

***Strategies in Exporting Firms:
A Study of Australian Small and Medium
Enterprises Exporting to Asia***

ABSTRACT

The focus of the present paper is to examine the strategy use in Australian small and medium enterprises exporting to Asia. A selection of strategic issues is examined in order to identify their relative importance to a firm's exporting activities. No attempt is made to establish a causal linkage between strategy and export performance. Rather, the paper attempts to appraise the level of importance of various strategic factors that are often dealt with by an exporting firm. The study was conducted with an expectation of assisting future research endeavours into the relevance of strategies to export-performance. A set of impediments and the extent of their negativity on the exporting activities have also been considered, the understanding of which may help a firm in achieving appropriate strategic direction. Both quantitative and qualitative research methods were used in an attempt to capture the intricacies and challenges of using strategies in a cross-cultural environment.

INTRODUCTION

In recent years, many studies have investigated strategic issues and their importance to exporting firms (eg., Kaynak & Kuan, 1993; Bodur, 1994; Cavusgil & Zou, 1994; Namiki, 1989; Koh & Robiocheaux, 1988). Within the international marketing domain, most of these studies have centred on issues such as marketing research, marketing policy and product pricing (eg. Crick, Jones & Hart, 1994; Madsen, 1989; Roberts, 1988; Koh & Robiocheaux, 1988; Metwally, 1996; Myers & Cavusgil, 1996). Management strategies for exporting and the financial strategies used by export orientated firms have also been extensively studied (Evangelista, 1996; Lee & Jang, 1998; Lee, 1998; Shipley, Neale & Schmidt 1991; Pike & Ross, 1997; Cohen & Price, 1991; Aulakh, Kotabe & Teegeen, 2000).

A number of studies have investigated these various issues in relation to the exporting activities of Australian firms (eg., Hughes, Carden, Gitsham & Mansfield, 1989; East Asia Analytical Unit, 1992; Feaver, Morris & Cole, 1998; Lee & Jang, 1998; Beamish, Karavis, Goerzen & Lane, 1999; Philp, 1998; Barrett & Wilkinson, 1985). Although some of these studies have focused on the impediments, as well as performance aspects, of Australian exporting activities, they have barely dealt with any strategic consideration of Australian firms exporting to Asia. The present study attempts to evaluate the importance of a selection of strategic issues in order to identify their relative importance to the Australian SMEs exporting to Asia. It also considers the impediments faced by Australian exporting firms that may aid further in understanding the various strategic issues that are relevant to their exporting activities.

STRATEGY AND EXPORT: A BRIEF ACCOUNT

Within the marketing literature, several strategic issues may be identified with respect to a firm's exporting activities. These include product and promotion adaptation in differing product-market contexts and product standardisation (Johnson & Arunthanes, 1995; Cavusgil, Zou, & Naidu, 1993; Douglas & Wind, 1987; Levitt, 1983; Kotabe & Omura, 1989). It is now generally accepted that products can be located on a product-market standardisation-adaptation continuum, rather than being standardised as a global product or fully customised to particular market nuances. The extent of standardisation primarily depends on the demand and requirements of local consumers within a particular industry (Douglas & Wind, 1987).

As with product adaptation, promotion adaptation is dependent on firm, industry, product and market (Cavusgil, Zou & Naidu, 1993). A decision on whether to adapt a promotion strategy for a different market context can only be made after these factors are considered. This contingency perspective, while widely accepted, does not help in determining the extent and type of product and promotion adaptation required (Cavusgil, Zou & Naidu, 1993). There is a need to study the effects of international marketing strategy adaptation in differing cultural and market contexts. A better understanding of marketing strategy adaptation will only be clear after an extensive examination of the impact of these contexts.

Efforts to link a firm's export performance with financial strategy have been sporadic, with inconsistent hypotheses and conflicting results not uncommon. Many studies include financial variables in strategic analyses as a secondary consideration (Namiki, 1989), but few researchers seem willing to consider financial strategy explicitly as a primary determinant of a firm's export performance. Thach and Axinn (1991) examined the pricing and financing practices of industrial exporting firms and found little evidence that financial strategy plays an important role in export performance.

In contrast, a study of Australian manufacturing firms found export financing and credit practices to be a valid predictor of export performance (Evangelista 1994), while Cavusgil and Naor (1987) found managers perceived expertise in finance and planning to be more important than production and marketing expertise for successful export ventures. Credit policies appear to be the most significant of all the financial strategies, with other financial factors such as accounting procedures, cash flow criteria, foreign currency hedging, and financing practices of less importance in studies of exporting small and medium enterprises (SMEs) (Miller, Becker & Crespy, 1993; Cavusgil & Naor, 1987; Pike & Ross, 1997; Shipley, Neale & Schmidt 1991).

