DETERMINANTS OF EXPORT MARKET DESTINATION FOR OUTPUTS FROM SMALL LOCALLY-OWNED FIRMS

Densil Williams
University of West Indies at Mona– Jamaica
densil.williams@uwimona.edu.jm

ABSTRACT

This paper reports the findings of an empirical investigation into the factors that influence small, locally-owned firms that export their outputs. Because these firms are generally constrained by limited resources, they are normally unable to take advantage of all the export market opportunities that exist. Given their limited resources, they are forced to make tough decisions as to which markets to enter. To gain some insights into these important factors, 44 small, locally-owned exporters in the manufacturing and agricultural sectors in Jamaica were interviewed. The data from these interviews were analyzed using univariate statistics. The results revealed that the attractiveness of the export market has the greatest influence on where small firms sell their output. Attractiveness is operationalized to mean markets where there is a strong and growing demand for the firms' outputs. These results send a strong signal that traditional explanation of export market entry decision needs to be recalibrated because they do not provide accurate predictions of where small firms will sell their outputs. Alternative explanations are needed to better understand this phenomenon.

Introduction

Small firms[1], because of their limited stock of resources, cannot exploit all business opportunities that are present in the international marketplace. Indeed, the globalization of the world economy has provided firms with tremendous opportunities to expand abroad whether through exporting, franchising or Foreign Direct Investments (FDI). However, many smaller firms can only engage in exporting, which is one of the cheapest forms of international business involvement. Nevertheless, engaging in exporting still presents a serious challenge to these

[1] Small firms are defined as establishments having at most 100 employees. For the purposes of this study, these firms have to be owned by local entrepreneurs and not be a part of any larger enterprises. Being a part of a large and multinational organization can bias the market to which the firm exports because most overseas sales normally go to headquarters.

resource- constrained firms. Export markets that are too distant and expensive to enter are normally shunned by smaller firms. In contrast, there are some small firms, especially in the high technology sector that will export their products anywhere. This begs the question: what external factors determine the destination to which small firms export their products and services? This issue will form the basis of the investigation carried out in this study. The primary objective of the paper is to identify the external factors that determine export market selection by small firms in Jamaica. Surprisingly, the rich literature on small firms' export behaviour is almost silent on export market selection by small firms from small, developing economies. Perhaps, the assumption is that once there is an export market, firms will export so there is no need to focus on the factors that drive exports to a particular destination. However, this assumption cannot hold true for small, resource-poor firms that will have to prioritize which market to enter given their limited resource stock. This is especially true for those small firms from small, open economies where resources are generally scarce. Further, because of the small size of the markets in these economies, firms will have no choice but to export if they are to survive. This realization has provided the strongest rationale for the study in the chosen geographical context. In fact, export market selection by small firms from small economies presents an unexplored gap in the extant literature. This study will make a contribution to filling this gap.

To investigate the issue at the heart of this study, the remainder of the paper is organized as follows: the next section will present the key literature which is used to derive variables and their theoretical justification. Besides the foundation theories, which are relevant for this study, the review will also pay attention to contemporary issues which may impact on the internationalization behavior of small firms and thus affect the validity of the foundation theories. The research method will then follow the literature presentation. It outlines the research sample, the data collection strategy and the data analysis technique. The research findings are then presented. The paper ends with a discussion of the findings, their implications and some concluding remarks.

Key Literature

There are various explanations for firms choosing particular destinations to carry out their international business activities, whether exporting or foreign direct investment. Early international business scholars such as Hymer (1976) argued that firms will invest in locations where their firm specific advantages will give them a competitive advantage over local firms. Similarly, Vernon (1966) contended that firms will invest in locations that will provide increased returns on investments when products reach their maturity stage. Further, Dunning (1988) through his famous eclectic theory, reasoned that firms will invest in locations that are attractive and can provide them with location specific advantages which give them a competitive edge over local firms. More recently, writers have stated that international networks are strong determinants of the location that firms carry out their international business activities (e.g. Coviello & McAuley, 1999; Coviello & Munro, 1997; Fadahunsi et al., 2000). Except for the network literature, the majority of explanations do not address the export market destination decision of small firms. They are generally concerned with large and multinational firms. However, using lessons learnt from the export behavior of large firms to make general statements about the export market selection decision by smaller firms may not be appropriate.

