving instructions on the financial transactions performed. As a result, time was saved even by reducing the personal visits made to the banks.
5.4.3. Technology skills

Forty percent of exporters highlighted that there were significant disparities in the use of Internet technology in companies they were dealing with in Sri Lanka. These exporters said that the owners of those importing companies were not very skilful in using this new technology. Therefore the owners of these firms still preferred to use the telephone in their business as the main mode of business communication which was a barrier for the exporters in using the Internet to its full potential. However 27% of the exporters with flexible attitudes had recognised the need to communicate with such importers giving high priority to using the telephone as expected by these importers. This flexibility towards the importers would provide the exporters with the advantage of retaining their customers with increased customer satisfaction. These are the exporters who recognised the differences of market conditions between advanced and emerging markets.

Such flexibility of the exporters can be recognised as their communication capability to make their international business a success particularly considering their differentiation ability in emerging markets. Zou, Fang and Zhao (2003, p. 34) also suggest such capability works as “the glue that brings assets together and enables them to be deployed advantageously”. There is ample literature that provides evidence in support of this suggestion (Chatty and Hamilton, 1993; Etemad, 2004; Leonidou et al. 2002; Louter et al. 1991; Teece et al. 1997).

5.4.4. Personal touch and business diplomacy

Sixty seven percent of the exporters agreed that trustworthy behaviour and face-to-face meetings were necessary to build up long standing relationships in export business. Twenty percent of the exporters considered the use of the Internet for communication as a discouragement in some respect, since they could not always rely upon such communication. There was one example where both the exporter and importer were not taking much notice of updating the current Internet technologies since the driving factor of their business was a long standing relationship based on the trust maintained between the exporter and the importer. This exporter indicated that their business relationships with importers got more flexible when they
interacted more frequently with importers and had similarities in their management style and
technological compatibilities. This situation has positively contributed to the progress of their
business relationship. One exporter with 20 years of experience who claimed successful in their
export business to Sri Lanka, strongly believed that their business diplomacy with its essence of
tact and sensitivity in dealing with the importers as the secret to the export success.

Thirty three percent of the exporters believed that the regular use of the Internet can be
harmful in their business since that could lead to missing the personal touch with the importers
and missing the opportunity to practise business diplomacy. There is literature evidence to
support this exporter’s view which highlights the concept of business diplomacy as a way to
implement a values-based way of conducting business that leads to long lasting business
relationships. Business diplomacy assists in business to build trust and develop relationships
which is considered the key to long-term sustainable success (Kaku, 1995, p. 8; 1997; London,
1999, pp. 171 & 172). Thus Fink and Kraus (2007) argue that firms in this form of relationship
could grow uninterruptedly together that makes firm activities easy which helps exporters even
to make savings in resources.

5.4.5 Tacit knowledge

Twenty percent of the exporters highlighted the fact that the current setback for the
owners of their importing companies was their lack of skills in handling Internet technology
because of their former, non-technical nature of education. However, these exporters had
identified these owners as very capable business people, even though they did not wish to share
their unique knowledge of handling international business with their secretaries and support
staff. According to these exporters that this tacit knowledge of the importers could be used to
progress their export business if exporters used the traditional ways of communication such as
the telephone or regular face to face meetings with the importers. Hakansson and Snehota (1995,
p. 15) recognise the use of such knowledge and skills of the individuals of firms, as such pooling,
combining of knowledge and skills of the individuals of the firm is advantageous to the firms in
international business. The logic behind this argument is that the tacit knowledge which is
unique to individuals and is developed, based on the individual experience is considered as a
main asset of the firm and connecting such knowledge with other firms is advantageous to the business. Grant (1996a, p. 384) also suggests the benefits of transferring tacit knowledge that can be integrated to the firm. Nelson and Winter (1982) explain individual skills as the analogue for organisational capabilities to highlight the existence and impact of tacit knowledge. Nickerson, Yen and Mahoney (2012, 55) argue that this knowledge has been used to maintain that firms should integrate their core competencies.

5.5. Future business strategy of the exporters

5.5.1. Trust and business relationship

Twenty percent of exporters agreed that Internet technology could only assist in communication, gathering quick information and expediting the total exporting process. According to them maintaining trust and sound business relationships with the importers was of primary importance in achieving successful export performance. In achieving this, the owner/managers capabilities in handling cross-cultural issues in the relationships played a very important role. As Leonidou et al. (2002, p. 103) explain that the nature of the working atmosphere in international business is critical because the dealings take place between people with diverse backgrounds, cultures and expectations. Thus Internet technology was just another tool which assisted only in making the business process easier, quicker and makes savings in exporting.

