

# **International Marketing**

## **Managerial and Organisational Factors Associated with Export Success: the Case of Saudi Arabian Exporters of Non-Oil Products**

**Thesis submitted for the degree of Doctor of  
Philosophy at the University of Leicester**

by

**Mansour Abdulaziz Al-Obaidi  
Management Centre  
University of Leicester  
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# **International Marketing:**

## **Managerial and Organisational Factors Associated with Export Success: the Case of Saudi Arabian Exporters of Non-Oil Products**

**By Mansour Al-Obaidi**

### **ABSTRACT**

Empirical investigations on firms' export performance have concentrated on firms from developed countries. However, in developing countries generally, and in Saudi Arabia particularly, little is known about this issue among their firms. Therefore, this study explored the export behaviour and performance of manufacturing firms in Saudi Arabia.

The main objective of this thesis was to compare firm-level characteristics of successful and less successful exporters together with other factors associated with their export success. Additionally, the obstacles facing Saudi exporters were identified.

The sampling frame comprised of 411 firms which have been involved in exporting for at least two years identified by the Saudi Export Development Center. A postal questionnaire was used as the main research instrument to collect the data from exporting manufacturers, and the total number of usable questionnaires received was 99, a response rate of 24.1 percent. This sample was divided in two groups: successful and less successful exporters, according to their export performance (export ratio and export growth) in international markets over a three-year period (1993 to 1995).

On the basis of existing literature, hypotheses were formulated and tested, to see if there are differences in the relationships between the two groups in their firm characteristics (size, age, export experience and export market strategy) and in other factors associated with export success (export market planning, market research, export department, management strength and adaptation of their marketing mix to the export market).

The findings of this study suggested that there is no correlation between the size, age and export experience of the firm and its export success. However, regarding export strategy, a significant positive correlation was found between the success of exporters and export strategy (number of export markets). Those firms adopting a market diversification strategy were more successful than firms adopting a market concentration strategy. Moreover, it was found that successful exporters are more likely to carry out export market planning and market research, have management strength and adapt their product and promotion to the export market. No significant difference was found between the two groups of exporters with regard to the existence of an export department, distribution channels and price strength.

Similarities and differences exist between the findings of this research and those found in other countries. These results provide new information on the export behaviour of non-oil producing firms from Saudi Arabia.

Recommendations are made to help Saudi exporters enhance their export success, and suggestions are proposed for future research.

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***To my parents***

***my father who brought me up and to  
my mother who cannot even read, I  
say whatever my education level or my  
job position in the future, I was and I  
am and I always will be, a student in  
your school***

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# CHAPTER ONE

## BACKGROUND TO THE STUDY

## Introduction:

For many organisations, exports are a necessary part of their business operations. Without exports or some other mode of international market entry, local production cannot reach overseas markets and therefore, will be unable to add to domestic income. Thus, at an aggregate level, exports have importance for both the countries and industrial firms.

Regarding the importance of exports to industry, they can support production operations in a number of ways so as to maximise and optimise production capacity, to sell surplus stock, especially when production rate exceeds local market needs, to increase the profitability of the firm and moreover, to improve the quality of the production system to compete in international markets.

Evidence from Japan shows that it has one of the highest Gross National Products in the world (Walsh, 1991). Exports were the backbone of their economic recovery after World War II. Also, exports have contributed to the growth of incomes in China (Park and Prime, 1997).

For the country, export expansion and diversification are considered crucial issues for a number of reasons. Exports increase the rate of economic development and thereby help the government achieve its objectives. Moreover, exports increase the production rate which also creates new job opportunities and allows for the exploitation of the country's resources and attracts overseas currency into the country.

Export diversification is one of the most important objectives that a number of developing countries seek to achieve. This is especially the case for those countries which depend upon only one or two products as their main source of income. For example, Saudi Arabia is seeking to decrease its dependence on crude oil as the main source of income (Saudi Export Directory, 1996).

