

Evaluating Export Promotion Programmes: U.K. Overseas Trade Missions and Export Performance

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ABSTRACT. This paper examines the extent to which firms' knowledge and structural characteristics as well as firms' behaviour in foreign markets following trade mission participation impacts upon trade mission success and export performance. The findings suggest that: 1) A diversification strategy in terms of export markets benefits future expansion into new foreign markets; 2) Specific knowledge about the targeted markets should be acquired prior to participating in the trade missions; 3) Communication with potential business partners should be established prior to participating in the trade missions; and 4) The business relationships established before and during the trade missions should be cultivated through regular contacts using not only communication technology, but also regular visits. In summary, overseas trade missions contribute to the generation of incremental sales in foreign markets by enhancing the relationship-building process between business partners.

1. Introduction

Small and medium-sized enterprises (SMEs) are sometimes reluctant to commit themselves to overseas ventures which are perceived as riskier than the domestic ones, and about which they do not possess relevant knowledge or lack the ability to acquire it. Some factors, such as a perceived competitive advantage, internationally oriented managers, positive changes in the environment, and following international clients (Cavusgil, 1984; Garnier, 1982; Katsikeas, 1996; Lim et al., 1991), encourage SMEs to expand internationally. Others, such as shortages of information and

financial resources, may act as a deterrent to overseas ventures (Cavusgil, 1983; Seringhaus and Rosson, 1990). Governments have designed export promotion programmes to help SMEs overcome these obstacles when the opportunity or the need to expand internationally presents itself.

Among the range of export promotion programs offered, those most favoured by exporters are programs which provide experiential knowledge about foreign countries (Reid, 1980). Trade missions are one such program, with the aim of encouraging SMEs to enter or expand into foreign countries when their experience with the market is still limited. A second popular program is trade shows. The objectives of trade shows are to further SMEs' expansion into foreign markets once the firm is already established in targeted markets (Seringhaus and Rosson, 1990). The impact of trade shows on export outcomes, and their use as export promotion tools, have been widely examined (Blythe, 1996; Pfeiffer et al., 1998; Shipley et al., 1993). This is mainly due to the number of trade shows available and the possibility of gaining easy access to participants since most of these events are open to the public. On the other hand, trade missions are not as numerous, access to participants is often restricted and the data is confidential. Therefore less attention has been drawn to these. In view of the scarcity of empirical studies of trade missions, this paper will specifically focus on this type of program.

Trade mission participants acquire first-hand experience with foreign countries' culture through direct contact with local business persons and government representatives, which allows them to adjust their perception of market potential and increase their knowledge of local business networks (Young, 1995). The program also fits in

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with entrepreneurs' management style, as it facilitates the acquisition of market-specific knowledge through informal means, thus favoring a more "artistic" approach to international marketing research. This approach seems to be preferred by small exporters as opposed to a more systematic approach (Carson and Coviello, 1996). Both the acquisition of market knowledge and the building of networks are important activities in SMEs' overseas expansion (Coviello and Munro, 1997).

In spite of the popularity of trade missions as well as their cost effectiveness (DTI, 1996; NAO, 1996), there have been few empirical studies demonstrating the influence of overseas trade missions on export performance. Trade missions have often been evaluated together with other export promotion programs, giving an unclear picture of their impact (Diamantopoulos et al., 1993; Seringhaus, 1987). No study has established a causal relationship between the factors that influence trade mission success and outcomes over time.

This research, therefore, proposes to provide empirical evidence on the effectiveness of overseas trade missions. The first objective of this study is to identify predictor variables for overseas trade mission outcomes. Second, it seeks to go beyond past studies of government program evaluation by using a longitudinal approach to assess the extent to which trade missions impact export performance over time. It is hoped that, by accomplishing these objectives, a better understanding of the reasons why trade missions are useful to exporters will also lead to a more efficient use of such programs.

2. Literature review and development of hypotheses

Firms' structural characteristics

The reasons why some SMEs are more likely to export than others have been investigated at length and predictor variables of export success identified (Cavusgil, 1982, 1984; Dichtl et al., 1984; Garnier, 1982; Reid, 1980, 1981; Yang et al., 1992). One of the most-researched variables for its impact (or lack thereof) on export performance has been firm size (Czinkota and Johnson, 1983;

Calof, 1993, 1994; Meisenbok, 1990). Some authors have shown that firm size is linked to the availability of resources, which in turn is linked to export intention (Reid, 1981) and performance (Ali and Swiercz, 1991; Culpan, 1989). Calof (1994) found that the amount of variance explained by firm size on export behavior is modest and, together with others, concluded that firm size does not preclude small firms from being successful exporters as long as the "goodness of fit" between a firm's internal and external environments is achieved (Karagozoglu and Lindell, 1998; Knight, 1999; McDougall et al., 1994; Thompson and Strickland, 1990). Small size however, may limit the number of foreign markets being served (Calof, 1993) as well as the reduced possibility of further internationalization without being acquired by a larger firm (Bell, 1995).

Core business activities may also influence export performance. Major differences exist between manufacturing and services firms as Gadenne (1996) has demonstrated. A critical success factor for services firms is "employee relations"; for manufacturers it is "competitive advantage". Furthermore, Gadenne has shown that critical success factors for services firms are independent of the environment, while the opposite is true for manufacturers. As a consequence, services firms and manufacturers may perform differently in foreign countries. Erramilli (1990) and Erramilli and Rao (1990) differentiated between "hard" service firms (such as car rental, restaurant and healthcare where consumption and production have to happen almost simultaneously) and "soft" service firms (e.g., consultants and software firms) where consumption and production can be decoupled. Whereas the internationalization behavior of hard service firms is similar to that of manufacturers, soft service firms cannot use export as an internationalization strategy and have to rely more on market entry modes such as contractual entry, licensing, franchising, or foreign direct investment. These characteristics may therefore influence firms' objectives when participating in trade missions.

Firms' knowledge characteristics

Recently, it has been argued that many years of a positivist philosophy in the study of SMEs'

internationalization have led to results which fail to explain the true picture (Bell and Young, 1998). In fact, Jones (1999) suggested that SME internationalisation is a holistic process. Awareness of a firm's internal capabilities, competencies and resources help in spotting appropriate opportunities that will maximize its international potential. The emphasis is on the interrelationship between a firm's internal factors and environmental elements at any given time, and on the identification of relevant linkages which may impact success (Jones, 1999; Coviello and Munro, 1997). This opportunistic frame of mind is more likely to be found in internationally-oriented managers, who in turn, have a positive influence on the adoption of successful exporting strategies (Cavusgil, 1984; Garnier, 1982; Lim et al., 1991; Reid, 1980).

Internationally-minded managers have usually been exposed to foreign environments either by birth, education, or business experience. They are more likely to speak foreign languages, to be younger and be more highly educated than those with more negative attitudes towards export or non-exporters. They are often found in exporting companies (Cheong and Chong, 1988; Keng and Jiu, 1989; Reid, 1981). The pool of knowledge acquired from past experience has been referred to as general export knowledge. When applied to a firm's internationalisation context, managers' frame of mind and experience influence the way companies approach foreign market entry and the strategies they use to expand internationally (Reuber and Fisher, 1997; O'Farrell et al., 1998).

