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**DETERMINANTS OF FIRMS' EXPORT PERFORMANCE: Empirical Evidence
from Tanzanian Manufacturing Firms**

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ABBREVIATIONS

BOT	Bank of Tanzania
CEO	Chief Executive Officer
CTI	Confederation of Tanzania Industries
EFA	Exploratory Factor Analysis
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
OC	Organizational capability
R&D	Research and Development
SME	Small and Medium Size Enterprise
SSA	Sub-Saharan Africa
TCA	Transaction Cost Analysis
TRA	Tanzania Revenue Authority
URT	United Republic of Tanzania

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CHAPTER ONE

INTRODUCTION AND PROBLEM DEFINITION

This chapter starts by presenting an introduction of the empirical facts about manufacturing firms and export sector in the Tanzanian context, problem definition and objectives of the study.

1.1 Introduction of the Empirical facts about Tanzanian Exporting and Manufacturing Firms

The Tanzanian economy is predominantly dependent on agriculture and it is a less industrialized economy. A large part of the export products come from the agricultural primary products which are said to suffer from lower prices and price fluctuations in the global markets. One of the reasons for failure of export sector is unequal exchange in the global markets between primary agricultural products and industrial value added products. An implied economic interpretation drawn from this argument is that the country's visible trade account is normally characterized by a trade deficit simply because export of primary agricultural products are lowly priced while imported industrial products are highly priced. The fact which can not be refuted is that all firms being exporters or non exporters; large or small; play an important role in a Tanzanian economic through employment creation, generating foreign currencies and growth of the economy. As Ahmed et al (2004) contend; the economic performance of a country especially in the industrial and agricultural sectors determines the trend of its export.

Large part of the export products are agricultural based which may either be processed or unprocessed. However, the period between 1993 and 1999 exhibits a changing trend in exports where non-traditional export products indicated a growing trend while the traditional export products (primary agricultural

products) indicated a slowing growth (Kamuzora, 2003). The Tanzanian Macroeconomic Frameworks report an increase in export from the value of USD 663.3 million in year 2000 to USD 1,129.2 million in 2003. Traditional commodity exports have been declining from USD 231.1 million in 2001 to USD 206.1 million in 2002, following lower world market of the primary agricultural products. The value of nontraditional exports rose from USD 232.2 million in 1998 to USD 370.5 million in year 2000 and USD 1,041.2 million in 2004 (URT, 2006).

Major traditional export products include coffee, tobacco, cotton and cashew nuts. Major non- traditional export products are minerals and tourism services where Mineral sector alone contributes 65.8% and 51.4% of the total non-traditional exports in year 2003 and 2004 respectively. Manufactured exports increased from USD 83.8 million in 2003 to USD 110.6 million in 2004. This increase in manufactured exports is perceived as a results of rehabilitated privatized and divesture of firms. The trade balance has witnessed a deficit of USD 804.2 million in 2003 and USD 946.3 in 2004 which in turn contributed in the deficit of USD 98.1 million in the overall balance in 2004 (URT, *ibid*). Appendix 3 indicates Value, Volume and Price of Tanzania's Major Exports.

There are no reliable statistics in Tanzania which inform about total number of firms; exporting and non-exporting firms and their level of size. However, some sources may help to provide a quick insight of the export sector and firms' characteristics. According to a data base of the Tanzanian Revenue Authority (TRA); there were approximately about 4748 exporting firms in year 2007; 4126 in year 2006; 4125 in year 2005; 3236 in year 2004 and 2707 in year 2003. These statistics indicate an increasing trend of number of exporting firms from one period to another. However, it should be noted that there may be other exporting firms doing illegal businesses in black markets which are not recorded by the respective authorities. This may be especially true for firms exporting in the bordering markets where tax evasion is possible.

Based on the Tanzania SME development Policy of 2002, firms are categorized in four major groups namely micro, small, medium and large enterprises. Micro firms are those employing up to 4 people and are said to possess a capital investment up to 5 million Tanzanian shillings. Small firms are those employing between 5 and 49 employees and said to possess capital investment between 5 million and 200 million Tanzanian shillings. Medium firms are those employing between 50 and 99 employees and have capital investment between Tshs.200 million to Tshs.800 million. Large firms are those employing above 100 employees and with capital investment above 800 million Tanzanian shillings. An informal sector survey conducted in 1991 considers Micro enterprises operating within the informal sector alone to be more than 1.7 million (URT, 2002).

1.2 Problem Definition

Increasing export is one of the macroeconomic objectives of many countries both developed and developing. This is because export plays a vital role in the country's economic growth and a mechanism to improve the current account of their balance of payments. Export is also one of the components in the Aggregate Demand and thus low rate in exportation implies low level of income in terms of GDP.

Due to this, countries implement strategies that aim at increasing exports. Tanzania being one of these countries has implemented a number of trade and fiscal policy reforms since the mid-1980s as a way to encourage raising export by manufacturing firms. However, empirical macroeconomic data suggest that there has been little response in this area (Grenier, Mckay and Morrisey, 2005). The challenging question towards fulfilling the purpose is "what determines the export performance of firms?" In answering this question, many researchers have used different regressor variables in explaining the export performance. For example, Verwaal and Donkers (2001), and Calof (1993) have included firm size and

export relation as explanatory variables. Interestingly, though most of these studies have included firm size as an explanatory variable; empirical evidences and results however are mixed. Some researchers have found evidence on positive association between Firm Size and export behavior; while others have found a negative relationship.

Reid (1982) and Tookey (1964) found a positive relationship between firm size and export intensity while Patibandla (1995) found a negative relationship. Other researchers such as Bonaccorsi (1992) and Wolf and Pett (2000) have even reported absence of any or presence of little influence of firm size on export behavior. Such mixtures of empirical results pose a challenge among researchers on absence of consensus about what determines the export behavior of firms. Calof (1993) argues that the hypothesis for positive relationship between firm size and export performance is normally taken for granted; however, despite the importance of size as an explanatory variable, little consensus exists about whether size has any relationship with export performance of firms. Such mixtures of empirical results imply a need for more research on the theme.

Furthermore, it should be noted that export as a macroeconomic variable is performed under complex environment. Using the Aaby and Slater's (1989) definition, external environmental include variables outside the firm's influence such as economic and legal aspects. On the other hand, internal environment include variables on the managerial aspects of the firm such as firm size and resources, risk perception and export commitment. This being the case, using a univariate analysis to explain export performance of firm might be inappropriate. This study understands such shortcomings and therefore the study intends to use a broader approach of multivariate instead. Apart from this methodological thinking, there is evidence that most studies on the export performance of firms have focused more on developed countries (Calof and Viviers 1995) and little has done on the same from manufacturing firms in developing countries as (Mckay and Morrissey, 2005) contend on the same that, very few studies have examined

export performance of manufacturing firms in Tanzania. Thus, as a contribution to the theoretical puzzle, similar studies in developing countries are vital and this study aims to fill up this gap by studying the determinants of firms' export performance on Tanzanian manufacturing firms.

1.3 Research Objectives

Based on the above presented challenges, the overall objective of the study was to find out the determinants of firms' export performance based on the empirical findings of Tanzanian manufacturing firms. However, more specific, the study intends to;

- ❖ To investigate factors that may have impact on export performance.
- ❖ To examine factors that have impact on exporter and non-exporter status.
- ❖ To analyze factors which have impact on export behavior, defined as selection of country of destination and foreign entry modes.

In meeting and attaining these objectives, this thesis report is organized in the following manner; Next Chapter presents theoretical framework on factors that determine firms' export performance, followed by conceptual framework developed from the previous empirical studies in Chapter Three. Methodology and procedures are presented in Chapter Four. Then, presentation of findings and analysis of results are presented in Chapter Five and lastly, in Chapter Six I present the Discussion of findings, conclusion and study implications.

CHAPTER TWO

THEORETICAL FRAMEWORK ON FACTORS THAT DETERMINE FIRMS' EXPORT PERFORMANCE

This chapter presents reviews of theoretical framework on export performance and its measurements. The framework is developed by examining the existing literature through reviewing the past and current empirical studies on firm's export performance. There are many factors that have been identified in previous reviews and empirical studies as determinants of export performance of firms. These factors are presented in this chapter under the stage theory, managerial characteristics and barriers to exporting. In this study, all these dimensions are considered but with different analytical approaches.

There is no general agreement on what a theory really is. Theory is an abstract concept and such a concept has many definitions. In this study I use the following definition of theory. Theory is a set of interrelated concepts, definitions, and propositions that present a systematic view of a phenomenon by specifying relations among concepts, with the purpose of explaining and predicting the phenomenon (Kerlinger, 1973). Thus, theories are the basic means for the academic writer to provide understanding, explanations and predictions among dependent and independent variables.

Over the past twenty to thirty years, there is a growing stream of export research that resulted in several theoretical frameworks of firm's export performance (cf. Miesenbock 1987; Madsen 1987; Aaby & Slater 1989; Chetty & Hamilton 1993; Styles & Amber 1994; Zou & Stan 1998; Leonidou, Katsikeas & Piercy 1998; and Leonidou, Katsikeas & Samiee (2002). This section gives a theoretical review from different scientific journals and empirical studies on export performance with its determinants towards developing a conceptual framework for empirical test from data collected in a survey of Tanzanian manufacturing firms.

2.1 Export Performance

Over the past decades, considerable attention has been paid to the determinants of export performance of the firm. At the macro-level, several researchers have examined variables including exchange rate fluctuations, comparative advantage, government policies, and domestic market characteristics. Micro level research revolves their attention to specific firm level variables since firm attributes lead to performance differences and have significant influences on firms export performance. Factors identified include managerial perceptions towards exporting, firms' resources, and firms' capabilities (Fung et al, 2007). Firm capabilities appear to be important factors influencing its export performance, previous studies have found a positive relationship between firm resources and/or capabilities and export performance (cf. Holzmuller and Stottinger, 1996; Ito and Pucik, 1993; Naidu and Prasad, 1994).

Export performance is a multifaceted concept and several authors have provided its measurement (Shoham, 1998). While the importance of export activities for firms remains an unquestionable, many debates have been devoted on the measurement and operationalization problem of export performance (Majocchi et al, 2005). Several empirical studies have been conducted recently on export performance (cf. Cavusgil and Zou 1994; Sousa 2005; Majocchi, et al, 2003; Leonidou and Katsikeas 1996; Zou and Stan 1998) but still the debate concerning this concept is highlighted in a number of paper reviews. These reviews confirmed that export performance measures suffer from serious conceptual, methodological, and practical limitations that hinder theory development in international business field (Sousa, 2004; Aaby and Slater, 1989).

The main reasons of these limitations tend to be lack of agreement on how to conceptualize and operationalize the term export performance (Diamantopoulos, 1998). Secondly, there is still no agreement on which measures to use so as to capture the construct satisfactorily; since export performance is a complex concept which needs clear and critical understanding. In this regards, there have

been a lot of studies being conducted in recent times investigating and developing a multi-item measures of export performance (Sousa 2004; Lages and Lages 2004; Styles 1998; Zou, Taylor and Osland 1998; Majocchi et al 2005; Sousa and Alserhan 2002). These empirical studies have placed export performance measures into two different categories; these are objective measures (Zou, Taylor and Osland, 1998) and subjective measures (Majocchi et al, 2005).

Objective measures refer to economic values such as export sales growth, export profitability, export sales volume, Market diversification (number of countries covered) and export intensity (Zou, Taylor and Osland, 1998; Mojacchi et al, 2005), they gave a direct comparable measure of firms' performance (Shoham, Evangelista and Albaum, 2002). These measures are considered to be more accurate than subjective measures since these information can be obtained with minimal influence of firms' CEOs. On the other side subjective measures refer on indicators based on CEO's or owner's perception about export activities, mostly; these measures have been used in comparative studies (Woodcock, Beamish and Makino, 1994).

Generally, given the advantages and the complementary nature of these two measures, majority of the empirical studies in export performance used both types of measures in their research (Shoham, Evangelista and Albaum, 2002; Styles, 1998; Thrikell and Dau, 1998; Shoham, 1998; White, Griffith and Ryan, 1998; Stewaart and McAulaye, 2000; Styles and Ambler, 2000; Francis and Collins-Dodd, 2000; Gencturk and Kotabe, 2001; Cadogan, Sundqvist, Salminen and Pumalainen, 2002). This approach of using more than one measure to conceptualize the construct implies that such a study tend to achieve more accurate results, in this regards it is preferable to use multiple items to operationalize export performance (Shoham 1998) to eliminate or reduce its measurable inadequacy.

Furthermore, the pro of using multiple measures is that it provides an overlap advantage on short-term and long-term goals by overcoming the systematic or random fluctuations of any given concept (Shoham 1998). Taking into considerations that objective measures are well thought to be more reliable in measuring short-term firms' export performance while subjective measures have proven more valid in measuring long-term aspects of firms' export performance (Huber and Power 1985; Katsikeas, Leonidou, and Morgan 2000; Venkatraman and Ramanujam 1987). In addition to that, Evangelista (1994) documents that use of multiple measures of firm's export performance is vital towards realizing the strengths of each indicator and lessen the impact of its shortcomings completely.

Export performance being a multifaceted concept requires more than one measurement for a reliable and valid assessment towards ending-up with accurate results. Thus, taking into consideration of the complexity of firms' export performance, this study employs both objective and subjective measures.

2.2 The Stage Theory

According to the stage theory of the firm (Johanson and Vahlne, 1977), internationalization is performed through a developmental and sequential process. The central argument of the stage theory can be explained under the perspectives of resource, risk perception and economies of scale. These arguments have led to increasingly use of firm size as one of the most variable that has commonly been analyzed because of its theoretical debates.

2.2.1 Firms' Resources and Capabilities and Export Performance

Firms' resources and capabilities are seen as the driving forces towards exporting. Firms' tend to enter new markets both domestic and foreign where there is a matching between firms' resource requirements and capabilities (Andersen and Kheam, 1998). In this regards firms' resource and capabilities are the key

components for a firm decisions to enter new markets whether domestically or internationally, hence has a lot to do with firm's export performance. Firms' resources can be defined as the tangible and intangible assets a firm owns and control towards implementing its strategies (Peng, 2006). Further, the two types of resources and capabilities are classified into seven sub-categories namely; physical, financial, organizational, technological, innovation, human, and reputation, where the first four subcategories represent firms' tangible resources and capabilities and the last three subcategories represent firms' intangible resources and capabilities. In the same direction, Barney (1991) defines firm resources as all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc owned and controlled by a firm that enable the firm to visualize of and implement its strategy.

In the same vein, Makadok (2001) defined resources as an observable (but not necessarily tangible) assets that can be valued and traded, such as a brand, a patent, a piece of land, or a license while capabilities are an un intangible organizational process and can change hands only as part of its entire unit. Controlling of idiosyncratic resources between firms is not only requirements that make firms differ in their performances but also a firm needs to poses capabilities and competencies that combine and transform available firms' resources into superior value in comparison to its rivals (Barney, 1991; Day, 1994)

However, defining these two terms (resources and capabilities) needs closer attention as there are debates regarding the definition of capabilities and how it differs from resources. Several authors argue that capabilities are firm's capacity to dynamically deploy resources. Critical distinctions between the two terms are suggested by strategists and they advocate a dynamic capability view in dealing with the two terms (Peng, 2006). Nevertheless, these distinctions are of little interest in this study because the most important issue is to understand how these attributes of firms' assets contribute in improving firms' export performance. Thus, the two terms are used interchangeably in this study as Collis and

Montgomery decide to use the two terms interchangeably and parallel in their study as cited by Peng (2006).

The stage theory proposes that a firm will start exporting its activities after development of resource capability. Since resource capabilities are developed through time horizon, then larger firms are expected to develop an export strategy than small firms. These resources could be both tangible and intangible resources. Small firms are willing to export when the scope of the domestic market is limited; however, human and financial resources constrain them from initializing the export activities (Leonidou, 1995). However, Bonaccorsi (1992) argues that small firms can obtain the necessary resources through vertical integration and accessibility to external resources.

In various empirical studies it is hypothesized that firms with flexible resources and capabilities are able to enter more distant international markets while firms with more inflexible resources and capabilities such as physical resources tend to enter closely related markets (Chatterjee and Wenerfelt, 1991). This implies that firms that own more flexible resources and capabilities such as financial, innovation and foreign market knowledge and experiences manage to enter any distant potential international markets. This is due to the fact that the cost of moving those resources and capabilities from one market to another is rather low compared to inflexible resources. In addition to that, foreign market knowledge, experience, potential networks and expertise in different functional competencies have been found to have a positive correlation to export performance (Yang, Leon and Alder 1992, Cavusgil and Zou 1994, Kogut and Zender 1993). Andersen and Kheam (1998) use only intangible resources on their study to predict firms' growth strategy, advocating that such resources are believed to be particularly important for predicting growth strategy. In contrary, this study assumes that both tangible and intangible resources and capabilities are important to explain firms' export activities.

2.2.2 Firm Size and Export Performance

The link between firm size and export performance has been one of the most widely analyzed relationships in the field of international business, though it still remains controversial (Pla-Barber and Alegre, 2007). In several empirical studies, firm size has been considered to have positive impacts on firms' export performance (Mittelstaedt, Harben, & Ward, 2003). That is large firms are considered to possess resources (both tangible and intangible) and higher economy of scale levels (Wagner, 1995; 2001), all these features facilitate their entry into foreign markets (Leonidou, 1998). In the same vein, small size of firms has been considered as barriers towards firms' exporting their activities (Majocchi et al., 2005; Verwaal & Donkers, 2002). Empirical evidence from a study conducted by Grenier, McKay and Morrissey (2005) in Tanzania provide evidence that large firms are more likely to export than their counterpart small firms, and more large firms sustain their investments than smaller firms. However, there exist theoretical considerations that support this positive link between size of the firm and export performance, these are transaction costs approach (Verwaal & Donkers, 2002) and the resource-based view of the firm (Dhanaraj & Beamish, 2003).

