

Relationships Between Firm Characteristics and Export Constraints in SME Exporters

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Abstract

This article presents results of an exploratory nationwide survey of 124 manufacturing companies in Zimbabwe involved in exporting all over the world that was undertaken during the last quarter of 1999 and first quarter of 2000. It focuses on the relationship between firm characteristics of manufacturing exporters and constructs that define factors constraining export growth and competitiveness. Zimbabwe's export growth has fallen by 7.2% over the past two years because of a politically induced economic crisis. The study concludes that Zimbabwe's exporters are essentially small to medium and that size, experience, and risk aversion are the characteristics that strongly contribute to perceived constraints. It observes five constructs underpinning the current constraints to growth and competitiveness. These are inadequate experiential knowledge, inadequate technical skills, uncompetitive pricing, operational capacity, and an unsupportive business environment. Scrutiny of the constraint constructs shows that organisational characteristics explain both exporter weaknesses and their strategic shortfalls. The study concludes that, while a politically induced economic crisis has significantly contributed to the current decline in exports, corporate weaknesses and strategic inflexibility worsen the poor performance.

Introduction

Exporting is one of several ways in which a company can internationalise its operations. The commonest external market entry option for companies in less developed countries (LDCs), in comparison with other alternatives, is to export from the home factory. Other alternatives of internationalising operations involve establishing sales offices in export destinations, establishing strategic partnerships or joint ventures with companies in target foreign markets, taking advantage of the familiarity they already have with their markets, establishing subsidiaries in target markets, or moving entire production processes into the target markets. While the latter three strategic options are not common for Zimbabwe's exporting companies, the first two approaches are commonly in use. It is argued here that, in order to overcome factors constraining exports in a depressed economy, there is need to understand two fundamental issues, namely:

- a. how organisational and behavioural characteristics influence export constraints; and

- b. the level and depth at which organisational and behavioural characteristics interact with factors constraining export growth and competitiveness.

Literature Review

Motivating factors to enter or expand exports are different for each company, depending on export behaviour, commitment, and the priorities of different exporters. In addition, organisational characteristics play a significant role in determining the success or failure of a company's export efforts. The relationship between size and export performance is one of many relationships that have been extensively studied, although there has not been any definitive conclusion on the issue (Moini 1995). Bonarcossi (1992) notes that there is a clear and strong explanation for the relative weakness of small firms in international markets. Most companies that export soon after establishment have been found to be small. According to a study of Zimbabwe's textile and clothing exporters, newly established manufacturers start exporting early in their life, as opposed to large established companies that have a strong domestic presence (Muranda 1999).

Export experience has also been noted in defining behavioural tendencies among exporters. Kaynak and Kothari (1984) and Karafakioglu (1986) have observed that domestic market orientation is a major obstacle to a firm's involvement and commitment to exporting. Similarly Madsen (1989) concluded that there is a negative relationship between the attractiveness of the domestic market and export growth. Nevertheless, with increasing export experience, firms are likely to be less uncertain in their export activities, have a better understanding of foreign market mechanisms, develop a network of personal contacts and customer relationships abroad, and, consequently, design and implement effective export marketing programmes. In Katsikeas and Piercy's (1990) view, where there is an opportunistic and non-methodical approach to exporting, there is likely to be an adverse effect on development of experiential knowledge on exporting.

Research has noted that both structural and psychological barriers inhibit companies from exporting. For example, Leibold (1984) observed this phenomenon in South African exporters. In a review of factors considered barriers to exporting by Brazilian firms, Da Rocha and Christensen (1994) grouped these factors into five categories: national export policies, comparative marketing costs, lack of export commitment, exogenous economic constraints, and competitive rivalry. They went on to conclude that obstacles to exporting tended to be related to stages in the export adoption process.

Agrawal and Kamakura (1999) have noted that country of origin has a significant influence on consumers' evaluations of products. Consumers have been observed to use country of origin as an extrinsic cue to make

decisions about quality of products. If consumers hold a positive (negative) product country image for a given product and country, this image could lead to a generalised positive (negative) evaluation and attitude towards all the brands associated with a country. In their observation such a country of origin-based equity might even extend to other product categories due to stereotypical bias.