Each market however has its own characteristics and acquisition of market knowledge has been found to be instrumental in export success (Czinkota and Ronkainen, 1993). In fact, Kedia and Chhokar (1986) have demonstrated that lack of market knowledge was the most significant inhibitor to export expansion among SMEs. Market knowledge can be acquired from information sources of various types, including export assistance, export market research and export market intelligence (Souchon and Diamantopoulos, 1999). These information sources are available from public and private institutions and constitute what will be referred to as objective export knowledge. Branch (1990) and Hibbert (1990) emphasised that preparatory

activities (e.g., the acquisition of objective market knowledge) before the trade mission and serious follow-up upon returning to the home country greatly enhance the outcomes obtained. It is widely believed that a thorough investigation of the country's economy, politics, culture, industry and product lines of interest to the firm is necessary before visiting a foreign country. The objective knowledge gathered from published sources facilitates the acquisition of further experiential knowledge once in the country as it makes travelling managers more aware of what to expect from and how to behave appropriately in the target culture.

Small exporters sometimes find objective market knowledge of little relevance to their niche business as it provides information which is too broad for their immediate use (Cavusgil, 1984). A preferred means of market-knowledge acquisition for these companies is direct experience with the market, also known as experiential knowledge. Johanson and Vahlne (1977, p. 28) explained the difference between objective and experiential knowledge: "On the basis of objective market knowledge, it is possible to formulate only theoretical opportunities; experiential knowledge makes it possible to perceive 'concrete' opportunities – to have a 'feeling' about how they fit into the present and future activities." In the same stream of thought, researchers in psychology have demonstrated that attitude based on direct experience is more likely to serve as a guide to lasting behavior than attitudes based on indirect experience (Fazio and Zanna, 1981). These views have been supported by Reid (1981) as well as by interviews with trade mission participants (Spence, 2000).

Eriksson et al. (1997) have shown that experiential market knowledge gained from several foreign markets enhanced the adaptation of the firm's internal processes. In turn, the gradual internationalisation process helped managers gain more realistic expectations about new foreign markets. A strategic formulation based on experience is therefore instrumental to successful export performance.

Country characteristics

Foreign market attractiveness can be partly explained by international trade theories. Linder, for example, based his theory on the principle that a country's level of income will determine the level of demand for sophisticated products (cited in Czinkota et al., 1996). Consequently, foreign products may have to be adapted to better fit market demand. This situation may hinder small firms with limited resources from entering some countries, or limit their commitment to those countries in the short to medium term.

The psychological distance between the home and the international markets may also be a deterrent to SME internationalization. This psychological distance consists of the perceived risks of doing business in far away markets about which little is known as well as markets where cultural differences are too great. Recent studies have demonstrated that psychological distance is no longer a deterrent to SME internationalization due to advances in information technology and trade liberalization which have encouraged the diffusion of knowledge between countries (McDouglas et al., 1994; Etemad, 2000). SMEs may actually have an advantage in the global arena in that they are more flexible than larger companies, serve niche markets which are often global, especially in the high-technology sectors, and have been involved in networking as a basis for their growth strategy (Knight and Cavusgil, 1996). While remoteness and cultural differences have been perceived as barriers to internationalisation, these variables are no longer considered as such by SMEs who seek growth opportunities, wherever the location is (Oviatt and McDougall, 1994).

Export performance

The evaluation of export performance presents a number of challenges as Walters and Samiee (1990, p. 35) have noted: "universally valid prescriptions of success are unlikely to be found" and perception of export success would significantly differ across export destinations (Katsikeas et al., 1996). What seems to be consistent across most studies was the use of multidimensional constructs of export performance including both qualitative

and quantitative measures in order to address the shortcomings of both approaches. Authors, however, have argued that qualitative analysis has its own merit, but when taxpayers' money is at stake (i.e. when the evaluation of export performance is linked to the use of a subsidized government program), the efficient use of funds should be investigated with quantitative measures (Gibert, 1989; Nyberg, 1987). Because quantitative measures provide hard data on which to base what would be perceived as rational decisions, in studies commissioned by government agencies seem to favor them (NAO, 1996; MAI, 1995). The guidelines for the evaluation of export promotion services developed by the International Trade Centre (Nyberg, 1987) also stressed the use of quantitative measures, and such measures have been used extensively by academic researchers as well. The most common measures of export performance used in academic studies have been exports as a proportion of sales, export profitability, and growth in export sales (Culpan, 1989; Madsen, 1989; Naidu and Prasad, 1994; Walters and Samiee, 1990). In spite of their ease of use and popularity, quantitative measures of export performance may present a number of shortcomings. Export sales and growth in export sales reported in monetary values could be distorted by possible price inflation or deflation, or changes in exchange rates, which would make the cross-comparison of results difficult (Kirpalani and Balcome, 1987). Export profitability would also give an inaccurate view of export performance as firms might use various accounting methods, which in turn affect their profitability figures. Furthermore, these data are often sensitive and difficult to obtain.

Trade mission outcomes

Trade mission participants suggested that assessing the outcomes of trade mission should be carried out in a holistic fashion as "there is not absolute terms of evaluation for 12 to 18 months after the trade mission. I would look at the number of useful contacts in the right areas, the potential to do business." (Spence, 2000). They emphasized that as long as the company's objectives for participating in a trade mission have been met, the mission will be deemed successful. If indeed,

government programs are designed to “motivate firms into export action” and to “stimulate the exporting process” (Seringhaus, 1986, p. 109), managers’ perceptions about export, their changes in attitudes, the knowledge obtained from direct participation in the market should be assessed as suggested by Brezzo and Perkal (1983), Cavusgil and Yeoh (1994) and Katsikeas et al. (1996). Furthermore, reporting the amount of export sales obtained at the time of the trade missions in the targeted markets might not be the best measure to evaluate the worthiness of trade missions because of the lag time between participation and changes in trade pattern (Hibbert, 1990; Seringhaus, 1987). Instead, one could look at the international sales process and assess the various preliminary activities that will eventually lead to sales such as contacts, leads, quotes obtained, agents and distributors appointed (Diamantopoulos et al., 1993; Seringhaus, 1987).

The following three hypotheses are based on the above review of the literature review:

- H1: Firms’ knowledge characteristics are more influential than firms’ structural characteristics in predicting trade mission outcomes.
- H2: Firms’ knowledge characteristics are more influential than market characteristics in predicting trade mission outcomes.
- H3: Trade mission participation and follow-up activities over time are instrumental in enhancing export performance.

A framework explaining the possible relationships between selected factors and export performance following trade mission participation is proposed in Figure 1. This figure is further explained in the next section.

3. Methodology

Survey design

The investigation was carried out on a sample of 190 companies from various industrial sectors in the United Kingdom, which participated in overseas trade missions subsidized by the U.K.’s Department of Trade and Industry (DTI) and sponsored by the London Chamber of Commerce

and Industry (LCCI) in 1996. A total of 12 trade missions targeting the regions of Central and South America, Eastern Europe, South-East Asia, and Western Africa were surveyed. A breakdown of companies by destination and respondents is provided in Table I.