AUSTRALIAN EXPORTING ACTIVITIES: AN OVERVIEW

Exporting activities are considered to be critical to the wellbeing of the Australian national economy (Hughes, et al., 1989; Barrett & Wilkinson, 1985; Australian Department of Industry, Technology and Commerce, 1987, 1992). Australian merchandise exports for the year ended March 2000 were recorded at A\$90,858 million (Australian Bureau of Statistics, 2000). Despite a slight increase in the export figure compared to the previous year, exports are still lagging behind imports. Unlike other industrialised countries, export growth, as a proportion to GDP, has not increased over the last few decades. This

emphasises the necessity for Australian exporting firms to use appropriate strategies to stimulate export growth (Hughes, et al., 1989).

Although Australia's exports have traditionally consisted of primary products, a diversification of the composition of Australian exports has steadily been taking place (Conlon, 1988; Hughes, et al., 1989; AMC/McKinsey, 1993; Australian Bureau of Statistics, 2000). As it is increasingly becoming more important to consider both primary and manufactured products, the Australian government and businesses are putting more effort into improving their capabilities in both areas in order to ensure the future growth of exports (Australian Manufacturing Council, 1989). Any study that ignores this diversification would only reflect a partial scenario of Australia's export potential.

In recent years, SMEs have been playing a significant role in international trade worldwide (Bonaccorsi, 1992; Coviello & Martin, 1999; Hahti, Hall & Donckels, 1998). They are increasingly becoming important to the Australian economy and the make up of Australian exports (Australian Department of Industry, Technology & Commerce, 1992; AMC/McKinsey, 1993; Philp, 1998). However, only a few studies have been examined the exporting activities of Australian SMEs, as the primary interests of researchers appear to be confined to large firm activities (Coviello & Martin, 1999).

Exporting is a complex phenomenon (Daniels & Radebaugh, 1998). All firms face an array of impediments while engaged in exporting activities and Australian exporting firms are no exception. A study by the Australian Bureau of Industry Economics (1990) identified a number of such impediments, these included difficulties in competing on quality, price and costs, accessing distribution networks, lack of information about local market conditions, exchange rate fluctuations, import barriers created by host governments, waterfront and other transport-related delays and difficulties in ensuring after-sales service. Cultural differences between Australia and various export destinations may also be impediments (Australian Department of Foreign affairs and Trade, 1995).

For Australian firms, Asia is a destination with great market potential and more than half of Australia's merchandise exports are sent to Asia (Fitch, 1988; Australian Bureau of Statistics, 2000). Many Australian companies have already extended their presence to various Asian markets through exporting. In the 1998–99 financial year, Australia exported A\$41,440 million worth of merchandise to ASEAN, Japan, Taiwan, North Korea and China, which accounted for almost half of the total Australian exports of A\$85,991 million (Australian Bureau of Statistics, 2000). ASEAN countries, in

particular, are extremely important for Australia's merchandise trade. According to Edwards (1996: 23), "ASEAN is a more significant trading partner for Australia than Australia is for ASEAN. In 1994, ASEAN was seven times as important a destination for Australian exports as Australia was for Asian exports." Nonetheless, it is important to consider culture-specific differences while doing business in Asia (Lee & Jang, 1998). Local taste and attitudes are two major aspects that Australian exporters must bear in mind.

APPROACHES AT ANALYSIS

Established quantitative research methods that have been used to investigate strategy use in exporting firms focus largely on marketing and financial strategies, leaving other conceptual domains largely ignored. Interpersonal networks (Lee, 1998), relationships and formal business contacts (Denis & Depelteau, 1985) are examples of important aspects of international business that are difficult to capture using quantitative research methods. Research methods that include qualitative techniques may be better suited to the investigation of issues of a less tangible nature (Denzin & Lincoln, 1994).