The Economies of scale argument lies on the fact that larger firms are more efficient than small firms. These advantages of larger firms over small firms may be due to marketing economies where larger firms are able to buy and sell in bulky, benefits of specialization and cost reduction per unit as production increases. Wagner (1995) contends that the role of firm size to export performance arises from economies of scale in production, the opportunity to raise capital at lower cost and benefits from bulky purchases. However, a firm can not expand forever beyond its optimal level. Any expansion beyond this point will lead to diseconomies of scale. A unit produced beyond the optimal capacity corresponds to an increase in cost per unit. As Wagner (2001) argues, there are limits to the advantage of size, because coordination costs rises as the scale of production increases and diseconomies of scale arises.

However, some researchers have found no evidence on positive association between size of firm and export performance; interestingly others have found a negative relationship of the same concepts (cf. Patibandla, 1995; Bonaccorsi, 1992; Wolf and Pett, 2000). Likewise, there are several theoretical reasons to these contradictions (Bonaccorsi, 1992; Calof, 1993; Czinkota & Johnson, 1983; Moen, 1999; Moini, 1995). Furthermore, Calof (1993) contends that small firms could do well in foreign markets as long as they put in place their internationalization strategies and try to match with their available resources. In addition to that, the research undertaken by Moen (1990) publicized that small firms were doing good as larger firms in foreign markets. In this regards firm size is not a barrier towards exporting.

In the same vein, Bonaccorsi (1992) did not find support for a positive relationship between firm size and export performance in the study undertaken using Italian manufacturing firms. He asserts that “*small firms are very integrated into a system of firms that use common external resources, and small firms show outstanding imitative behaviour when another small firm has been successful in achieving an initiative like exporting¹*”. This implies that, when firms have opportunities to solicit resources form external sources, then the issue of small or large size of firm as determinants of export performance becomes invalid. However, imitating another small firms initiative is questionable due to the fact that learning is a path dependency and not all activities of one firm can be imitated easily by another firm even though working in the same industry.

However, taking TCA and foreign markets into consideration, the relationship between firm size and export performance can be proved to be positively. This is due to the importance of hierarchical mode of governance structure which is preferred by most firms when enter international markets (Majocchi et al, 2005). International markets are characterized by uncertainties and requires firms to

¹ Bonaccorsi (1992) as cited by Pla-Barber and Alegre (2007).

dedicate a high level of specific investments specifically for these markets only. These two features of foreign markets necessitate firms to prefer hierarchical mode of governance structure which implies that establishing these governance structures generates high fixed costs, which permit larger firms to enjoy economies of scale that small firms can not (Nooteboom, 1993). As pointed out by Tallman and Li (1996) that doing business in more than one country requires some specific expenditure on that country that cannot be generalized from one country to another, hence large firms flourish more in foreign markets and capture such economies of scale than small firms. Building on the same argument, Wagner, (2001) contends that although exporters can be found among smaller firms, the probability that a firm is an exporter tends to increase with firm size.

However, despite the popularity of firm size as a predecessor of export performance, the results on firm size are not conclusive and cannot be generalized, though some evidence exists that a firm with more employees has higher export sales (Voerman, 2003).

2.2.3 Age of the Firm and Firm's Export Performance

The relation between age and export performance is ambiguous. There are mixtures of results on the relationship between age of the firm and export performance (cf. Chen and Martin, 2001; Balabanis and Katsikea, 2003). Several authors document that firms' business experiences that is age of the firm affect its international operations (Balabanis and Katsikea, 2003; Leonidou, 2000) with some authors insisting on only international experience (Barkema, Bell and pennings, 1996; Eramilli, 1991). However, this study assumes both types of experience as of importance towards firms internationalizing their activities since both industry and geographical experience have a lot to do with determining what, how and where to internationalize firms activities. Geographical experience refers to the firm's familiarity with foreign market environment (Ekeledo and Sivakumar, 2003) where as industry experience refers to firm's familiarity with

industry characteristics regardless of geographical location of clients and suppliers. Nevertheless, accumulation of these experiences appears to be a long process that consumes both time and costs of being in the market (Majocchi et al, 2005). This implies that firms that are in the market both domestic and international markets for a long time have the opportunity of acquiring the two types of experiences than firms that are new in the market since learning and experiences are path dependency.

Firm age is an important factor in the export performance of manufacturing firms. However, beyond the threshold age, experience does not matter due to possible outcome of rapid technological changes in high tech industry where a younger and more flexible firm may be able to address immediately the changing consumer taste and preference for technological advancement (Teresa, 2006). Nevertheless, the relationship between firm's age and export performance produces conflicting results. On one side older firms may possess a considerable stock of business knowledge and experiences (Baldwin and Rafiquzzaman, 1998) and built a strong core capabilities that help them enter international markets (Lefebvre and Lefebvre, 2000). On the other side, core capabilities can lead to firm's rigidities towards internationalization (Leonard-Barton, 1992) and younger firms may be more proactive, flexible and aggressive towards internationalizing their activities.

More often than not, very young firms are expected to have little orientation about foreign markets than older firms. Nonetheless the clarity on the relationship between age of the firm and export performance is low. On the one hand, developing and acquiring knowledge and experiences need time and for this reason older firms may have higher export share. However, if new firms are founded on the basis of innovation, young firms could manage to have competitive advantages in foreign markets compared to older firms, which further could help them to have higher export share (Smith, Madsen and Dilling-Hansen, 2002). Despite this mixture of results still age has been widely used as a

measure of export performance in various studies (cf. (Majocchi et al, 2005; Lefebvre and Lefebvre, 2001; Teresa, 2006; Smith, Madsen and Dilling-Hansen, 2002).

2.3 Managerial characteristics

Several studies have explored owners and management team's influence on the export performance of the firm (Ibeh, 2003; Reid, 1981; Simmonds & Smith, 1968; Yeoh & Jeong, 1995). The firm's decision makers play an important role towards development of export strategy. Managers, who perceive international opportunities as profitable and a means for expanding, will begin export activities earlier. Managerial perceptions of the cost, profit, and risk of exporting seem to have an important bearing on the export performance of the firm (Kedia and Chhokar, 1985).

Furthermore, many empirical studies have dealt with managerial attitudes and experiences towards exporting their firms' activities and the empirical findings reveal a positive relationship between managers/owners' international attitude, experience and international development (Ibeh & Young, 2001; Kuemmerle, 2002; Preece et al., 1998; Westhead et al., 2001). A number of studies focus on the managers and/or owners personal characteristics and relate those characteristics with their attitudes towards internationalizing their firms' activities. Characteristics that researchers make reference include experiences on foreign education or work experience, travel, foreign by birth, and knowledge of foreign languages (Ditch, Kondo, Koglmayr, & Muller, 1984; Simmonds & Smith, 1968). Previous work experiences, high level of education, and knowledge of foreign languages are characteristics related to a strong international orientation in terms of export performance (Aaby & Slater, 1988; Athanassiou & Nigh, 2000; Cavusgil, 1984; Ibeh, 2003) due to the fact that these managers and/owners have advantages of low psychic distance and have low liability of foreignness to these foreign markets.

On the other hand, Dichtil, et al (1990) include the concept of managers' foreign market orientation based on the perceived risky propensity, psychic distance, education level and attitude towards export in analyzing the relationship between managerial characteristics and export performance. In addition to that, Ali and Swierez, (ibid); argue that export strategy is mainly a function of size, experience and managerial interest and willingness to export. The authors continue arguing that firms headed by managers who perceive global marketing as a potential opportunity and challenge rather than an undesirable burden; are much more likely to respond favorably to foreign market opportunities. Managers with superior international experience are more open to export opportunities. This means that those managers with more exposure to the international business environment are less uncertain to operate within international markets (White et al., 1998).

On the same vein Reuber and Fischer (1999) contend that internationally experienced top-managers help small firms move more quickly towards internationalizing their activities than their counterpart firms which do not have this experiential advantage. The relevance of prior experiences of the manager and/or owner supports the idea that experiential knowledge and learning are central issues in explaining internationalization process as Johanson and Vahlne model (1977) documents. However, the significance of using top-management's attitudes towards firm's internationalization process is due to the fact that decisions in these firms are usually concentrated in the hands of one or few persons and manager and/or owner has crucial and unique decision role in most of these organizations (Bloodgood, Sapienza, & Almeida, 1996; Westhead, Wright, & Ucbasaran, 2001). Another salient feature on the role of managers and/or owners in export performance of firms can be explained under the perspective of network approach to internationalization (Zuchella, Palamara, and Denicolai, 2007).

Thus, it is easy for managers and/or owners to have prior knowledge and information on the business environment in foreign markets where they have international social networks (Liesch & Knight, 1999). Ultimately, they use these knowledge and information to select and utilize potential market opportunities and business positioning (Venkataraman, 1997) and overcome investment and business risks associated with working in new foreign markets. Simpson and Kujawa (1974) conclude that though the managerial perceptions towards foreign market risk, profitability and costs differ between exporters and non exporters, those perceptions play a major role in export performance of their firms. Furthermore, Cavusgil (1984a) on a survey of Wisconsin manufacturing firms, find that management's attitudes towards risk are positively correlated with export performance.

In the study of the same nature, Axin (1988) find a positive relationship between manager/owner's international experience and firm's export performance, manager's perceptions of the relative advantage of exporting and firm's export performance. Finally, she finds a negative relationship between exports perceived complexity and firms export performance. However, despite plethora of studies that has shown tremendous interest in this area, the results are often conflicting and generally inconclusive as Leonidou et al (1997) espouse that although a wealth of research has been produced, no systematic analysis of existing knowledge regarding managerial determinants of exporting has been undertaken to come up with a clear list of managerial characteristics that influence firm's export performance.

2.4 Modes of Entering Foreign Markets

Firms that seek to perform business activities in foreign markets must choose the best entry mode due to the fact that their success in foreign markets depends to large extent on the mode they used entering such a market (Anderson and Gatignon, 1986). The importance of entry mode to the success of firms' foreign market operations lead Wind and Perlmutter (1977) espouse that entry modes are

frontier issue in International business. This leads researchers in the field of international business raise special concerns on the question of international entry mode decisions (cf. Andersen, 1997; Agarwal and Ramaswaani, 1992; Anderson and Gatignon, 1986). Despite these concerns, there is no general agreement on what should be termed as a paradigm, theory or conceptual framework regarding the choice of entry mode and what criteria a firm uses towards choosing entry mode (Andersen, 1997).

However, Andersen (ibid) points out three perspectives for studying entry modes; these are the eclectic framework as Dunning (1980, 1988) suggest, entry mode as a chain of establishment as presented by Johanson and Wiedersheim-Paul, 1975; Johanson and Valhne, 1977); and organizational capability as Madhok (1997) and Aulakh and Kotabe (1997) present. The eclectic framework of entry mode can be explained through three factors suggested by Dunning (1980, 1988) Ownership, Location and Internalization advantages. These three advantages influence selection of entry modes by firms' entering foreign markets. Ownership advantage comprises both firm-specific resources and capabilities. Firms' resources are reflected by multinational experience and size, whereas firms' capabilities represents firms' ability to develop a unique differentiated products from its rivals (Dunning, 1993).

Attractiveness of a specific country where the firm wishes to export its products represents location advantage of which the attractiveness is reflected by market potential and investment risk (Root, 1987 as cited by Andersen, 1998). Market potential can be explained by low production costs, availability of demand and profitability of such international markets, whereas macroeconomic instability and political instability represents investment risks. In addition to that country attractiveness can also be explained by low psychic distance which implies that there is a similarity of culture and market infrastructure (Dunning, 1993). Lastly, Williamson (1981) refers internalization advantage as the costs associated with

transaction costs in choosing the most efficient mode of foreign entry. These can be referred to the costs of choosing a hierarchical mode of operation over an external mode (Dunning, 1988, 1993 as cited by Andersen, 1997).

Generally, the main concern in the eclectic framework of entry mode is cost and benefits analysis towards choosing a specific entry mode to particular foreign country, that is weighing between returns over costs of entering certain potential foreign market. However, this analysis is questionable as Anderson and Gatignon (1986) point out that despite existence of relevant evidence in empirical studies, literature does not suggest “how the manager should weigh tradeoffs to arrive at a choice that maximize risk adjusted returns on investment.

The second perspective is entry mode as a chain of establishment which is grounded from the early school of thought concerning the whole process of firms’ internationalization. Johanson and Wiedersheim-Paul (1975); and Johanson and Vahlne (1977) make a distinction between four different modes of entering foreign markets; consecutively the latter stage represents higher degrees of international involvement. These stages are; (1) no regular export activities, (2) export through independent agents, (3) establishment of foreign sales subsidiary, and (4) overseas production/manufacturing divisions.

Basic assumptions of Johanson and Weidersheim-Paul (1975) are; firms develop at their domestic markets before starting operating internationally, and thus internationalization of these firms is the result of incremental business decision process. This assumption tells that firms’ internationalization process starts from stage “1”, “2”, “3” then “4”. However, this assumption suffers from critics of several authors (cf. Andersen, 1997; Ayal and Raben, 1987; Turnbull, 1987; Millington and Bayliss, 1990). In addition to that, the proponents of this perspective present that they do not expect the developments more often to follow

the whole chain due to the fact that, size of the potential markets differ and firms with more experience on international activities can jump one or two stages (Johanson and Weidersheim-Paul (1975).

In the same vein, Turnbull, (1987) points out that empirical evidence on firms' internationalization process indicates that there are some firms that use organizational modes to enter foreign markets, and sometimes other firms move in an inverse manner that is from direct to indirect means of entering international markets. In addition to that, recent reviews raise concerns on the validity and appropriateness of the internationalization process approach of the stage theory especially in developing nations (Tyagi, 2000). Millington and Bayliss (1990) as cited in Tyagi (ibid) argues that stage theory models are unable to explain the internationalization behavior of small and medium size firms.

The second assumption is lack of knowledge and resources as the main hindrances towards firms' globalizing their business activities. This assumption draws attention that due to lack of knowledge about foreign countries and a tendency to avoid uncertainty (Investment risks) firms tend to start exporting their products to neighboring countries of similar socio-economic characteristics, due to the fact that the larger the psychic distance, the more perceived uncertainty (Johanson and Wiederheim-Paul, 1975). Hence, the more perceived uncertainty leads to less willingness for firms to commit resources in foreign markets. In addition to that, firms start selling their products abroad through representatives either local or foreign representatives who knows business practices and culture of that potential specific country so as to gain both institutional and environmental experiences. In general, the second assumption is rooted in the idea that the role of psychic distance can be reduced gradually through experience and thus firms usually prefer to make the feet wet first in near similar markets before start exporting their activities to more distant countries.

Organizational capability (OC) perspective towards choosing an efficient and optimal foreign entry mode has been introduced by several authors in international marketing (cf. Aulakh and Kotabe, 1997; Madhok, 1997). This perspective is grounded on the notions of bounded rationality and opportunism which necessitates several authors to link this perspective with transaction cost analysis (TCA) even though into different outlook but ending into similar conclusions. For instance Aulakh and Kotabe (ibid) perceive this perspective as a complementary to TCA whilst Madhok (ibid) argues that organizational capability perspective to entry mode is an alternative to transaction cost analysis (Andersen, 1997). In addition to that, Andersen (ibid) document that the OC perspective “*is rooted in the resource-based theory (Penrose, 1959) and have the similar emphasis on experiential knowledge towards internationalization process as noted by Johanson and Vahlne (1977, 1990)*”.

Thus, of the three perspectives the general and fundamental idea in choosing the optimal and efficient entry mode is cost and benefits analysis which implies that the firm considers all the three factors mentioned by Dunning (1980, 1988) that is ownership, location and internalization advantages. In making analysis of these three advantages the firms find themselves in the whole process of analyzing and capturing the essence of transaction cost analysis which results firms to choose the efficient mode of governance in foreign markets. As a result the best choice of the market to enter and entry mode to use is the one that minimizes the costs in terms of market and investment risks which normally is the market of similar characteristics in terms of business environment as suggested by Johanson and Wiedersheim-Paul (1975); and Johanson and Vahlne (1977).

2.5 Barriers to Export Performance

Different researchers (Rabino 1980; kaynak and Kothar 1984; Kedia and Chokar 1986; Bilkey and Tesar 1977) have identified quite a lot of barriers to export performance ranging from external, internal and operational barriers. External barriers to export performance include; “*foreign practices, tariff and non tariff*

barriers, foreign exchange fluctuation, foreign market competition, government policy, [political instability in potential foreign markets], and different consumer and/or product standards in foreign countries”².

Internal barriers to export performance are those challenges that relates to inside firms’ ability towards exporting, they include; inadequate commitment by managerial staffs, lack of international experience and insufficient resources both tangible and intangible ranging from human, capital, technological and financial resources (Yaprak, 1985; Baurchmidt, Sullivan and Gillespie 1985). Operational barriers to export performance are those challenges that hinder firms’ smooth operations in foreign markets. These are difficulty in searching for prospect customers, communication problems such as unreliable transportation means, and clearing customs; intricacies in getting adequate agents in foreign markets and difficulty in transactions such as payment delays (Kedia and Chokar 1986; Yaprak 1985 as cited by Young et al 1992).