Research has also noted that gray marketing presents both opportunities and constraints to exporters. Gray marketers are brokers who buy goods in an alternative market where there is a price advantage, either from a manufacturer or an authorized dealer, and import them into a country where prevailing prices are higher (Cavusgil and Sikora 1988). Gray market importing takes several forms, all with nearly the same effect. Common effects are reduced or cannibalised sales for the manufacturer in countries where prices are higher, and jeopardized relationships with authorised distributors who possess contractual rights for their markets (Assmus and Wiese 1995). Myers (1999) observes that gray markets thrive on wide spreads in effective prices between markets. They also thrive on improved information exchange, which has become increasingly affordable and allows distributors to take advantage of arbitrage situations between markets (Assmus and Wiese 1995, Duhan and Sheffet 1988). Suppliers also sometimes take advantage of gray markets to increase export sales. As Da Rocha and Christensen (1994) observed, it is not so much a matter of which obstacles are perceived as important by exporters, but rather a question of whether it is possible to affect managers' perceptions of barriers to exporting and how those changes affect future export performance.

Methodology

This article is a result of a sectorial survey covering manufacturing exporters in Zimbabwe that was conducted during the last quarter of 1999 and early 2000. Study variables tested in this research were derived from relevant literature based on export studies and common experiences in other countries and Zimbabwe.

Significance of This Study

This study addresses one of the most significant areas in relation to the future economic development of Zimbabwe. For a long time, businesses in Zimbabwe have focused on the domestic market, paying little regard to opportunities in international markets. The manufacturing sector is no different. Consequently, the sector has seriously suffered loss of domestic market due to depreciating purchasing power yet ironically some firms have remained intransigent in the face of losses.

Sampling

All managers interviewed in this study were from Zimbabwe's manufacturing sector. The purpose behind selecting a single industry was to minimise sample heterogeneity, which could significantly diminish the power of empirical findings and study implications. The general population was 461 firms. The sampling frame was derived from the Zimtrade¹ database.

For a firm to be part of the sample it had to fulfil the following criteria:

- i. A manufacturing firm exporting directly to its client(s) in another country or countries; and/or
- ii. A manufacturing firm exporting through an agent and/or distributor and/or some such other intermediary to another country or countries; and/or
- iii. A manufacturing firm with a subsidiary in a foreign country or is in a joint venture with a manufacturing partner, or has a sales office in a foreign country through which it exports.

When the above criteria were applied to the 461 companies, only 200 companies emerged as the target population. Although all 200 companies involved in exporting at the time of the study had been targeted as the study sample, only 124 participated in the study. The *response rate* in this study was therefore 62%. The other 38% advanced various reasons such as company policies on nondisclosure in their refusal to participate.

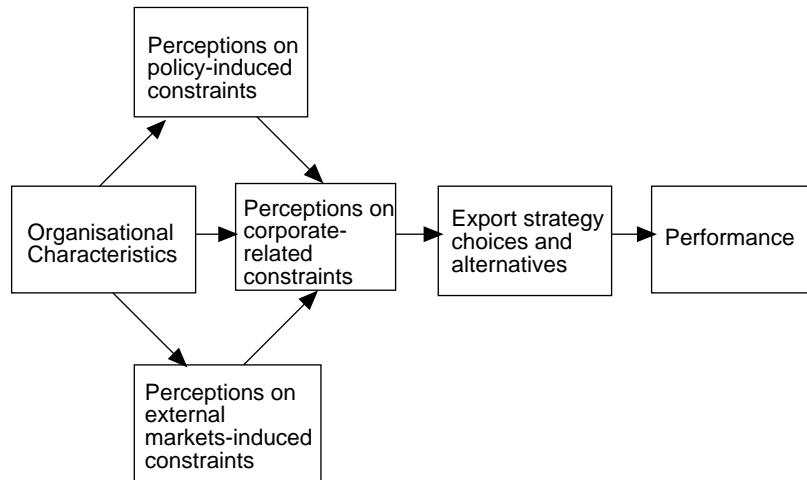
Data Collection

A structured questionnaire was used to collect data. Interviews were conducted over a period of four months, with each interview lasting approximately 45 minutes to one hour. Companies interviewed were located in different towns in the country. Respondents interviewed in the study were either chief executives officers or marketing executives involved with export operations of the company. On a few occasions, interviewees were executives in production or finance who were in control of export operations. Attention was paid to identifying the most knowledgeable individual in the firm to provide the required information. First, questionnaires were sent to the companies to be involved in the study. This was followed by a telephone call to each company, seeking an appointment. Secondary sources provided substantial background information for the study.

Model

The model used was as shown in Figure 1 below.