The survey was divided into two stages. In the first stage, a questionnaire was mailed to participants a few days before they were to return from their respective trade mission, so they would find the documents upon their arrival. On the return leg of the journey, the mission manager also reminded participants about the survey. 85 participants (45%) returned the questionnaire within the 8 weeks following the trade missions. Follow-up telephone calls were placed with non-respondents to increase response rate and to find out the reasons for not answering. An additional 28 questionnaires were returned. Fourteen participants from the original sample who had valid reasons for not participating in the survey were discarded. The final response rate was 67 per cent (113 usable questionnaires). The purpose of this first questionnaire was to capture data on firms’ structural and knowledge characteristics before the missions, market characteristics, and trade mission outcomes. The data are related to the periods named “pre-trade mission (Period₋₁)” and “trade mission (Period₀)” on Figure 1.

The second stage of the survey consisted of mailing a follow-up questionnaire to the respondents to the first enquiry, six months after their return from their respective trade mission. This questionnaire investigated follow-up activities carried out by companies in the six months following the trade missions, as well as knowledge and competence acquired from the trade missions, actual results obtained in the markets visited so far and estimated future export performance in these markets 12 and 24 months after the trade mission. This second questionnaire was developed following interviews with 11 trade mission participants and reviewing the appropriate literature. After follow-up and adjustments for ineligible respondents, the response rate on the second questionnaire was 46 per cent (52 questionnaires). This data relates to the periods, “trade mission + 6 months (Period₁)” “trade mission + 12 months (Period₂)”, and “trade mission + 24 months (Period₃)” on Figure 1.

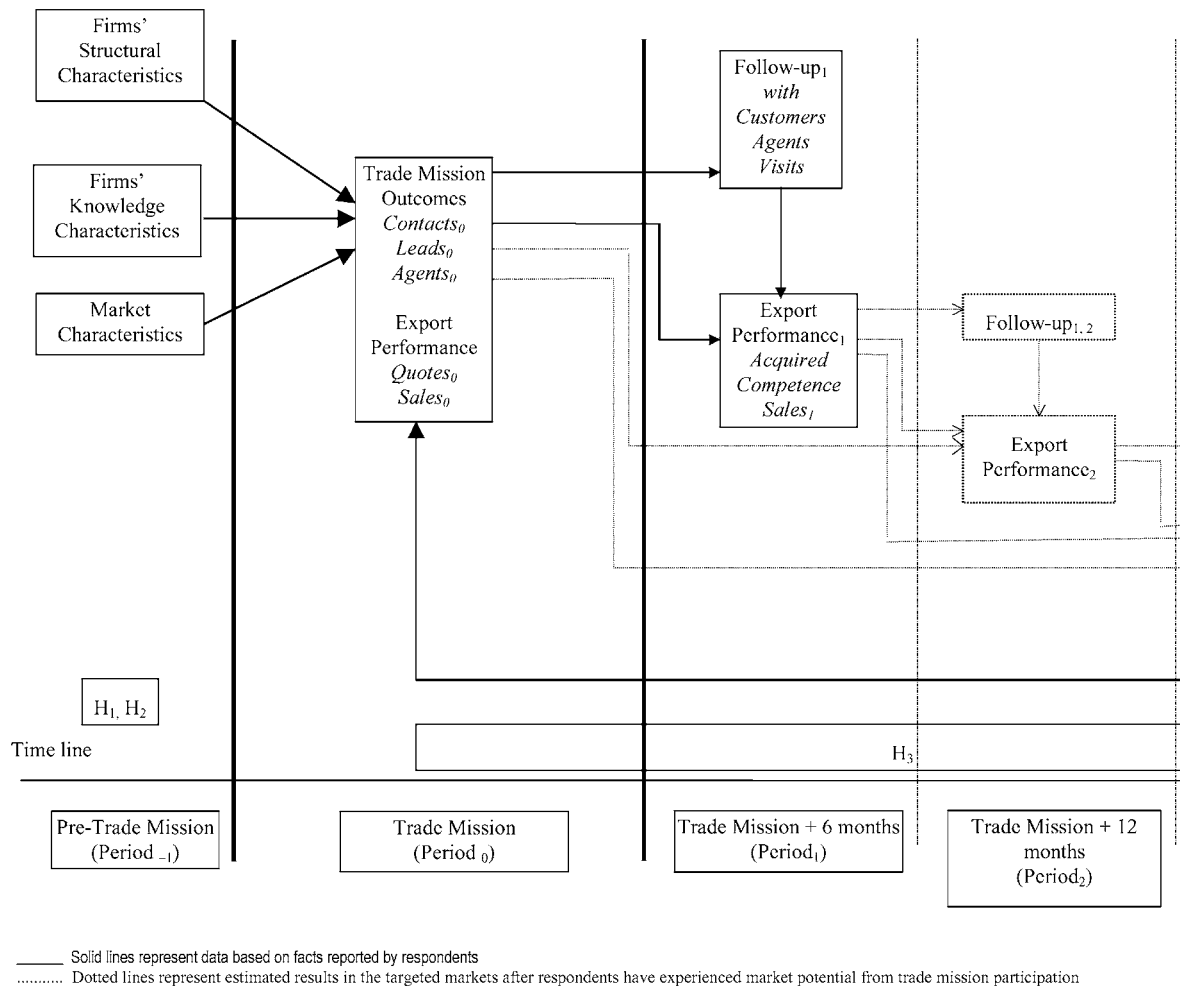


Figure 1. A model of trade mission outcomes and export performance over time.

Both questionnaires were checked for content validity and ease of response with academic colleagues, five trade mission participants and two trade mission managers. The first questionnaire was then pilot tested with two different trade missions occurring at different times and adjustments were made to question wording and administration of the survey. The occurrence of non-response error was checked using trend analysis (identification of possible significant differences between early and late respondents projected to non-respondents). Independent-sample t-tests were used on 19 different variables, resulting in no significant differences between early and late respondents. It therefore seems

probable that there was no significant differences between respondents and non-respondents.

A profile of the sample firms is described in Table II. The 12 trade missions surveyed attracted, in the majority, small, well-established exporters. Approximately two-thirds of the respondents had been in business for more than 15 years, had fewer than 100 employees, reported an average annual income of less than £10 million, had been exporting for more than 20 years, and were committed exporters. These trade missions also attracted a few independent subsidiaries of larger firms, as indicated in the data, which is consistent with the DTI policy for the scheme.