To understand the export market destination decision in small firms, the aspirations of the entrepreneur and the resource stock that these firms possess will have to be taken into account. This is an important aspect of the firm that cannot be ignored in any explanation of the export behaviour of the small firm. In these firms, the owner/entrepreneur is generally the most powerful decision maker. If the entrepreneur is satisfied that exporting to a particular location will benefit the firm, then the firm will export irrespective of other variables such as the demand for the product in the market. The entrepreneur's motivation tends to triumph rationale business expectations (Ellis, 2000). Also, because these firms generally have a smaller stock of resource, they will be constrained in their efforts to export to a large number of markets, and markets that appear too costly to enter. It is therefore expected that they will take a gradualist approach to building their export market portfolio. Indeed, writers argue that due to their resource constraints, smaller firms generally export to markets that are geographically and psychically close to their home market (e.g. Bilkey & Tesar, 1977; Johanson & Vahlne, 1977; Leonidou & Katsikeas, 1996 etc)[2]. The assumption is that the entrepreneur will have a better understanding of these markets, which will reduce the risk and cost of operation. This incrementalist approach to export market development has been at the forefront of explanations for the export development process in small firms. The thesis of this explanation is presented below through a brief summary of the stage models.

The Stage Theory of Internationalization

Stage theory is one of the most used theoretical frameworks in the study of the export behaviour of the firm (Rialp et al., 2005; Coviello & Jones, 2004). It provides an explanation for which markets firms are more likely to enter on their initial foray into international business activities. However, not all writers agree on the initial configuration of the stages. As such, one school of thought argues that there are discrete stages of international expansion and compares them to

[2]Psychically close means that markets are similar in terms of regulations, geographic distance, buying habits etc. This concept came from the concept of psychic distance, a core pillar of the stage models of internationalization. See Johanson and Vahlne, 1977 for a full description of psychic distance.

innovation adoption (e.g. Bilkey & Tesar, 1977, Cavusgil, 1980, Czinkota, 1982). They call these models, the I-model of internationalization. Similarly, some writers see the international involvement of the firm as a gradual and sequential expansion, driven by the interplay between market commitment and market knowledge (e.g. Johanson & Wiedershiem-Paul, 1975; Johanson & Vahlne, 1977, 1990). These models are labelled the U-model of internationalization. The basic arguments in each model are presented below.

U-Model of Internationalization

The U-model refers to the gradual internationalization model developed by researchers at Uppsala in the 1970s. Early attempts to understand the stage process were pursued by Johanson & Wiedershiem- Paul (1975). Later, Johanson & Vahlne (1977) took the early work, refined it, and added more theoretical substance. The model by Johanson & Vahlne (1977) became known as the model of Knowledge Development and Increasing Foreign Market Commitment. It argues that firms involvement in international business goes through a gradual systematic process (incremental steps) until they become fully committed (e.g. establishing production facilities abroad) to the foreign market. It is argued that this incremental step results from a lack of information and knowledge about foreign markets and the high level of uncertainty due to information inadequacy (Johanson & Vahlne, 1990). Access to information about language, culture and business procedures helps to distinguish between those firms that remain domestic and those that go international (Wiedershiem-Paul et al., 1978; Gumede, 2004). The model argues that with increased knowledge of foreign markets, there will be increased commitment of resources thus advancing the firm's internationalization process.

In other words, with increased knowledge and learning about foreign markets there will be increased resource commitment, thus firms will have a higher level of international involvement.

The model seems to suggest that where a firm has a high stock of knowledge about foreign markets, it would not be expected to internationalize incrementally. Indeed, the practical implication of the arguments from this model is that; firms will enter export markets that are similar to their home market. Notably, they will go to markets that have similar culture, business practices, religious beliefs and so on. It is these factors that are derived from this model among others, that have formed the basis for empirical investigation in this study.

I-Model of Internationalization

Since the early work at Uppsala, variants of the process model have evolved to capture firms' internationalization behaviour. These models see internationalization[3] as an innovation of the firm thus they are labelled I-Model (e.g. Simmonds & Smith, 1968; Lee & Brasch, 1978; Moen & Servias, 2002; Samiee et al., 1993; Czinkota, 1982). In some cases, writers have added more stages to the original four developed by the Uppsala researchers (e.g. Bilkey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Wortzel & Wortzel, 1981)[4]. Others writers have also used three stages but with different labels (e.g. Leonidou & Katsikeas, 1996; Mehran & Moini, 1999). For a content review of these models see Leonidou & Katsikeas, 1996; Andersen, 1993).

A critical analysis of the I-models shows that there are "external push" and "internal pull" factors at play in getting firms to be involved in exporting. For example, Bilkey & Tesar (1977) seemed to suggest that there are external push factors at play while Cavusgil (1980) suggested that

[3]Most models use the terms internationalization and exporting interchangeably. Critically, it must be noted that exporting is not internationalization. Exporting is actually one step in the internationalization process, but because most small firms do not pass the exporting phase, the models basically capture the sequential steps in building an export business. This is the sense in which stage models relate to exporting.