Empirical research by Centre for Research in Economic Development and International Trade about determinants of export and investment of manufacturing firms in Tanzania provides a similar picture on the barriers that manufacturing firms in Tanzania are facing in their way towards exporting. In the context of environment for manufacturing firms in Tanzania three issues are seen as a challenge towards export performance. These are trends in real exchange rate for Tanzanian shilling that results in increase in cost of production and reduce competitiveness in foreign markets, secondly; Tanzanian government have not been markedly successful on macroeconomic stability which is one of the important source of business confidence in both domestic and foreign markets and lastly, is the problem of time lag of the positive results of private investment which is seen in few years ago as a compliment by public sector capital formation and provides infrastructure. Hence any positive impacts of this complements

² Young, Leon and Alden (1992)

requires some years to be seen in firms' export performance (Grenier, McKay and Morrissey, 2005).

Furthermore, Young et al (ibid) document that some of these challenges to export performance make businesses in foreign markets more challenging than in domestic markets. However the perceptions about these challenges and their management differ among managers of exporting firms. Bilkey (1970); Bilkey and Tesar (1977) present that managers of exporting firms sees these export hindrances as less complex to deal with than non exporting firms. This is due to the fact that exporting firms has some experiences in dealing with these challenges.

All of the above challenges to exportation can be termed in a single word as institutional factors towards exporting. Institutional factors are listed in the literature as one of the facets influencing export performance of firms. Although Institutions prevail in both developed and developing nations; inadequate institutions are believed to be impediment in developing nations. This implies that institutions in poor countries do not provide incentives and favorable environments for firms to develop export strategies. Wilson (2004), studied export behaviors of firms in Central and Eastern Europe and found evidence that healthy institutions increase the likelihood that a firm will export. The imperfection of the African business system is a result of the Institutional environment (Pedersen and McCormick, 1999); and barriers related to information inefficiencies, price competitiveness, foreign customer habits, and political and economic impediments are believed to possess systematic strong blockage effect on export performance of firms (Leonidou, 2004).

In the same vein Grenier, McKay and Morrissey (2005) document that despite many trade policy reforms taken place in Tanzania such as introduction of exchange retention and rebate schemes still many exporters complain of long delay in receiving their payments. All these prove the fact that there were no

reforms that come out to have effectively boosted manufacturing exports in Tanzania. Institutional factors define a holistic dimension of several socio-economic and political aspects that can not be defined in simple sentence. Institutions cover all aspects related to infrastructure, policies and regulations both in local and foreign countries, economic variables and culture or behaviors of foreign customers. Such diversity of the institutional factors have led the researchers differ in the choice of what institutions should be included in their analysis (Pedersen and McCormick, *ibid*).

Obviously, some of these factors may act severely as embargos than others. It would be of interest to researchers and policy makers to understand what institutional facets are more likely to limit firms' exportation. Since institutional factors are very holistic, it is important therefore to search for empirical evidence of most institutional issue which managers perceive as most hindrance. In this study I do investigate the most hindrance type of institutions among the list discussed above based on the CEOs experience. These barriers to exportation may be perceived differently among exporters and non-exporters depending on the nature and importance of such barriers to the respective group as presented in section 3.6.

CHAPTER THREE

CONCEPTUAL FRAMEWORK ON FACTORS THAT DETERMINE FIRMS' EXPORT PERFORMANCE

Firm characteristics such as firm's resources, size, risk perceptions and perceived barriers have an impact on exporting activities and/or export performance, but to a different extent. The most researched characteristics are firm size and export experience; however it is difficult to make some unequivocal conclusions. Most studies have used size as a control variable towards firm's resources, risk perceptions, perceived barriers to exporting and finally to firm's export performance. Nonetheless, few vigilant inferences are that larger firms perform better especially measured in export sales volume (Voerman 2003).

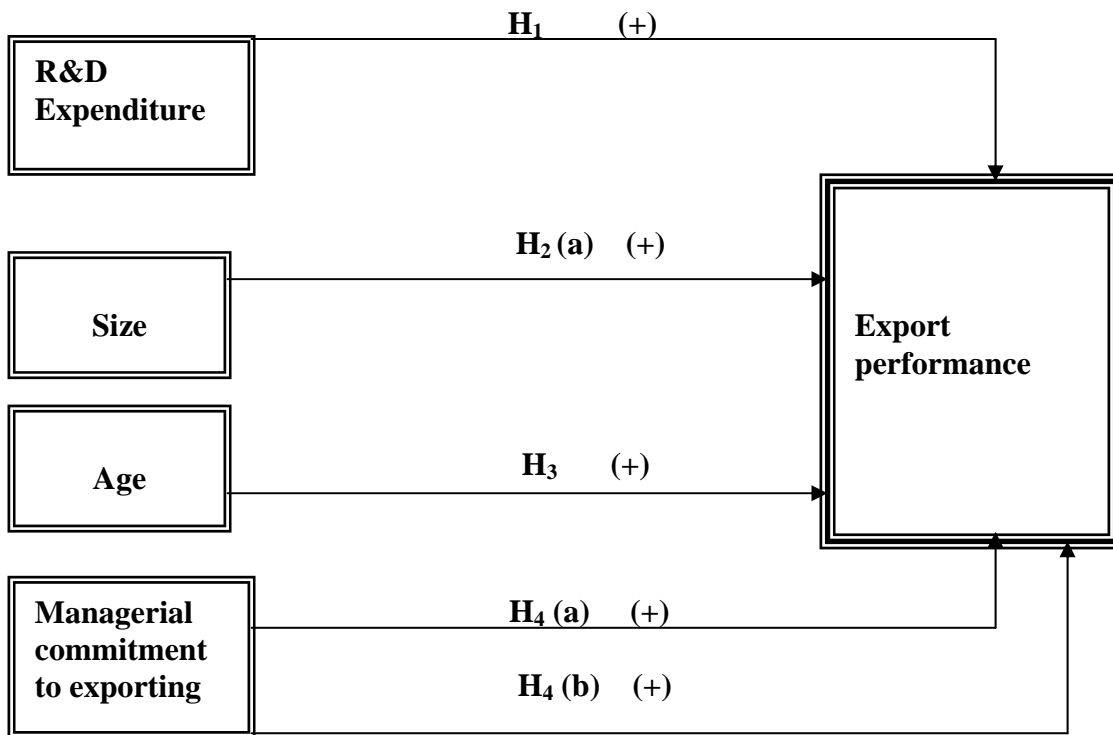
In this study I assume that all of the above firm's characteristics have direct impact on firm's export performance, and the present conceptual framework provides a basis for testing for the relationships between the four firm's characteristics namely firm's resources, size, risk perceptions and perceived barriers to exporting and firm's export performance. Each of the four firm's characteristics is presented with its relations to firm's export performance in figure 1.

3.1 Commitment of firm's resources

The first factor that has thought to have an impact to firm's export performance in this study is the amount of resources committed to exporting. For firms to globalize their business activities need to have clear and implementable plans towards foreign activities, as Kotler (2003) presents that to plan effectively and efficiently firms should dedicate resources to information search and use of those information to understand the needs of the specific market and to reduce uncertainty. This implies that there is a need for firms to demonstrate more specific export planning, as there are evidences on firms that benefit from

establishing separate export development budgets, export goals, a foreign price policy, and a promotion plan for international activities (Beamish, Craig & McLellan 1993; Donthu & Kim 1993; Bijmolt & Zwart 1994; Evangelista 1994).

Figure 1: Conceptual Framework for Determinants of Export Performance



Several studies came into conclusion that the extents to which firms make use of formal export market research have a direct impact on firm's export performance (Bijmolt & Zwart 1994; Moini 1995; Katsikeas, Piercy & Ioannidis 1996; Hart & Tzokas 1999). On the same vein Koh (1991) documents that there is a direct effect of formal information that a firm obtains through frequent international marketing research leading to better strategic decisions and export performance. The general picture that can be drawn from these empirical studies is that it is valuable for the exporting and potential exporting firms to collect foreign markets information and to subsequently make use of it in export-related activities. More important is formal research and development activities, with smaller impact

stemming from export intelligence while the efficacy of export assistance is ambiguous (Voerman 2003). The logic behind is that Research and Development (R&D) activities for international markets are important for firm's starting internationalizing their activities but they are so costly and thus requires huge resource both financial and technical. Accordingly, the following hypothesis is proposed;

H₁: Larger expenditures on Research and Development (R&D) activities for international markets have positive impact on firm's export performance

3.2 Firm Size and Risk Perceptions

The influence of firm size on export performance of firms has been researched comprehensively. Various operationalizations has been used as a proxy of firm size, the most popular and widely used proxy in several studies is number of employees and sales volume respectively. The majority of studies used sales volume as a proxy of size reports non-significant results with few significant results been reported a positive effect of total sales, just on export sales but not on other performance indicators Contrary to this, direct and indirect impact of number of employees as a proxy for firm size is repeatedly assumed and reported in various empirical studies (Voerman 2003).

This implies that for a firm having large number of potential employees increases export planning and information collection from different potential markets (Samiee & Walters 1990; Walters 1993); manages to use such information and position their firm into novelty competitive markets globally (Holzmüller & Kasper 1991; Holzmüller & Stöttinger 1996; Balabanis & Katsikea 2003). Building on the same block, Katsikeas, Deng & Wortzel (1997) accredit the issue of resource constraints that characterizes small firms when argue that large firms put less importance to foreign market accessibility, export competence, and distribution competitiveness, implying that the number of employees affect the way the firm perceives exporting. Wolff & Pett (2000) use the resource based

view to hypothesize that firms with less employees follow narrower based competitive patterns than larger firms due to the fact that foreign markets are characterized by higher risks ranging from institutional (cultural) to behavioral (customer preferences) risks which needs firms to exert more resources to neutralize those risks.

Taking into considerations that, foreign markets are often unknown to the firm and therefore more risky to operate, small firms therefore may behave risk averse due to lack of information and small capability of risk spread in the international markets (Verwaal and Donkers, 2001). Large firms have the advantages of higher capacity risk taking such as development of new products for internal diversification (Wagner, 1995) and information search on foreign markets. While resources remain essential towards exportation, the stage theory asserts that the principle variable opening the path of advancement is the executives' attitudes towards the relative costs, benefits, and risks of international business (Calof and Viviers, 1995). Small and medium sized firms can reap potential benefits from export activities though there are may be increase in cost and uncertainties from export strategy (Ali and Swierez, 1991); which implies that the perception of profit, risk and costs are among the features which distinguish small and large firms; and exporting and non exporting firms toward internationalizing their activities (Roy and Simpson, 1981). Due to market diversification, portfolio theory suggests that larger firms doubtless face less total market risk than small firms (Hirsch and Lev, 1971). Thus, in light of the above discussion the following hypotheses are proposed:

H₂ (a): Firm size is positively related with export performance

H₂ (b): There are differences in risk perception between exporter and non-exporters towards exporting.

3.3 Age of the Firm

The impact of age of the firm on export performance has been researched in various empirical studies, different industries and in different countries (cf. Wignaraja 2006; Lall 1986; Bhaduri and Ray 2004; Rasiah 2003; Moini 1995; Dean, Mengüç & Myers 2000; Francis & Collins-Dodd 2000; Baldauf, Cravens & Wagner 2000; Thirkell & Dau 1998; and Leonidou & Kaleka 1998; Kaynak & Kuan 1993; Majocchi et al 2005). However the results in these studies are of mixture implying that some studies found negative relationship between age of the firm and export performance while others document on the positive relationship between age of the firm and export performance as explained in section 3.2.3 of this thesis report.

Number of years either in general business or in export business has been used in most studies as a proxy of age of the firm and experience with the exporting experience being examined extensively (Voerman, 2003). The logic behind is that, experience in years provides the company a set of historic actions to learn from, build confidence on both turbulent and orderly business environments and to improve their actions ahead. Albeit the fact that the older an organization, the more formalized its behavior (Mintzberg 1989). Thirkell & Dau (1998); and Leonidou & Kaleka (1998) using composite measures of export performance find a strong positive effect of export market knowledge on overall firm's export performance. On the other hand Bijmolt & Zwart (1994) find that the export policy improves when exporters are more experienced. This proves the fact of the positive effect of firm's experience on its export performance using both direct and indirect effects of firm's experience.

Expanding further on the issue of firm's experience, Voerman (2003) espouses that, export experience should be replaced with a measure named international experience, showing the importance of both imports and exports activities. Due to the fact that importing also implies dealing with companies abroad which all leads to experiential knowledge on international business. Voerman's conclusion on

firm's international experience brings back the fundamental idea of including both firm's general business and/or export business activities to capture all issues pertaining to firms' international experience which includes firm's export and import activities. In light of these discussions about firm's experience this study proposes that,

H₃: Age of the firm is positively related with export performance.

3.4 Managerial characteristics

Managerial characteristics have been referred as the important internal determinants of firm's export performance (cf. Voerman, 2003; Kedia and Chockar 1985; Pinney 1970; Perlmutter 1969; Simmonds and Smith 1968). To capture the essence of managerial characteristics as indicator of export performance Voerman (2003) distinguishes between objective and subjective or psychosocial managerial characteristics. The objective managerial characteristics include manager's age (Ursic and Czinkota 1989), manager's education level (Schlegelmilch 1986), nationality or race, language competence, foreign country exposure (Reid 1983), professional and export experience (Reid 1983; da Rocha et al. 1990); whereas subjective characteristics comprise features associated with the perceptions, attitudes, and behavior of the decision maker(s). The subjective managerial characteristics towards exporting are also referred as attitudinal commitment of management towards overseas operations. These features are for example, managerial risk tolerance (Wiedersheim-Paul et al. 1978; Roux 1987), quality and dynamism (Bilkey and Tesar 1977; Wiedersheim-Paul et al. 1978), and perceptions of costs and profits in foreign markets (Simpson and Kujawa 1974; Roy and Simpson 1981). In this study, however I make use of manager's education level as the objective measure and manager's perception of exporting risk and profits as subjective measures of managerial characteristics.

Several authors document on the evidence that higher educated managers perform better on international markets, a direct positive effect of manager's higher level of education on both export ratio and export profitability is reported by Nakos,

Brouthers & Brouthers (1998). On the same vein Holz Müller & Kasper (1991) and Holz Müller & Stöttinger (1996) find that higher educated manager performs better in foreign markets due to higher dynamic cultural orientation which helps them to have low liability of foreignness towards starting operations in overseas markets. Accordingly, I suggest the following hypothesis:

H_{4 (a)}: There is a positive relationship between CEOs' education and firms' export performance

Moreover the manager's perception of risks, costs and profits related to export activities have a direct impact on export performance of firms (Kedia and Chhokar, 1985). Pinney (1970) documents that firm's top management's interest and enthusiasm about exporting is an important internal determinant of whether management takes initiatives in exporting and further deciding how many countries to cover. This implies that the better a manager tolerates psychological stress, the better the foreign orientation of the manager and the more he/she diversifies the firm's business activities, which in turn increases export performance (Holz Müller & Kasper 1991; Holz Müller & Stöttinger 1996). Replicating on the same issue Cadogan *et al.* (2001) test management's commitment with exporting as part of export leadership, and find that a higher management's commitment positively influences export market-oriented behaviour. Generally, committed management towards exporting may operate in several markets, accordingly, several studies find direct and positive relationships between market coverage and export performance (Voerman, 2003). Thus, the following hypothesis is formulated;

H_{4 (b)}: Number of exporting countries is positively related with firms' export performance

3.5 Modes of Entering Foreign Markets

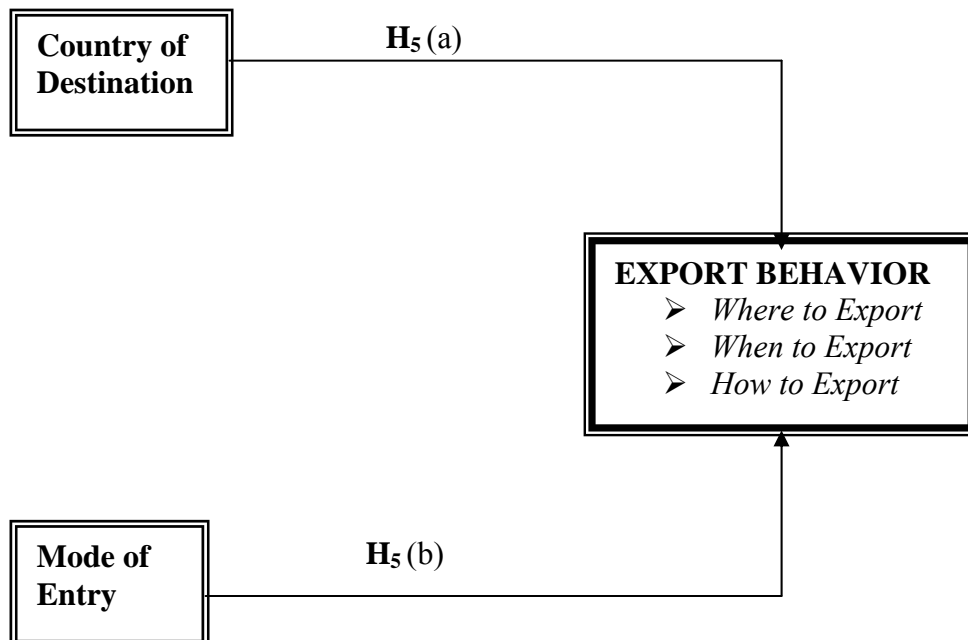
As can be seen in figure 2, I anticipate that the choice of foreign market (country) may influence the entry mode to that particular country and further influence firm's export behaviour. This study however focuses on stage model of

internationalization by Johanson and Vahlne, (1977); which postulates that the firm starts exporting to the country of similar culture in terms of business practices or to neighbouring countries and when starting export they usually tend to start using indirect mode of foreign market entry i.e. via independent representatives. These representatives or agents can be from the country of destination or any person who knows well the market and institutional environments of the particular destination country. There are two types of export as an entry mode these are direct and indirect exports (Pan and Tse, 2000). Direct exports represent the most basic mode of foreign market entry which takes advantage on economies of scale in production concentrated in home country and affords better control over distribution channels. Indirect export can be defined as engaging into international activities through domestically based export subsidiaries/ agents (Peng, 2006). Thus, the following hypotheses are postulated;

H₅(a) At the early stages of internationalization firms tend to start exporting to neighboring countries (countries of similar culture)

H₅(b) At the early stages of internationalization, firms tend to use indirect mode of entering foreign market.