In the trade missions organized by the LCCI, a

TABLE I
Trade mission destinations and distribution of participants and respondents

Trade mission destinations	Number of participants	Percentage of total	Number of respondents	Percentage of total
<i>Eastern Europe</i>				
Bulgaria	14	7%	8	7%
Ukraine	12	6%	7	6%
	26	13%	15	13%
<i>Mediterranean</i>				
Cyprus	19	10%	13	12%
Turkey	19	10%	11	10%
	38	20%	24	22%
<i>South America</i>				
Argentina and Chile	23	12%	16	15%
Mexico, Guatemala and El Salvador	11	6%	6	5%
Venezuela and Colombia	14	7%	11	9%
	48	25%	33	29%
<i>South East Asia</i>				
Indonesia and Thailand	13	7%	7	6%
Japan	22	12%	12	11%
The Philippines	11	6%	9	8%
	46	25%	28	25%
<i>West Africa</i>				
Ghana and Ivory Coast	18	10%	9	8%
Nigeria and Ghana	14	7%	4	4%
	32	17%	13	12%
Total	190	100	113	100

wide range of industry sectors is generally represented. Since this made it difficult to provide a detailed analysis by industry, participating firms were grouped in manufacturing (51%) and service (49%) sectors. The LCCI had been involved in the organization of trade missions for 18 years at the time the survey was carried out. "They have perfected the organisation of these events into a science", as mentioned by a participant. Participants generally expressed a high level of satisfaction with the organizational aspects of the missions. Trade mission managers are trained in a consistent way, therefore limiting the amount of variance in trade mission administration and quality between destinations. Subsidies for participation in trade missions are limited to three missions per firm per country, and to ten trade missions per firm overall. All firms in the sample received subsidies, which means that they were in relatively early stages of dealing with these

particular markets with the main objective of assessing market potential or building networks.

Constructs

The design of the questionnaires was based on information gathered from both academic and professional literature, as well as interviews with trade mission participants and organizers.

Firm's structural characteristics:

Several measures of firms' size have been used in previous studies; the most frequent ones being "number of employees" and "sales" (Aaby and Slater, 1989; Miesenbock, 1990). These measures have also been selected for this study. Firms have been classified according to their main business activities (services or manufacturing) since these activities may impact upon the response obtained from the market (Erramilli, 1991).

TABLE II
Characteristics of firms in the sample ($n = 113$)

	Number of Respondents	Percentage of Respondents
<i>Age of responding firms</i>		
Less than 1 year	2	2
1 to 4 years	10	9
5 to 9 years	20	18
10 to 14 years	12	10
15 to 20 years	14	12
Over 20 years	55	49
<i>Number of employees</i>		
0–49	59	52
50–99	16	14
100–299	14	13
300–499	7	6
500–1000	9	8
Over 1000	8	7
<i>Total annual turnover</i>		
Less than £1m	31	27
£1m to less than £2.5m	15	13
£2.5m to less than £5m	15	13
£5m to less than £10m	17	13
£10m to less than £50m	23	21
Over £50m	12	11
<i>Export intensity*</i>		
Less than 5%	6	6
5% to less than 10%	6	6
10% to less than 25%	9	8
25% to less than 50%	23	21
50% to less than 75%	25	23
75% to less than 100%	39	37

* 5 respondents did not answer this question ($n = 108$).

Firm's knowledge characteristics:

The construct for this dimension was further subdivided into three groups of variables: 1) general export knowledge, 2) objective export knowledge, and 3) market specific export knowledge.

General export knowledge is knowledge acquired through export and other international activities. It has been shown that this general export knowledge, often known as "export experience" positively influences export performance (Miesenbock, 1990). Therefore, the amount of export experience gained in other foreign markets was measured using several dimensions found in other studies: number of years of export experience, export intensity, number of total trade missions the firm has already participated in,

diversification of export sales by country and region. The export experience gained may have led firms to increase their export commitment and to better structure their export activities. It has been demonstrated that firms with an export structure as well as firms that committed more resources to export were more successful (Cavusgil and Zou, 1994). This dimension was measured using the following variables: number of employees exclusively involved with export, presence of an export department, and the participants' perception of the adequacy of resources (financial and human) devoted to export. The last three variables captured the internal constraints faced by international managers as well as the level of support provided for export activities by senior management. Managers' international orientation also positively influences export. Proficiency in foreign languages is a dimension of export orientation which may indicate increased awareness of similarities and differences among foreign partners and openness to export opportunities (Enderwick and Akoorie, 1994). This variable was also used in the analysis.

Objective export knowledge is learned knowledge, often acquired through published material and courses. As suggested by Hibbert (1990), it is important to investigate the amount of effort firms put into the preparation of the trade missions in order to increase their chances of success. The types and intensity of preparatory activities firms were involved in prior to the trade missions were measured through "adaptation of marketing mix" (4 variables), "arranging meetings before departure" (2 variables), and "market language training" (1 variable).

Market-specific experiential knowledge is direct, hands-on, real-life experience with the market. These variables were used to assess whether the firm had already been involved in business activities in the markets. This market involvement would imply that some relationships may already have been established, thus facilitating future transactions. Number of previous visits to the market and presence of turnover in the market captured this dimension.

Market characteristics:

The trade missions targeted a wide range of geographic areas and countries with various levels of

economic development. These are generally closely related to the type of business that can be conducted in the countries. The level of economic development has been measured in terms of GDP per capita and average GDP growth over the last five years. Participation in the trade missions was also associated with costs and subsidies broadly proportional to the distances travelled to each country. These two variables were included in the analysis.

Follow-up activities:

Follow-up activities are instrumental in enhancing market potential (Hibbert, 1990). Louter et al. (1991) stressed the importance of keeping good business relationships with foreign partners and customers, who expect to receive the same quality of service as domestic ones (Levitt, 1983). These follow-up activities were measured by the types of contacts (phone calls, faxes, mail) conducted and planned in the markets from 6 to 24 months after the trade missions took place and the number of follow-up visits conducted and planned in the target market during the same time periods (Crick and Katsikeas, 1995).

Trade mission outcomes:

Wilson and Mummalaneni's (1990) work on buyer-seller relationship development and Seringhaus and Rosson's (1990) study on trade missions, as well as interviews with participants provided the rationale for developing measures of trade mission outcomes. Diamantopoulos et al. (1993) and Seringhaus (1987) suggested that the evaluation of trade missions could include the assessment of the various activities which may eventually lead to sales. These activities consist of contacts, leads, quotes obtained during the trade mission, and shortly after, as well as agents and distributors appointed. In order to follow the development of business in the markets, respondents were asked to report these measures at four different periods in time: during the trade missions, six, twelve and twenty four months later.

Export performance:

Export performance was measured in terms of sales, as stressed by participants and suggested in the literature. A subjective measure of export performance, "acquired competence", was also

used, as suggested by Brezzo and Perkal (1983). This variable is an index measuring the perceived competence acquired by firms during the trade missions in terms of market knowledge and export process skills. Export performance is reported for the same four periods mentioned above and illustrated in Figure 1.

Multicollinearity is a problem that can arise in multiple regression analysis as some of the predictor variables may be highly correlated. In this study, a few pairs of predictor variables have a correlation coefficient above 0.5 as shown in Table III. This may lead to partial regression coefficients that are not estimated precisely or that have the wrong sign. The standard errors are also likely to be high.

However, when the tolerance test was performed with SPSS, all the tolerances were high. This indicates that only a small portion of the variability of the predictor variables is explained by the other predictor variables (Norusis, 1994). As a consequence, multicollinearity should not have an influence in the types of predictor variables included in the models or in the magnitude of their respective coefficients.