[4] For example, Bilkey and Tesar (1977) have six stages in their model. At stage one, the firm moves from being uninterested in exporting and would not even fill an unsolicited export order, to stage six where the firm is an experienced exporter and explores the feasibility of exporting to additional countries that are psychologically further away.

internal pull factors are most relevant in getting firms to export. The implication of these arguments is that export market entry is a function of the factors driving export initiation. For example, if the factors are external to the firm (e.g. an unsolicited order), firms may enter psychically distant markets as opposed to familiar markets. This interplay between external and internal forces driving the export market entry decision will be explored in this study. The I-model has identified a number of factors that will be investigated empirically in this study.

A Critique of the Foundation Models

Contemporary internationalization behaviour of firms has posed very serious challenges to the traditional explanations for small firms export behaviour. Since the early discourses in the 1970s and 1980s on stage models of internationalization, the world economy has evolved tremendously in the 21st Century. The global economy has undergone various technological, legislative and economic changes (Axinn & Matthyssens, 2002; Williams, 2008). The reduction in transportation cost and time, the liberalization of economic space and improvements in communication technologies (reduction in information gap) have all resulted in firms internationalizing in greater numbers today than before. As a result of these changes, it becomes salient to assess whether the process models of internationalization can provide practical guidance to firms regarding their international business behaviour. For sure, firms are internationalizing in many different ways now than before (Axinn & Matthyssens, 2002), and importantly, small firms are becoming increasingly international in this new global economy (Knight & Cavusgil, 2004). Moreover, exporting is taking on increased importance (Rasheed, 2005) and smaller firms are using advanced entry modes such as foreign direct investments, joint ventures among others (Yamakawa et al., 2008) to enter foreign markets than before. These new developments have raised questions about the ability of stage models to practically explain the internationalization behaviour of the firm; especially smaller firms (see Knight & Cavusgil, 2004; Li et al., 2004; Oviatt & McDougall, 1994, 1997; Wolff & Pett, 2000 for this critique).

With the rapid emergence of the born global firms in the 1990s (Oviatt & McDougall, 1994; Knight & Cavusgil, 2004), it appears that the stage models are too deterministic and lacking in external validity to be sufficient predictors of the export market entry decision of the firm (Axinn & Matthyssens, 2002; Johanson & Vahlne, 1990). In other words, the models have a step-wise (incremental) process which each firm has to follow when entering foreign markets. The rise of the born global firms in the late 20th and early 21st Century is strong manifestation that firms do not necessarily follow this stepwise approach, even in the face of limited resources when entering foreign markets. There are some firms that have started selling internationally before selling their first product in their home market (Oviatt & McDougall, 1994; Knight & Cavusgil, 2004). Indeed, the forces that drive globalization are shrinking geographic borders and reducing the psychic distance among countries thus making the need for an incrementalist approach to doing business overseas almost useless.

Critical to overcoming the liability of resources which generally hinder international operation by small firms, without doing so incrementally, is the role that the entrepreneur plays. Entrepreneurs generally have social, community or business networks that they can tap into in order to sell their products abroad (Fadahunsi et al., 2000). These networks seem to be an important source of market information, which helps firms to overcome the resource barriers, and erode the need for an incremental approach to the development of their export market portfolio.

The Role of International Networks

The network literature suggests that firms enter international markets by developing mutually supportive interactions with other firms or through their owners' social network (Johanson & Vahlne, 2003; Ellis, 2000). Firms may enter into a variety of relationships with their suppliers, customers, banks, and trade associations, which provide resources (e.g. finance, information, expertise) for them to leverage thus giving them a competitive edge over those firms that are not involved in these external relationships. These international networks allow firms to find market for their goods and services. The markets are generally in niche areas and give the firm a heavy reliance on these customers. Therefore, as firms achieve greater domestic growth, they will try to exploit their international networks for customers and so develop a portfolio of export markets. Because firms do not have to search for these markets, the cost of entry is generally low, therefore location does not become a problem in the decision making process. Once firms have the international networks that can generate customers, they will export to anywhere in the world. This provides another serious challenge to the validity of the traditional explanations for firms' internationalization behaviour.

Besides network relationships, the contemporary literature on internationalization strategy considers the role of institutions in influencing market entry decision (Peng, 2007, Wright et al., 2005). Export market entry according to the institution-based view, can be regarded as a result of the dynamic interaction between the firm and its institutions e.g. banks, trade associations, and government departments. These institutions present certain constraints (bureaucratic red tape, corruption, inefficient business processes among other things) which all entrepreneurs face. These constraints force entrepreneurs to look to other markets for carrying out their business transaction. These new markets may not have to be psychically close to home, the most important factor for market selection is efficiency of institutions that serve these markets. Actually, the foundation arguments did not explicitly state the role of institutions in driving market selection, thus ignoring some of the institutional constraints which may force entrepreneurs to look to alternative markets.