Figure 2 Conceptual Framework for Firm’s Export Behavior



Lack of knowledge and resources are the fundamental assumption behind the Johanson and Vahlne, (1977) stage theory of Internationalization, which implies that due to higher liability of foreignness to more psycho-culturally distant countries the perceived market risks are high which lead firms to generally commence exporting to the country that is geographically and socio-culturally closet (Calof, 1991). The concept of psychic distance is of importance when considering firms that expand their activities internationally. Psychic distance can be defined as factors preventing or disturbing the flow of information between firm and market. These factors include among other things differences in language, culture, institutional differences, level of education etc (Johanson and Wiedershein-Paul, 1975). Generally, firms change countries, modes, or structure as they gain experiential knowledge in a particular foreign market and as decision makers' perceptions of the costs and benefits of involvement in that market change.

The three perspectives presented in section 2.4 towards choosing the best foreign entry mode i.e. the eclectic framework; entry mode as a chain of establishment; and organizational capability predict that the firm ends up choosing the best location in terms of business, environmental and market risks; good governance structure which helps firm to maximize benefit and minimize costs of operating globally especially at the early stages of internationalization process. Figure 2 explains that firm's foreign country of destination and mode of entry predicts firm's export behaviour that is the where, when and how to export as presented by the three perspectives above.

Finally, the type of relationships expected from each explanatory variable to a dependent variable i.e. export performance in this study are summarized in Table 1.

Table 1: Expected relationships among variables

Dependent variable → Ratio of export sales to number of employees

Independent variables ↓	Variable type	Expected sign
Log Firm Size	continuous	+
Log Age of the firm	continuous	+
Research and Development	dichotomous	+
Commitment to export	continuous	+

3.6 Barriers to Exporting

One of the most important questions in the field of international business posed by Sharkey, Lim and Kim, (1989) is why some firms export while others do not export? Several researchers provide explanations on this question cf. Alexandrides, 1971; Torre, 1972; Simpson, 1973; Tesar, 1975; Bilkey and Tesar, 1977; Kedia and Chhokar, 1986 and document that there are considerable threshold fear that non-exporters must be overcome before starting operating internationally (Dichtl et al., 1984). Thus, a manufacturing firm is regularly exposed to a number of barriers to export, exclusive at all stages of the internationalisation process, from the early stages to the more advanced stages (Johanson and Wiedersheim-Paul, 1975; Bilkey and Tesar, 1977).

Furthermore, several researchers document that there are differences on perceptions of these barriers between exporters and non-exporters, for instance Bilkey's (1970) advocate that exporters perceive more barriers to export than non-exporters, whereas Suarez-Ortega (2003) suggest that such barriers are perceived to be more important for non-exporters than for exporters. Based on these inconclusive results from previous studies, the following section categorizes the barriers to exporting into six factors and the differences on perceptions between exporters and non-exporters. The six factors are; Operational barriers, financial resource capability, infrastructure and

communication capability, international and domestic export policies, psychical factors, and technological capability as presented in Table 14.

Operational barriers according to this study include; foreign culture and language limit our interaction with foreign customers, foreign exchange rates are subject to fluctuations, and payments in foreign currencies are time consuming and delay payments. Yaprak (1985) presents that the problem of current exporters are of operational in nature and related to external factors such as too much red tape, slow payment by foreign buyers and deteriorating economic conditions in foreign markets. On the other hand barriers perceived more to non-exporters are lack of information about exporting, limited foreign market contacts and lack of personnel who are committed to foreign markets (Yaprak, *ibid*). On the same vein Keng and Jiuan (1989) documents that non-exporters put higher importance on barriers associated with initiation of export activities, while exporters are primarily worried with operational issues like fluctuations of prices in foreign markets, establishing distributional networks and marketing their products. In this study all the barriers perceived more by non-exporters are termed in a single term as psychical factors which include no available information on foreign markets and business practices that is what, how and where to export, no experiences on foreign customer's habits and preferences, and near foreign markets are characterized by political instabilities. Thus, the following hypotheses are formulated;

H₆(a): Exporters perceive operational barriers as more constraint than non-exporters

H₆(b): Non-exporters perceive psychical factors as more constraints towards internationalizing their activities than exporters

In addition to the more perceived barriers by non-exporters Barker and Kaynak (1992) document that high initial investment and insufficient capital to start exporting are among the factors perceived more by non-exporters as hindrances towards starting operating internationally. This is in consistent by the findings of

Mckay and Morrissey, (2005) who conclude that limited access to bank financing bank financing has been a major constraint to Tanzanian Manufacturing firms that are keen to start exporting. In this study these factors are termed as lack of financial resource capability which includes items on financial factor does not provide opportunities to develop and start export activities, and raising capital to develop international business is a key challenge to start exporting. Accordingly, the following hypothesis is proposed;

H_{6(c)}: Non-exporters perceive financial resource capability as a higher constraint towards internationalizing their activities than exporters

Lack of government support in overcoming export barriers and high foreign tariffs on imported products (Lages, 2000) are one of the barriers that hinder firms from developing export strategies. In addition to that, Collier and Gunning (1999a,b) point out that poor policy both micro and macro policies on export promotion in Africa are the major constraints to non-exporters towards starting operation in foreign markets. Hence, I suggest the following hypothesis;

H_{6(d)}: Non-exporters perceive domestic export policies as a major constraint towards entering foreign markets than exporters.

The size and the growth of a country's export performance depend critically on the availability of physical infrastructure, ranging from roads and ports to energy and telecommunications. Infrastructure and communication capability are one of the hindrances towards firms internationalizing their activities. These capabilities include items on costs of searching information on foreign customers and infrastructure that is roads, railways and communication systems are very poor to support for exportation activities. (Gunning, 1999b) postulates that African manufacturers suffer from low social capital, poor infrastructure and risk associated with starting exporting their businesses. Because of high transportation costs, African manufacturing firms decides to operate domestically and benefit from some market power on their domestic market, where they can

charge a higher price than the export price, net of transportation cost Azam, Calmette and Loustalan (2000).

On the other hand, Sullivan and Bauerschmidt (1990) concluded that high transportation costs to ship products to foreign markets, problem of searching for appropriate foreign customers and distributors, problems of quoting prices with fluctuating exchange rates with minimal and unreliable information are the major barriers for firms engaging in international business. This is true not only of non-coastal countries, but also of coastal ones, as the cost of shipping goods to or from African countries are higher than for other continents, probably due to the small size of the African markets, that rule out the full exploitation of economies of scale in shipping. Thus, based on these discussions the following hypothesis is proposed;

H₆(e): Exporters perceive infrastructure and communication as more hindrance towards efficiency operations in foreign markets than non-exporters

Firm's technological capability is an important aspect towards firm's internationalizing their activities. The importance of off technology is rooted from neo-technological theory which highlights the role of technology gap in determining a country's international trade pattern (Posner, 1961; Vernon, 1966; Krugman, 1979). In this regards firm's lack of technological capability is one of the major hindrance of firm's enter foreign markets. In this study technological capability includes items on "our technology can not compete in foreign markets and our technology limit our product quality to meet foreign standards". Thus it is hypothesized that;

H₆(f): There are differences in perceptions between exporters and non-exporters about technological capability as a hindrance towards entering foreign markets.

CHAPTER FOUR

METHODOLOGY AND PROCEDURES

The chapter provides explanation on the research procedures from which research results are based. It includes sections on the sample selection, type of model estimated, measurement and operationalization of variables, Hypotheses and their respective statistical analysis; and finally data collection methods.

4.1 Sample selection

The research focuses on the Tanzanian manufacturing firms regardless of their size. The three regions of Dar es Salaam, Morogoro and Iringa were chosen to be the target study area in which the sample was drawn. The choice of these regions was based on the accessibility criterion. The sampling frame of exporting firms was based on the Tanzanian Revenue Authority data base of the year 2007. In addition, the sampling frame of non exporting firms was based on the National Bureau of Statistics documentary of the year 2007 and Confederation of Tanzania Industries (CTI) documentary of the year 2007. A total of 250 copies of questionnaire were sent to both exporters and non exporters either through personal contact and/or e-mail.

Through personal contact, the CEO/managers of the firms were requested to fill the questionnaire in personal interviews or were left with questionnaires to fill at their own free time. For firms in which CEOs/managers were not contacted directly either because of their absence or difficult terrain in the firm's location; questionnaires were sent through e-mails. For questionnaires left to the CEOs to fill at their own free time, feedbacks were planned into two ways. First, the CEO sent the message by telephone or e-mail to collect the questionnaire or the CEO sent the questionnaire via postal mail. The 60% of the total questionnaires

supplied targeted the exporting firms in the three regions while the rest 40% targeted the non exporting firms.

Table 2 The response rate

	No. of questionnaires supplied	No. of questionnaires returned	No. of Respondents by location			Response rate
			DAR	MOR	IR	%
Non exporters	100	66	38	12	16	26.4
Exporters	150	52	32	12	8	20.8
TOTAL	250	118	70	24	24	47.2

DAR = Dar es Salaam

MOR = Morogoro

IR = Iringa

4.2 The estimated Model

As discussed in Chapter two, there are plethoras of studies on the determinants of export performance; however, empirical results are still mixed. Many of these studies were conducted more in Developed countries than developing countries. The model for determinants of export performance in this study is formulated based on the theoretical foundation in order to contribute to this theoretical puzzle. The model is basically for analyzing H₁, H₂ (a), H₃, H₅ (b) related to export performance. Because of this, the data used to estimate this model were collected from firms already engaged in exporting activities. The model is specified in the following way;

$$EXP = \beta_0 + \beta_1 \log (FSIZE) + \beta_2 \log (AGE) + \beta_3 (COMEX) + \beta_4 (RDEP) + \varepsilon$$

Where,

EXP = Export performance

Log(FSIZE) = logarithm of Firm Size

Log (AGE) = logarithm of Firm's Age

COMEX = Managerial commitment to exporting

RDEP = dummy for expenditures on R&D

The estimation process followed the Ordinary Least Square (OLS) procedures.

4.3 Operational definitions and Measurement

A concept cannot be measured and analyzed unless there is operational definition to guide its measurement. As Zikmund (2003: 294) argues, the first task the researcher must answer is “What should be measured”?, and defines an operational definition as a definition that gives meaning to a concept by specifying operations necessary in order to measure it. Similarly, Hair et al (2005: 7) argues on the same that the researcher cannot identify variation between a dependent variable and one or more independent variables unless it can be measured. “Measurement error generally biases coefficient estimates” (Levine and Renelt, 1991). Knowing this methodological problem, many studies on export performance have utilized different measurements for export performance.

However, there is yet no consensus and uniformly accepted conceptualization and operationalization of the construct (Cavusgil and Zou 1994; Shoham 1998). Therefore, the type of measurement and operationalization will vary among studies based on the nature of the study itself and the type of data available for analysis. As Majocchi et al (2005) argue, while plethora of studies on export performance has been conducted, the remaining big debate is on the measurement and operationalization of export performance. The following is a discussion on how both dependent and independent variables were measured and operationalized in this study.

4.3.1 Dependent variable

As discussed in the literature, measures for a dependent variable, i.e. export performance can be grouped into two categories. These are subjective measures and objective measures (Sousa, 2004). The author provides examples of subjective measures used as proxy for export performance which include export intensity, export intensity growth, export sales growth, export sales volume, and export sales efficiency. Objective measures may also include profitability indicators such as export profit margin and export profit margin growth.

Similarly, the author argues that many of the studies employing the subjective measure assess the construct based on the five or seven point scales. This kind of categorization and measurement modes has also been documented by other authors such as Majocchi et al (2005); Zou, Taylor and Osland, (1998).

In this study, I adopt both the objective and subjective measures of export performance. The ratio of export sales to number of employees has been used as proxy for export performance while CEOs perceptions on export profitability have been used as a proxy for subjective measures. The choice of these measure were not arbitrary; and thus it is important to explain why choosing ratio of export sales to number of employees in stead of other measure of export performance such as export intensity and profitability; and why choosing perceptions on profitability. In the first place, the model was formulated and export intensity was intended to measure the firm's export performance. During the pilot study, it was observed that firms' CEOs and Managers were reluctant in responding to questions pertaining annual sales and profitability.

However, this was no wonder since in many studies economists comment that when respondents are asked questions about incomes and profitability they either do not respond or under estimate values. With regard to this problem, Majocchi et al (ibid), argue for this as one of the problems that favor subjective measures against objective measures in situations where confidentiality biases respondents' responses to tamper the financial data on export. Despite the high level of confidentiality guaranteed to CEOs and managers of firms on the information they provide; they were still reluctant to give their financial data on total sales and sales from export. As Nakos, Brouters & Brouters (1998) state: "Obtaining performance data has been one of the major problems for empirical studies, as a rule managers are very reluctant to disclose sensitive financial information to strangers." This observation necessitated the reformulation of the measures but without distorting the meaning.

Going back to the literature, I found it convenient to use ratio of export sales to number of employees as a measure of export performance because of two reasons; one, export sales is still an objective measure of export performance just as export intensity though each of these may have strengths and weaknesses. Secondly; CEOs and other Managers had no incentive to hide their information on export sales because they know in advance that such information is ready available as public information in some offices such as Bank of Tanzania (BOT) and Tanzania Revenue Authority (TRA).

As indicated before, studies on the determinants of export performance are being maligned on their operationalization and measurement. Comparability in methods may sometimes increase reliability and consistency in results. Over recent decades Africa's export performance is typically portrayed as being poor, however this is a result of wrong measure used to measure export performance in Africa. Most studies have focused on value of African exports as a measure of export performance, yet if the Africa's export performance could be measured by volume terms of its exports a quite different picture of African export performance emerges (Morrissey and Mold, 2006). This is due to the fact that in Africa especially Sub-Saharan Africa their export values tend to be externally determined by trends in world prices and hence these countries are price takers in world markets (Morrissey, 2005).

Because of this, I use another objective measure of export performance, which is sales volume in favor of (Morrissey and Mold, *ibid*) and (Morrissey, *ibid*) argument. The authors emphasize the use export sales volume if studies are conducted in countries categorized as price takers.

With regard to subjective measures, respondents were asked to rate their perceptions on the way export contributes to profitability and growth, sales of excess productivity and learning international business environment; efficient use of resources and factor endowments. Through the help of Factor analysis data

redundant was performed to identify highly correlated items. The factor loadings for items measuring profitability and growth; efficient use of resources and factor endowments were highly correlated indicating that the items measure the same concept (convergent validity). The Cronbach's alpha for inter-items reliability was 0.6148. The simple average of summated scale was then formulated from the two items measuring profitability and growth. The scale has then been used as a subjective measure of export performance and the model re-estimated to compare results of objective measures. Results of factor loadings are presented in appendix 1.

4.3.2 Explanatory variables

As indicated in the specification of the model, there are four explanatory variables that need to be explained with regard to their measurement and operationalization. These variables are: Size, Experience as proxied by age, resources and capabilities as proxied by Research and Development (R&D) expenditures and managerial commitment to export as proxied by number of countries covered by exporters.

(a) Firm size

In the literature, there is a continuing empirical debate among researchers on the measurement of firm size. Two measures have been adopted in previous studies; one using the number of employees, for example in studies by Majocchi (2005); Voerman, (2003); and Chadha (2005); and the second using the annual sales for example in a study by Mehran and Moini (2001). Past research show that the use of either of the two measures yields different empirical results. One explanation suggested in the literature for such differences in empirical results is because of difference in methodology used (Verwaal and Donkers, 2001).

Cavusgil (1976; 1984) found that when firm size was measured by number of employees, no relationship was found with export behaviour, but a significant

relationship was found when firm size was measured by annual sales. To emphasize this mixture of results, Calof, (1994) argues that still the findings in the literature remain contradictory when the same measure of size is used. Because economic agents provide wrong data when they are asked questions regarding their incomes, sales or earnings; then in this study, number of employees was thought more appropriate to be used as a measure of firm size, first due to accurateness and easy data collection. Secondly number of employees as a measure of firm size is a much more researched measure than total sales (Voerman, 2003) with more consistent results, in addition to that there appears to be some dependency between the total sales and the export sales, and lastly the dependent variable in this study is computed using export sales. Due to Tanzanian definition of SMEs and large enterprises, the size of the employee force in this study is restricted between the boundaries of 1 employee and above 100 employees.

Apart from measurement debate, another debate in the literature is concerning the type of relationship existing between firm size and export performance. In other words there is a disagreement among researchers on the linearity and non-linearity of the relationship. This is of great importance because the type of relationship present should affect the functional relationship for the estimated models. The differences in the functional relationship of models estimated will in turn bring mixtures of the empirical results. In the studies of Majocchi et al (ibid) and Chadha (2005); firm size was used as an independent variable and their functional relationships included both possibilities of linearity and non linearity. The empirical results from the study by Wagner (1994) indicate that an impact of firm size on export is positive but decreasing. This implies that the relationship exists and is non linear in nature. Other studies for example Haahti et al (2005) use size as control variable.

Since there is no theoretical foundation suggesting the type of functional relationship and because of the rightward skewed distributional nature of the variable size as can be seen in appendix 2, I decided to use logarithm of size.