4. Findings for period 0

The data were analysed with recursive regressions in order to identify the variables which had the most impact on various stages of the trade mission process throughout the four periods investigated. To this end, the analysis was divided into two parts. The first phase of the analysis consisted of identifying those factors which most influenced trade mission outcomes. This analysis is reported in the present section. These results were then included in the second phase of the analysis, along with follow-up activities, to assess the impact of these variables over time on export performance, thus taking account of likely time lag between trade mission participation and actual impact. The time periods used were six, twelve, and twenty-four months following the trade missions (Figure 1). This analysis is reported in a later section.

TABLE III
Correlation matrix – variables with coefficients larger than 0.5

	EXPREG	SIZEMP	SIZEMP	RESFIN	CNCT0	LEADS0	CNTC	CUMLDS2
EXPCTRY	0.53 $P < 0.001$							
EXPEXP	0.63 $P < 0.001$	0.52 $P < 0.001$						
SIZTURN			0.80 $P < 0.001$					
RESHUM				0.70 $P < 0.001$				
LEADS0					0.63 $P < 0.001$			
QUOTES0						0.57 $P < 0.001$		
LEADS1							0.63 $P < 0.001$	
QUOTES1							0.56 $P < 0.001$	
CUMCNT2								0.73 $P < 0.001$
CUMQTS2								0.54 $P < 0.001$

Impact of the macro and micro environment on trade mission outcomes and export performance

Hypotheses one and two were concerned with the prerequisite characteristics which are most likely to influence trade mission outcomes following trade mission participation. The basis for these hypotheses is that it is the knowledge acquired by firms prior to participating in trade missions, as opposed to company structural or market characteristics, that is most instrumental in predicting successful trade mission outcomes and export performance (Aaby and Slater 1989; Madsen, 1989; Hibbert 1990; Denis and Depelteau, 1985). These groups of variables were tested using a multiple regression analysis. Similar approaches were used by Axinn (1988) and Madsen (1989) to explain variations in the export performance of their samples. The backward elimination method was used to identify the variables that would have a statistically significant influence ($p < 0.05$) on the selected dependent variables – contacts, leads, quotes obtained, agents appointed, and sales

generated during the trade missions. Multiple regression analysis was applied to the logarithmic transformation of the dependent variables *contacts*, *leads* and *quotes* to improve linearity.

The two variables *agents* and *sales* were not normally distributed, so these two variables were tested using logistic regression. Instead of assuming linearity, logistic regression assumes that the data plot would follow a logistic regression curve which is S-shaped. Logistic regression tests the relationship between the independent variables and the probability of the occurrence of an event (Norušis, 1994). For this model, the independent variables have to be dichotomous in nature and can therefore only take the values of “1” and “0”. In the present study, “1” is the probability of obtaining an outcome during the trade missions (i.e. appointing agents or generating sales), and “0” the probability of not obtaining any outcome. The results of these analyses are presented in Table IV.

Table IV summarises the results obtained by applying the linear and logistic models to the data.

TABLE IV
Regression analysis of trade mission outcomes and export performance following participation in trade missions

Independent variables	Dependent variables (Beta coefficients for linear regression and regression coefficients for logistic regression)				
	Trade mission outcomes				Export performance
	Contacts ₀	Leads ₀	Quotes ₀	Agents ₀	Sales ₀
<i>Structural characteristics</i>					
Turnover			0.47 (0.00)		-0.29 (0.02)
Number of employees					0.24 (0.05)
Service					2.42 (0.02)
<i>General export knowledge</i>					
Export diversification – countries	0.42 (0.00)	0.62 (0.00)			
Export diversification – Regions			0.69 (0.00)		
Export experience	-0.35 (0.03)	-0.43 (0.00)	-0.83 (0.00)		0.34 (0.01)
Export departrade missionent	-0.26 (0.05)				
Language proficiency					2.18 (0.02)
<i>Objective knowledge</i>					
Adaptation of marketing mix					-0.59 (0.05)
Pre-arranged meetings		0.42 (0.00)			0.70 (0.02)
Market language			0.39 (0.00)		
<i>Market characteristics</i>					
Trade mission subsidy			-0.29 (0.04)		
Constant	0.70 (0.00)	0.20 (0.11)	0.31 (0.00)		-7.35 (0.00)
Adj. R^2	10%	34%	35%		n/a
Π^2	n/a	n/a	n/a		65 (df: 61)
Significance of F /Change in sd	$p < 1\%$	$p < 1\%$	$p < 1\%$		$p < 1\%$
SE	0.37	0.22	0.21		n/a
N	81	76	72		69

() significance level of the regression coefficients.

For sake of clarity, it only presents the standardised regression coefficients (Beta coefficients) for the linear regression analysis and the regression coefficients for the logistic regression analysis which are significantly related ($p < 0.05$) to the respective measures of trade mission outcomes and export performance.

Discussion of findings for period 0

The above findings indicate that the variables correlated with trade mission outcomes and export performance lend initial support to Hypothesis 1, that firms' knowledge characteristics are more influential than firms' structural characteristics in predicting trade mission outcomes. The dimensions used to investigate trade mission outcomes

and export performance can be classified into two major groups: (1) the variables that measure relationship building (i.e. contacts, leads, agents); and (2) the more tangible measures of export performance indicators (i.e. quotes and sales). Figure 2 is extracted from the framework model in Figure 1. It summarizes the concepts of relationship-building discussed in this and the following sections.

Relationship building

Contacts: *Export diversification*, *export department*, and *export experience* are associated with *contacts*. *Export diversification* is positively related to *contacts*. Firms that have been exposed to the market entry process in various countries