Summarily, the key literature described above provided explanations for the export market selection by small firms. From these explanations, one can decipher those variables that are critical for explaining export market selection by small firms. The stage models show that culture, religion, regulations (e.g. currency convertibility, tax laws etc) are critical. The network literature shows that issues such as the demographics of the population and relationships, among other things are critical as well. It is the factors derived from these explanations that will form the basis of the empirical investigation in this study. Importantly, the results from this study will shed some light on how the factors identified in previous literature can be generalized into a new context, Jamaica; where socio-economic realties are different. This will be a good test of the external validity of the extant literature in this area.

The Research Method

This study is based on an empirical analysis of 44 exporters in the agricultural and manufacturing sectors in Jamaica[5]. Jamaica is a fertile context for this study because it

[5] Given the size of the Jamaican economy (2.7 mil people, GDP US$ 11 bil in 2007) the 44 exporters capture a significant number of firms. There are not many firms in the local economy that are engaged in exporting. It must be noted that the sample frame used in this study represents the most comprehensive list of exporters in the country as all firms engaged in exporting will have to register with the organization that provided the list. The sample frame had a total of 310 firms but about 115 were out of business or could not be contacted of the 195 that were contacted not all of them wanted to participate in the study. Ten firms of the 195 who were contacted provided insufficient information that could not be used for the study. The final number of usable responses was 44. These 44 usable responses should be viewed in light of the difficulty in collecting data on small firms in Jamaica. See Tindigarukayo, (2001) for a detail analysis of the challenges of collecting data in developing economies like Jamaica.

represents a departure from the extant literature which focused mainly on export market selection decision for firms in large developed economies and large developing economies in Asia and Europe. This departure is a significant contribution to the literature in this area of work. Also, the Jamaican economy is small by any measure (population size of gross domestic product), thus the export market becomes an important source for the growth and survival of industry sectors and firms. Owing to the limited stock of national resources, the indigenous firms (the majority of which are small) may not have sufficient access to resources to enable them to seek out export markets. Therefore, to ensure that the limited resources that are available to provide assistance for export market entry is used efficiently, it is important to understand the determinants of export market selection. This understanding will ensure that the assistance given is better targeted.

The firms selected for the study were drawn from the Jamaica Trade and Invest (JTI) database of exporters, the largest and most comprehensive list of exporters in the economy[6]. The selected firms are involved in various activities such as garment manufacturing, manufacturing of leather articles, manufacturing of processed fruits and vegetables and, production of non-metallic products. The firms also have a wide national reach with each having a production outlet in one parish while serving the entire Jamaican market through distribution outlets. Tables 1a and 1b below provide a break down of the number of exporters by industry segment.

[6] All firms that export from Jamaica have to register with this agency. Further, the JTI database is compiled from a collective effort of all agencies that have responsibility for small businesses and exporting. These include the Jamaica Exporters Association (JEA) and the Jamaica Manufacturing Association (JMA).

Table 1a. Distribution of Exporters in Agricultural Sector

SUB-SECTOR	TOTAL NUMBER OF EXPORTERS
Vegetables and Fruits	77
Essential Oils	17
Tea, Coffee, Cocoa, Cereal	10
Fish (Fresh Live, Dead) Chilled)	18
Total	122

Source: Directory of Exporters from JTI & JEA, (2003) and SBAJ[1] members for 2004

Table 1b. Distribution of Exporters in Manufacturing Sector

SUB-SECTOR	TOTAL NUMBER OF EXPORTERS
Baked Products Food Beverages and Tobacco	68
Garment and Textile Products	37
Furniture and Fixtures (including other wood products)	30
Paper and Paper Products	10
Printing and Publishing	4
Chemical Rubber and Plastic	25
Non Metallic Potter and Glass Product	14
Total	188

Source: Directory of Exporters from JTI & JEA, (2003) SBAJ members for 2004

Selection of Sample

The manufacturing and agricultural sectors account for more than half of the economic activities in Jamaica. However, their share of exports is much lower. For example, in 2004, these two sectors accounted for a mere 31 percent of total exports from Jamaica (PIOJ, 2005). Further, these sectors account for a large number of small, locally-owned firms. These firms are the ones that are not generally involved in exporting but there is a growing demand in the world market for most of the products that they generally sell (Harris, 1997). It is still not clear why they cannot find export markets. Investigating the factors that influence market selection decision will shed some light on the reasons for the low export penetration by these firms.

The list of exporters from the Jamaica Trade and Invest directory of exporters contained 415 firms. Because the study is focused on small, locally-owned firms in the agricultural and manufacturing sectors, the list had to be sorted to reflect this requirement. When the list was finalized, 310 firms (122 in agricultural sector and 188 in manufacturing sector- see Tables 1a & b above) met the required criteria. Of this number, 115 firms were out of business or could not be contacted due to incorrect telephone number or postal address. As a result, the final list for this study consisted of 195 firms. Since the unit of analysis is the firm, this small sample frame made it easy to contact all the subjects to ascertain their willingness to participate in the study. A total of 44 firms eventually participated in the study.

