Impacts of Managerial Characteristics on the Export Performance of Small and Medium-sized Firms: Review and Implications

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Abstract. Previous research on export performance has been criticized for being a mosaic of autonomous endeavors and for a lack of theoretical development. Building upon extant models of export performance, a review and analysis of research on impacts of managerial characteristics on the export performance is developed and theoretical explanations are put forward. It is suggested that a multi-theory approach to explaining export performance is viable. Managerial behavior and perceptions for the SMEs from the review and synthesis of the literature are discussed.

Growing Importance of Export

Export is of significant interest and crucial economic importance to UK. For individual firms, especially small and medium sized companies, exporting is one of the best available entry modes to operate overseas and the fastest growing economic activities. An increasing number of companies have allocated more attention and resources to exporting their products to foreign markets.

Many researches have pointed out that small and medium-sized enterprises (SMEs) has become an important source of export growth. SMEs hold 25-35 percent of the world’s manufactured exports and they have contributed 4-6 percent and 12 percent to the GDP in OECD countries and Asian countries respectively. Therefore, government are paying much more attention to the competitiveness of SMEs in global market and advocating them to increase export volume. Previous studies on export determinants mainly concentrated on two aspects, external factors and internal factors, which both showed impact on firm’s engagement in exporting. Generally, the external factors referred to macro business environment, including industrial characteristics and government effort, which are not controllable. On the other hand, internal factors, which can also be called firm-level controllable factors, are more rational and objective-oriented in firm’s export behavior, usually including the characteristics of individual firms, such as firm size, its organization and commitment to exporting. For SMEs, internal determinants have greater influences because it is hard for them to create favorable climate and they could hardly control or exert influences over their environment.

The Role of Managerial Behaviors in SMEs

Managerial determinant plays a critical and decisive role in the development of a firm’s internationalization strategy. Managerial capability is a part of the entrepreneurship and is directly responsible for and involved in export decisions, it could also be viewed as a significant stimulus of positive outcomes at both firm level and society level [1]. This had let many scholars to investigate the facilitating or inhibiting influence of managerial factors on different export dimensions, particularly firm’s propensity to initiate export, aggressiveness in foreign markets, advancement along export development path and its performance overseas. All studies have demonstrated that there is consistently strong association between the managerial factors and firm’s export performance. Management is viewed as a determinant for the mode, direction and speed with which the firm advances along the international path.

Present researches contribute a lot to export behavior of management by investigating managerial factors that influence the export initiation and profitability of small and medium-sized firms. The
amount of studies on SMEs overwhelmingly exceeds that of larger enterprises. Because SMEs account for the largest group of manufacturing firms in most countries, thus likelihood of exporters is higher. Moreover, small companies are facing more difficulties in export development due to the limited financial, production information and other resources. More investigations are helpful for the initiation, development and sustainment of SMEs’ export overseas. Last but not least, in small companies, decisions are probably made by a single manager and sometimes by a few, which undoubtedly increases the importance of managerial factor. Resources constraints and cost control that hinder SMEs to establish oversea sales subsidiaries or send employees to their export markets for a very long time. For this reason, managers in home market, whose responsibilities are to communicate with foreign customers and partners, development of long-term customer relationship as well as acquisition and dissemination of market information, have to be responsible for making decisions and export performance. The attitudes, perceptions and characteristics of managers could affect whether the company could success in exporting [2]. There was a research on 50 exporting and 70 non-exporting Tennessee manufacturing firms showing that 69% of the non-exporters did not export because of managerial apathy.

The characteristics and rapidly developing capabilities evident in emerging markets provide fertile grounds for SMEs to seek for new businesses [3]. But there appears a research absence in connecting managerial behaviors to SMEs’ export performance in emerging markets.

Managerial Characteristics

Based on the solid research foundation built by a large amount of papers, some writers go further to more reified perspectives of SMEs’ management characteristics [4]. The most studied managerial factors are usually age, gender, work experience, time spent abroad, language proficiency and innovativeness. It is argued that younger managers are more internationally minded to extend company activities abroad. And the more frequently managers travel abroad for business, the more opportunities the company would have to internationalize.