Cavusgil and Zou (1994) argued that, in studies of marketing strategy and export performance, the product-market export venture should be used as the unit of analysis (ie., the marketing of a specific product in a specific export market). To date, most studies have used the firm as the unit of analysis, gathering information about marketing adaptation, financial strategies, and other firm-specific variables, without giving due consideration for the effects of response generalisation. These studies fail to account for variations in marketing strategy and other factors when firms export different products to the same market, or the same product to different markets. Thus, a firm's marketing adaptation strategy is both product and market dependent, and examining responses at a firm level may obscure relevant detailed information on the particular strategy used for different product-market combinations. The present study adopted the product-market definition of an export venture, but each firm was limited to the export of a single product to a single market and, as such, each firm provides only one observation to the data set assembled. The unit of analysis was the export of a firm's dominant product of export to its dominant country of export, as indicated by the firm. Specific research objectives for the study were:

1. To examine the use of marketing and financial adaptation strategies in Australian exporting firms.

2. To examine combinations of marketing and financial adaptation strategies used in Australian exporting firms.
3. To examine the prevalence and combinations of marketing and financial adaptation strategies in Australian exporting firms, by industry.
4. To identify emerging issues and themes relevant to Australian exporting firms using qualitative research methods.

METHODOLOGY

Overview of the Sample and Data Collection

The sample was sourced from a commercially available Australian Exports Database on CD-ROM, published exporter guides from State Government trade development departments and telephone directories. Over 5000 firms were identified and, from these sources, a sampling frame of 203 firms was selected. Three criteria were used to select firms:

1. A country of export destination,
2. An industry grouping, and
3. An export firm home-country location.

In addition, firms must have been exporting, or had exported, to Asia in the twelve months prior to the time the study was conducted.

The Pacific Rim Asian nations were included for the purpose of export destination, but New Zealand, Papua New Guinea, and India were excluded. Four industry categories were used to facilitate inter-industry comparisons and to increase the generalisability of results beyond a single industry. To increase systematic variation in the data, two growth industries (aquaculture and horticulture) and two established industries (processed foods and machinery and equipment) were included. Funding considerations restricted the study primarily to the two export firm home-country locations of Tasmania and Victoria. A small number of firms were based in New South Wales and Queensland.

The population of over 5000 firms was searched by 19 industrial group codes to identify firms that fell into the four selected industry categories. After evaluating the suitability of firms against the three selection criteria, clarifying firm industry ambiguity and checking for aged data, irrelevant firms and industry code replications, a final sample of 203 firms was obtained.

Sample Characteristics

A total of 203 firms in four industries were investigated. Thirty firms were involved in aquaculture, 49 in horticulture, 70 in processed food and 54 in machinery and equipment. Firm representation approximated a target of 50 firms in each of the four industries. Ninety-two percent of the firms were from the two Australian states of Victoria and Tasmania, with the remainder from New South Wales and Queensland. The three predominant destination countries were Japan (34.5%), Singapore (14.3%) and Hong Kong (12.3%). A significant number of countries in Asia were export targets, with 17.2% of firms exporting to Korea, China, Taiwan and Indonesia and the remaining 21.7% exported to other Asian destinations. These results are summarised in Table 1.

[Insert Table 1 here]

As already mentioned, the four selected industries were well represented in the sample. These results are summarised in Table 2.

[Insert Table 2 here]

Among the firms surveyed, all but 6% of firms were 'Small to Medium Enterprises' (SMEs), as defined by the Australian Bureau of Statistics. In Australia, a small to medium enterprise in both the service and manufacturing sector must have less than five hundred employees - a criterion which is consistent with the definition used in Europe and North America. A distribution of firm size by number of employees is shown in Table 3.

[Insert Table 3 here]

While a substantial number of firms had more than 50 employees, the median value for the number of employees was nineteen, indicating that firms surveyed were generally very small. A distribution of the export sales of the firms is presented in Table 4.

[Insert Table 4 here]

Total export sales were widely distributed, with 29.6% of firms having sales of less than \$250,000, while 11.3% of firms had sales in excess of \$25 million. The median value for total export sales was \$3 million and 72.4% of firms had total export sales equal to or less than this value.

The percentage of export sales to total sales is a frequently used measure of export intensity (Dalli, 1994; Cavusgil & Zou, 1994; Hoang, 1998). Firms with higher export intensity are more likely to place greater emphasis on export operations because of the relative importance of export sales to the firm overall. Table 5 categorises the firms in this study into five classifications based upon their export intensity.

[Insert Table 5 here]

For over half of the firms that were surveyed, export sales generated more than forty percent of total sales, highlighting the importance of exporting to those firms and their relevance to the present study.

Data Collection

Data were collected by personal in-depth interviews that were conducted over several months in late 1995 and early 1996. This method of data collection increases the opportunity for question clarification and information relevance (Cavusgil, Zou & Naidu, 1993). The interview protocol included both a structured and an unstructured section. One of two chief investigators or two trained research assistants recorded the answers given by each respondent. The use of a survey administrator increased the validity and reliability of the survey instrument through a more interactive data collection process (Miller, 1991). Advantages include early identification of inapplicable questions, uniform scale responses, a higher survey completion and response rate and the ability to clarify any questions which the respondent may have found ambiguous or confusing (Miller, 1991). In most cases, respondents were key senior personnel, predominantly chief executive officers.