1. Zimtrade is Zimbabwe's export promotion agency. Government and the private sector jointly finance it. All exporters in Zimbabwe are registered with the agency.

Figure 1: Model

The model postulates that organisational characteristics influence perception on policy-induced constraints and external markets-induced constraints. Both policy-induced and external markets-induced constraints tend to shape and influence formation of corporate perception of what constraints affect its performance. It is the perceived corporate constraints that directly influence export strategic choices and behaviour in the market. The outcome of direct influence by corporate-perceived constraints is determination of performance. The thesis in this model is that organisational characteristics underpin a convergence of policy-induced and external markets-induced constraints. The convergence shapes corporate perspectives on constraints, determines strategies to deal with the constraints thus determining export performance. Indeed in LDCs where most exporters are small by global standards and constraints to exporting abound both at home and in the end markets, this model attempts to reflect that scenario.

Analysis and Presentation

Analysis of results in this article is mostly focused at firm level with generalisations at sector-level and utilises a two-stage approach that uses both qualitative and quantitative approaches. The first stage is a qualitative analysis of organisational characteristics, while the second stage uses Factor Analysis (Principal Components Method) in analysing constructs underpinning factors constraining export growth and competitiveness. Results from the two approaches are combined in discussing conclusions, practical implications, and suggested future research direction.

Results and Discussion

Organisational and Behavioural Characteristics

Firm Size

Small-scale manufacturers dominate the size composition of Zimbabwe's manufacturing exporters. Such dominance has not been reflected in policy prioritisation, leaving small manufacturing exporters subject to the same treatment as the large manufacturer despite obvious differences in capacity to respond and adapt. Although Zimbabwe's manufacturers export a wide diversity of products, such diversity is still not fully reflected in value-addition. Up to 25% of manufacturing exporters in this study report that they export unfinished products. Exporters admit exporting unfinished products is less profitable but better than turning down the orders. In the current study, 62.1 percent of exporting manufacturers are small (<49 – 249 employees) when employment levels are used as the size parameter (See Table 1). The size distribution of the exporters also shows an unbalanced triad dominated by small manufacturing exporters (See Figure 2).

Figure 2: The Size Triad



While in the past there has been clear duality in size distribution, such duality seems to be disappearing into a three-way scenario, which calls for policy sensitivity to the emerging situation. Medium size manufacturers seem to be sparsely distributed between the small and large manufacturers which implies their response to policy initiatives may not be as pronounced as that of the other two groups yet still they need an extra push to graduate into the large manufacturing and possibly large exporter group in future. It is worth noting that the largest number of exporters, constituting 22.6% (modal group), is in the category with 50-99 employees, emphasizing the dominance of small manufacturers in Zimbabwe's manufactured exports.

Table 1: Company Sizes Based on Employment Sizes

Employment level	No. of Companies in category	%	Size category
<49	14	11.3	SMALL (62.1%)
50-99	28	22.6	
100-149	16	12.9	
150-199	13	10.5	
200-249	6	4.8	
250-299	11	8.9	MEDIUM (21.7%)
300-349	5	4.0	
350-399	6	4.8	
400-449	1	0.8	
450-500	4	3.2	
501>	20	16.2	LARGE (16.2%)
Total Sample (n) = 124			

Establishment

The establishment pattern of manufacturing companies in Zimbabwe is testimony to the necessity of urgently stabilizing the current economic situation and push for goal-oriented policies. In this study, the oldest manufacturer was established in 1898. While it is justifiable to conclude that the overall establishment pattern has tended to be associated with relative political and economic stability in the country, specific periods and concentrations have different explanatory backgrounds. Establishments of 1945-1951 are associated with the end of the Second World War and subsequent investment. Establishments of 1957-1960 were more a result of relative economic stability during that period. Although 1971-1979 was a politically unstable period, the industrial policy of import substitution boosted the establishment of manufacturing companies. There is, therefore, a great amount of motivating influence in policy, provided there is a clearly calculated outcome in the policy. The last distinct period that had relatively many establishments was 1986-1990. This period had an average economic growth rate of at least 4%, which could explain the many new companies that were established.