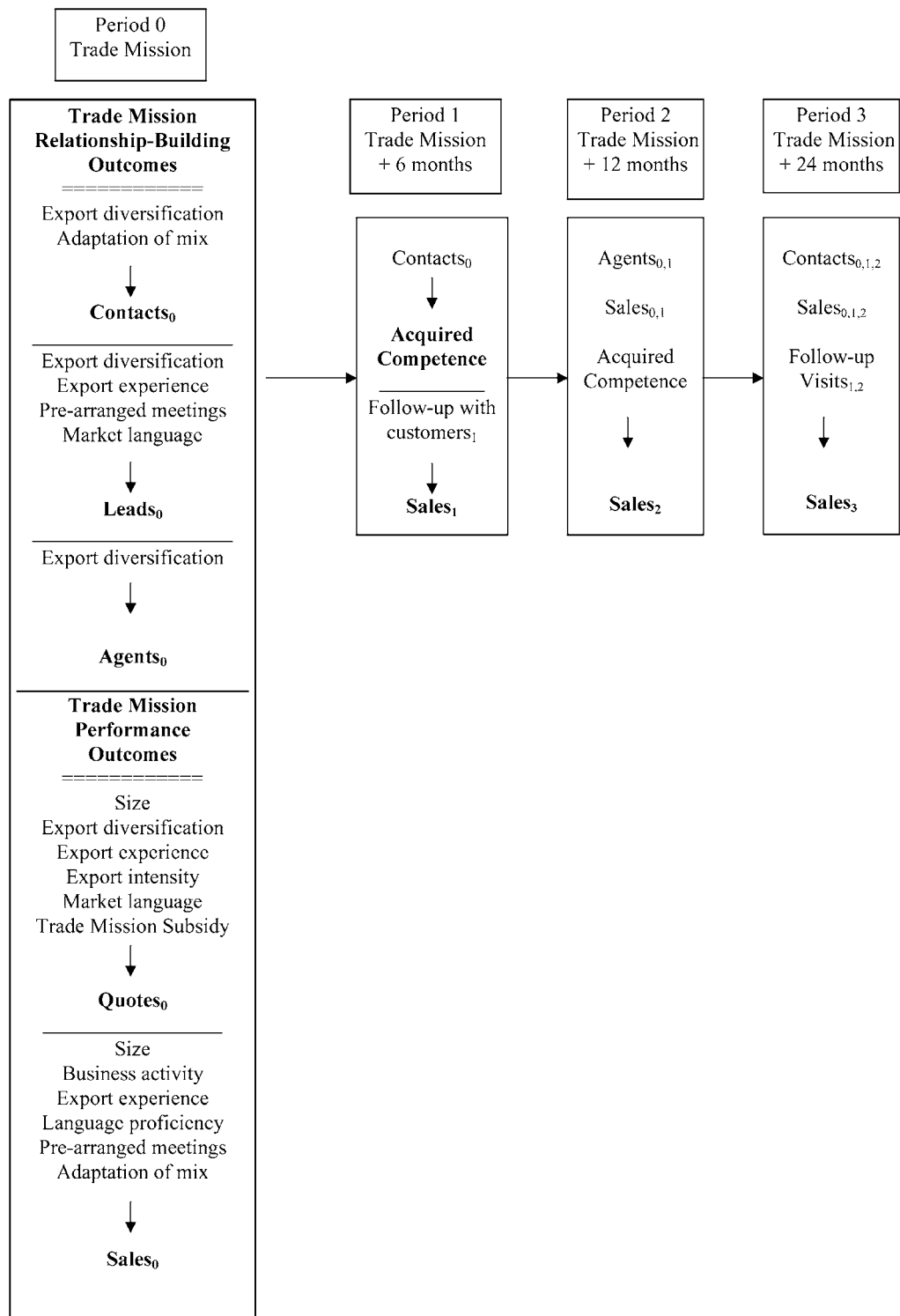


Figure 2. Predictor variables for trade mission outcomes and export performance over time (extracted from Figure 1).

appear to have acquired skills that allow them to obtain relevant and direct information about a market in an efficient way. It may also mean that a pro-active attitude toward exports helps overcome export barriers and facilitate the building of business relationships during trade missions. However, businesses that are successful in obtaining contacts during the trade missions may not need extensive export experience or an export structure. This is illustrated by the negative coefficients associated with the variables *export experience* and *export department*. Less experienced exporters, which may also be less structured, may have been more active in establishing themselves in the markets targeted by the trade missions, which resulted in a greater number of contacts being generated. These exporters may also have been less selective in what they considered to be a contact.

Leads: *Export diversification*, that is previous experience in the export process, and *pre-arranged meetings* with those who influence decisions on agents or potential customers, are positively associated with *leads₀*. This means that firms that show a positive attitude toward exports and that have made some effort prior to the trade mission to meet relevant individuals may be more likely to obtain leads during the trade mission. On the contrary, *export experience* is negatively associated with the variable *leads₀*. This may indicate that firms having more export experience participated in the mission in order to maintain the relationships already established as opposed to building new ones.

Agents: No variable was associated with the variable *agents₀* ($p < 0.05$). This result may be explained by the fact that the number of agents appointed may not be a relevant indicator of trade mission success. During the interviews, participants mentioned that the number of agents needed in a market depended on the geographical size of the market and on market concentration. Furthermore, firms which are better established in the region may already have a network of contacts upon which they can rely. They do not need to expand this network much further, but to increase the co-ordination and integration between members and across borders (Johanson and Gunnar-Mattsson, 1995).

Export performance

Quotes: The dependent variable *quotes₀* is positively associated with *firms' turnover*, *export diversification*, and *proficiency in the target market language*. In other words, during the trade missions, business partners in the target country are more likely to request quotes from larger firms with experience in the export process, and with knowledge of the market language. These results demonstrate that general knowledge acquired by the firm in other markets facilitates the knowledge acquisition processes in new export situations, which supports the findings of Eriksson et al. (1997).

The variable *export experience* is negatively associated with *quotes₀*. The more export experience firms had, the fewer quotes they obtained. This could have been due to the different objectives these firms may have had. Their primary objective may not have been to visit the market to solicit quotes, but to cultivate business relationships, as mentioned earlier. *Export subsidy* is also negatively associated with *quotes₀*, which implies that the larger the subsidy, the smaller the number of quotes obtained during the trade mission. The level of subsidy is generally associated with the expenses incurred in visiting the markets: the further away the market and the more expensive it is to enter, the larger the subsidy granted by the DTI. Among the trade missions investigated, the highest amounts of subsidy were given to visit countries in Latin America. Since these countries are considered to have a high-context culture, establishing business relationships takes time as it is primarily based on trust (Hollensen, 1998). As a consequence, quotes can only be obtained after several visits. *Export subsidy* is also the only variable from the group "market characteristics" which is significant, thus confirming SMEs' flexibility to adapt to their environment and supporting Hypothesis 2.

Sales: Sales during the trade missions are associated with the three groups of variables: *firm's structural characteristics*, *general export knowledge*, and *objective knowledge*. This may imply that firms need to have developed a comprehensive approach to export markets before sales are likely to be generated. The export process needs a systematic and integrated approach in

order to bear results, which takes time. Further analysis, not reported in this paper, showed that companies that had visited the targeted markets prior to the trade missions were more likely to generate sales during the trade missions investigated, thus supporting Wilson and Mummalaneni's (1990) and Eriksson's et al. (1997) models of buyer-seller relationship building and integration of processes.

Broadly speaking, the results in Table IV suggest that firms' knowledge characteristics had a significant impact on the relationship-building variables investigated, while also influencing export performance indicators (quotes and sales). Firms' structural characteristics were only associated with the more tangible measures of trade mission outcomes and export performance (quotes and sales). This may imply that, as the business relationship develops, the buying and selling decision-making processes become more rational. In other words, the trust that develops between business partners is first based on the characteristics of the individuals involved in the negotiation (Ford, 1997). As commitment between the partners increases, tangible evidence to confirm the longevity of the relationship (firms' size, firms' export orientation) becomes necessary.

5. Findings for periods 1, 2 and 3

Impact of trade mission outcomes and follow-up activities on export performance

The second phase of the analysis was concerned with the impact of trade mission outcomes and follow-up activities on export performance, as stated in the third hypothesis. Cumulative outcomes, performance in the previous periods and cumulative follow-up activities up to the period under investigation were entered as predictor variables to export performance (measured in terms of competence acquired during the trade missions in period 1, and sales obtained in the following periods 1 to 3). Table V presents the regression analysis for export performance in periods 1, 2, and 3 ($p < 0.1$).