(b) Firm's experience

The argument that older firms may possess an advantage of knowledge stock and learning experience on local and international markets than young firms can not be ignored; although empirical results may bring conflicting results (Lefebvre et al, 2000). The argument behind this fact is that mature firms may be able to accumulate relevant knowledge and core competencies that will facilitate penetration into foreign markets Baldwin and Rafiquzzaman, (1998) in Lefebvre et al, (2000).

Because of this, many studies have included firm's experience as one of the explanatory variable explaining export performance. Examples of such studies include Lefebvre et al (ibid), Majocchi (ibid); Chadha (ibid); Balabanis and Katsikeas (2003). Results on the relationship between age and export performance are mixed. In a study by Fromm and Dornberger the sign for the coefficient of the explanatory variable age is negative and insignificant; similarly, Balabanis and Katsikea (2003) in Majocchi et al (2005) argue for no evidence of the influence of age on export. A positive and significant relationship has been found however; for example in a study by Dueñas-Caparas (2006).

Apart from type of relationship present between age and export, another important aspect is on the functional relationship between the two. In many of these studies, age has been considered in relative terms than absolute term. The argument behind this is derived from studies of Leonidou, (2000); and Welch & Wiedersheim-Paul (1980) who document that newly established firms face more challenges in overcoming impediments related to operations in international markets due to meager organizational resources as well as business experience.

The absence of threshold number of years needed to distinguish between older and young firms in business and because of rightward skewed distribution; I use the logarithm of number of years in business as proxy for experience. The skewed distributions of Size and Age are shown in Appendix 2.

(c) Research and Development and export performance

Research and Development is normally the basis for innovations that may create the firm's capability for competition in both local and international markets. Because of this, firms committed in R&D activities are more likely to engage in export activities than firms with little attention to R&D. Empirical results on the relationship between R&D and export are mixed however. Wagner (2001) for example finds a positive effect of R&D on exports. Similarly a study by Lall (1981) in Dijk (2002) finds a negative and significant relationship. Lefebvre *et al.* (1998) find an insignificant coefficient for R&D as a regressor on export. As Pla-Barber and Alegre (2007) argue; many empirical studies provide support of the positive relationship between innovation (both R&D and non-R&D) and export.

In the light of the above, I include R&D as an explanatory variable explaining export performance. I use firm's percentage of expenditures on R&D as proxy for firm's commitment into R&D activities. Arbitrarily, I asked firm's CEO/Manager to rate their level of R&D expenditures within a category of two levels. i.e. < 2% and > 2% . Responses from this have been ranked as HIGH if the firm rated R&D expenditures as > 2% and LOW if < 2%. A dummy variable was then formulate where it take a value 1 if HIGH and 0 if LOW.

(d) Managerial Commitment to Exporting

Desire for exporting is sometimes perceived to be the management's perception. Firms may possess some of or all the capability to export but can not do so because that is not perceived as an important in the management's point of view. Both objective and subjective managerial characteristics have a positive impact

towards firms exporting in multiple countries. (Voerman, 2003) documents that objective managerial characteristics have a strong indirect effect on firm's export performance whereas subjective managerial features has both direct and indirect impact towards firm's export performance. This means that managers who have strong competencies on the field of internationalization, and those who are not risk averse and are more proactive towards exporting are capable of diversifying their international activities into more than one country.

Generally, committed management towards exporting may operate in several markets. Several studies find direct and positive relationships between market coverage and export performance, while only one study finds a negative relationship (cf. Diamantopoulos & Inglis 1988; Lee & Yang 1990; Holz Müller & Kasper 1991; Beamish, Craig & McLellan 1993; Donthu & Kim 1993; Kaynak & Kuan 1993; Holz Müller & Stöttinger 1996; Nakos, Brouthers & Brouthers 1998). Therefore based on the above discussion, in this study I use number of exporting countries as a proxy for commitment to export activities. As Voerman (2003) postulates, the more countries served, the more international contacts the firm will have, and more committed to those networks which further improves firm's international experience and performance.

4.3.3 Risk perception; CEO's Education and export performance

As indicated in the literature, $H_2(b)$ and $H_5(a)$ required testing for differences. With regard to $H_2(b)$; a total of five statements that relate risks associated with export activities were developed and the firm's CEO's was requested to rate these statements based on a 5 point Likert Scale. At first t-statistic was used to test for differences in perception among exporters and non exporters with regard to exporting. Secondly, the relationship between type of the firm (exporter/non exporter) and risk perception, size, and interaction between size and risk perception were analyzed. This functional relationship is presented in the following equation;

$$\text{Typefirm} = \beta_0 + \beta_1 (\text{fsize}) + \beta_2 \text{Rpercep} + \beta_3 \text{fsize} * \text{Rpercep} + \varepsilon$$

Where

Typefirm = Type of the firm (exporter/non-exporter)

Fsize = Firm size

Rpercep = Risk perception

fsize* Rpercep = interaction term between firm size and risk perception.

Contrary to the previous regression model, in this case the logistic regression analysis was performed because the dependent variable is categorical.

On the other hand, with regard to H₅(a), CEOs were asked to rate their level of education. Two levels of education were listed. i.e High school and below (no education, primary school, secondary school and high school); College and above (college and university education). A Chi-square statistic was used to test for any association between CEO's level of education and firm's decision to export.

4.4 Entry Mode(s)

Firm's CEOs and Managers were asked to indicate the entry mode in their exporting countries. A choice between indirect and direct was provided. In addition, CEOs were asked to indicate countries of exporting and type of entry mode. This intends to test for any difference between the country of exporting and choice of entry mode. Exporting countries were listed as "African countries", "Asian countries" and "European and American countries". From responses, these countries were categorized and analyzed as either nearest country or farthest country. All African countries were recorded as nearest countries while the rest were regarded as farthest countries.

4.5 Barriers to exporting

As discussed in the literature, there may be so many institutional barriers to exporting. It may also be true that institutional barriers to exporting in developed countries are different from those in developing countries due to differences in development. List of institutional barriers from the literature were listed and respondents were requested to rate each barrier based on 5 point Likert scale. This question was answered by all exporters and non exporters.

The analysis for these barriers was done in two ways; firstly the mean score for each barrier was generated for comparability purposes, however interpreting all 16 developed items is a bit complex exercise, hence I decide to use factor analysis to facilitate and easy interpretation of the result. Furthermore, since the multiple item constructs was used in capturing the CEOs' perception about the most hindrance towards export then I find it most appropriate to use factor analysis especially the exploratory factor analysis. As Voerman (2003) contends that, with reference to multiple item constructs, the appropriate methods to analyze data are either reliability analysis that is using Cronbach's alpha, or exploratory factor analysis (EFA) followed by Reliability Analysis. Six factors namely; operational barriers, financial resource capability, infrastructure and communication capability, domestic export policies, psychical factors, and technological capability were identified using the Exploratory Factor Analysis. Furthermore, group means were used to test for differences in the perceptions between exporters and non exporters of the identified six factors. Since there are only two groups; the T- test was considered appropriate test for differences in means among the two groups complemented by results of the *boxplots*. As Hair et al (2005) document, the *boxplot* is a pictorial representation of the data distribution which can be used to indicate presence or absence of differences among groups in terms of perceptions.

CHAPTER FIVE

PRESENTATION OF FINDINGS

In Chapter Three, I presented a conceptual framework explaining the relationship between dependent and independent variables with the expected relationship between them. The framework describes four explanatory variables which explain firm's export performance. The present chapter aims firstly to provide the empirical analysis of the collected survey data to test the relationship between dependent and independent variables as explained in chapter Two. Secondly, the chapter presents the discussions based on the analyzed empirical data crosschecking with previous studies as presented in review of related literatures chapter.

5.1 Descriptive statistics

The results of the descriptive statistics indicate that the average export sales is \$64361.32; average number of employees is 281; average years of business operations is 16 years; and on average number of exporting countries is 8. Table 3 summarizes these results.

Table 3 Descriptive statistics

Variable	Observation	Mean	Standard Deviation	Minimum	Maximum
EXPORT	52	64361.32	223890.1	7500	1210119
SIZE	52	281.308	346.657	7	2000
AGE	52	16.058	9.823	4	43
COMEX	52	8.827	8.974	1	45

Source: Survey Data (2008)

5.2 Regression results

As described in the methodological part, regression results were generated using OLS technique. The first regression results are based on the objective measure of export performance. After regressing the ratio of export sales to number of employees on logarithm of size, logarithm of Age, expenditure on Research and Development and management's commitment to exporting the results were as follows; The model prediction power (explained variance) turned out to be 21% for R^2 and 14% for adjusted R^2 . This implies that the explanatory variables explain about 21 percent variations in export performance.

In terms of individual parameters, the regression results indicate that the coefficient of logarithm of Size has wrong sign though significant at 95% confidence level. This implies that firm size has a negative impact on export performance. These results do not support the hypothesis that firm size has a positive impact on export performance. The coefficient for logarithm of age has a positive sign but insignificant. The coefficient for a dummy variable of expenditures on R&D is significant at $p < .01$ and has a positive sign as predicted in the hypothesis; but the coefficient for a variable of management's commitment to exporting proxied by number of exporting countries has a negative sign and turned to be insignificant. These results are summarized in Table 4 below;

Table 4 Dependent variable: Ratio of Export Sales to number of employees

Independent Variables	Coefficient	Standard Error	t-statistic	Probability
lnSize	-67146.73	26136.35	-2.57	0.013
lnAge	77169.54	50821.72	1.52	0.136
RDEP	181551.9	61149.8	2.97	0.005
COMEX	-158.3712	3279.971	-0.05	0.962
-cons	117279.2	154053.5	0.76	0.450
R-squared = 0.2048		F-statistic (4, 47) = 3.03		
Adjusted R-squared = 0.1371		Prob > F = 0.0267		
Number of observation = 52				
Ramsey RESET		F(9, 38) = 1.25		
		Prob > F = 0.2967		

Source: Survey data, 2008

Based on the data set generating these results, it may be argued that age of the firm in business proxied by number of years and management's commitment to export proxied by number of exporting countries have no impact on firm's export performance. On the other hand, firm's innovations proxied by expenditures on R&D have positive impact on export performance. Firm size proxied by number of employees seems to have a negative impact on export performance.

The results for RAMSEY'S RESET test (Regression Specification Error Test) using powers of the independent variables indicate that model has no omitted variables. This implies that the null hypothesis of no omitted variables can not be rejected. The negative sign of size alarmed for more diagnostic procedures especially on the correlations among the explanatory variable. The likely technical consequences of this problem include getting insignificant values due to high standard errors and wrong signs of the estimated coefficients. However, the results indicate that insignificant and wrong signs of some variables were not due to high multicollinearity among regressors. Table 5 shows the correlations among the variables.

Table 5 Correlations and VIF values

	EXPORT	lnSIZE	lnAGE	RDEP	COMEX	VIF
EXPORT	1.0000					
lnSIZE	-0.1907	1.0000				1.22
lnAGE	0.0118	0.2936	1.0000			1.15
RDEP	0.2899	0.2850	-0.0632	1.0000		1.12
COMEX	0.0118	-0.0092	0.1357	-0.0341	1.0000	1.02

Source: Survey Data (2008)

Firm size is significant but has a wrong sign. This means that the data do not support hypothesis 2(a). The following may be explanations for these unexpected results. Firstly, it has been noticed that among 52 exporters, 28 are large firms, and 24 are SMEs with employees less than 100 based on the category of the Tanzanian SMEs Development policy of 2002. However, an interesting result is that about 62% of the exporting firms operate under the CEOs who are Tanzanians but with an Asian race from which 50% are SMEs. This implies that the decision of a firm to

export may not mainly be determined by number of employees but the Management's characteristics. Many firms in the sample are found to be owned by managers with Asian race and thus their export performance is not determined by the firm size but rather the networking of CEOs with foreign experience. This is in support of the study by McKay and Morissey, 2005) and Bigsten et al (1997a) who document that there is a relationship between foreign ownership, country of origin of the owners and firm's export performance. This implies that the firms owned by Tanzanians are less likely to export than the firms that have owners reporting at least one other country of origin than Tanzania. Thus, it is very likely that small and medium enterprises engage in export activities because of their managerial characteristics rather than size.

Secondly, during the economic reforms of the 1990s especially in the embracement of the free market economy, the Tanzanian economy faced a dramatic entrenchment of employees in the newly privatized firms and other public and private firms. This was one of the struggles of firms to reduce the transaction cost in order to cope with high competition from global firms. From there many firms have thought of improved technologies which could substitute for labour intensity. It is therefore arguably that small firms can also participate in international activities as long as they possess competitive technologies and networking in the foreign countries. As indicated in the results above, there are many SMEs exporters owned and managed by CEOs who are Tanzanians but with an Asian race which suggest that the managerial characteristics (CEO's education, race, experience, and networking) are important in determining export performance regardless of size of the firm they manage.

The second regression results were generated from the same model but in this case, the dependent variable treated as export sales volume. As argued above, there is a rationale for the use of export sales volume for firms in developing countries which especially exports primary products manufactured from agriculture goods and most

firms from Developing countries are price takers in world markets (cf. Morrissey and Mold, 2006).

The results of firms' sales volume as a measure of export performance bring a different picture. The logarithm of size becomes insignificant but still with a negative sign for the coefficient. Numbers of exporting countries still do not seem to influence the export performance. Expenditures on R&D and Age of the firms are all significant at $p < .01$ and 95 percent level respectively. These results support the hypothesis that Age of the firm has a positive impact on export performance. The results are summarized in Table 6 below.

Table 6 Dependent variable: Export Sales Volume

Independent Variables	Coefficient	Standard Error	t-statistic	Probability
lnSize	-2305958	2049207	-1.13	0.266
lnAge	8087449	3984652	2.03	0.048
RDEP	14400000	4794420	3.01	0.004
COMEX	19974.63	257164.5	0.08	0.938
-cons	-10100000	12100000		0.407
R-squared = 0.1992		F-statistic (4, 47) = 2.92		
Adjusted R-squared = 0.1311		Prob > F= 0.0307		
Number of observation = 52				

Source: Survey Data (2008)

The last regression results were estimated using the same model but the subjective measure was used as export performance. Results indicate that size and Age have the positive sign but insignificant. Country's commitment to exporting and R&D on international markets and innovation have positive signs and significant at $p < .01$ and 90% confidence levels. The variance explained in this model is 58% for R^2 and 55% for adjusted R^2 . The results are indicated in Table 7.

Table 7 Dependent variable: Export profitability scale

Independent Variables	Coefficient	Standard Error	t-statistic	Probability
lnSize	.1910762	.1163493	1.64	0.107
lnAge	.1666836	.2262393	0.74	0.465
RDEP	1.853644	.2722161	6.81	0.000
COMEX	.0257013	.0146012	1.76	0.085
-cons	.6834653	.6857884	1.00	0.324
R-squared = 0.5837			F-statistic (4, 47) = 16.47	
Adjusted R-squared = 0.5482			Prob > F= 0.0000	
Number of observation = 52				

Source: Survey Data (2008)

The results of the three regressions are mixed. The three regression results are consistency on the positive relationship between expenditure on R&D and export performance. That is H_1 is supported which implies that the more the firms spend on Research and Development (R&D) activities the higher the firms export performance. The results of the effect of age and size are rather mixed. When the ratio of firms' export sales to number of employees is used as a measure of export performance, size becomes significant but with wrong sign. Age of the firm becomes insignificant but positive sign. When firms' sales volume is used as a measure of export performance, size still signifies a negative sign but insignificant. Age of the firm reveals a positive sign and significant. When subjective measure of export performance is used, both size and age reveal positive signs but insignificant. As a rule of thumb based on these results firm size has a negative impact on firms' export performance, thus $H_{2(a)}$ is not supported whereas age of the firm has a positive impact towards firms' export performance which implies that older firms tend to export more than younger firms. In this regards H_3 is supported.

In addition to that when using ratio of firm's export sales to number of employees, number of exporting countries posses negative sign and insignificant. When firm's sales volume is used a measure of export performance number of exporting countries signifies a positive sign but insignificant. However when using subjective measure of export performance number of exporting countries posses positive sign

and significant. Thus, based on these results $H_{4(b)}$ is not supported which implies that number of exporting countries has no influence on firms' export performance. It is also important to note that results may change based on how export performance is measured and what type of functional relationship is established.

5.3 Risk Perception between Exporters and Non exporters

For hypothesis two (b), the results from the t-statistic indicate that there are differences in risk perceptions between exporters and non-exporters. The calculated t-value turned to be highly significant. The Levene's test for equality of variances indicates that the variances of the two groups are unequal; which implies that non-exporters have higher risk perceptions than their counterpart exporters regarding exportation. Therefore, $H_{2(b)}$ is supported in this case. Table 8(a) and 9(b) summarizes these results.

Table 8(a) Group Statistics: Risk Perceptions

Export Status	Sample Size	Mean	Standard Deviation	Standard Error Mean
Exporter	52	2.3782	.9336	.1295
Non exporter	66	3.2323	1.2096	.1489

Source: Survey data

Table 8 (b) Independent Sample Test: Risk Perceptions

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	13.694	.000	-4.200	116	.000
Equal variances not assumed			-4.329	115.961	.000

Source: Survey Data, 2008

For further analysis of the hypothesis, factor analysis was performed on the risk perception statements and their cronbach's alpha was 0.7065. The five statements created one factor with three statements having high factor loadings. Results of this

analysis are indicated in Appendix 4. These three risk statements were then considered for further analysis by computing their mean score which was regarded as a new independent variable. The cronbach's alpha for scale reliability coefficient became 0.7799.