The Kingdom of Saudi Arabia has adopted and consistently implemented a unique economic development planning strategy which has secured for the country very high growth rates in basic development sectors such as industry and agriculture.

(More details about these plans will be given in the following chapter.)

### 1.1 Rationale of this Study:

The importance of exports in contributing towards economic growth is widely recognised in developed and developing countries.

However, there has been a lack of empirical research, at the firm level, on export performance of firms in developing countries, such as Saudi Arabia. This study, therefore, is a contribution to filling that gap in the research.

### 1.2 The Main Objectives of the Research:

The sixth stage of Saudi Arabia's National Development Plan 1995-2000, focuses on developing, supporting and encouraging the private sector. The aim is to provide jobs, increase competition and diversify the Saudi economy. Therefore, Saudi agriculture and industry have shown a sharp increase in the last decade. Saudi Arabia has become a main centre of exports in the area. This has led to competition among exporters to win, satisfy and compete in new markets. Therefore, it is important

to identify the factors which may affect export success, especially as there has been no research in this area in the Kingdom.

It is likely that many factors could affect export success, some of them to some extent controllable and others are not. These factors cannot adequately be covered in one study alone.

Therefore, the main objective of this study is to shed light on the possible association between firm characteristics and certain managerial factors, on one hand, and export success on the other. This is achieved by means of comparison between firms identified as successful and less successful exporters.

This research will, therefore, attempt to answer the following questions:

1-Is the size of the firm associated with its success in exports?

2-Is the age of the firm associated with its success in exports?

3-Is the export experience of the firm associated with its export success?

4-Is the export market strategy of the firm associated with its export success? (Export market strategy refers to the number of markets that the firm serves. On this basis, two main types of strategy can be identified: diversification strategy and concentration strategy).

5-Do successful exporting firms differ from less successful firms in terms of the following factors:

- a) Planning activities
- b) Export market research
- c) Management strength

6-Do successful exporting firms differ from less successful firms in terms of their

marketing mix (product, price, promotion and place) strength?

A further objective of the research is to find out what obstacles, if any, face Saudi exporters, and to suggest ways in which such obstacles can be overcome.

For the purposes of this thesis, **non-oil products are any products other than crude oil** and firms are classified as successful or less successful exporters, based on the measurement of export performance.

A review of the literature indicates that there is little agreement amongst researchers on how success in exporting is to be defined and measured (more details about these measures are given in chapter 3). **For this thesis, two export performance measures are used: the export ratio (percentage of export sales to total sales), and export growth.**

### 1.3 Organisation of the Chapters

The organisation of the Chapters will be as follows:

Chapter 1 - outlines the main objectives of the study.

Chapter 2 - gives an idea of the development of Saudi industries in general and of non-oil product exports in particular, in both the industrial sector and the agricultural sector.

Chapter 3 - reviews previous empirical studies and relevant literature, regarding firms' motivations to export, export stages, characteristics of exporting and non-exporting firms, obstacles facing exporters, factors which appear to be associated with export success, and ways of measuring export performance.

Chapter 4 - reviews the characteristics of the successful and less successful exporters, and the factors that distinguish the two groups, as identified from previous studies.

Chapter 5 - presents the hypotheses formulated for this

research and the methodology adopted to test them. It explains the research design, sample, data collection method, questionnaire development and the response rate.

Chapter 6- presents descriptive statistics ( frequencies and percentages) on responding firms, such as the size of the firm, the industry category, the age of the firm and its export experience. Firms' export performance is then considered, and the breakdown of the sample into successful and less successful exporters is explained. Finally, the chapter presents respondents' perceptions as to the obstacles facing Saudi exporters in the international markets.

Chapter 7 - presents the results of statistical analysis of the data presented in Chapter 6, in order to establish the main characteristics of successful and less successful exporters in Saudi Arabia and the other factors associated with export success.

Chapter 8 - summarises the findings and limitations of the

study, considers the implications of this study for Saudi Arabian exporting firms and makes recommendations accordingly.