Characteristics of the Participating Firms

The majority of firms have less than 30 employees which mean that they are very small firms when compared to small firms in locations like the United States, Canada or the United Kingdom. The possession of a university education is common among the owners of these firms. Also, most of these firms were established before the 1990s. This may have been as a result of the major economic changes that took place in the 1970s and 1980s which forced many persons to seek self employment and start their own enterprises (Fadahunsi et al., 2000). A significant portion of the owners of these businesses are males. Importantly, in terms of the foreign experience of the owners, the majority of them visited the US, UK and Canada for business or pleasure. This, no doubt, will impact on the markets in which products are sold. Additionally, if the owners have previous work experience in the export sector, this might impact on where products are sold. The data from this sample show that owners with previous work experience in the export sector was slightly higher than those without such experience. Table 2 below highlights these characteristics.

Table 2: Description of the Sample

	N	%
Number of Employees		
< 10	11	25
10-19	7	15.9
20-29	7	15.9
30-39	2	4.5
40-49	3	6.8
50-100	14	31.8
Total	**44**	**100**
Education Level of Owner		
Primary	-	
Secondary	11	25
University	29	65.9
Other	4	9.1
Total	**44**	**100**

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Year of Establishment		
Before 1970	8	18.2
1970- 1975	6	13.6
1976- 1981	6	13.6
1982- 1987	4	9.1
1988- 1993	7	15.9
1994-1999	8	18.2
2000-2004	5	11.4
Total	**44**	**100**
Gender of Owner		
Male	27	61
Female	17	39
Total	**44**	**100**
Foreign Travel Experience of Owner		
US	18	41
U.K.	8	18
Canada	8	18
Rest of the World	6	14
No foreign experience	4	9
Total	**44**	**100**
Previous Job Experience of Owner		
Worked in an export company	24	54
Did not work in an export company	20	46
Total	**44**	**100**

Data Collection

Face to face interviews were carried out with principals of the 44 firms that indicated their willingness to participate in the study. The key informant in all cases was the owner although in some cases, the owner brought along the export manager to the interview. Interviews were conducted using a semi-structured instrument developed from previous literature and a pilot study that was done prior to the main study[7].

The research instrument had three distinct sections. The first section focused on the demographic characteristics of the owner such as gender, education, and travel experience among others. The second section focused on information regarding the firm. This included the export market entered, ownership structure, motivation for export involvement and so on. The final section of the instrument focused on motivations to enter export markets. Seventeen factors were identified as important for investigation. These factors were drawn from the previous literature which exists and also, the foundation theories identified in the previous section. These factors were chosen because they appear to exert the most significant influence over export market selection based on the results of previous studies. Table 3 below will highlight the previous studies from which the factors were drawn.

[7]The pilot study provided useful insights into revising the instrument from its original draft. It provided insights into those factors that were not mentioned in the literature such as chance while at the same time removing others that are not relevant to the study context. This also helped to improve the face validity of the instrument through the comments received from experts in the field of study.

Table 3 : Factors that Influence Export Market Entry

FACTORS	EXAMPLE OF PREVIOUS LITERATURE
Strong demand for product	Whitelock & Jobber , 2004
Freely convertible currency	Whitelock & Jobber, 2004
Growing market for the product	Koch, 20001
Good transportation system	Whitelock & Jobber, 2004
Country industrialized	Koch, 2001
No tariffs or quota	Whitelock & Jobber, 2004
Similar culture	Johanson & Vahlne, 1977
Population concentrated in easily identifiable area	Whitelock & Jobber, 2004; Johanson & Vahlne, 1977
High political stability	Koch, 2001
Geographically close to home	Johanson &Vahlne, 1977
Competition in the market very low	Koch, 2001
Similar language	Ellis, 200, Fillis, 2002
Similar system of government	Johanson & Vahlne, 1977
Knew market personally	Ellis, 2000
Pure chance	Pilot study
Population comes from one ethnic background	Whitelock & Jobber, 2004
One major religion	Whitelock & Jobber, 2004; Johanson & Vahlne, 1977

The interviews for collecting the data lasted for an average of 60 minutes. Although the information gathered was of a reflective nature, the issue of veracity was controlled for, by interviewing key informants who have been at the firms since their inception.

Data Analysis

The seventeen factors identified in the extant literature as having an influence on the export market entry decision were coded on a Likert scale of 1 -5 with 5 being most important and 1 not very important. These items provide the basis for the empirical analysis in this study.