Measurement

The survey instrument included several sets of questions that were designed to capture marketing and financial strategy usage. A five point Likert type scale was used to assess the prevalence of strategy adaptation by industry.

Marketing Variables

Marketing strategy was measured through six questions. Three questions measured product adaptation. They sought responses on the presence of packaging, product and quality adaptation for a product that was sold in domestic and export markets. If the quality of a product had been changed in response to export market demands, this was deemed evidence of product quality adaptation. Price and promotion adaptation were also measured with one question each and the final marketing question asked about market information collection practices in export and domestic markets. Differing market information collection practices indicated marketing strategy adaptation.

Financial Variables

Financial decision making strategy was measured through four questions. Cash flow, debt exposure, capital expenditure and budgeting practices define the financial structure of a firm. Decisions made according to these criteria influence long and short-term expenditures. Reasons for adapting financial decision making criteria include performance comparison, facilitation of foreign capital market access and environmental constraints. Two additional questions investigated credit policy and accounting procedures. Adaptation of accounting procedures to suit a foreign market can be particularly important if a firm wishes to use capital markets in the host country. Government regulations may also necessitate the adaptation of accounting procedures for tax, ownership or other requirements.

Methods of Analysis

The present study used quantitative and qualitative methods to capture less tangible firm behaviour. Quantitative methods enabled the prevalence and importance of previously identified marketing and financial strategies to be assessed in accordance with research objectives 1 to 3. Qualitative methods enabled new and emerging strategies to be identified as sought in research objective 4. The use of a survey enabled quantitative information to be assembled, while the personal interviews enabled the compilation of the

qualitative dimensions of the study. The analytical techniques used to address the research objectives are shown in Table 6.

[Insert Table 6 here]

RESULTS

An exploratory analysis was conducted using both the quantitative and qualitative data to establish strategy prevalence, strategy usage combinations and to identify emergent concepts volunteered by the respondents.

Quantitative Results

Research Objective 1

An evaluation of strategy prevalence was conducted on individual strategy questions for the marketing and finance questions. The mean values for strategy usage by firms in the each of the four industries and for all firms are shown in Table 7. For each industry and for all firms, the two most prevalent strategies for marketing and finance are highlighted in bold.

[Insert Table 7 here]

The most frequently used strategies for firms in all industries were:

Marketing

- Advertising and Promotion Adaptation
- Pricing Policy Adaptation

Finance

- Credit Policies Adaptation
- Debt Exposure Management Adaptation

Marketing and financial adaptation strategy usage did not vary by industry. In Table 7, the four most prevalent strategies for all firms were also the most frequently used for each of

the four industries, indicating an absence of variation in strategy usage across the four industries.

Research Objective 2

To determine combination strategy usage for firms in each of the four industries, a hierarchical cluster analysis of variables (as opposed to an analysis of cases) of the 12 financial and marketing strategies was undertaken. As all 12 items had variances between 1.38 and 1.74, the assumption of equal variances and spherical distributions seems valid and the data are appropriate for a cluster analysis using a linkage method. The distance measure used was the squared Euclidean distance. This method is appropriate for limited ranges of responses rather than larger values because large values squared can result in dominant larger values (Chatfield & Collins, 1980).

The three most significant groupings of marketing and financial strategies for all firms were:

1. Product Characteristics and Quality
2. Budgeting Practices and Capital Expenditure
3. Credit Policies and Debt Exposure

Research Objective 3

To determine the effect of industry on combination strategy usage, the cluster analysis was repeated for each of the four industries. The results of this analysis are summarised in Figure 1.

[Insert Figure 1 here]

Strategy combinations are indicated by their inclusion in the same box. Stronger combinations are shaded grey and weaker combinations are unshaded. The boxes are ordered by prevalence with the more prevalent combinations placed above less prevalent groupings. Three outcomes can be interpreted from Figure 1. The first two sets of results are the consistencies and discrepancies in strategy usage which the four industry groups exhibit compared with the previous three strategy combinations presented for all firms in research objective 2. The third set of results includes the inter-industry differences in combinations of strategy usage.