Experience

58.1% of manufacturing exporters in this study had less than 10 years exporting experience, while up to 33.1% had been exporting in the last six

to ten years. By implication, a large proportion of exporters are still to acquire adequate experience in the export business. The pattern of low experience appears to have been influenced by the period of establishment. A large proportion of manufacturing exporters with less than 10 years experience was established during the late eighties and early nineties. These young manufacturers, unlike old manufacturers, immediately ventured into exporting. There is, thus, some preparedness to take risks by management in newly established manufacturing companies. Secondly, the loss of markets for imports that occurred in the early 1990s could have forced young companies to venture into exporting.

Meanwhile, management in well-established companies has remained sceptical of the viability of exporting. There is, therefore, low motivation and commitment to service the export market among well-established companies, compared to the young companies. Proactive decisions and motivation to export are associated with and observed more in the management of young companies than in old companies.

Table 2: Exporting Experience

Experience (Years)	No. of Companies	%
<1	3	2.4
1-5	28	22.6
6-10	41	33.1
11-15	20	16.1
16-20	13	10.5
21-25	7	5.6
26-30	5	4.0
31-35	1	0.8
36-40	3	2.4
41-50	3	2.4
>51	0	0
Total Sample = 124		

Ownership

The pattern in Zimbabwe's manufacturing sector shows dominance of family ownership. Family ownership constitutes 31.5% of the sample in this study, making it the largest category. While all other forms of ownership show no peculiar trends in terms of company size, 26.6% of family manufacturing exporters are small enterprises. Family owned companies are not prepared to lose their investment through engaging in external markets.

At least, 48.4% of companies in the study have changed ownership at some point in their life span. Of interest, however, is the fact that, of the 57 companies that reported change of ownership, in 43 cases (75% of cases that reported ownership change), change was in the last ten years, i.e. 1989-1999. Close observation shows that change of ownership is closely associated with new attitudes and perception to exporting. Most of the companies that changed ownership in the last ten years entered exporting soon after the change, although exporting had not been a priority prior to the change.

Risk Aversion

Results in this study show that the engagement of new management, with a clear mandate to venture into exports, has, in most cases, produced positive results. Assessment of risk associated with exporting appears to differ depending on length of time management has been in charge of the firm(s). Old management, used to operating in the domestic market, tends to be averse to risk. If anything, one of the commonest comments made by management during the conduct of this study is that long-serving managers are a serious internal impediment to seeking export business. This risk aversion tendency has seen companies with "old stock" management failing to seek export opportunities. For instance, in 45% of the responding companies, export operations were directly under the control of the Chief Executive. This situation arose more out of a lack of trust and confidence in junior managers rather than because junior managers lacked the necessary expertise.

There is a consistent pattern by Zimbabwe's manufacturing exporters to target markets of comparable size disproportionately, especially African markets or economically weaker markets. Apparently, this is a deliberate strategy based on the assumption (or rather perception) that manufactured exports stand a better chance of penetrating or establishing long-term markets in par or weaker destinations. Of the top ten most frequented markets by Zimbabwean manufacturing exporters, only Kenya and the United Kingdom are not within the Southern Africa Development Community (SADC) regional block or close neighbours. This is despite the fact that, in terms of revenue, the neighbouring markets are no more important than the few commonly frequented developed markets. In interviews, managers were asked whether, if given a choice, they would prefer focusing on developed markets or developing markets or balance their choice of destinations. Responses show that 40.3% preferred developing markets, while 21% preferred developed markets. The remaining 38.7% preferred to balance their market portfolio.

Reasons given for preferring developing markets were that: (a) developing markets are more lucrative than developed markets; and (b) targeted

developing markets are closer to home. On the first reason, a perception prevalent among exporters in Zimbabwe is that buyers from developed markets believe in buying their products cheaply. The approach of buyers from developed markets is that local exporters are "inferiors" and, therefore, can be pressured to reduce their prices considerably. The power relationship in the negotiating process is, therefore, in favour of buyers. Because of the power imbalance, management in exporting companies avoid such clientele.

The second reason is based on the belief in psychological distance between the exporters and export destination. Exporters believe there is more business and security in exporting to close markets. Hence the common insistence by Zimbabwe's exporters that they would like the South African market to be more open for their products. This attitude appears to be a product of lack of confidence than lack of viable alternative markets. It also shows the risk aversion tendency observed above.