Figure 1.1, summarises the organisation of the chapters

Figure 1.1, The Organisation of the Chapters

Chapter 1 Background to the study

Chapter 2 The development of the industrial sector in Saudi  
Arabia

Chapter 3: Firms and export developments.

Chapter 4 : Factors associated with export success.

Chapter 5: Research methodology.

Chapter 6: Survey findings and analysis part one.

Chapter 7: Survey findings and analysis part two.

Chapter 8: Summary, implications and  
recommendations.

CHAPTER TWO

THE DEVELOPMENT OF THE

INDUSTRIAL SECTOR IN SAUDI

ARABIA

The main objective of this chapter is to give an idea of the development of Saudi industries in general and of exports of non-oil products in particular, in both the industrial sector and the agricultural sector.

### 2.1 Background of Saudi Arabia:

The impact of culture in studies of this nature together with cross-cultural methodological issues surrounding emic versus etic factors (Douglas and Craig, 1983; Usunier, 1996; Vijver and Leung, 1997) are well documented. Indeed, in the specific case of Saudi Arabia, the issue of culture has been particularly seen as important. For example, its influence on activities involving both indigenous firms and overseas based organisations operating within the country has been noted (see, for example, Kaikati, 1976; 1979; Yavas and Tuncalp, 1984; Culpan, 1985; Tuncalp, 1988; 1990; Leonidou, 1995a), although the influence of culture in relation to the export practices of Saudi Arabian firms, i.e. in line with this study, has received far less attention (Tuncalp et al, 1987; Azzam, 1992; Al-Aali, 1995). Nevertheless, while the importance of culture is recognised in

the course of this study, this should also be viewed in the context of its influence on government policy which can be viewed in respect to particular plans which have been put forward.

In 1932 the Kingdom of Saudi Arabia was established as a nation state. Saudi Arabia at that time was one of the poorest countries in the world. Oil was then detected in 1938 in the eastern region of the country.

In 1944 the total revenue of Saudi Arabia was less than \$4 million. However, in 1948 it increased to \$ 85 million. This revenue sharply increased from \$57 million in 1950, to \$22,574 million in 1974, and continued to increase to reach its peak of \$ 101,813 million in 1981 (Third Development Plan, 1980).

The boom in oil prices in the 1970s was the main factor which enabled the Saudi government to set up ambitious five-year plans to develop the infrastructure of the country and to implement a strategy for diversification of the local income, supporting also the non-oil industries and agriculture.

Between 1970 and 1995 the Kingdom successfully implemented five closely interrelated and co-ordinated five-year development plans. Early development plans concentrated on the construction of an efficient infrastructure of roads, ports and airports.

Subsequently, attention has focused on decreasing dependence on crude oil as the main source of national income, though efforts have continued to diversify the productive base by developing the industrial and agricultural sectors.

Another objective was the development of human resources by increasing their efficiency and capability to meet successfully all the requirements placed upon them by the national economy.

An important objective of recent plans has been to make the national economy more dependent on private sector activity and its available resources and potential by encouraging the participation of Saudi private sector capital in domestic investment and the development of rules and regulations for financing certain development programmes and projects undertaken by private firms and establishments under state supervision.

Specific objectives for the current plan period, under the Sixth Development Plan (1996-2000), include the following:

1-To rationalize government expenditure and make the national economy more dependent on private sector activities, through:

a-Upgrading administrative efficiency and productivity in government agencies to reduce government expenditures, without affecting the standards and availability of services.

b- Developing additional policies to encourage private sector capital participation in national investment within the Kingdom.

c- Expanding the utilization of Saudi private sector capital in financing some Government projects.

d- Considering the feasibility of privatizing some Government business-oriented activities.

2- To adopt the necessary measures for addressing the constraints which impede the development and employment of Saudi human resources, particularly through increased emphasis on the quality of general education, higher education and training (Sixth Development Plan).