There are consistencies in combinations of strategy usage across the four industries. All industries used credit policies and debt exposure together. All industries except horticulture used a combination of budgeting practices and capital expenditure. All industries except Aquaculture used quality and product characteristics in combination. Differences lie in Aquaculture using packaging, quality, and advertising/promotion together, rather than product characteristics and quality. The results for all firms in research objective 2 indicated that budgeting practices and capital expenditure were often used in combination. Horticulture differed from this combination and used capital expenditure with collecting information.

Machinery and Equipment respondents used a combination of collecting information and cash flow. Aquaculture used a combination of collecting information and pricing strategies. Processed Food used three marketing strategies in combination (collecting information, advertising/promotion, and pricing). Horticulture used three financial strategies in combination (cash flow, accounting procedures, and budgeting practices).

Qualitative Results

Research Objective 4

The constant comparative method (Glaser & Strauss, 1967) was used to identify and establish the prevalence of emergent themes in the respondents' narratives. A cluster analysis was then used to determine the combinations of these emerging themes. Between groups cluster linkage was used, with experimentation on two clustering point methods. The default squared Euclidean distance was compared to Phi-4 point correlation (Phi-4 point correlation is the binary form of Pearson's product-moment correlation coefficient). The Phi-4 point correlation is best suited to the data for two reasons. First, Euclidean distance does not suit binary scores (as squaring the difference between 0 and 1 results in 1) (Norusis, 1994). Second, the Phi-4 point correlation cluster analysis resulted in better groupings while the Euclidean distance technique resulted in a cascading dendrogram. The responses produced from the constant comparative method fell into two categories (*'impediments to exporting firms'*, and *'firm activities'*).

Impediments to Exporting Firms

Barriers to exporting focused primarily on country differences and difficulties in overcoming distance. The nature of this 'impediment' classification meant that the 15

emerging codes mentioned were beyond firms' control or at best marginally controllable. The prevalence of the 15 impediment codes is shown in Table 8.

[Insert Table 8 here]

The most common impediments found in the qualitative interviewing were the Australian Federal Government, Australian Regulations and Freight Costs. A cluster analysis of combinations of qualitative impediment codes revealed a strong combination of Cultural Tastes and Cultural Attitudes. Other moderately strong combinations of impediments included Cultural Barriers and Australian Attitudes and Overseas Governments and Australian Federal Government.

Firm Activities

The 12 emerging codes in this category were all strategic in nature and more likely to be under the influence of the firm. Responses were concerned with the importance of various factors for conducting export operations. The prevalence of the firm activities emerging codes are shown in Table 9.

[Insert Table 9 here]

The cluster analysis on the *firm activities* emerging codes found a strong combination of Market Research and Product Quality and a moderately strong combination for Quality/Control and Price Control.

DISCUSSION

Prevalence of marketing and financial adaptation strategies in Australian exporting firms

This study supports the view that pricing adaptation is an important issue in exporting (Thach & Axinn, 1991). The high level of pricing adaptation across the four industries examined demonstrates the perceived importance of pricing adaptation when exporting. Despite its acknowledged importance, the combination of complexity and a reluctance by

managers to discuss pricing policy has resulted in relatively little research being conducted into pricing policies and export marketing (Myers & Cavusgil, 1996).

The consistent use of promotion adaptation strategy supports the research effort into promotion adaptation that, along with product adaptation, has received the most attention in the literature (Aaby & Slater, 1989; Cavusgil, Zou & Naidu, 1993). The degree of promotion adaptation necessary however, has been shown to be contingent on many factors, including product type, industry factors, firm factors and market characteristics (Cavusgil, Zou & Naidu, 1993). While this study established a consistency in promotion adaptation use across industries, further analysis is needed to determine the effects of this consistent level of usage in each industry.

Financial Adaptation

Thach and Axinn (1991) found the development of credit policies in international business was poorly developed and contingent on industry and country factors. The results of this study suggest a high level of awareness and use of credit policies among Australian firms exporting to Asia. Credit policy as a strategy seems to be well established among Australian exporting firms, supporting the view that the development of credit policies is contingent on country of export destination.

The adaptation of debt exposure policies among exporting firms has received little attention in prior research. The results of the present study suggest that the use of debt exposure adaptation is at least as prevalent as credit policy adaptation. This result is logical, as firms that are aware of the need to adapt credit policies for foreign customers would also be aware of the need to adapt their debt exposure policy towards creditors in foreign countries. The simultaneous use of credit and debt exposure policies would be useful in verifying this hypothesis. The prevalent use of these strategies among the firms surveyed in this study seems to indicate an awareness of the need to treat foreign markets in a different manner from domestic operations.