Growth and Competitiveness Constraints

Principal Components Analysis

Calculation of correlation coefficients among the 21 export constraints tested indicated no strong correlation among individual factors thus warranting proceeding to the next stage without eliminating factors at this stage. Principal components analysis with varimax rotations was used to investigate the underlying constructs among the factors. Analysis led to extraction of five factors. Varimax rotation uses a conservative method for estimating commonality by means of the square multiple correlation in the diagonal of the correlation matrix. The five extracted factors account for 57.3% of the variance in these factors. Selection of factors was based on an eigenvalue of ≥ 1 . Cronbach's alpha was computed as the measure of internal reliability of the constraint items. All scales had a Cronbach alpha greater than 0.50, which corresponds to Nunally's (1967) threshold level of acceptable reliability for exploratory research. Table 3 presents results of principal components analysis.

Factor 1 clustered five items, i.e. lack of knowledge in generating exports, lack of knowledge on potential markets, lack of knowledge on assistance or incentives available, lack of knowledge on distribution channels, and lack of expertise/untrained staff. The construct underpinning the five variables appears to be inadequate export experience. Factor 1 will be labelled "experiential knowledge". Inadequacy of experience is observed in the fact that most exporters have only been into exporting in ten or less years. This construct strongly corroborates results on experience above. The construct explains important behavioural tendencies among Zimbabwe's manufacturing exporters that need review. As explained under risk aversion, the current profile of Zimbabwe's export destinations shows 57% are

Table 3: Factor Analysis Table on Constraints to Exporting

Constraints	F1	F2	F3	F4	F5	Commonality
High tariff/non tariff barriers	.08428	.25958	.22359	.19130	.58990	.050906
Lack of government assistance/incentives	.09592	-.17266	.23163	.09165	.72690	.62944
Restrictions on rules of origin of inputs	.40090	-.03284	.40264	.39712	.22805	.53363
High risks involved in selling abroad	.45982	.16234	.13910	.15547	.31002	.37742
Insufficient production capacity	.29093	.28553	.28981	.58830	-.18554	.63068
Lack of top management commitment	.20520	.48308	.01308	.53694	.10921	.57588
Lack of capital/credit to finance exports	.12243	.20801	.04809	.74014	.25364	.67270
Satisfaction with domestic market	.12543	.58670	.11111	.25433	.11748	.45078
Difficulty with handling domestic market	.11714	.63439	.10420	.11154	-.00777	.43953
Lack of knowledge on generating export	.65744	.50739	.13903	.01926	-.02739	.71012
Lack of knowledge on potential markets	.80801	.15378	.13156	.00944	.00884	.69400
Lack of knowledge on assistance available	.74556	-.00817	.04971	.29901	.09531	.65689
Lack of knowledge on distribution channels	.70576	-.07561	.01695	.39120	.14726	.67883
Lack of expertise/untrained export staff	.66729	.33869	.14929	-.00845	.12982	.59920
Inability to offer after sales service	.49736	.30019	.06837	.18643	.17597	.40788
Inability to offer competitive prices abroad	-.01365	.29363	.64796	.17075	.20111	.57585
High transport/shipping costs	.12235	-.04228	.77283	.00756	.11321	.62690
Strong foreign competition	.20368	.34807	.58255	.03407	.30326	.59514
Differences in language/culture with market	.43588	.30529	-.28397	-.21627	.44418	.60791
Different product standards with market	.30792	.42071	.12787	.06726	.41563	.46544
Poor technology	.40584	.38758	.42194	.21306	-.22836	.59050
Eigenvalues		6.71548	1.71677	1.39274	1.13804	1.06472
% of variance explained	32.0	8.2	6.6	5.4	5.1	57.3
Coefficient alpha		.8293	.6184	.6677	.6514	.5201

- a. Principal components analysis with varimax rotation, converging in 12 iterations.
- b. Items with factor loadings >.50 were used to represent each dimension of export constraint.
- c. Number of factors in Table is 21.
- d. Items in the table were rearranged to place close to each other under the appropriate factor those items with factor loadings greater than or equal to 0.50. The arrangement in the Table is therefore not the one that was in the questionnaire.

Factor names

Factor 1= Experiential knowledge

Factor 4= Operational capacity

Factor 2= Technical skills

Factor 5= Operating environment

Factor 3= Pricing

developing countries, while 43% are developed countries. There is a higher transaction frequency between Zimbabwe and other developing countries, although a larger proportion of exporters' revenue in terms of total value contribution comes from developed countries. The apparent contradiction or inverse relationship between higher transaction frequency with developing economies but lower revenue receipts from the same market block is a result of transaction sizes and quality of transactions. While there is higher export/import frequencies between Zimbabwe and its developing country counterparts, the transactions are much lower in size than with developed market clients.