## 2.2 The Role of Non-Oil Product Exports in Local

### Income Diversification:

Developments in non-oil product exports are considered to be a very important issue to the Saudi economy. However, if exports have importance for any country in general, they have a special importance to help the Saudi economy achieve the major government goal of diversifying the sources of local income by reducing the dependency on crude oil. In this respect, industrial and agriculture incentives are important policies to attract investors which will improve the country's industries and agriculture as a first step, then develop its exports as a second.

### 2.3 Agricultural Incentives:

Agriculture is a sector which has the ability to make a substantial contribution towards the diversification of the economy and reduce the dependence of the country on foreign supplies for its food needs. Moreover, many Saudis are traditionally workers in agriculture. Therefore, a decision was made to support agricultural development in the country, for example by establishing the necessary agricultural services such as dams and agricultural roads. Also, the government has

encouraged private investment in agriculture by providing loans through the Saudi Arabian Agricultural Bank (SAAB), established for that purpose.

### 2.3.1 Agricultural Credit:

One of the factors encouraging agricultural private investment is the Saudi Arabian Agricultural Bank (SAAB).

Credits extended by SAAB have contributed to agricultural development. Total (short-term and medium-term) loans rose substantially, especially during the first three-plan periods, rising from SR 16.6 million in 1970 to SR. 2.3 billion in 1984. The loans then declined gradually during the fourth plan period to reach SR. 854.3 million in 1989 and SR. 412.6 million in 1995 (Ministry of Planning, 1996).

### 2.4 Industrial Incentives:

The industrial sector has a major role to play in the growth and diversification of the economy. Therefore, many efforts have been made by the government to develop this sector by offering industrial incentives in order to attract investors. Such measures include:

1- The provision of customs duties exemption for the import of equipment and raw materials.

2- The provision of plots of land on lease, at nominal rental, for erecting thereon factories and residential quarters for workers and employees.

Moreover, the government has established financial assistance for industrial projects through the Saudi Industrial Development Fund which approved industrial projects amounting to SR. 150 million in 1974, and rising to a cumulative figure of SR. 28.25 billion in 1995. These loans have been approved to assist a total of 1,447 industrial projects (Ministry of Planning, 1996). These loans have made an important contribution towards the establishment of several industrial projects such as building materials, cement, foodstuffs, minerals, chemicals and other essential products for Saudi citizens, besides the export of surplus products.

#### 2.4.1 Export Incentives:

The discussion so far has highlighted the government's role in offering general industrial incentives; however, other incentives have been directed at Saudi exporters in particular. For example, exporters are entitled to a discount of 50 per cent of port charges for all their exported products. Also, exporters are eligible for ten days' store facilities, free of charge.

Moreover, Saudi Airlines have introduced reasonable prices for shipping agricultural and industrial exports.

Many special credit and financing programmes have been implemented by the government to provide support for national exports, such as long-term financing programmes managed by the Islamic Development Bank, aiming at facilitation of non-traditional exports to Islamic countries.

Also, the Arabian Monetary Fund has established a programme capitalised at US \$500 million to facilitate trading between Arab countries.

Commercial agreements can be concluded to facilitate Saudi exports to international markets through partial or complete

deletion of customs and other fees on export goods. Economic agreements of this type have been concluded between Saudi Arabia and other Gulf countries.

Moreover, there is an agreement covering commercial exchanges between and among Arab countries which has removed all duties and tariffs from agricultural and animal products, as well as from raw metals and from non-metal materials (Saudi Chambers' Council, 1994).

## 2.5 Development of Production Industry in Saudi

### Arabia:

Growth in production industries has been achieved through the last five strategic plans, especially the second development plan which concentrated on the industrial sector (1975-1980). Under that plan, the government established the industrial cities of Jubail and Yanbu, which are considered to be the main reflections of the development of Saudi industries. These cities are primarily targeted at developing basic industries relating to oil derivatives, petrochemicals and minerals, as well as to spur development of secondary industries derived from these basic industries, in addition to the associated support industries. Also,

Jubail and Yanbu - now strategic sites for hydrocarbon-based and energy-intensive primary industries - are exploiting the country's natural resources to their fullest advantage.