Combinations of marketing and financial adaptation strategies in Australian exporting firms

The first strategy grouping produced by the cluster analysis was marketing oriented and consisted of product characteristics and quality. Quality is seen as an element of product adaptation if a product is made to different standards for different markets, because

modification of a product's quality involves the alteration of the product's characteristics. A firm that modifies the quality of its product may also be deemed to modify its product's characteristics.

In addition, the strategy grouping of product characteristics and quality may be explained by a link between product characteristics, quality and market awareness. A firm that has conducted sufficient market research to determine demand in a market is likely to be aware of both the product characteristics and the level of quality suited to that market. Both the characteristics and quality of a product will be modified in these instances. Studies of product quality in exporting firms have found that successful exporters have effective quality control (Aaby & Slater, 1989; Fraser & Hite, 1990) and that quality is a prerequisite for successful exporting (Macy, Barringer & Wortman, 1993).

Budgeting practices and capital expenditure make up the first financial strategy adaptation cluster. Both factors represent accounting oriented views that relate to short and long term expenditure respectively. The adaptation of financial practices for export ventures reflects a need to treat foreign market operations differently from domestic operations. Cash flows and asset requirements for export operations are likely to differ from domestic needs. Differences in scale, foreign currency fluctuations, staffing requirements and compliance with foreign and domestic government regulations can all result in the need for budgeting and capital expenditure practices to differ across export and domestic markets. Budgeting practices and capital expenditure are inextricably linked, particularly among smaller firms, where a capital expenditure decision can affect short-term expenditure to a much greater degree than in a larger firm. This increases the likelihood of either strategy being used in association with the other.

The second financial cluster consisted of credit policies and debt exposure. This supports the explanation offered in the discussion of financial adaptation earlier in this paper, in that an awareness of credit policies and debt exposure are two sides of the same financial relationship and the use of one is likely to coincide with the use of the other. The simultaneous use of both credit policy and debt exposure adaptation indicates that firms recognise the differences between markets and the role that flexible payment terms can play in establishing good business.

Prevalence and combinations of marketing and financial adaptation strategies in Australian exporting firms by industry

The *prevalence* of the marketing and financial strategies did not vary by industry, with the same marketing and financial strategies being the most frequently used for firms in each of the four industries. However, there were several variations in the *combinations* of adaptation strategies used by firms in the four industries.

Firms in Aquaculture firms used packaging, quality adaptation, and advertising/promotion adaptation in combination, rather than product characteristics and quality. This variation in combination use is most likely due to the characteristics of products produced by these firms. Aquaculture firms exported fish, marine life or minimally processed seafood and these products do not have characteristics that are easily adapted to suit customer demand. Consequently, differentiation is achieved through packaging and advertising/promotion adaptation. This approach to product differentiation through means other than product characteristic adaptation is supported by the combination of collecting information and pricing strategies that is also used by Aquaculture firms, which suggests these firms also differentiate their product through appropriate pricing adaptation strategy. This focus on marketing activities did not detract from the use of financial adaptation strategies with budgeting practices, capital expenditure and accounting procedures being used in combination and credit policies and debt exposure forming a second financial strategy combination.

The use of marketing or financial strategies in combination was repeated by Horticulture firms, which used cash flow, accounting procedures and budgeting practices in a financial combination, and for Processed Food firms, which used collecting information, advertising/promotion, and pricing in a marketing combination. This suggests firms have a general awareness of marketing and financial strategy, rather than a narrow attitude towards implementing a small number of specific adaptation strategies.

Emerging issues and themes relevant to Australian exporting firms

The three most prevalent impediments found in the present study were the Australian Federal Government, Australian regulations and freight costs. From these results, it is clear that much work is needed to reduce the bureaucracy that impedes the operations of Australian exporting firms. Australia's government is perceived to be a bigger impediment to exporting for Australian firms than governments from the country of export destination, although the cluster analysis revealed that these two factors are associated. These results were obtained prior to the recent stevedore's dispute in Australia that

resulted in a reduction in union labour on the waterfront and it is likely that freight costs have reduced since this domestic labour dispute. The predominant representation of firms from Tasmania and Victoria may be responsible for the high role of freight costs as an impediment, as firms in these states are geographically more isolated. Tasmania in particular, has a less developed transport infrastructure than other Australian States.

The cluster combinations also revealed a pattern of cultural impediments including cultural tastes and attitudes, cultural barriers and Australian attitudes. The first combination is product orientated, indicating that differences in consumer preferences often result in less than desirable sales performance. This problem can be addressed through appropriate market research to determine foreign consumer needs and effective marketing mix implementation. The results of this study suggest that the responding firms are already attempting to undertake such steps to overcome the impediments of cultural tastes and cultural attitudes.