The relationship between type of the firm (exporter/non exporter) and risk perception variable was then analyzed. Other independent variables in this analysis include size and an interaction term between risk perception and size. The findings indicate that risk perception have an effect on the firm's decision to export. The odds of being a non- exporter is positively related to risk perception. In other words; non-exporters have high probability of perceiving export as riskier than exporters. Firm's size and interaction term of size and risk perception are insignificant and thus do not trigger an effect on the firm's decision to export. The results of this analysis are summarized in Table 9.

Table 9 Dependent variable: Type of firm (Exporter and non-exporters)

Independent Variables	Odds Ratio	Standard Error	z-statistic	Probability P> z
fsize	.9998048	.000975	-0.20	0.841
Rpercep	.4318926	.0864292	-4.20	0.000
fsizefpercep	.9999437	.0005227	-0.11	0.914
Pseudo R2 = 0.1473		LR chi2(3) = 23.85		
Number of observation = 118		Prob > chi2 = 0.0000		
Log likelihood = -69.034148				

Source: Survey data

5.4 CEOs Education and Firm's Export Performance

Internationalization is a modern business that requires international exposure of the foreign culture, behaviors, languages and business techniques for suppressing global competition. This implies that doing business in the international arena requires educated entrepreneurs who cope with such global challenges. Because of this, one of the objectives of this study was to identify any association between the CEO's education and firm's export. The results indicate that among exporting

firms, 12 (24%) have attained a High school and below while 39 (76%) had attained college education and above. Table 10 (a) summarizes these results.

Table 10 (a) CEO’s Education and Decision to Export

CEO’s Education	Exporting	Non Exporting	Total
High School and Below	12	32	44
College and Above	39	34	73

Source: Survey Data (2008)

A Chi-Square test was used to test for any association between CEO’s education and firm’s export performance. The results reveal that all cells have expected counts larger than 5 and thus allows the use of this statistical technique. The values of the Chi-Square are 6.003 for Pearson Chi-Square and 6.136 for Likelihood Ratio which are both significant. The strength of association as indicated by the contingency coefficient (nominal by nominal) is .220 and is significant. These results support H₄ (a) which predicted that level of CEO’s education has a positive impact towards firms’ export performance. This implies that firm’s under the ownership of the CEO with higher level of education have a better export performance. Table 10 (b) summarizes the results;

Table 10 (b) Chi Square test and Contingency coefficient

	Value	df	Sig.(1-side)
Pearson Chi-Square	6.003	1	0.011
Likelihood Ratio	6.136	1	0.005
Contingency Coefficient	.220		.014

Source: Survey Data (2008)

However, it should be noted that these results are based on the CEO's response of the choice of their own level of education. For prestigious purposes and self esteem, respondents may provide wrong responses of their educational level in fear of stigmatism. In one way or another, this may jeopardize the validity of the results obtained.

5.5 Start exporting and Entry Mode.

One of the arguments in the stage theory is that firms will start exporting in the neighbouring countries. A firm will first start exporting in countries with similar culture and values but after accumulating stock of experiences, firms will later export in distant countries. To analyze this conjecture, this study asked CEO's to indicate countries of exporting and the entry mode when started exporting. The findings show that among 52 exporting firms, 42 (80.8%) started exporting in African countries; 6 (11.5%) firms started exporting in Asian countries and 4 (7.7%) started exporting in European and American countries. Among firms exporting in Africa, the majority concentrate their exporting activities in East Africa, Central and Southern Africa. Table 11(a) presents these findings.

Table 11 (a) Countries of first entry

Exporting	Where Started			Total
	Africa	Asia	Europe and America	
Yes	42	6	4	52
Total	42	6	4	52

Source: Survey Data (2008)

In term of entry mode, the findings indicate that firms export directly in countries of neighborhood especially East African countries (Kenya and Uganda), central and Southern African countries (Zambia, Malawi, Mozambique, Democratic Republic of Congo and South Africa). On the other hand, firms use indirect mode of foreign

entry entering Asia, Europe and America. Table 11 (b) summarizes the respondents' responses.

Table 11 (b) Modes of Foreign Entry

Region	Exporting		Entry Mode	
	Yes	No	Direct	Indirect
Africa	46 (88.46%)	6 (11.54%)	46 (100%)	0 (0%)
Asia	27 (51.92%)	25 (48.08%)	9 (33.33%)	18 (66.67%)
Europe and America	24 (46.15%)	28 (53.85%)	8 (33.33%)	16 (66.67%)

Survey Data (2008)

It is clear that the responses exceed the sample of 52 firms because a single firm may be exporting in all regions of Africa, Asia, Europe and America as shown in Table 12. On average firms export to 11 countries whereas the minimum country is 1 and maximum countries of exportation is 45. Furthermore, Table 11 exhibits that most firms export more in African countries than elsewhere, but secondly, most firms export directly in the African countries while preferring the use of indirect export as a mode of foreign entry in the rest of the world. In this regards based on these results both Hypotheses $H_{5(a)}$ and $H_{5(b)}$ are supported which implies that at the early stages of firm's internationalizing their activities they usually export to the country of similar culture in terms of business environments, institutions and social differences. In addition to that firms use indirect mode of foreign entry at the early stages of internationalization and also to more distant psycho-social countries towards avoiding the problem of liability of foreignness to these markets.

Table 12 Descriptive Number of export Countries

	Observations	Minimum	Maximum	Mean	Std. Deviation
Exporting (Yes/No)	117	1	2	1.56	0.50
Geographical scope	52	1	45	8.827	8.974

Survey Data, 2008

5.6 Barriers to exporting

The empirical variable list regarding barriers to exportation contains a set of statements in which the respondents were asked to rate the most hindrances among the 16 presented items, using a 5- point Likert scale ranging from 1 (strongly agree) up to 5 (strongly disagree). As mentioned before, there are many barriers identified in literatures that limit exports either for new exporters or even the existing exporters. However, these barriers may differ from one country to another or even regions. While delay in export licenses or rent seeking by bureaucrats in a European country may not be seen as constraint to firms; in developing countries this may be seen as an obstacle that can increase the transaction costs of exporting. This study found it reasonable and practical to get the CEOs insights on the most hindrances to export in the Tanzanian context based on their experiences. Table 13 indicates the mean score for each of the statements defining a constraint.

Table 13 Descriptive statistic for barriers to exporting (N = 118)

Variable	Mean	Standard Deviation	Min.	Max.
Corruption, lack of transparency and bureaucratic procedures towards exportation increases the cost of exporting	2.144	1.221	1	5
Our technology limits our product quality to meet foreign standards.	2.119	1.141	1	5
Our technology can't compete in foreign markets	2.610	1.514	1	5
Exporting license consume more time and money	2.923	1.492	1	5
Policies on export promotion are poor	2.805	1.515	1	5
There is a strong competition in foreign markets	3.415	1.543	1	5
There is no available information on foreign markets and business practices i.e. what, how and where to export our products	1.900	.923	1	4
Costs of searching Information on foreign customers are high	3.288	1.439	1	5
Financial sector does not provide opportunities to develop and start export activities	4.492	.502	4	5
Raising capital to develop international business is a key challenge to export	4.449	.500	4	5
We have no experience of foreign customers' habits and preferences	2.966	1.438	1	5
Foreign culture and languages limit our interaction with foreign customers	3.119	1.309	1	5
Foreign exchange rates are subject to fluctuations	3.381	1.352	1	5
Payments in foreign currencies are time consuming and	3.288	1.421	1	5

delay payments.				
Nearer Foreign markets are characterized by political instability in their countries	3.720	1.197	1	5
Infrastructures i.e. roads, railways and communication systems are very poor to support for exportation activities	3.636	1.325	2	5

Min = minimum value entered, Max = maximum value entered

Source: Survey Data (2008)

Out of the sixteen (16) factors identified from the review of previous literatures, based on the mean score criterion findings indicate that, items related to financial resources, competitiveness, information on foreign markets, technological capability, psychic factors and foreign payments and exchange fluctuations seem to be the most hindrances. However, interpreting all sixteen items with their implications is not an easy task, thus a data reduction technique was undertaken to facilitate interpretation and further analysis as explained in methodological chapter.

Table 14 Rotated Factor Loadings of Hindrances towards Exportation

Factor Label	Factor					
	OPB	FRC	I&C	PF	TC	DEP
Eigenvalue	3.020	1.755	1.373	1.303	1.276	1.136
Percent of Variance	23.23	13.50	10.56	10.03	9.81	8.74
Variables						
Foreign culture and languages limit our interaction with foreign customers	0.87532					
Foreign exchange rates are subject to fluctuations	0.89818					
Payments in foreign currencies are time consuming and delay payments.	0.91715					
Financial sector does not provide opportunities to develop and start export activities		0.85551				
Raising capital to develop international business is a key challenge to export		0.81987				
Costs of searching Information on foreign customers are high			0.44603			
Infrastructures i.e. roads, railways and communication systems are very poor to support for exportation activities			0.82298			
There is no available information on foreign markets and business practices i.e. what, how and where to export our products				-0.47372		

We have no experience of foreign customers' habits and preferences				0.80295		
Nearer Foreign markets are characterized by political instability in their countries				0.44574		
Our technology can't compete in foreign markets					0.82723	
Our technology limits our product quality to meet foreign standards.					0.63351	
Exporting license consume more time and money						-0.5546
Policies on export promotion are poor						-0.7619
KMO = .608						
Bartlett's chi = 424.848 (p = .000 and df = 120)						
Cronbach's alpha 0.5912						
Average interitem covariance: .1358624						
Number of items in the scale: 16						

OPB= Operational Barriers in Foreign Market; FRC= Financial Resource Capability; I&C= Infrastructure & communication Capability, PDF= Psychological Factors; TC= Technological Capability; DEP= Domestic Export Policies

Table 14 presents a six-factor solution based on eigenvalues over one, the Explanatory Factor Analysis (EFA) of 16 items representing hindrances towards exporting result in six factors explaining 75.87% of the total variance. Whereas the first factor explains 23.23, the second factor explains 13.50, factor three explains 10.56, the fourth factor explains 10.03, the fifth factor explains 9.81 and the last factor explains 8.74 of the total variance. The scale reliability coefficient or cronbach's alpha is 0.5912 which indicates satisfactory item scale reliability, whilst the Bartlett test of sphericity is 424.848 and significant, which indicate that the correlation matrix has significant correlations among at least two variables. The relative high KMO value (0.608) should be considered as quite satisfactory that is 'middling' as can be seen from Table 11 above. However, naming of the six factors is backed from the theoretical and empirical work of previous researchers in the field of international business (cf. Yaprak, 1985; Baurchmidt, Sullivan and Gillespie 1985; Kedia and Chokar 1986; Young et al, 1992).

5.7 Exporters and Non-Exporters Perception of the Six Identified Barriers to Exportation

As indicated in the methodological part, the six identified factors are further analyzed to find for differences in perceptions between exporters and non exporters. Therefore the following sections present this analysis.

5.7.1 Operational barriers

Responses of the exporters and non exporters were analyzed to test their differences in perceptions regarding operational barriers as constraints towards exporting. The results from the t-test turned out to be insignificant which indicate that there are no differences in perceptions between exporters and non exporters regarding operational barriers. Tables 15(a) and 15(b) below indicate these results.

Table 15(a) Group Statistics: Operational Barriers

Exporting status	Sample Size	Mean	Std Deviation	Std. Error Mean
Exporter	52	3.115	1.124	.156
Non exporter	66	3.379	1.336	.164

Source: Survey data

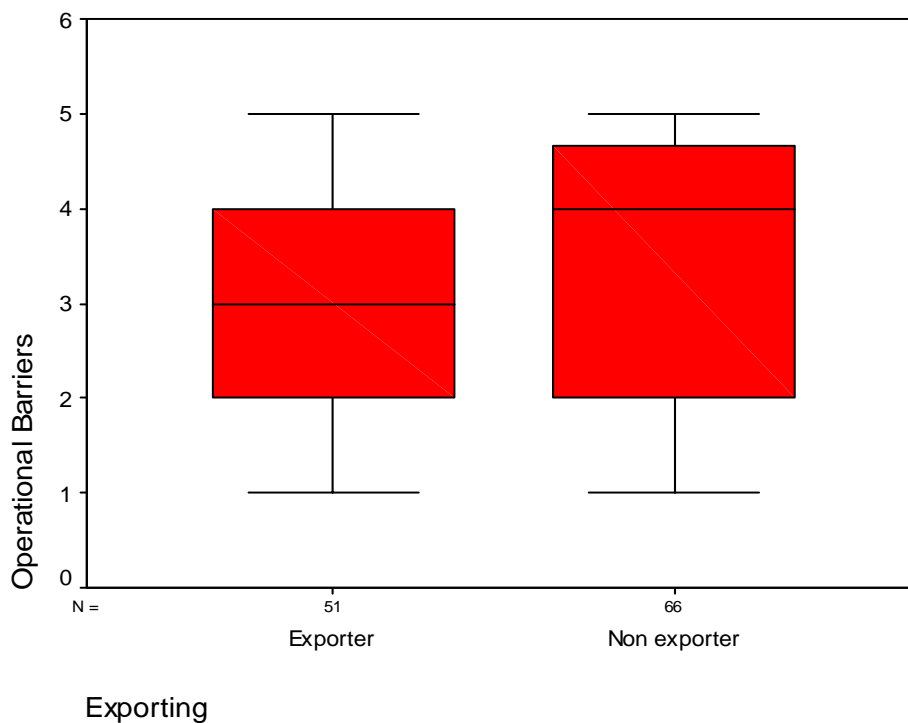
Table 15 (b) Independent Sample Test: Operational barriers

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal Variances assumed	3.392	.068	-1.139	116	.257
Equal variances not assumed			-1.163	115.470	.247

Source: Survey data

Since the Levene's Test indicates that the population variances are unequal; then the reported t-value is considered under the condition of "Equal variance not assumed" ($t = -1.163$) Similarly, since the alternative hypothesis was formulated as a "one tail"; then the observed significance level is divided by 2 but still insignificant. Correspondingly, results of the boxplot indicate that the two groups portray slightly similar boxplots which indicate absence of differences in perceptions as regards to operational barriers between two groups. $H_6(a)$ therefore is not supported based on these results which implies that both exporter and non-exporter have the same perception on operational barriers to exporting. Results are summarized in figure 3 below.

Figure 3 Perceptions about Operational Barriers between Exporters and Non-exporters



5.7.2 Psychological Factors

Statistical Test for group differences in perceptions regarding Psychological Factors as constraints towards exporting turned a significant result. More specific, the results from the t- statistic indicate that there are differences in perceptions between exporters and non exporters regarding psychological barriers. Tables 16(a) and 16(b) below indicate these results

Table16(a) Group Statistics: Psychological Factors

Exporting	Sample Size	Mean	Std. Deviation	Std. Error Mean
Exporter	52	2.519	.760	.105
Non Exporter	66	3.126	.532	0.066

Source: Survey data, 2008

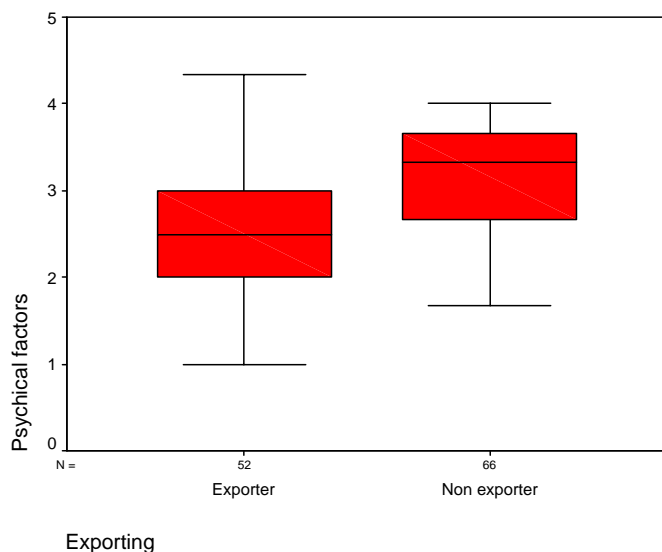
Table 16(b) Independent Sample Test: Psychological Factors

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	6.336	.013	-5.099	116	.000
Equal variances not assumed			-4.894	87.748	.000

The Levene's Test for equality of variances indicates that the null hypothesis is rejected meaning that the two groups have unequal variances. The value for the t- statistic is -4.894 and is highly significant. This implies that non exporters have higher perceptions regarding psychological barriers as constraints than exporter. Similarly, results of the boxplot indicate that the two groups have different boxplots which indicate presence of differences in perceptions regarding Psychological barriers between two groups. Thus $H_6(b)$ is supported with regards to these results which implies that non-exporters perceives psychological factors as a more constraint

towards internationalizing their activities than exporters. Figure 4 shows these results.

Figure 4 Psychological Factors as a Barrier towards Exporting



5.7.3 Financial Resource Capability

Results indicate that the null hypothesis of no difference between exporters and non-exporters regarding their perceptions on financial resource capability as a constraint can not be rejected. On average, the two groups have equal means. The alternative hypothesis was formulated as one tailed and thus a significance level is 0.336 but still insignificant Table 17(a) and 17(b) summarize these results.