The independent variables regressed on *acquired competence* were the outcomes obtained during the trade missions (contacts, leads, agents, and sales) and the follow-up conducted in the

market after the trade missions (follow-up with customers and agents as well as follow-up visits). Linear regression was used for *acquired competence* and logistic regression for *sales₁*, *sales₂* and *sales₃* (representing the amount of sales generated 6, 12, and 24 months after the trade missions) as these latter dependent variables had a skewed distribution.

Discussion of findings for periods 1, 2 and 3

Acquired Competence: The adjusted multiple correlation coefficient R^2 for the variable *acquired competence* is 17 per cent. Although the explained variance is small, these results support findings by Denis and Depelteau (1985) who suggest that experiential knowledge acquired in the field through trade missions gives a feel for the market. In turn, this acquired competence seems to influence sales 12 months after the trade missions (*sales₂*). This shows that firms take some time to process the newly acquired experiential knowledge; consequently, this knowledge will generate tangible benefits at a later date.

Sales₁, sales₂ and sales₃: The results for this phase of the analysis are summarised in Table V and illustrated in Figure 2. These results suggest that follow-up in the market is instrumental in turning contacts and leads into sales as already found by Branch (1990) and Hibbert (1990). In the present study, follow-up with customers influenced sales six months after the trade missions.

Besides following-up with customers, it appears important to appoint agents in the target market. *Agents* together with *competence acquired* and *sales* obtained in the previous period are the main predictors of sales obtained 12 months after the trade missions. However, the negative coefficient for the variable *agents_{0,1}* suggests that the quality of the agents appointed matters more than the number of agents in each market.

Twenty-four months after the trade missions, the momentum of sales generation is maintained by keeping a dialogue with influential people in the target markets (*contacts_{0,1,2,3}*), increasing the interdependence of business partners (*sales_{0,1,2}*), and visiting the markets again (*follow-up visits_{1,2,3}*). Although advances in technology facilitate contacts across borders, maintaining personal contact with foreign business partners through

TABLE V
Regression analysis for export performance in periods 1, 2, and 3

Independent variables	Dependent variables – export performance (regression coefficients)							
	Period 1				Period 2		Period 3	
	Acquired competence		Sales ₁		Sales ₂		Sales ₃	
	∃ Coef.	Sign.	Coef.	Sign.	Coef.	Sign.	Coef.	Sign.
<i>Cumulative outcomes and performance</i>								
Leads _{0, 1, 2}								
Contacts _{0, 1, 2}	0.43	0.01					0.08	0.02
Quotes _{0, 1, 2}								
Agents _{0, 1, 2}					-0.45	0.04		
Sales _{0, 1, 2}					0.04	0.06	0.01	0.02
<i>Cumulative follow-up</i>								
Follow-up with customers _{1, 2, 3}			0.61	0.03				
Follow-up with agents _{1, 2, 3}								
Follow-up visits _{1, 2, 3}							0.42	0.07
<i>Acquired competence</i>								
Constant	3.07		-0.67	0.11	-4.3	0.03	-2.25	0.05
Adj. R ²	17%		n/a		n/a		n/a	
Π ₂	n/a		67 (df: 50)		39 (df: 40)		53 (df: 48)	
Significance of F/Change in sd*	< 1%		p < 5%		p < 0.1%		p < 1%	
SE	0.84		n/a		n/a		n/a	
N	52		52		44		52	

* sd: Scaled Dev.

visits to the markets remains a necessity (Axelsson et al., 1992; Crick and Katsikeas, 1995).

These results appear to indicate that there was an evolution in the factors influencing sales over the three periods investigated. They also demonstrate that follow-up in the market is instrumental in turning contacts and leads into sales as found by Hibbert (1990). This supports Hypothesis 3.

6. General discussion and conclusions

Variables influencing trade mission outcomes and export performance

General export knowledge acquired through export diversification:

General export knowledge acquired through export diversification, export experience, export structure, and proficiency in foreign languages influenced both the relationship-building and performance measures of the model. Firms that

had actively diversified their export markets and that benefited from managers' language skills displayed a more pro-active behaviour when searching for new international opportunities. As a consequence, these firms may have been more efficient during the trade missions, which resulted in additional trade mission outcomes. The negative relationship between export experience and export department (when associated to all the measures of trade mission outcomes) may indicate that the firms' and the managers' attitudes are more instrumental than the length of export involvement or the way the firm is structured for export when it comes to achieving positive tangible results from trade mission participation.

Language proficiency (which does not necessarily imply proficiency in the language of the market visited) was also a measure of general export knowledge. Language proficiency positively influenced sales. Foreign language education brings an awareness of foreign cultures as well as greater exposure towards cultural differ-

ences and how to deal with them. As a consequence, executives with some knowledge of foreign languages may be perceived as more understanding and eventually obtain sales more easily (Swift, 1990). These findings, relevant to the acquisition of general export knowledge, are consistent with past research in that they support the fact that general export knowledge can provide the basis from which further international activities may benefit through knowledge transfer (Eriksson et al., 1997; Johanson and Vahlne, 1977).

Objective knowledge acquisition prior to the trade missions

Objective knowledge acquired about the market before the trade missions influenced all the relationship-building and performance measures except *agents*. More specifically, *leads* and *sales* were likely to be facilitated during the trade missions when meetings were arranged prior to the trade missions. Another variable from the objective knowledge group (i.e. adapting the marketing mix before the trade missions) also influenced the acquisition of sales during the trade missions. This adaptation of the marketing mix may be no more than selecting from the firms' range of products or services those most adapted to customers' needs and the level of development of the country. Knowledge of the market's language positively influenced the acquisition of quotes during the trade missions. This is supported by previous research (Enderwick and Akoorie, 1994; Swift, 1990), implying that knowledge of the market language is linked to a better understanding of the way business is conducted in the country, and therefore leads to greater success. Foreign language proficiency facilitates communication and socialisation and has been described as "the oxygen which allows an outsider to explore the undersea culture of a new and foreign environment" (Swift, 1990, p. 26).

This group of variables measuring firms' objective knowledge acquisition prior to the trade missions demonstrated the importance of showing interest in the target markets and committing resources to it, even before the full potential of the market can be assessed. Showing commitment and committing resources can be perceived by foreign business partners as a genuine will to proceed with more tangible transactions.

Experiential knowledge generated prior to the trade missions

Unexpectedly, the overall model of trade mission outcomes and export performance was not influenced by the variables measuring experiential knowledge. However, further analysis into differences in behavior between firms which had previously visited the market and those which had never visited it showed significant differences in trade mission outcomes and export performance among the two groups (see Spence and Crick, 2001 for further details).