The second combination is concerned with the impact cultural differences can have on the relationship between suppliers and buyers. The need for cultural understanding is well established in the export literature (Gibson, 1995; Lee & Jang, 1998; Piercy, Katsikeas & Cravens, 1997). Despite this recognition, both in the literature and by the firms surveyed in this study, no mention was made of steps taken to address this concern. Strategies for reducing cultural distance in order to improve business relationships were not mentioned explicitly by respondents, although the relatively small size of most of the firms interviewed may preclude the allocation of resources to address such concerns.

The three most prevalent *firm activities* codes were market research, good overseas agents and financial capital. Market research reduces uncertainty when conducting business in overseas operations and is valuable in determining an appropriate marketing mix (Cavusgil, 1993; de-Wilde & Simpson, 1988). Good overseas agents aid effective distribution, which is also important in export operations (Cavusgil, 1993; Bonaccorsi, 1993; Hart, Webb & Jones, 1994; Aaby & Slater, 1989; Miller, Becker & Crespy, 1994; Cavusgil & Zou, 1994). The need for financial capital is also well recognised and is the focus of many government assistance programs, such as Austrade's Export Market Development Grants Scheme (EMDG), International Trade Enhancement Scheme (ITES) and the Federal Government's Export and Finance Insurance Corporation (EFIC).

Thus, the most prevalent of the *firm activities* codes found in the present study have been frequently addressed in the literature and by government and the results of this study

reinforce the relevance of these areas of research and government assistance. The effectiveness of government export assistance programs, however, has not been addressed. The combinations of *firm activity* codes are marketing oriented, consisting of market research and product quality and quality/control and price control. This reinforces the importance of determining the appropriate marketing mix in exporting (Cavusgil & Zou, 1993).

CONCLUSIONS

The present paper overviews a broader research project that focuses on Australian exporting firms. The broader project aims to identify strategies being used by Australian firms exporting to Asia, to define Australian export success benchmark strategies for regional groupings within Asia, and for different industries, and to improve the measurement of export performance.

Strategy use and some general themes relevant to exporting SMEs in Australia have been explored in this paper, using a combination of qualitative and quantitative research methods. The marketing and financial adaptation strategies investigated were similarly used by firms in the four industries examined, with differences only in the combinations of strategies used by firms in each industry. Overall, the results of the present study support prior research that has investigated marketing and financial adaptation strategies in exporting firms.

The emerging themes identified through qualitative analysis indicated that domestic structural elements could hinder the export operations of Australian firms. Bureaucracy and transportation costs were found to be major export barriers. Cultural understanding must also be addressed to improve both product appeal and business relationships in foreign markets. The firm activity factors identified as important to export operations are consistent with prior research and include market research, effective overseas agents, and financial capital.

Characterising the prevalence of strategy use is a first phase in determining the factors that influence export performance. Future aims for the present research project are to measure export performance in different ways and identify the determinants of such performance. The importance of identifying the determinants of export performance is already well recognised (Cavusgil & Zou, 1994; Beamish, Karavis, Goerzen & Lane, 1999; Naidu & Prasad, 1994) but with few exceptions (eg: Evangelista, 1994), Australian research is

lacking. Subsequent analysis of the data obtained from the present research project will investigate structure and strategy as determinants of export performance.

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TABLE 1

Dominant Country of Export

Country of Export	Frequency	Percent
Japan	70	34.5
Singapore	29	14.3
Hong Kong	25	12.3
Korea	7	3.4
China	5	2.5
Taiwan	8	3.9
Indonesia	15	7.4
Other Asian	44	21.7
Total	203	100.0

TABLE 2

Industry Representation among Sample Firms

Industry	Frequency	Percent
Aquaculture	30	14.8
Horticulture	49	24.1
Processed Food	70	34.5
Machinery & Equipment	54	26.6
Total	203	100.0

TABLE 3

Firm Size Measured by Number of Employees

Size (number of employees)	Frequency	Percent (%)
0 to 50 employees	138	68.0
51 to 100 employees	27	13.3
101 to 150 employees	6	3.0
151 to 250 employees	8	3.9
251 to 500 employees	11	5.4
> 500 employees	13	6.4
Total	203	100