Table (17(a) Group Statistics: Financial Resource Capability

Exporting Status	Sample Size	Mean	Std. Deviation	Std. Error Mean
Exporters	52	4.490	.500	0.069
Non-exporters	66	4.455	.390	0.048

Source: Survey data, 2008

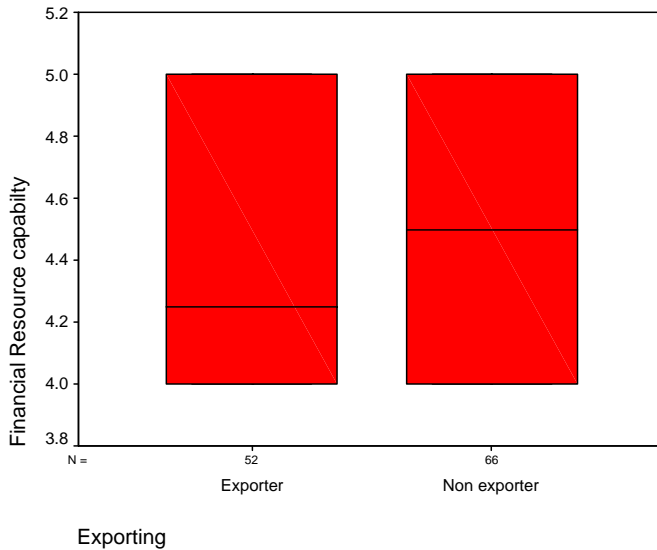
Table 17(b) Independent Sample Test: Financial Resource Capability

	Levene's Test for Equality of Variances		t-test for Equality of means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	29.211	.000	.438	116	.662
Equal variances not assumed			.425	94.501	.672

Source: Survey data, 2008

The calculated t-value is 0.425 because the Levene's test for equality of variances indicates that variances are unequal. This implies that $H_6(c)$ is not supported based on these results. Accordingly, the supplementary results from boxplot show evidence of no differences in the means of the two groups. Figure 5 summarizes the results.

Figure 5 Financial Resource Capability



5.7.4 Domestic Export Policies

Responses of the exporters and non exporters indicate the presence of differences in perceptions regarding Domestic export policies as constraints towards exporting. The mean response values for exporters and non-exporters are 2.519 and 3 and 136 respectively. The t-statistic is -3.071 which is

significant at $p < 0.1$ which implies that there are differences in perceptions between exporters and non exporters regarding barriers related to domestic policies. Tables 18(a) and 18(b) below indicate these results.

Table 18(a) Group Statistics: Domestic Export Policies

Exporting Status	Sample Size	Mean	Std. Deviation	Std. Error Mean
Exporter	52	2.519	1.014	.141
Non exporter	66	3.136	1.135	.140

Source: Survey data, 2008

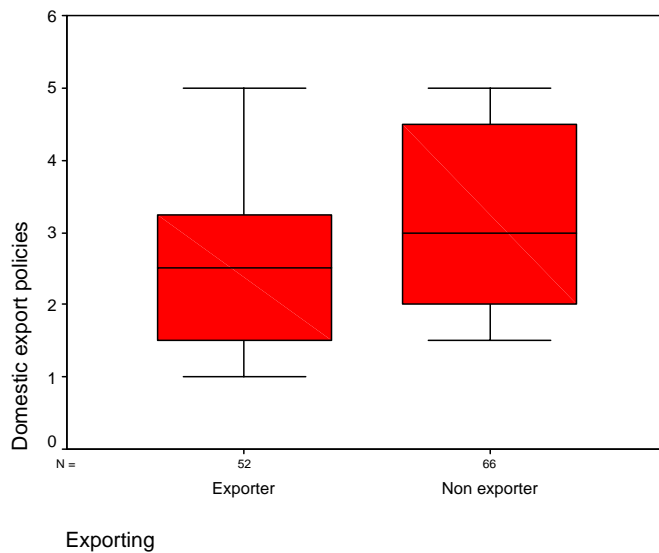
Table 18(b) Independent Sample Test: Domestic Export Policies

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	.383	.537	-3.071	116	.003
Equal variances not assumed			-3.112	114.122	.002

Source: Survey data, 2008

The results from the pictorial boxplot indicate that two groups have differences in their means which supports the hypothesis. Figure 6 below summarizes the results.

Figure 6 Domestic Export Policies



5.7.5 Infrastructure and Communication

The differences in perceptions of exporters and non-exporters with regards to infrastructure and communication as a barrier to exporting were analyzed. The results from the t-test turned out to be insignificant which signifies that there are no differences in perception between exporters and non-exporters regarding infrastructure and communication. The mean of the two groups of respondents are slightly different but this is the effect of unequal sample between exporters and non-exporters. Table 19(a) and 19(b) indicate these results.

Table 19(a) Group Statistics: Infrastructure and Communication

Exporting Status	Sample Size	Mean	Std. Deviation	Std. Error Mean
Exporter	52	3.231	1.007	.140
Non exporter	66	3.644	1.037	.128

Source: Survey data, 2008

Table 19(b) Independent Sample Statistic: Infrastructure and Communication

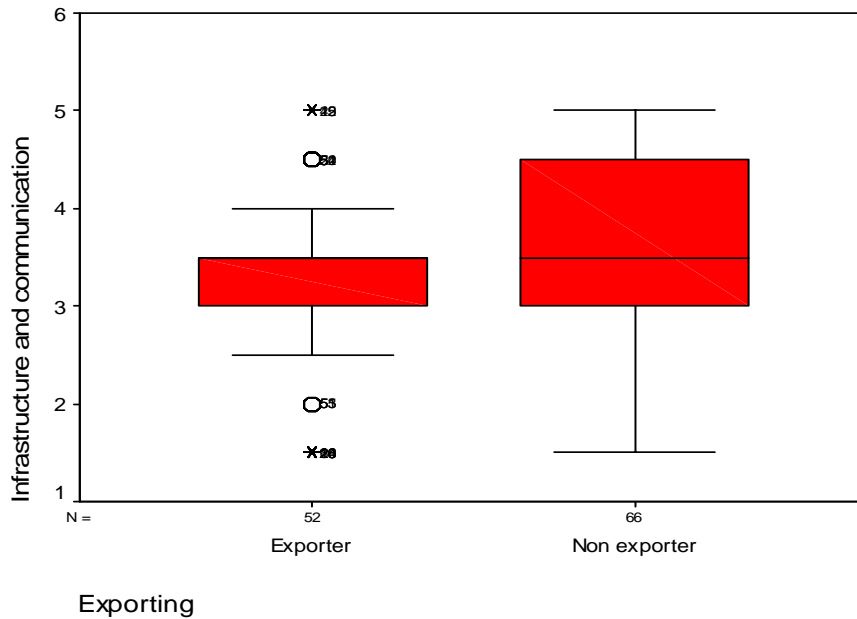
	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	.634	.428	-2.176	116	.032
Equal variances not assumed			-2.184	111.006	.031

Source: Survey data, 2008

The null hypothesis of the Levine's test for equal variances can not be rejected. For that matter, the observed value of t-statistic and significant level are considered under "the equal variance assumed". However, since the hypothesis was formulated as a 1-tail, the significance level 0.32 is divided by 2 and the results are still significant. Similarly, results of the boxplot indicate that exporters and non-exporters have different boxplots which indicate the presence of differences in perceptions regarding infrastructure and communication as a barrier to exporting between the two groups. Thus, $H_6(e)$ is supported with regards to

these results which implies that exporters have higher perceptions regarding infrastructure and communication as a hindrance towards exporting than non-exporters. Figure 7 and Table 19 show these results.

Figure 7 Infrastructure and Communication



5.7.6 Technological Capability

The insignificant results from the t-test indicate that there are no differences in perceptions between exporters and non exporters about technological capability as a barrier towards exporting their activities. Furthermore, on average the two groups have equal means. Tables 20(a) and 20(b) below indicate these results.

Table 20(a) Group Statistics: Technological Capability

Exporting Status	Sample Size	Mean	Std. Deviation	Std. Error Mean
Exporter	52	1.990	.776	.108
Non exporter	66	2.242	.950	.117

Source: Survey data, 2008

Table 20(b) Independent Sample Test: Technological Capability

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	1.531	.218	-1.549	116	.124
Equal variances not assumed			-1.586	115.824	.115

Source: Survey data, 2008

The Levene's Test indicates that the population variances are unequal; then the reported t-value is considered under the condition of "Equal variance not assumed" ($t = -1.549$). Since the alternative hypothesis was formulated as a "1-tail"; then the observed significance level is divided by 2 and still insignificant. Likewise the similarities of the boxplots in Figure 8 portray this fact of no difference in perceptions between the two groups. Therefore, with these results $H_6(f)$ is not supported which implies that the null hypothesis of no differences between groups cannot be rejected.

Figure 8 Technological Capability

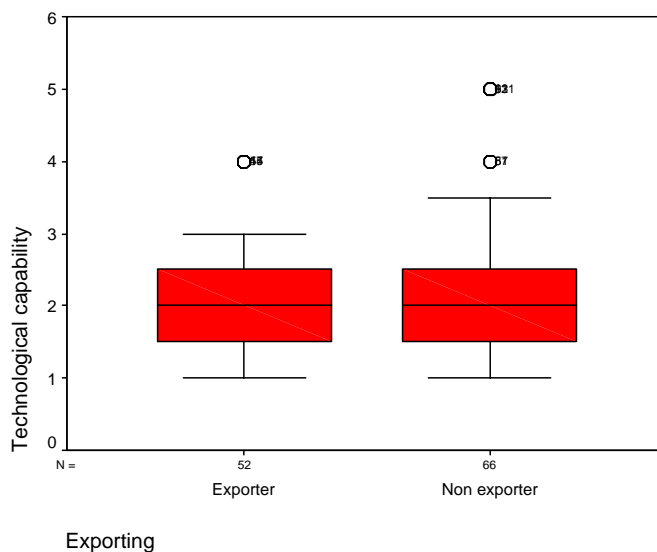


Table 21 summarizes the expected relationship between dependent and independent variables from the study as reported from the review of previous related literatures and as predicted in the conceptual frameworks figure 1 and 2 in Chapter Two and the actual relationships as supported by the collected survey data.

Table 21 Summary of Hypotheses and Expected Relationship between Dependent and Independent Variables

Hypotheses	Expected Relationship	Measurement			Supported or Not supported
		Ratio of firms' export sales	Export profitability	Sales Volume	
H ₁ :	+	+	+	+	Supported
H _{2(a)} :	+	-	(+)	(-)	Not supported
H _{2(b)} :	-	NA	NA	NA	Supported
H ₃ :	+	(+)	+	+	Supported
H _{4(a)} :	+	NA	NA	NA	Supported
H _{4(b)} :	+	(-)	(+)	+	Not supported
H _{5(a)} :	NA	NA	NA	NA	Supported
H _{5(b)} :	NA	NA	NA	NA	Supported
H _{6(a)} :	NA	NA	NA	NA	Not supported
H _{6(b)} :	NA	NA	NA	NA	Supported
H _{6(c)} :	NA	NA	NA	NA	Not supported
H _{6(d)} :	NA	NA	NA	NA	Supported
H _{6(e)} :	NA	NA	NA	NA	Supported
H _{6(f)} :	NA	NA	NA	NA	Not supported

(-) = insignificant results; NA= Not applicable, which implies that such a variable or a factor was not included in the estimated model

CHAPTER SIX

DISCUSSIONS, CONCLUSION AND IMPLICATIONS FOR FUTURE STUDIES

6.1 Discussions

6.1.1 Regression results

Regression results generated from the model specified are mixed. Results are sensitive to two important issues which in one way or another may jeopardize the results. These issues are; first, the functional relationship used in modeling the determinants of export performance, and secondly; the type of measurement used in measuring and operationalization of export performance. The findings indicate that results may change depending on the methodological approach used. Since there are no agreed theoretical foundations on the functional relationship, it is very likely different studies using different methodologies can come out with different results. Some hypotheses may be rejected incorrectly and some may be supported incorrectly just because of the methods used. Comparable methods on the same study are necessary to ensure reliability of results.

For example, when the ratio of firms' export sales to number of employees is used as a measure of export performance, Size becomes significant but with wrong sign. Age of the firm becomes insignificant but positive sign. When firms' sales volume is used as a measure of export performance, size still signifies a negative sign but insignificant. Age of the firm reveals a positive sign and significant. When subjective measure of export performance is used, both size and age reveal positive signs but insignificant. However, number of exporting countries possesses positive sign and significant in this case.

One of the explanations for the negative relationship of size and export performance is that many SMEs have small number of employees but possess technologies which facilitate them stay competitive in foreign markets. It is therefore not the size that influence export performance but how competitive is the firm. Similarly, there are many SMEs which export more because of the firms' managerial characteristics such as CEOs education, Nationality and race. Among 52 exporting firms, 28 are large firms, and 24 are SMEs. However, it has been found that about 62% of the exporting firms operate under the management of CEOs who are Tanzanians but with an Asian race from which 50% are SMEs. This implies that the decision of a firm to export may not mainly be determined by number of employees in the firm but the Management's characteristics. Many firms in the sample are found to be owned by managers with Asian race and thus their export performance is not determined by the firm size but rather the networking of CEOs with foreign experience. It is very likely that small and medium enterprises engage in export activities because of their managerial characteristics. It is arguably therefore that SMEs may be as exporters as large firms.

In this regard, I stand on the view of Cavusgil and Zou 1994; Shoham 1998; Majocchi et al 2005; that there is lack of common consensus and uniformly accepted conceptualization and operationalization of the construct. Therefore, the type of measurement and operationalization will vary among studies and results may vary too. While plethora of studies on export performance has been conducted, the remaining big debate is on the measurement and operationalization of export performance and methodological approach that will establish validity and reliability of the causal link between dependent variable and independent variables.

6.1.2 Selection of Country and Entry Modes

This study found that 88.2% of manufacturing firms in Tanzania export their activities in neighbouring countries especially Eastern and Southern Africa countries that is Kenya, Uganda, Zambia, Democratic Republic of Congo, Rwanda and Burundi. In addition to that all firms that export to African markets use direct mode of foreign market entry that is they establish a sales subsidiary to these neighbouring country markets. These findings are in consistence with the findings of Grenier, McKay, and Morrissey (2005) who report that 63% of Tanzanian manufacturing exporters export to African countries. On the same vein Helsinki School of Economics (1995) documents that almost half of Tanzanian manufacturing firms export within the region and majority of exporters sell directly to a foreign buyer of which they report 84% of exporters export within the region and mainly through direct exports especially to East African countries.

However, findings in this study show that together with exporting to African countries Tanzanian manufacturing firms export also to other countries in the world this includes Asian countries (51.92%), European countries and United State of America (46.14%). These are the farthest market with respect to this study of which 33.33% of firms use direct mode of foreign entry and 66.67% use indirect mode to enter these markets. These results also support the stage theory of internationalization as documented by Johanson and Vahlne, (1977) which explains that the firm will start exporting to the country of low psycho-social distance and mostly through indirect mode of foreign entry.

6.1.3 Barriers to exporting

The study comes out with a list of barriers that Tanzanian manufacturing firms face towards their internationalization process. From factor analysis technique six factors were identified from a list of sixteen items presented to respondents indicating their status on these items regarding the extent to which they act as

hindrances towards exporting. The six factors include operational barriers, financial resource capability, infrastructure and communication, domestic export policies, psychological factors, and technological capability.

The findings of this study are in consonance with the findings of other empirical studies that have undertaken in Sub-Saharan Africa (SSA) and Tanzania among of them. For example Söderbom and Teal, (2003) present that because of the inefficiencies and lack of investment in technology in manufacturing firms Sub-Sahara African countries have failed to increase and sustain exports of these firms. Other reasons for low level of export performance of manufacturing firms in Tanzania are natural barriers, high trade costs, structural characteristics, institutional weaknesses (Morrissey, 2005), and geographical distance (Coe and Hoffmaister (1998).

However, Suarez-Ortega (2003) suggests that, the barriers are perceived to be more important for non-exporters than for exporters which imply that there are differences on the perceptions of these barriers between the two groups. Thus to justify Suarez-Ortega arguments this study went further in searching for differences in perceptions between exporters and non-export regarding the identified six barriers. The results are however mixed, differences in perceptions between exporters and non-exports are found in three factors namely; psychological factors, infrastructure and communication, and domestic export policies. Nonetheless, on the three remaining factors namely, operational barriers, financial resource capability and technological capability no differences in perceptions between exporters and exporters are reported, which implies that the two groups perceives these barriers on equal basis.

These results might have two important interpretations; starting with the factors that are characterized by similarities of the perceptions among exporters and non-exporters, the interpretation is that Tanzania being one of the Less Developing Country is characterized by poverty both technologically and economically. This implies that most Tanzanian manufacturing firms can not compete internationally

with regard to high standard technologically products and secondly, financial institutions have not guaranteed full support especially for SMEs towards establishing and efficient operations in foreign market. Thus, the two interpretations make these results incomparable with results of the studies conducted in Developed Countries of which several researches documents on the differences of the perceptions between exporters and non-exporters on barriers towards exporting (cf. Bilkey's 1970; Suarez-Ortega 2003; Yaprak 1985; Keng and Jiuan 1989; Barker and Kaynak 1992; Kau and Tan (1989).

6.1.4 Managerial Characteristics

This study makes use of both objective and subjective managerial characteristics in analyzing its relations with firm's export performance. The manager's education level was used as the objective measure and manager's perception of exporting risk and profits as subjective measures of managerial characteristics. The findings portray that there is an association between CEO's level of education and firm's decision to export. These results supports several empirical studies that found similar results on the association between CEO's level of education and export performance of firms cf. Nakos, Brouthers & Brouthers (1998); Holzmüller & Kasper (1991) and Holzmüller & Stöttinger (1996) as presented in chapter two section 2.2.4.

With respect to subjective managerial characteristics, this study postulates nine attitudinal statements covering different perceptions of risk regarding export activities. The findings reveal that, on average small firms are more risk averse than large firms. Since the study described firms into three categories namely small, medium and large, interesting results are that the rate of risk aversion decreases as the firm size changes from small to medium and finally to large size. This implies that on average larger firms are less risky than medium size firms; consequently medium size firms are less risky than small firms. These findings are consistence with other findings (cf. Hirsch and Lev, 1971; Ali and Swierez, 1991; Roy and Simpson, 1981).