5.5.2. Needs to keep up with the changing technology

The cost benefits of Internet technology to exporters mainly derive from the features it offers for communication, real-time information access and connecting to the people in the export process such as shippers, port, customs, suppliers and importers. Therefore, Internet technology has the ability to lower operational costs, claimed as its benefit to the ongoing business in the form of value creation and cost control. Porter’s (1985) value chain concept is also useful as a guide to understand the value creation of Internet technology in the export process of small exporting firms. The concept highlights the need to maximize value creation during the business process while minimising costs for gaining competitiveness. The concept explains that a value chain is a chain of activities where a product gains some value through each
activity. Although the concept initially applies to individual firms, it has now been extended beyond firm level to their suppliers, distribution networks and buyers. Thus considering the advantages of Internet technology, exporters were looking for continuous updates in their current Internet technology levels to make their export business internationally competitive through its value creation and cost control ability. This is in conformity to the argument of Mohrman and Lawler (2012, 41) and Hamel (2007) who emphasise the value of seeking change to survive and be effective in the current business environment which is increasingly becoming difficult for firms to remain high performers.

In analysis of the research data, 33% of exporters had shown their interest to strategically update this technology since they were drawing the benefits of connecting to shippers, port, customs, suppliers and importers. These firms considered the Internet as complementary to current export functions and took every opportunity to update the technology with the objectives of lowering the cost of doing business. The exporters realised that it was essential to keep up with the current updates to compete successfully in exporting business. Apart from the cost lowering ability of Internet technology, it became important to update the firms with the latest Internet technologies to make technological compatibilities. Therefore, 20% of exporters who claimed to be very successful in their export business argued that updating current technology was not a ‘choice’ but a ‘must’ if they wanted to stay in their business in the long run. However, 80% of the exporters were still seeking the assistance of their shipping agents to organise the above mentioned operations which incurred extra cost to firms. For these exporters, Internet technology was only an operational efficiency tool since they used it for communication, tapping into new markets, researching competitors, finding new suppliers and products in overseas markets with a low initial expense.

6. Contribution to theory and research

The literature indicated that a large number of variables were responsible as determinants of export performance which were classified into internal and external. The owner/manager’s interaction with both internal and external environments of the firm is vital to the export performance. In this regard their dynamic capabilities in responding to sudden changes in the
environment push the firms into success. The owner/manager’s characteristics such as adaptability, flexibility, self-confidence, communication capabilities, interpersonal relations, cross-cultural sensitivities, empathy, international orientation, global mindset, connections to local and international networks and their ability to build such networks seem to be contributing to their capabilities.

The behaviourists’ explanation that emphasised sound management of the relationship between the exporter and importer has also been identified as critical to the export success of the firm. Taking the benefits of cost and efficiency aspects of exporting business and the behaviourists’ explanation to the exporter-importer relationships it has been suggested that the owner/manager carries a prime role in managing this relationship. In this endeavour, Internet technology for value creation, knowledge assets through networks, cross-cultural understanding, flexibility, personal touch/relationship, business diplomacy and use of tacit knowledge emerged as vital to successful export performance. Literature also supports the value creation ability of the Internet and its potential benefits for small exporting firms. The firms which use Internet technology at a higher level in their export process are able to manage the linkages within the value system with comparatively large savings and efficiency to gain competitive advantage. However the exporters’ ability to make savings and add value using the Internet was mainly restricted to the export process in Australia since the export channel of the Sri Lanka sector was underdeveloped.

Thus, capturing the maximum value generated along the chain using this technology is left to the owner/managers depending on their dynamic capabilities for gaining competitive advantage. Getting access to vital market information is considered as an important factor for firms to gain competitive advantage and even to avoid costly mistakes. The capability of the owner/managers of the small exporting firm in using this technology in its most advanced form while blending their capabilities in maintaining long-lasting business relationships with the importers in Sri Lanka was considered vital.

The exporters who claimed themselves as successful have recognised that their international competitiveness depended upon technology applications, particularly the use of the
Internet at its highest possible level in creating value within the firm. These firms were also capable of managing harmonious relationships with their importers.

**Figure 1: The Role of Owner / Manager in Small Exporting Firms**

The following elements emerge from the data analysis which highlights the prime role of the owner/manager in managing these factors with the right blend of Internet technology for successful export performance. This approach is thus based on both the cost and efficiency aspects of the exporter-importer relationship as well as the behaviourists’ explanation.