Developing countries that are currently being targeted by Zimbabwe's exporters are mainly neighbouring markets or other distant destinations of comparable size. Most finished exports are destined for developing markets, while semi-finished exports are destined for developed markets. Potential markets for products with appreciable product value addition commonly targeted by manufacturers are developing markets. Most exporters seem to be deliberately limiting their focus to only these markets thus creating a knowledge and experience gap on opportunities in potential markets. Results in the study reveal a strong tendency toward preferring direct exporting by manufacturers. Nineteen percent of the respondents have sales offices in their export markets. Table 4 shows the distribution of sales offices in the export markets.

Table 4

Country	Count	%
South Africa	12	29.3
Malawi	9	22.0
Zambia	7	17.1
Botswana	5	12.2
Mozambique	5	12.2
Namibia	2	4.9
Tanzania	1	2.4

Source: Survey results

Results show a trend in which higher export business is generated in markets hosting more sales offices. As Table 4 shows, more manufacturers have sales offices in South Africa than any other market. Apparently no manufacturing exporters maintain sales offices outside the SADC regional market. Fifty-three percent of Zimbabwe's manufacturing exporters use agents and distributors as market channels. An analysis of the markets in

which exporters use agents and distributors shows similar trends of concentrating marketing effort on neighbouring markets. Use of agents and distributors shows Zambia, Malawi, South Africa, Botswana, and Mozambique constituting 66.4% of the responses. While there are no sales offices located in developed markets, agents and distributors are widely used in UK, Germany, USA, Australia, France and Sweden. A negligible proportion of exporters deal directly with the end users and this is confined to exporters of very expensive equipment. One of the difficulties disclosed by exporters in this study is selecting and retaining trustworthy agents and distributors. Sometimes agents and distributors have abandoned exporters or enforced contract terminations without a convincing explanation.

The discussion of Factor 1 above shows inadequate export experiential knowledge is a multifaceted construct that is strongly loaded on lack of knowledge of potential markets and the opportunities. However, when consideration is made of the fact that most of Zimbabwe's manufacturing exporters are small-to-medium and most entered exporting soon after establishment, then it becomes clear why there exists such a knowledge gap.

Factor 2 links three items, i.e. satisfaction with domestic market, difficulty in handling export documentation, and once more lack of knowledge on generating export business. It appears the clustering centres around insufficient technical know-how essential for exporting. Factor 2 will be labelled "technical skills". Although not directly captured in this factor, exporters also reported inadequate knowledge and resources to conduct market research. As a result of inadequacies in the above areas, exporters have sometimes been hesitant to enter some markets despite there being opportunities. Market entry with inadequate knowledge can result in a two-fold scenario, i.e. either the company takes a lot of flogging from competitors without being fully prepared to respond resulting in unplanned withdrawal and heavy losses or the company embraces wrong partnerships in the market, especially unscrupulous agencies or distributors leading to costly terminations of contracts and losses. Due to various types of risks that accompany external trade, it is essential that the exporter conducts due diligence to assess potential markets in terms of revenue, profitability, competition, risks, distribution networks, pricing, etc. Use should be made of information databases in the country to assess viability of markets before committing resources. Use should also be made of facilitating agencies, e.g. Zimtrade, customs, and foreign missions to sharpen exporters, technical skills related to export operations in specific markets. Lack of technical knowledge appears to be a constraint common with small-to-medium exporters. In this study the constraint appears to have been mainly reported by this group of exporters. In addition there are large inexperienced exporters who also reported the problem. The difference in these two groups lies in

the fact that large inexperienced exporters engage forwarding agencies to handle paperwork especially customs documentation while the small exporter does it alone.

Factor 3 links high transport/shipping costs, inability to offer competitive prices, and strong foreign competition. This factor will be labelled "pricing". Zimbabwe's manufactured exports have recently become uncompetitive as a result of inflationary pressures (as at October 2000 inflation stands at 55%), high labour costs due to frequent increases in salaries and wages, a depreciating currency, and difficulties associated with sourcing foreign currency. Although most export supply contracts fix prices for periods of twelve months and above with little or no room for unilateral adjustments, whenever adjustments take place exporters have had to increase prices. Frequent fuel price increases have also meant increases in price of the export products. Zimbabwe is land-locked. As a result shipping to ports in Mozambique and South Africa is an important cost factor in the final price quoted to the buyer. Lack of competitiveness in export prices has also been a result of poor credit terms. Reserve Bank of Zimbabwe requires remission of CD1 (a form for declaring export proceeds to the Central Bank) within 90 days, which implies exporters have to give terms of 60 days or less. In most instances exporters have had to demand cash or letters of credit to the detriment of establishing long-term relationships. The Central Bank demands remission in such a short period due to foreign currency shortages. In this study 52.4% of exporters associate their competitive weaknesses to the poor trading terms and lack of economies of scale. Competitors' economies of scale are seen mainly as a result of better technology and well-established export markets.