### 2.5.1 Jubail Industrial City

Jubail is established on a site covering 1,030 square kms and its population is around 107,000.

There are 16 basic industrial plants operating at Jubail. Currently they utilize natural gas which was previously being flared up without any economic return. The gas will continue to be utilized as fuel and as a primary input in the steel, aluminum, plastic and fertilizer industries. Also, by the year 2010, it is estimated that these industries will provide 107,000 new jobs. The industries at Jubail Complex can be divided into three types:

#### a-Basic Industries:

These are undertaken by SABIC and SAUDI ARAMCO. Sixteen basic industrial plants have already been completed and are currently in operation.

### b-Secondary Industries

These industries are dependant on products from basic industries. Seven factories are currently in operation, 5 other projects are under construction and another 10 projects are in the planning stage.

### c-Supporting & Light Industries

These plants which are established and operated by the private sector, manufacture products which are needed by other industries or by housing projects during the construction stage or for operations and maintenance activities. Currently there are 81 such plants in production at Jubail, 28 plants are under construction and another 27 plants are in the planning stage (Ministry of Planning 1996).

### 2.5.2 Yanbu and Other Industrial Cities

Yanbu Industrial City and its current residential facilities have been completed on an area of 80 square kms, and its population is 54,472.

Moreover, the Ministry of Industry and Electricity has established 8 adequately developed industrial cities, with various

utilities and services necessary for the establishment of factories, at Riyadh, Jeddah, Dammam, Qassim, Al Hassa and Makkah Al Mukarramah. Up to 1995, the total area of these industrial cities was 32.2 million square metres and a total of about SR. 1.9 billion had been expended on this development.

### 2.5.3 Saudi Basic Industries Corporation (SABIC):

SABIC was established with a capital of SR. 10 billion. SABIC is considered a milestone in industrial development, especially in viable basic, downstream and support industries which utilize the local resources of hydrocarbons and minerals as raw materials.

SABIC has established 16 basic, downstream and support industries having annual production capacities of about 22.11 million metric tons of petrochemicals, plastics, fertilisers, metals and industrial gases etc.

In 1995, the total production capacity of SABIC stood at about 22.11 million tons, while actual production touched 21.95 million tons, thus accounting for 99.3 percent of the total production capacity in that year. Moreover, net profits made by SABIC during 1995 were in excess of SR. 6,281 million compared to SR. 148 million made in 1985. The production of

SABIC industries in 1995 was as follows: chemicals and petrochemicals 12.92 million tons, fertilizers 4.01 million tons, plastics 2.25 million tons, metals 2.77 million tons. (SABIC, 1995).

#### 2.5.4 The Development in the Number of Firms in Saudi

##### Arabia:

The increase in the number of firms is another indicator of Saudi industrial development.

Table 2.1 and Figure 2.2 shows the development in the number of firms. The total number of production firms increased from 850 firms in 1980 to 2234 firms in 1993-1994, which is an increase of 163%. During that period, the percentage increase in firms varied from one industry to another: for example, the number of textile and ready-made clothes and leather firms rose during that period by 440% then came wood and wood products and furniture industry which increased by 270% followed by chemical and plastic industry which increased by 244%, while the prefabricated metal products, machines, and equipment industry and basic metal industries rose by 180%. Firms in the foodstuffs and drinks industry increased by 140%, and those in

the building materials industry increased by 98.7%. The latter may have been caused by infrastructural developments (Ministry of Industry & Electricity, 1995).