Given the ordinal nature of the data, the more powerful analytical method of factor analysis would be an appropriate tool for analysis. However, because of the small sample size and the small variable to data ratio, factor analysis would not produce meaningful results. This method was therefore not considered. The next best alternative, given the type of data and the issue under investigation is the mean, a powerful measure of the relative importance of each factor. The mean value was used to rank the impact the various factors had on the decision regarding which export market to enter. However, because of the large number of individual factors, to get parsimony in the analysis, an analytical framework developed by Whitelock & Jobber (2004) was used to provide conceptual groupings for the 17 factors. These conceptual groupings provide a basis for the comparison of results with those of previous empirical studies.

Research Results

This section of the study presents the major findings derived from the analysis of the data collected from the 44 exporters. The tables below provide a mere description of the results. A full discussion and analysis is presented in the subsequent section.

Table 4 below shows the relative importance of the 17 factors that impact on the decision regarding which export market to enter.

Table 4: Factors that Influence Export Market Entry[8]

RANK	FACTORS	MEAN SCORE X
1	Strong demand for product	4.07
2	Freely convertible currency	4.02
3	Growing market for the product	3.91
4	Good transportation system	3.59
5	Country industrialized	3.36
6	No tariffs or quota	3.27
7	Similar culture	3.20
8	Population concentrated in easily identifiable area	3.11
9	High political stability	3.07
10	Geographically close to home	3.02
11	Competition in the market very low	2.93
12	Similar language	2.89
13	Similar system of government	2.75
14	Knew market personally	2.66
15	Pure chance	2.48
16	Population comes from one ethnic background	1.61
17	One major religion	1.32

[8] Ranks are used as a proxy for level of importance. Lower ranked numbers imply higher importance, while the highest ranked number implies the least importance.

These results reveal that over 10 factors have mean scores above the mid point of the Likert scale. This suggests that a relatively high degree of importance is attached to these factors when the decision is made in relation to which export market to enter. The top five factors indentified in the table are consistent with previous results from other writers such as Whitelock & Jobber, 2004; Koch, 2001; Albaum et al, 1989 etc.

Although the above results provide useful insights into the issue under investigation, because of the large number of individual factors, it is difficult to gain parsimony in explaining the findings to answer the research problem. To gain parsimony, the individual factors were categorised into groups using a framework developed by Whitelock and Jobber (2004) in their study of the factors that impact U.K. industrial firms export market entry decision. Table 5 below highlights the results from this analysis.

Table 5: Conceptual Groupings of Factors that Drive Export Market Entry Decision

FACTOR CATEGORIZATION	MEAN SCORE $\overline{X}$
Geo-cultural/ Political Similarity	**2.98**
Similar system of government	2.75
Similar culture	3.20
No tariffs or quota	3.27
Knew market personally	2.66
Geographically close to home	3.02
Developed Economy	**3.39**
Good transportation system	3.59
Country industrialized	3.36

Chart continues onto the next page

Currency freely convertible	4.02
Similar language	2.89
High political stability	3.07
Attractive Market	**3.48**
Strong demand for product	4.07
Growing market	3.91
Pure chance	2.48
Cultural Unity	**2.01**
Population from one ethnic background	1.61
One major religion	1.32
Population concentrated in easily identifiable areas	3.11
Stable Competitive Environment	**2.93**
Competition in the market very low	2.93

The composition of Table 3 (conceptual groups and their attendant factors) reflects the composition in the Whitelock and Jobber (2004) study[9]. In the case of the present study, the overall mean for the group was derived from adding the mean of each individual factor then dividing by the total number of factors in the group. The group with the highest overall mean indicates those factors that exert the highest level of influence on the decision regarding which export market to enter.

[9] It must be noted that there is no clear rationale for the labelling of the groups in the Whitelock and Jobber (2004) study. For example, it is still not clear why similar language is attached to the group labelled developed economy. However, to ensure comparison across studies, we did not change the composition of the variables in each group. We applied the same combinations in this study.

The results from this analysis in Table 5 reveal that the group of factors labeled **attractive market** and **developed economy** appear to have the greatest impact in influencing the decision in relation to which export market to enter. **Geo-cultural/political similarity** came third, while a **stable competitive environment** and **cultural unity** were fourth and fifth, respectively. In their analysis, Whitelock & Jobber (2004) found that the group labeled **developed economy** exerted the most influence in the case of U.K. industrial firms' decision regarding which export market to enter. This difference in finding reveals the importance of context specific studies in trying to derive a general understanding of the phenomenon under investigation.

This study also controlled for size, a critical factor according to the literature that will impact the decision relating to which export market to enter (Bonaccorsi, 1992). Size is seen as a surrogate for the level of resources which firms possess (Westhead et al., 2001). Because exporting involves commitment to large amounts of resources, it is argued that the larger the firm, the greater will be its resource stock therefore, the greater the proclivity to enter more distant markets (Fernández & Nieto, 2006). To test the importance of size in this decision, the chi-square test of association was used to establish the relationship between factors that impact export market entry decision and firm size. The result from this analysis is captured in Table 6 below.