Uncompetitive prices have also been a result of tight competition in foreign markets. Exporters report strong competition from other exporters targeting similar markets mainly as a result of different product standards, unknown brands or labels, and low value-addition. Sixty percent of manufacturers in this study report they either export own manufacturers brands or unbranded products. Although in circumstances where exporters are targeting other developing markets as destinations, there has been considerable success in market penetration. Such success has not been forthcoming in developed markets where buyers are exposed to a wider range of foreign products also seeking to establish themselves. Products with well-publicised brand names or labels therefore stand a better chance. Unlabeled exports cannot earn the exporter a market reputation as much as the branded product. Profitably pricing the unknown brand or the unbranded product is quite difficult hence the uncompetitive prices.

Factor 4 clusters three items, i.e. insufficient production capacity, lack of top management commitment, and lack of capital or credit to finance export. The factor will be labelled "operational capacity". The construct

centres on inadequate finance and production capacity, which apparently influences commitment. Lack of management commitment keeps export interest depressed. Due to a combination of lack of export incentives from government and high interest rates (60% and above as at October 2000), exporters have now virtually stopped using external financial resources to finance export operations. Well before finance became too expensive for exporters, the problem of inadequate production capacity had already become a serious constraint. Large buyers especially from developed markets were using Zimbabwe as the 'filler' for orders that could not be filled by suppliers such as those from Asia. Such a scenario implies two things: a) that Zimbabwe's manufacturing exporters have remained too small to make any meaningful impact outside the traditional neighbouring markets; and b) that they appear not to be seeking long-term markets for their exports. They off-load little extra production into the export market without a clear vision on the kind of business relationship they are seeking. At times inadequate production for export has been a result of insufficient inputs. Due to rules of origin that have to be observed especially if intending to export to the regional market, some companies have had to do without the most appropriate inputs in order not to go beyond the limited value of input in the export product. Foreign currency shortages also mean inadequate inputs for the exporters.

As a result of inadequate financial and production capacity, negative attitudes and perceptions toward exporting appear to contribute as a serious impediment to export growth among manufacturers in Zimbabwe. An inward looking organisational and management culture has developed where exports are regarded as 'an extra load'. Results from this study show that when trade liberalisation was adopted in 1990, small and medium manufacturers responded better than large manufacturers to exporting. There was a large surge into exporting by the small and medium manufacturers in the late eighties and early nineties. Despite all this the overall prevalent culture and attitude (48.4%) of companies in Zimbabwe is that exporting is riskier than domestic operations. Responses show that up to 42.7% of top management assess commitment to exporting in their companies as moderate to non-existent. Such a high proportion of non-commitment reveals the seriousness of attitudinal issues. Another demonstration of divided commitment by Zimbabwe's exporting manufacturers is that 57.3% report they do not have a designated export manager in the company. Three reasons are commonly advanced for this anomaly: i) the manager who handles the domestic market is supposed to also handle the external market; ii) the company generates inadequate export business to assign a manager to focus on exports; and iii) the company considers itself too small to appoint an export manager. Reasons presented above pose one irony: that all companies that responded to this study

regard exporting as an essential source for future profitability and survival as regionalisation and globalisation take root, yet they have no proper structures in place. Corporate structural reforms in terms of recruiting or training staff in the area of exporting is therefore essential. Part of the influence of noncommittal attitudes and perceptions to exporting is observed in slow reaction to external market opportunities. This could be associated with risk perception, which appears to be consistently negative.

Factor 5 links two items, i.e. high tariff/non-tariff barriers, and lack of government assistance or incentives. This factor will be labelled "operating environment". Zimbabwe is a signatory to an array of bilateral and multilateral trade agreements and protocols regionally and globally yet little is known by exporters as to how such agreements open opportunities for their exports. There is serious lack of information on how these agreements and protocols could be used to avoid some tariffs and non-tariffs.