Table 2.1 : Development in the Number of Firms in Saudi Arabia

Type of industry	Number of firms from 1980-1994													
	80-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94
Foodstuff and beverages	144	168	188	204	216	236	249	261	275	297	309	320	334	346
Textile and ready-made clothes and leather	15	17	21	25	25	26	32	34	40	48	53	64	76	81
Wood and wood products and furniture	27	30	38	44	46	53	57	64	70	77	82	88	96	100
Paper and paper products	70	82	86	98	104	109	113	118	119	126	131	136	146	148
Chemical and plastic	116	136	154	176	200	225	243	260	273	295	314	343	375	399
Building materials	225	246	268	288	309	322	331	345	359	380	394	406	422	439
Basic metal	4	5	5	5	6	6	7	7	8	9	9	9	9	10
Prefabricated metal products, machines, and equipment	226	268	295	323	361	389	423	451	484	516	547	585	613	633
Other industries	10	13	16	24	25	29	35	39	45	49	52	53	55	57
Transportation and inventory	13	18	21	21	21	21	21	21	21	21	21	21	21	21
Total	850	983	1092	1208	1313	1416	1511	1600	1694	1818	1912	2025	2147	2234

(Ministry of Industry & Electricity, 1995)

## 2.6 Development of Non-Oil Product Exports:

The government policy of diversifying the sources of local income has led to more government support for the non-oil products export sector compared with the crude oil export sector. Also, the increase in the number of firms in any type of industry is not necessarily an indication or reflection of the effectiveness in export activity of that industry.

Statistics on Saudi export development are presented in Table 2.2, which shows the variation in the revenues of Saudi non-oil product exports according to the type of industry and years of export during the period from 1984-1994. Despite the short time of the Saudi private sector's experience in exporting, the period from 1984-1994 saw significant progress in exporting activities, the extent of which might rival most industrially developed countries (Ministry of Industry & Electricity 1995).

Generally, the total value of manufacturing industry exports (excluding SABIC) increased from 368.8 million Riyals in 1984 to 4581 millions S.R. at the end of 1994, which is an increase of 1142% (see Figure 2.1). SABIC exports increased from 816.4

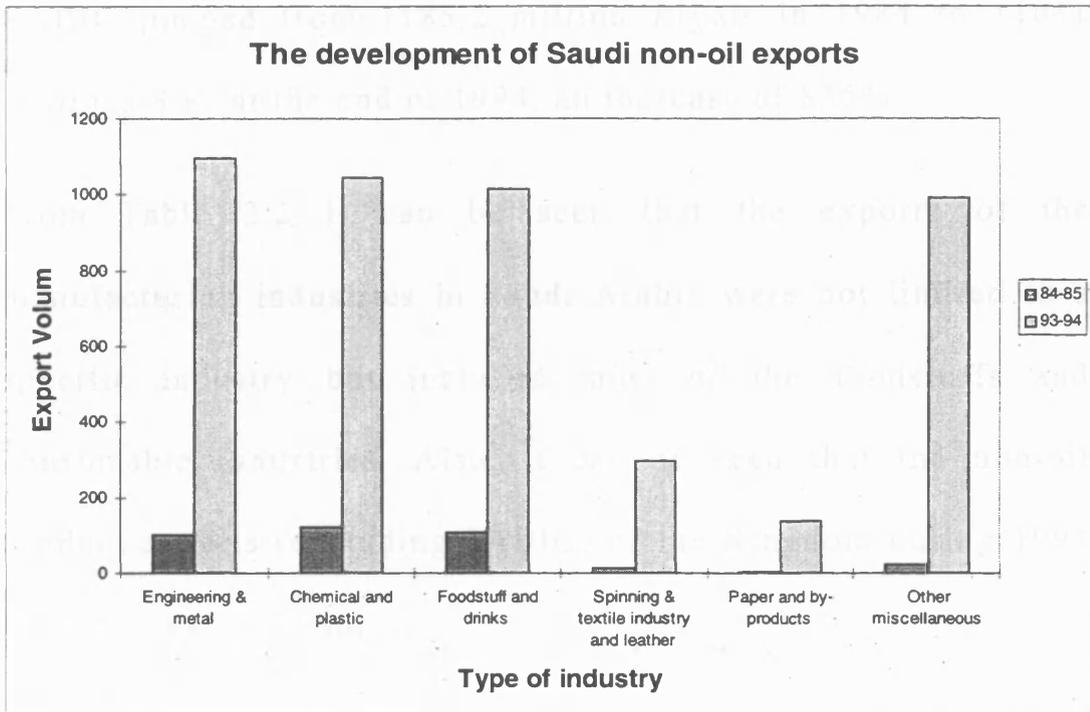
million Riyals in 1984 to 6500 millions S.R. at the end of 1994,  
which is an increase of 696%