Table 6: Relationship between Firm Size and Factors that Impact Export Market Destination

FACTORS	FIRM SIZE			χ^2 SIGNIFICANCE
	Micro (N=11)	Small (N=19)	Medium (N=14)	
Strong demand for product	1	1	2	.11
Freely convertible currency	3	2	1	.04*
Growing market for the product	1	3	3	.80
Good transportation system	6	4	4	.46
Country industrialized	2	7	6	.14
No tariffs or quotas	7	6	5	.44
Similar culture	5	5	8	.05*
Population concentrated in easily identifiable area(s)	2	9	8	.46
High political stability	8	6	7	.60
Geographically close to home	10	8	4	.13
Competition in the market very low	9	8	7	.79
Similar language	4	11	10	.00*
Similar system of government	11	9	8	.34
Knew market personally	12	10	9	.20
Pure chance	11	12	11	.17
Population comes from one ethnic background	13	13	12	.29
One major religion	14	14	13	.48

*= significant at the 5% level. Ranks are used as a proxy for level of importance. Lower ranked numbers imply greater importance while the highest ranked number implies least importance. The mean score was the basis for determining the ranks. Micro firm = 1-9 employees, Small firms = 10- 50 employees and Medium firms = 51-100 employees.

The results indicate that language, culture and convertibility of currency are the only areas where size matters when firms decide to export to a particular market. In other words, the results suggest that firms of different sizes place different levels of importance on factors such as language, culture, and the convertibility of the currency in the export market, when they are making a decision about where to export their goods or services. For example, the results in Table 4 above suggest that micro firms place a high emphasis on language differences between the home and export market when deciding to export while small and medium-sized firms place a lower level of emphasis on this factor. The discussion below will shed some light on this result.

Discussion and Conclusion

Operating an international business requires large amounts of resources. This is generally a problem for small firms, especially those from small, resource poor, developing countries. Despite this resource challenge faced by these firms, recently, a large number of these firms have been taking on international business operation (World Investment Report, 2006; Rasheed, 2005; Yamakawa et al., 2008). Moreover, a lot of these international expansions take place in other neighboring countries (south-south internationalization) rather than more distant markets (World Investment Report, 2006). Interestingly, despite this expansion, writers argue that not enough small, locally-owned firms are entering the export business (Williams, 2008; Zahra, 2005). Those that enter export markets generally chose markets similar to home and ignore the vast potential in more distant markets. In order to encourage a greater number of small, locally-owned firms to enter distant export markets, this study has investigated those factors that impact on the decision to choose an export market. It is hoped that the lessons learnt from this analysis can be applied to other similar firms.

This study investigated those factors that impact small, locally-owned firms to expand into specific export markets. Very few studies provide a systematic empirical analysis of the relative importance of the plethora of external factors which impact this decision (Whitelock & Jobber, 2004). This study has sought to bring some new insights into this important area of research by replicating factors indentified in the extant literature into a new geographical context. This is a departure from the previous literature on the subject. In fact, this departure is one of the contributions of this study to the extant literature.

There is no doubt that the results from this study in some ways are reflective of the business environment of Jamaica (small markets, weak institutions, and closeness to a larger more developed market- USA). The business environment will have to shape entrepreneurial mindset and as such this mindset drives the direction as to where the firm exports its products. The fact that the economy is close to the largest and wealthiest economy in the world, the USA, definitely give Jamaican entrepreneurs a better appreciation of the need to be very sophisticated in doing business internationally. This increased sophistication will no doubt impact on where they chose to carry out their export business. This is why certain factors such as industrialized country; and high political stability may be seen as important before Jamaican entrepreneurs enter distant markets. These factors however, may not be significant for small economies without large developed neighboring economies. The results from this study must be seen in this light.

The results from this study suggest that the attractiveness of the export market has the most impact on the decision regarding where firms export their goods and services. In other words, entrepreneurs look for markets where there is a strong demand and the marketing is growing for their products and services. Surprisingly, the challenge of limited resources, which generally characterize smaller firms, does not appear to hinder their decision regarding the market to enter. Indeed, the result seems to suggest that once there is a market for the goods and services that these firms offer, they will fill that demand anywhere. This finding appears to discount the role of psychic distance, a critical premise on which the stage models are founded. In fact, the results in Table 5 show that measures of psychic distance have very minimal impact among the plethora of factors that influence the decision relating to which export market to enter. Factors such as similar system of government, similar religion and ethnic background have the lowest ranking of the 17 factors identified in the literature.