In terms of the classification of diverse managerial characteristics, scholars have grouped them into three categories, which are named “attitudinal characteristics”, “skill based characteristics” and “behavioral characteristics”. Attitudinal characteristics refer to management’s international orientation, management’s export commitment, management’s perceived export competitive advantages as well as barriers of exporting. Even if under the similar condition of resources and capabilities, firms may export differently due to the differentiation of manager’s orientation and perception [5]. Management skill based determinants related to exporting are considered as manager’s educational level, previous occupation, export and international experience, product knowledge and multilingual skill. Scholars have pointed out that highly educated decision-makers tended to have better problem-solving capabilities and a more closed association with internationalization. They also learned that managers’ exposure to diversified cultures helped them to acquire local knowledge as well as collect information about foreign markets. It is the acquired know-how formed by managers from travelling and working abroad experience exposes the firm to foreign cultures, allowing greater accumulation of experiential knowledge and competitiveness. Researches show that managers of successful exporters are more likely to be able to speak multiple languages. Mastering the language of target market not only enables managers to understand local culture but also ease the difficulty of negotiating with clients and communicating with customers. The outcome of Pett and Wolff’s [6] observation suggests that managers have less interest to their unfamiliar areas. They are averse to the impact of export on their business due to lack of knowledge. On the contrary, SMEs that possess knowledge and experience have more capacity to deal with external changes. In the same sense, the network and personal contacts that managers own from international experience can be used to identify new opportunities, obtain business advice, provide assistance in foreign markets and open doors in markets where the firm has no presence before. When it comes to the behavioral elements, Katsikea and Skarmeas [7] has identified that manager’s involvement in export sales planning, sales presentation and sales adaptation will to some extent decide export sales effectiveness. It is believed that firms with management of the above qualities
will be more likely to show favorable tendency of performing in export markets. Such findings indicate the importance of personnel in an organization. Results of study on barriers to internationalization of SMEs in a developing country illustrated that 68% of poorly performed businesses found human resource constraint to be a significant obstacle to export growth.

Although prior findings show that management characteristics may increase the likelihood of export activity and improve a firm’s export performance. However, there is no sound theoretical foundation supporting the conclusion and very few of existing work focus on either firms within a specific region and country or on specific export markets.

Managerial Perceptions

The concept of managerial perception is defined as managers’ awareness, mindset or familiarity with internal and external conditions of the organization. Decision-making is guided by managerial perceptions, which means unless managers have positive views with respect to opportunities and benefits, otherwise business-level decisions will not be made. According to Cavusgil and Nevin [8], the management expectation to export is the major reason explaining why firms export. Although perception of decision-makers is contingent upon their personal feeling and ideas, it greatly affects the firm’s exporting performance, including intensity and profitability. However, it is not sufficient for a positive decision of exporting, cost, profit and risk perceptions of decision-makers may well account for different responses to export stimulus, like unsolicited orders from foreign markets. Earlier research comes across the conclusion that managerial perception is partly decided by the philosophy of the decision-maker, ranging from wholly favorable to strongly negative.

The relationship between managerial characteristics and how decision-maker perceives the attractiveness of exporting needs to be observed in future studies. There is a lack of studies on how the perception of manager is working on the firm’s outcome and the way in which it adopts strategies. Stoian[9] states that more export promotion should be developed to intensify exporters’ export activities and to get non-exporters, particularly SMEs interested in entering foreign markets by increasing decision-makers’ awareness of growth and profit created by exporting. Further more, understanding the impacts of managerial characteristics on perceptions of SMEs’ decision-makers is helpful to make better use of stimuli and remove export barriers, which gains additional road to recovery from present global crisis, since SMEs play a considerable role in economic recovery.

Cavusgil and Nevin [8] also found that the perceived competitive advantages of the firm constitute an important motive encouraging managers to make the decision to export and increasing their favorable attitude toward export activity as well as resources committed to foreign markets. This leads to the interest in how the managers’ perceptions of firm specific competitive advantages affect its export intensity.

Conclusion

In this paper, the emphasis is placed on observable managerial characteristics as indicators of the export performance of small and medium-sized firms. Exports helps diversify revenue streams, expands overall sales and drive improvements in productivity and innovation. Thus the firm’s managerial characteristics, which determine its export performance, are playing very important role in deciding whether it can compete successfully and sustainably in the international markets.

Reference