Firms' structural characteristics

The group of variables measuring firm's structural characteristics influenced the acquisition of *quotes* and *sales* during the trade missions. This implies that firm's size, when measured in terms of turnover and number of employees, has an impact on the more tangible measures of trade mission outcomes *quotes* and export performance *sales*. These findings contradict previous studies that demonstrated that firms' size did not have an impact on export performance (Czinkota and Johnson, 1983; Culpan, 1989). However, this discrepancy could be explained by the very context of the present research; firms tend to use trade missions in the early stages of foreign market involvement. In this context, the factors that foreign business partners use to evaluate U.K. exporters have to be objective (e.g. size, turnover) and readily available from any local or international sources as experience between the partners is still limited.

Market characteristics

Trade-mission subsidy influences *quotes* negatively, which was unexpected. Larger subsidies are generally related to more distant countries. In the context of this study, the larger subsidies were offered for countries in Latin America. In such high-context culture, business relationships follow a lengthy courting stage during which trust is being developed. It is only after this time consuming process that quotes may be requested (Hollensen, 1998). This highlights the importance of looking at export performance over time when evaluating export promotion programs. The next section precisely looks at the impact of lag time on export performance.

Impact of lag time on export performance

The findings related to the impact of lag time on export performance indicate that there is an evolution in the factors that influence sales over the three periods (0 to 6 months, 6 to 12 months, and 12 to 24 months).

Six months after trade missions

The perceived competence acquired during the trade missions and reported six months after was influenced by the contacts established during the events. Although the variable *contacts* explained only 10 per cent of the variance in the acquired competence, it supports previous findings that showed the importance of physical presence in the markets (Axelsson et al., 1992; Denis and Depelteau, 1985; Turnbull, 1990). As one respondent explained, trade missions provide “real contacts, face-to-face. We see people and the way they work. There is no substitute for going there.” Therefore, the experiential knowledge gained through the trade missions developed firms’ competence in the targeted markets in the first six months.

The sales obtained six months after the trade missions were influenced by the follow-up conducted with customers. The findings show that some of the exporting SMEs have already had an established business relationship with customers or agents in the markets. The firms’ presence in the countries, in addition to the follow-up conducted, could have been the positive stimuli that triggered sales rapidly. These findings show the importance of business travel in generating tangible export outcomes from foreign markets.

Twelve months after trade missions

Sales obtained six to twelve 12 months after the trade missions were predicted by: (1) the agents appointed in the previous periods; (2) the sales obtained in the previous periods; and (3) the competence acquired during the trade missions. The agents who were appointed during the trade missions or in the first period began generating sales in the six to twelve months following the trade missions. These outcomes were likely to be influenced by regular contacts with the agents, which in turn resulted in increased commitment and sales. Furthermore, by the end of period 2,

firms had time to “internalise” the experience acquired during the trade missions. As a consequence, they became more efficient in the markets. This “internalisation” could explain the influence of acquired competence on the sales obtained up to 12 months after the trade missions.

Twenty-four months after trade missions

The sales obtained in the markets in period 3 (12 to 24 months after the trade missions) were influenced by additional visits paid to the markets and by the contacts and sales acquired in the previous periods. This demonstrates that maintaining the momentum in the business flow from foreign countries is enhanced by personal visits as well as by keeping the dialogue open with various business persons in the market, as already demonstrated by Axelsson et al. (1992) and Style and Ambler (1997). Maintaining good relationships with the business partners also increases the mutual commitment of the partners as suggested by Campbell (1990), Davis (1995), and Wilson and Mummalaneni (1990).

Research contribution

This study contributes to the export literature by investigating the impact of overseas trade missions on export success, a topic generally overlooked in the past. It provides empirical evidence of the importance of such programs in building experiential knowledge among small exporters. The study fleshes out a model of trade mission outcomes and export performance over time in connection with the relationship-building dynamics between buyers and sellers in an international context (Figure 2). The rationale for a longitudinal design was that firms need time to “internalise” the experience gained from government programmes and translate this experience into positive actions to improve their conditions and obtain tangible results in foreign markets as suggested by Hibbert (1990).

Implications for management

Showing an understanding of the market and of customers’ needs is the basis of marketing. In international marketing, however, no decisions should be made without having acquired cultural

insights about the countries in which business is being conducted, as confirmed by this study. Acquiring objective knowledge about the market prior to the trade missions is instrumental in presenting an appropriate range of products together with promotional material to which potential customers can easily relate. It also shows commitment to the market.

Furthermore, arranging meetings with potential business partners before the event is of the utmost importance to start the relationship-building process. In other words, the success of trade mission participation is predicated on thorough and targeted research conducted prior to the event. The relationship-building efforts should be maintained once the event is over to strengthen commitment between partners and deepen the executives' understanding of business practices in the country.

Implications for public policies

Trade missions should be considered as a regular component of the firms' export marketing plan, given the impact of trade mission participation on knowledge acquisition, relationship-building between foreign buyers and sellers as well as sales. Consequently, visiting the market through trade missions should not be considered as a one-off event. However, the use of trade missions should be carefully targeted at new foreign-market entries, to facilitate the implementation of internationalization strategies in the early stages of market development. Due to the importance of face-to-face interactions with foreign business partners, follow-up visits, even if not subsidised, should be included in the market expansion strategies of targeted countries. However, these findings should not preclude the use of technology to confirm firms' presence in international markets. Regular contacts with foreign partners with conventional means of communication should be used to reinforce prior contacts.

The results of this study demonstrated that past general export knowledge had a significant positive impact on all the measures of trade mission outcomes and export performance selected. Although trade missions facilitate market entry, they do not seem to attract non-exporters. Only six of the respondents in this research

qualified as non-exporters. This confirms previous studies, which demonstrated that export promotion programs' awareness among non-exporters is particularly low and targeting of participants could be improved (Crick, 1995, 1997; Moini, 1998; Seringhaus and Rosson, 1990). Public policies should therefore encourage non-exporters to venture into foreign markets through appropriate programs that would reduce perceived barriers to export. Closer relationship between government agencies and SMEs should therefore be established.

Several studies demonstrated that the acquisition of foreign languages would enhance export performance (Enderwick and Akoorie, 1994; Enderwick and Gray, 1993; Swift, 1990; Walters, 1990). Providing incentives to expand the knowledge of foreign languages for exporters would also increase the awareness of foreign cultures and provide a better understanding of cultural differences. This would help SMEs to become more competitive as these firms tend not to make use of their competitive advantage, that is flexibility, when dealing with foreign markets (Crick and Katsikeas, 1995; Seifert and Ford, 1989). A more thorough understanding of foreign cultures could lead to the development of products and services which would better fulfil foreign customers' needs and the implementation of more suitable strategies for overseas markets.

Limitations and suggestions for further research

This study had to be limited in scope, particularly in terms of the selection of explanatory variables. Other variables which could have been relevant include proprietary technology, innovation processes, and effectiveness of the management team. They should be investigated in the context of their impact on trade mission outcomes and export performance.

This study was also limited to the investigation of trade missions organised in the U.K. by one sponsor only. Further research should investigate the impact of trade missions organised by various sponsors in the U.K. as well as governments in other countries. The organisation and objectives of the trade mission scheme vary between countries to a certain extent. Comparing and contrasting the various methods used to organise trade

missions across a number of countries and evaluate their performance would contribute to the advancement of knowledge in this area.

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