Lack of meaningful incentives has also been a serious impediment to the development of Zimbabwe's export sector. What the authorities have not recognised is that export incentives are a competitive support tool especially for small to medium exporters who in the main are still inexperienced. Since the dropping of a 9% export incentive in 1994, there has not been a meaningful export incentive scheme to stimulate export growth and competitiveness. The last incentive scheme introduced in 1998 where exporters are supposed to achieve a 20% real growth in foreign earnings in order to earn tax credits presupposes existence of high growth yet the opposite holds. For a start the major proportion of exporters are in essence small-to-medium enterprises. A 20% growth in foreign earnings would in actual fact be phenomenal growth in local earnings that would only come with heavy investments in extra production and marketing facilities. With little experience and risk aversion common with most of the exporters, it appears the unsupportive environment compounds export constraints.

Conclusion

A number of conclusions can be drawn from this study. First is the observation that Zimbabwe's manufacturing exporters are essentially small to medium exporters. Their perception of export constraints is highly influenced by the size factor among other variables. Although 16.2% of the exporters are classified in this study as large, it is the export behaviour of small to medium exporters in the sample that appears to define behavioural trends. Because the economy is currently depressed, response of the exporters to a non-performing domestic economy is observed in constricted growth and lack of product and price competitiveness.

Secondly, due to low experience, perception on constraints is also invariably influenced by the intervening variable on lack of export

knowledge. Lack of experiential knowledge clusters more variable items than any other constructs observed in this study. This implies experiential knowledge should be analysed as a multivariate concept. It is inadequate in terms of research to create a single variable labelled experiential knowledge to be measured on a single dimension. A compound measure appears more appropriate.

Functionally experiential knowledge can be summarised as follows:

$$\text{Experiential knowledge} = f(kge, kpm, ka, kdc, st)$$

where:

- kge* is knowledge on how to generate exports;
- kpm* is knowledge on potential markets;
- ka* is knowledge on assistance available to exporters;
- kdc* is knowledge on distribution channels; and
- st* is staff training.

Thirdly, there is a high-risk aversion observed among Zimbabwe's manufacturing exporters. The tendency has constrained pursuit of exports leading to targeting of less lucrative and unsustainable developing markets. The same risk aversion tendency does not appear to be supported with adequate research and assessment of target markets thus leaving the exporters still exposed despite the risk consciousness. The issue of risk aversion is directly related to size and low export experience.

Export prices charged by Zimbabwe's exporters are more exogenously than endogenously determined. Because of the inflationary character of the Zimbabwean economy, more attention is now being paid to pricing than other marketing mix elements. This imbalance in mix adjustment is likely to continue showing in product non-competitiveness when the inflationary tendencies subside because other mix elements are suffering lack of attention.

Implications for Policy and Managerial Practice

Recovery, growth, and competitiveness of Zimbabwe's manufacturing export sector is going to depend on some of the following factors: First is implementing policy, which recognizes that small-to-medium manufacturing exporters' needs may in essence be the same but different in scale and structure to those of large manufacturing exporters. Policy should also recognize that small to medium exporters lack the capacity to strategically respond and influence external markets. What it therefore practically implies is that there should be a policy mechanism to monitor and assist small-to-medium exporters adjust to external market changes.

Secondly, is the need for exporting companies to reform structurally, attitudinally, and perceptually toward exporting. Export competitiveness is not only a question of correctly manipulating marketing mix elements

but also a function of commitment of resources and attitudes. It is especially the latter form of commitment, which is not being given adequate attention by management. What it therefore implies is that until such attitudinal changes take place, growth and competitiveness in exports will remain constricted.

Future Research

Future research in the area of export growth and competitiveness in LDCs and in particular in Zimbabwe need to address the following research questions:

- i. Which organisational characteristics have the highest contribution to the perception that exporting is risky?
- ii. What competitive advantages do the small to medium exporters in LDCs have in current export markets?
- iii. Are current perceptions to constraints associated with the exporter's stage in the internationalisation process?
- iv. What strategic focus could produce a competitive edge in current markets?

Indeed these questions are not exhaustive. Because LDC exporters still contribute a very small proportion to global exports, little is still known about how they can strategise to increase market penetration and competitiveness against established exporters and multinational corporations. This explanatory contribution is being sought on the background of continued general poor economic performance in most developing economies, with particular reference to countries such as Zimbabwe where trade liberalisation did not bring much difference, if any, to export performance.

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