Table 2.2: The Development of Saudi Non-Oil Exports

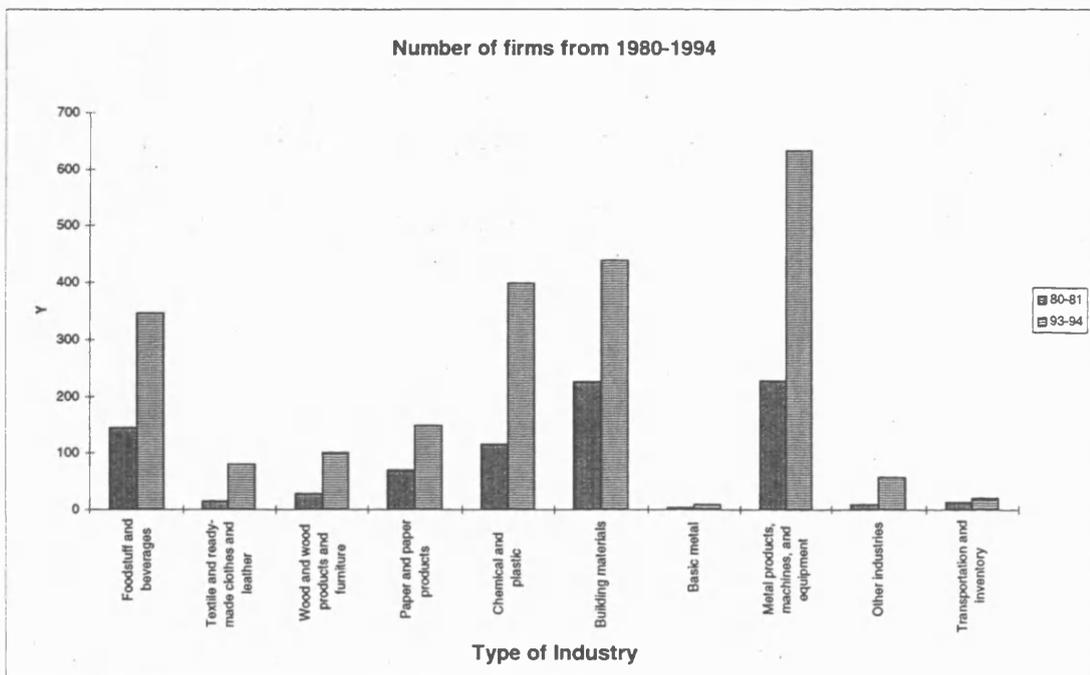
Type of industry	Years 1984-1994									
	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94
Engineering & Metal Industries	100.04	195.4	321.8	259.4	416.6	964.1	754.8	587.6	883	1096
Chemical and plastic industries	120	173.8	247.2	338.8	985.1	683.8	434.8	875.2	530	1046
Foodstuff and drinks Industries	107.6	121.2	91.2	99.3	236.1	251	368.1	1029.1	706	1014
Spinning & textile industry and leather industries	13.1	49.5	79.2	113.8	130.9	115.6	218.1	26.7	231	295
Paper and by-products industry	4.7	7	16.4	103.7	241.1	251.2	298.1	193.4	311	138
Other Miscellaneous industries	23	60	51	135.5	82	99.6	836.7	337.6	858	992
Total value of manufacturing industry exports	368.8	606.9	806.8	1050.5	2091.8	2365.3	2910.6	3049.6	3519	4581
SABIC exports	816.4	2380.4	4648.3	5839.3	9170.7	8563	8129	7512.1	6774	6500
Total	1185.2	2987.3	5455.1	5889.8	11262.5	10928.3	11039.6	610561.7	1029.3	11081