**Emerging factors:**

- Internet technology for value creation
- Knowledge assets through networks
- Cross-cultural understanding
- Flexibility
- Personal touch/relationship
- Business diplomacy
- Use of tacit knowledge
7. Conclusion

The review of literature highlighted that there was little evidence of research related to export performance of small firms and the use of the internet in an advanced to emerging market perspective.

Use of the Internet of exporting firms was examined from the perspective of exporters in order to gain a clear picture. The remarkable feature of these small firms is the owner/manager’s dominant role in maintaining and directing the export business while relying upon their specific capabilities to handle their firm’s assets and interact with both the external environment and the export market. Their ability to act fast and the flexibility shown with the importers assist them to gain competitiveness in winning export orders.

The owner/managers were keen to use ICT, particularly Internet technology, in their export business, though the adoption levels differed among firms. Therefore, the observations made regarding the small exporting firms provided a somewhat different impression to the small firms which are frequently confronted with unexpected environmental shocks. This supports the view that the owner/manager is the internationalising entity of the small exporting firm and it is this person who leads the firm to successful export performance by virtue of their dynamism. Thus, the paper highlights that the adoption of Internet technology by small exporting firms depends on the owner/managers’ capability to employ this technology, thereby harnessing its technological advantages to maintain international competitiveness.

The analysis indicated the ability of Internet technology to provide competitiveness to exporting firms by creating value in the export process. This value creation ability of the Internet is of utmost importance to small firms in order to maintain their international competitiveness considering the limited resources in comparison to large firms. However, the technological advantage of Internet usage is questionable in the firms where the owner/managers carry limited international business experience and who care less about the culture and business practices of the importers.
The outcome of the analysis shows that there are barriers to successfully using the Internet in export business. Thus, a re-examination of the general argument found in literature which highlights that Internet technology offers the key to unlock all potential barriers in international business is warranted. Therefore, owner/managers should consider a variety of other factors which follows in a summarised form. They need to take into consideration the level of economic development between the countries of export and import to find the appropriate blend of Internet technology that is unique to each firm. This appropriate blend of Internet technology is the ‘key’ to successful long term operation of export business, since such a blend would provide the firms with sustainable competitive advantage. The research has led to an argument that dynamic owner/managers are capable of mind mapping this blend and thereby lead their firms to export success.

Internet technology, in its highest application in export business, will not provide the firms with sustainable competitive advantage although it carries the unique ability of creating value and knowledge in successfully conducting international business. Thus, what is most important is to use this technology at its most advanced form, in the right blend with other factors, for long-term export success.

The significant contribution of this paper is that export success is determined by the capability of the owner/manager of small exporting firm, to find the right specific blend of Internet technology that should be used in its most advanced form while maintaining a long-lasting business relationship with the importers. In this exercise, the owner/manager’s capabilities to successfully deal with specific factors, namely cross-cultural understanding, personal touch, flexibility, use both of business diplomacy and tacit knowledge seemed to improve the trust between exporters and importers. This trust leads to repeat orders that automatically reward the exporters with profit, improved performance, international reputation and goodwill within the export-import trade. The owner/manager’s ability to leverage knowledge assets through networks, particularly by means of social and supporting, seems to add further competitiveness to the firm since such networks carry the ability to create value.
Thus the following export performance model is presented to suit the findings of this research paper. This will be a useful resource small firms exporting to emerging markets. As for future inquiry, this framework will be helpful to researchers who wish to validate the findings, employing large samples in multiple countries.

8. Limitations and future implications

Only 60% of the small firms exporting consumables in Victoria, Australia have been interviewed although there are seven states and territories of Australia which is a limitation of this research. However, due to the study being exploratory in nature and with no hypothesis testing involved, the data gathered was sufficient to provide satisfactory qualitative explanations to the research question.

Finally, this study lays a foundation for research that involves small firms exporting from an advanced to immerging market context and reveals factors that are critical to consider when small firms use the Internet in their exporting process.
Figure 2: Export Performance Model

The model explains that many small firms in Australia are adopting Internet technology in exporting as a strategy to carry out their export business efficiently. Nevertheless, it is vital for
the owner/managers of these firms to recognise the human factors, specifically cross-cultural understanding, flexibility, personal touch/relationship, business diplomacy and use of tacit knowledge when exporting to an emerging market in Asia in order to gain the strategic advantage of this technology.
References