Median = 19 employees

TABLE 4

1995 Total Export Sales (A\$)

Total Export Sales	Frequency	Percent (%)
< \$0.25 million	60	29.6
\$0.25 million to \$0.5 million	14	6.9
\$0.5 million to \$1 million	24	11.8
\$1 million to \$2 million	2	1.0
\$2 million to \$3 million	47	23.2
\$3 million to \$5 million	1	0.5
\$5 million to \$10 million	19	9.4
\$10 million to \$25 million	13	6.4
> \$25 million	23	11.3
Total	203	100.0

Median class = \$2–3 million

TABLE 5

Importance of Exporting to Firms as Measured by Export Intensity

Export Sales / Total Sales	Percent (%)
Low (0–20%)	38.7
Low-Med (21–40%)	10.2
Med (41–60%)	16.1
Med-High (61–80%)	0.5
High (81–100%)	34.4
Total	100.0

TABLE 6

Analytical Techniques Aligned to the Research Objectives

Research Objective	Focus of Question	Technique
1	Strategy Prevalence	Mean strategy usage
2	Strategy Combinations	Cluster analyses of strategy usage
3	Strategy Prevalence & Combinations by industry	Mean strategy use and cluster analysis by industry
4	Emergent Concepts	Qualitative analyses (constant comparative method), and cluster analyses of qualitative data transduced to quantitative data*

* Up to 15 qualitative codes from 78 personal interviews were converted to binary values (yes/no for each concept/variable) in a new data set. Cluster analyses can be applied to this binary data.

TABLE 7

Mean Prevalence of Strategy Adaptation by Industry

Strategy	Aquaculture	Horticulture	Processed Food	Machinery & Equipment	ALL FIRMS
<i>Marketing</i>					
Product Characteristics	2.46	2.87	2.42	1.57	2.29
Product Quality	2.52	2.84	1.85	1.36	2.05
Pricing Policy	3.36	3.44	3.44	3.68	3.50
Advertising & Promotion	3.25	3.37	3.82	3.50	3.53
Packaging	2.55	3.02	2.70	2.43	2.68
<i>Financial</i>					
Cash Flow	1.79	2.18	2.30	2.52	2.25
Credit Policies	3.57	3.31	3.51	3.65	3.51
Debt Exposure	3.32	3.09	3.14	3.88	3.37
Budgeting Practices	1.89	2.02	2.00	2.16	2.03
Capital Expenditure	2.00	2.44	2.15	2.19	2.21
Accounting Procedures	1.97	2.33	2.20	1.91	2.11

Scale: 5 point Likert (1–5)

FIGURE 1

Combinations of Strategy Adaptation Usage by Industry

Aquaculture	Horticulture	Processed Food	Machinery & Equipment
Packaging Quality Advertising/ Promotion	Quality Product Characteristics	Quality Product Characteristics	Accounting Procedures Product Characteristics Quality
Budgeting Practices Capital Expenditure Accounting Procedures	Capital Expenditure Collecting Information	Budgeting Practices Capital Expenditure	Budgeting Practices Capital Expenditure
Collecting Information Pricing	Packaging Pricing	Collecting Information Advertising/ Promotion Pricing	Collecting Information Cash Flow
Credit Policies Debt Exposure	Cash Flow Accounting Procedures Budgeting Practices	Credit Policies Debt Exposure	Credit Policies Debt Exposure Pricing

TABLE 8

Prevalence of Emerging Impediment Codes

Impediment	Yes	%
Federal Government	13	(18.3%)
Australian Regulations	11	(15.5%)
Freight Costs	10	(14.1%)
Overseas Regulations	8	(11.3%)
High Duties	6	(8.5%)
Inconsistent Supply	6	(8.5%)
Cultural Attitudes	5	(7.0%)
Long Time Frame	4	(5.6%)
Cultural Barriers	4	(5.6%)
Australian Attitudes	4	(5.6%)
Waterfront Conditions	3	(4.2%)
Overseas Governments	3	(4.2%)
Cultural Tastes	3	(4.2%)
Time	2	(2.8%)
Quality of Supply	1	(1.4%)

TABLE 9

Prevalence of Emerging Firm Activities Codes

Other	Yes	%
Market Research	20	(28.2%)
Good Overseas Agents	16	(22.5%)
Financial Capital	12	(16.9%)
Quality/Control	8	(11.3%)
Product Quality	8	(11.3%)
Personal Contact	7	(9.9%)
Monetary Arrangements	6	(8.5%)
Supply Control	5	(7.0%)
Price Control	4	(5.6%)
Close Relationships	3	(4.2%)
Industry Research	1	(1.4%)
Service Quality	1	(1.4%)