Importantly, the result in this study cast some doubt on the strength of the stage models of internationalization as valid predictor of which export market small, locally-owned firms will enter. Stage models have long been seen as good predictors of where small firms will export given their resource constraints (Bilkey, 1978; Miesenbock, 1988; Leonidou & Katsikeas, 1996). There is no doubt that smaller firms have limited or inadequate resources. As such, they cannot respond to the many international opportunities for selling their goods and services abroad. Further, because they have very little slack resources to devote to international market research, they generally take those export opportunities in markets that are psychically close to their home market. Going to these psychically close markets will help to reduce some of the uncertainties involved in exporting and also reduces the cost of market research. In addition, given the rise of born global firms which have similar resource constraints but are exporting to psychically distant markets, this further weakens the strength of stage models as good predictors of export market entry. It appears that other factors besides psychic distance are at play.

The interviews with the respondents for this study point to the role of business and social networks as critical factors that influence their decision. Networks provide firms with proprietary export market information that they would not otherwise obtain if they were outside of the network (Johanson & Vahlne, 2003; Fadahunsi et al., 2000). This information can help to reduce the cost of search, thus enabling these firms to enter export markets without having to worry about exorbitant fixed costs, which are barriers to entry for most small firms. Besides being part of a network, smaller firms also leverage the resources (e.g. distribution channels) of much larger or multinational firms to get their products into distant export markets. They often use this relationship to climb over country market barriers in order to enter their export markets (Johanson & Vahlne, 2003). From the interviews with exporters, we garnered that a number of small, locally–owned firms that entered into distant (psychically and geographically) export markets do so because of their social or business networks. For example, one firm exports to as far as Saudi Arabia. The owner credits this to the relationship he developed with Saudi businessmen from going to the Chelsea Flower Show in London.

The mere presence of networks is necessary but not sufficient to motivate a firm to enter an export market. Critical to entry into unfamiliar markets is the strength and source of the networks (Hinttu et al., 2004). Various stakeholders can initiate a network. It can be initiated by a seller (exporter), a buyer (unsolicited order), a distributor, or from participation in trade fairs. Networks that are initiated by sellers are generally more sustainable. Because sellers are interested in getting their products abroad, they will exert extra energy and time to ensure that they get the correct information about export markets. Further, they will also be more amenable to having good relationships since they know the value of being part of the network. Having good inter-firm and personal relationships will help to strengthen the network. A stronger network will lead to greater benefits for all firms.

Clearly, the traditional explanations in the extant literature seem to be weak in predicting the export market entry selection for small firms in all contexts. It appears that alternative explanation such as networking, have greater validity in explaining this phenomenon. In other words, it seems that the traditional explanations do not hold up in the new study context. This has implications for future research and also policymaking.

Implications

This study adds an important dimension to the dearth of literature on the factors that influence which export market small firms enter, especially those from small, open economies. The most significant addition is that the study focused its empirical investigation on a new location which has never been studied in the literature before. The literature makes the assumption that theories and explanations from the context of developed countries can simply be adopted in developing countries in order to explain the behaviour of firms in these locales. However, because developing economies have limited resources, it is generally expected that their firms will behave differently when making the decision to export. The evidence in this study suggests that these firms do not necessarily adhere to the traditional approach to market entry. Indeed, the factors that influence market entry decision seem to vary across countries.

The results in this study show that traditional stage models of internationalization are not always sufficient as predictor of export market destination of small, locally-owned firms from developing economies. This means that alternative explanations will have to be developed. The emerging direction is to use network theory to explain this phenomenon. Future research should focus on the role of networks at different stages of the exporting process especially in small economies. Also, researchers need to look at the types of networks and how these are developed and executed.

The implications for export policy makers are also clear. In seeking to stimulate small firms to export, policy makers need to design policies that can help firms to get information about the growing demand for their products rather than merely focusing on geographical and cultural factors. Managers in the smaller firms will also have to ensure that they produce products that are attractive to the export market and the market is also growing. This will ensure that they enter more psychically distant markets which are sometimes larger and have wealthier citizens.

Concluding Remarks

This study used a sample of small, locally-owned Jamaican firms that are engaged in exporting to empirically highlight the factors that influence their export market entry decision. Some key literatures in the areas of stage theory of internationalization and networking were used to guide the development and conceptualization of the research question and research variables. Due to the large number of individual factors identified in the literature, an empirical framework developed by Whitelock & Jobber (2004) was used to categorise them into meaningful groups. The statistical mean was then used to determine the relative importance of each group in relation to the export market entry decision. The results reveal that a growing market and an increase in demand for the firms' products had the most significant influence on the decision regarding which export market to enter. In other words, the attractiveness of the export market is what determines whether or not firms export to a particular destination.

This study has answered numerous calls from researchers for studies on export market selection by small firms from a different geographical context outside the USA and the United Kingdom. This before now was an unexplored gap in the literature. This study will provide a test of the external validity of work done in other geographical areas. It is hoped that the lessons learnt from the analyses of the data in the Jamaican context can be replicated to other small economies with similar characteristics to Jamaica.

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