6.2 Conclusion

Increasing export is one of the macroeconomic objectives of many countries both developed and developing. This is because export plays a vital role in the country's economic growth and a mechanism to improve the current account of their balance of payment. However, the challenging question towards fulfilling the purpose is "what determines the export performance of firms? In answering this query this study finds out the determinants of firms' export performance based on the empirical findings of Tanzanian manufacturing firms. The results however are mixed from the estimated model using three different measures of export performance namely ratio of export sales to firm's number of employees, export sales volume and export profitability. The regression results are sensitive to methodological design and thus alerts for consensus among researchers on the measurement, operationalization and functional relationships. Overall the result from this study is comparable with other previous studies that have undertaken in both developed and developing countries using the two measures of export performance that is objective and subjective measures as presented and discussed in section 5.1.

6.3 Study Implications and future research

6.3.1 Theoretical Implications on measures of export performance

The empirical applications quiet deviate mostly on the operationalization of export performance albeit the ever-increasing attention on the studies for firms' export performance over past twenty to thirty years. Thus, this requires researchers in the field of international business to come up in agreement on what should be used as an international measure of export performance. This would allow future researches to come up with consistency results despite of where and when the studies have been undertaken for the validity and reliability of results.

As noted before this study focuses on finding the determinants influencing export performance based on empirical results from Tanzanian manufacturing

firms. There are plethora of studies that have been undertaken on the same topic though in different countries and come up with a comprehensive list of determinants of firms' export performance; however this list is still inconclusive especially on the operationalization of variables, and relationship between the regressors and the regresand. Thus, more integral studies should be undertaken towards an agreement on the operationalization of the variables and their relationship with the regresand so that the empirical results can be integrated in a more meaningful way.

Most studies of export performance are cross-sectional, this alarms for a need of inclusion of time aspect towards better understanding of firm's export performance due to the fact that export is an ongoing business process and as argued in the stage theory export is a learning process. Voerman (2003) documents that "longitudinal study designs strengthen the proof of the causal relationships found and enable the researcher to track the performance factors overtime".

6.3.2 Managerial Implications

Most studies have focused on manager's perception about export performance and mostly these studies include only managers/CEOs in their interviews towards getting their views on how they perceive the whole process of exporting. This is due to the unique role of firm's manager/CEO towards exporting as (Kuratko & Hodgetts 2001) contend that the manager can be seen as a decision-making nucleus of the firm especially on SMEs. However, this focus overvalue the role of the firm's manager/CEO and undervalue other important stakeholders like employees working in the firm's export department/section and Board of Directors representative especially for medium and large firms, this is due to the fact that firm's exporting is a joint decision of these stakeholders. Thus, it is important for the future studies studying firm's export performance to consider this important study implication towards getting the actual picture of firm's export performance.

6.3.3 Policy Implications

The role of poor domestic policies that create high risk environment that is characterized by high transaction costs have been documented by several studies as the causes of slow growth of exports in Africa (Söderbom and Teal, 2001). The lesson for policy makers is that both macro policy at the national level and micro policy at firm level are all important ingredients towards firm's internationalizing their activities. Benign export promotion policies at the national level provide good support to firms that are keen to exporting. As Collier and Gunning (1999a,b) points that "it is poor policy and not destiny that is the key to poor export performance in African Countries". There are few meritorious African countries that have performed well in their economy as a result of better performance in their export sectors, namely Mauritius, Botswana and South Africa and the key to their success is good domestic export policies. As Söderbom and Teal (2001) document that macro and micro policies in Mauritius has provided a general lower cost environment than virtually any other African country. Thus, it is important for Tanzanian policy makers to accept and learn from other countries towards reviewing the export promotion policies for the flourishing of export sector and further general growth of the economy due to its importance in creating job and absorbing unemployment.

At last, macroeconomic stability is more than important in improving and supporting for export sector in any country, thus it is important for policy makers to successfully implement macroeconomic policies which may help to restore macroeconomic stability in Tanzania towards bringing business confidence which finally may help instilling self-confidence to many private and public manufacturing firms to start exporting.

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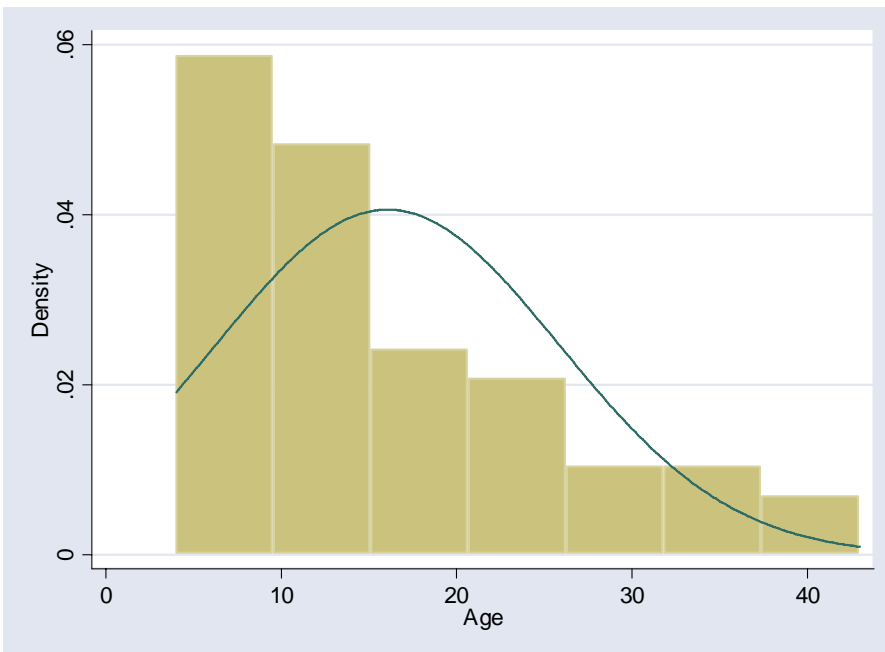
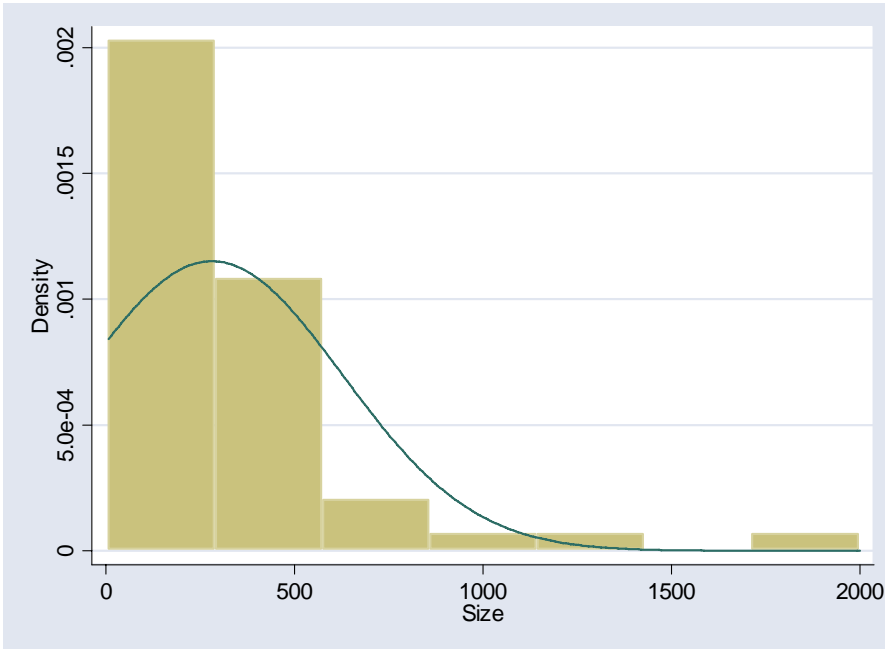
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Appendix 1 Factor Loadings on profitability

Variable	Factors			
	1	2	3	Uniqueness
Exports contributes a lot to our firm's growth	0.97982	-0.18978	0.06738	-0.00060
Export contributes more to profitability of our firm	0.97982	-0.18978	0.06738	-0.00060
Export gives us opportunity to sale our excess products	0.20970	0.67448	-0.08370	0.49411
Export activities provides us a chance to learn international business environment	0.18377	0.18800	-0.41935	0.75503
Export allows us to exploit benefits from comparative advantage in factor endowments	-0.17099	0.08450	0.49517	0.71842
Export allows more efficient use of indigenous resources	0.20749	0.63056	0.10387	0.54855
Export helps us for a better use of our available resources and hence increase productivity of the firm	0.19538	0.40709	0.13147	0.77882

Appendix 2 Skewed Distributions of Size and Age



Appendix 3

Value, Volume and Price of Tanzania's Major Exports

	2001	2002	2003	2004	2005p	Change (%) 2004 - 2005
Traditional Exports:						
Coffee						
Value (US\$ mill.)	57.05	35.2	50	49.8	74.3	49.2
Volume ('000 tons)	48.39	36.4	46.2	38.6	46.1	19.43
Price (US\$ per ton)	1179.06	968.4	1,081.70	1,289.60	1,613.60	25.12
Cotton						
Value (US\$ mill.)	33.7	28.6	46.5	74.6	111.5	49.46
Volume ('000 tons)	36.82	33.3	46.9	77.6	112.9	45.49
Price (US\$ per ton)	915.26	859.4	992	961.1	987.9	2.79
Sisal						
Value (US\$ mill.)	6.68	6.6	7.3	7.2	7.3	1.39
Volume ('000 tons)	13.86	12.7	13.9	12	9.3	-22.5
Price (US\$ per ton)	482	516.4	523.5	602.8	781.7	29.68
Tea						
Value (US\$ mill.)	29.03	29.6	24.8	30.1	25.6	-14.95
Volume ('000 tons)	22.96	24.3	21.2	24.3	21.8	-10.29
Price (US\$ per ton)	1264.45	1217.8	1,170.30	1,237.30	1,178.00	-4.79
Tobacco						
Value (US\$ mill.)	35.69	55.5	39.9	57.6	80.8	40.28
Volume ('000 tons)	18.72	24.3	18.3	27.2	31.1	14.34
Price (US\$ per ton)	1906.17	2188.6	2,177.00	2,119.40	2593.1	22.35
Cashew nuts						
Value (US\$ mill.)	56.58	46.6	41.8	68.1	46.6	-31.57
Volume ('000 tons)	95.04	79	65.1	83.6	62	-25.84
Price (US\$ per ton)	595.38	589.7	641.6	814.2	751.1	-7.75
Cloves						
Value (US\$ mill.)	12.32	4	10.3	10.3	8.5	-17.48
Volume ('000 tons)	2.45	1	5.6	4.3	3	-30.23
Price (US\$ per ton)	5026.85	4164.4	1,845.20	2,367.30	2863.5	20.96
Sub-total (Traditional exports)	231.05	206.1	220.5	297.8	354.5	19.04
Non-Traditional Exports: (US\$ mill)						
Minerals	302.23	383.8	552.2	680.2	711.3	4.57
Gold	254.07	341.1	502.8	629.4	655.5	4.15
Diamond	27.08	22	28.6	26	24.4	-6.15
Other Minerals	21.08	20.7	20.7	24.8	31.4	26.61
Manufactured Goods	56.17	65.9	83.8	110.1	156.1	41.78
Fish and Fish Products	96.77	116.8	136.2	125.7	147.5	17.34
Horticultural Products	11.01	10.9	13.7	14.3	18.3	27.97
Re-export	74.9	77	86.9	137	127.1	-7.23
Other Exports	79.34	119.2	122.9	108.1	161.5	49.4
Sub-total (Non-traditional exports)	545.52	696.5	908.7	1,175.30	1,321.80	12.5
Grand Total (US\$ mill.)	776.37	902.5	1,129.20	1473.1	1676.3	13.79

Source: Bank of Tanzania

Appendix 4

RISK PERCEPTION STATEMENTS

Principal component factors; 1 factor retained; Eigenvalue =2.35968

Item	Factor loadings	Cronbach's alpha	3 items retained	Cronbach's alpha
Risk1	0.77618	0.7065	Risk1	0.7799
Risk2	0.46361			
Risk3	0.78794		Risk3	
Risk4	0.84665		Risk4	
Risk5	0.45235			

Appendix 5

QUESTIONNAIRE

DETERMINANTS OF FIRMS' EXPORT PERFORMANCE: EMPIRICAL EVIDENCE FROM THE TANZANIAN MANUFACTURING FIRMS

1. Can you indicate the location of your firm's headquarter?
 - A) Dar es Salaam
 - B) Mwanza
 - C) Morogoro
 - D) Iringa

2. In the Table below please list all products you produce and tick products that you export.

Products	Exporting	
	Yes	No
1.		
2.		
3.		
4.		
5.		

3. When was your firm established? (Year) _____

4. How many people are employees of your firm? _____

5. Does your firm export?
 - a. YES
 - b. NO (If NO skip question 6, 7 8 and 9)

6. Can you list country/countries where you export with the year you started exporting to that specific country.

Country of exporting	Year

7. Please indicate the entry mode/modes you started using when entered in the foreign market. Have you changed your mode/modes of entry to one of these countries? If **yes** could you please indicate those countries with mode/modes of entry you started using together with one you are currently using in Table below.

Country of exporting	Entry modes (Indirect or Direct) which you started using first	Entry modes (Indirect or Direct) which you are using currently
1.		
2.		
3.		
4.		
5.		

Note: (Direct Mode of entry means that you export and sell your products yourself to that specific country while indirect mode of entry means that you use an agent from the host country to sell your products).

8. (a) On average what is your **Total annual sales**? (Tshs or USD)

- (b) On average what is your **annual sales from export**? (Tshs or USD)_____

9. Please circle only one answer for the following statements. Note that there are no wrong or correct answers to these statements. Just provide your opinion

Statement	Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
Exports contributes a lot to our firm's growth	1	2	3	4	5
Export contributes more to profitability of our firm	1	2	3	4	5
Export gives us opportunity to sale our excess products	1	2	3	4	5
Export activities provides us a chance to learn international business environment	1	2	3	4	5
Export allows us to exploit benefits from comparative advantage in factor endowments	1	2	3	4	5
Export allows more efficient use of indigenous resources	1	2	3	4	5
Export helps us for a better use of our available resources and hence increase productivity of the firm	1	2	3	4	5

10. What percentage of your total expenditure is budgeted for Research and Development for the international marketing and opportunities of your products?

- A) Below 2%
B) Above 2%

11. Please circle only one answer for the following statements. Note that there are no wrong or correct answers to these statements. Just provide your opinion

1 = Strongly agree 2= Agree 3= Uncertain 4= Disagree 5 = Strongly disagree

Statement	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Export activities are very risky for our firm	1	2	3	4	5
Risks associated with export are higher than benefits	1	2	3	4	5
Exports contribute little to firm's growth	1	2	3	4	5
International markets are very competitive	1	2	3	4	5
Exporting contributes less to firm's profit	1	2	3	4	5
The costs of exporting exceeds benefits	1	2	3	4	5
Exporting is not a desirable strategy of my firm	1	2	3	4	5
Committing resources to the foreign market is of great uncertainty due to cultural and institutional differences	1	2	3	4	5
My firm is not planning new products for exporting	1	2	3	4	5

12. Please evaluate how each of the statements below hinders your efforts towards exportation. Your evaluation be based on the ratings given below

1 = strongly agree 2= Agree 3= Uncertain 4= Disagree 5 = strongly disagree

Statement	Strongly agree	agree	uncertain	disagree	Strongly disagree
Financial sector does not provide opportunities to develop and start export activities	1	2	3	4	5
Raising capital to develop international business is a key challenge to export	1	2	3	4	5
Taxation in both local and foreign countries limit exportation	1	2	3	4	5
Foreign countries put tight restrictions and standards for our products	1	2	3	4	5
Corruption, lack of transparency and bureaucratic procedures towards exportation increases the cost of exporting	1	2	3	4	5
Exporting license consume more time and money	1	2	3	4	5
Policies on export promotion are poor	1	2	3	4	5
There is a strong competition in foreign markets	1	2	3	4	5
There is no available information on foreign markets	1	2	3	4	5

and business practices i.e. what, how and where to export our products					
Costs of searching Information on foreign customers are high	1	2	3	4	5
Our technology can't compete in foreign markets	1	2	3	4	5
Our technology limits our product quality to meet foreign standards.	1	2	3	4	5
We have no experience of foreign customers' habits and preferences	1	2	3	4	5
Foreign culture and languages limit our interaction with foreign customers	1	2	3	4	5
Foreign exchange rates are subject to fluctuations	1	2	3	4	5
Payments in foreign currencies are time consuming and delay payments.	1	2	3	4	5
Nearer Foreign markets are characterized by political instability in their countries	1	2	3	4	5
Infrastructures i.e. roads, railways and communication systems are very poor to support for exportation activities	1	2	3	4	5

13. Can you categorize the age of the firm's CEO/ Manager?

- A: Below 45 years
- B: Between 45 and 55 years
- C: Above 55 years

14. Can you choose the race and nationality of the firm's CEO/Manager from the following categories?

- A. African and Tanzanian
- B. African and foreigner
- C. White and Tanzanian (Europeans and Americans)
- D. White and foreigner (Europeans and Americans)
- E. Asian and Tanzanian (Indians, Japanese, Chinese and Arabs)
- F. Asian and foreigner (Indians, Japanese, Chinese and Arabs)

15. Can you choose the level of education of the firm's CEO/Manager from the following categories?

- A. High school and Below
- B. College and above

THANK YOU FOR YOUR TIME AND COOPERATION