(Ministry of Industry & Electricity, 1995)

**Figure 2.1: The Development of Saudi Non-Oil Exports During the Period 1984-1994**



**Figure 2.2: Development in the Number of Firms in Saudi Arabia**



Moreover, the total Saudi non-oil product exports including SABIC jumped from 1185.2 million Riyals in 1984 to 11081 millions S.R. at the end of 1994, an increase of 835%.

From Table 2.2 it can be seen that the exports of the manufacturing industries in Saudi Arabia were not limited to a specific industry but included most of the foodstuffs and consumable industries. Also, it can be seen that the non-oil product exports (excluding SABIC) of the Kingdom during 1994 included the following:

Engineering and metal industries represented 24% of the total exports of manufacturing industries. Chemical and plastic industries represented 22.8% of the total exports of manufacturing industries. Foodstuffs and drinks industries came in third position, representing 22.1% of the total exports of manufacturing industries. Textile, wearing apparel and leather industries represented 6.4% of the total exports of manufacturing industries. Paper and by-products industries represented 3.190% of the total exports of manufacturing industries. Other miscellaneous industries represent 21.66% of the total exports of

manufacturing industries. (Ministry of Industry & Electricity Industrial 1995).

In total, Saudi exports increased by more than 835% during the period 1984-1994. However, the percentage of increase differed from one industry to another as follows:

Miscellaneous industries increased during that period by 4213%, occupying the first position regarding the percentage of increase. The Paper and by-products industry increased during that period by 2836%, the second highest percentage increase. The Textile, wearing apparel and leather industries increased by 2152%, coming in third position regarding percentage increase. Engineering and metal industries rose by 992% taking fourth position. Foodstuffs and drinks rose by 842%, while the Chemical and plastic industries increased by 772%.

Recently, Al-iktissad Wal- Aamal (1998) found that Saudi non-oil products were exported to 119 countries around the world and that the total Saudi non-oil product exports increased from 8.4 billion in 1995 to 10.7 billion in 1996, an increase of 28%.

Table 2.3 and Figure 2.3 compares the developments in the non-oil product exports in 1995 and 1996, by country groups. It can be seen, for example, that the growth of Saudi non-oil products exports to South America increased by 157%. The next highest growth was in the North American market, with a 108% increase. The G.C.C states (Gulf countries) ranked third in terms of the percentage of growth, with 40%.

Table 2.3: Developments in Non-Oil Product Exports in 1995 and 1996, by Country Groups.

<u>International markets</u>	1995		1996		% of Growth
	<u>Sales Value</u>	<u>% of the total</u>	<u>Sales Value</u>	<u>% of the total</u>	
1- G.C.C states (Gulf countries).	4929	59 %	6909	64.6 %	40.0
2- Other Arab countries.	1566	18.7 %	1823	17 %	16.4
3- Non - Arab Moslem countries	522	6.3 %	398	3.7 %	(23.7)
4- Non - Islamic/ Arab Asian countries	563	6.8 %	572	5.4 %	1.6
5- Non - Islamic/ Arab African countries	94	1.1 %	99	0.9 %	5.3
6- European countries	560	6.7 %	668	6.2 %	19.2
7-North America	98	1.2 %	204	1.9 %	108
8-South America	7	0.1 %	18	0.2 %.	157
9 -Australia and Pacific	12	0.1 %	11	0.1 %	-
	8351	100	10699	100	

Al-Iktissad Wal-Aamal (1998).

Figure: 2.3 Developments in Non-Oil Product Exports in 1995 and 1996, by Country Groups.

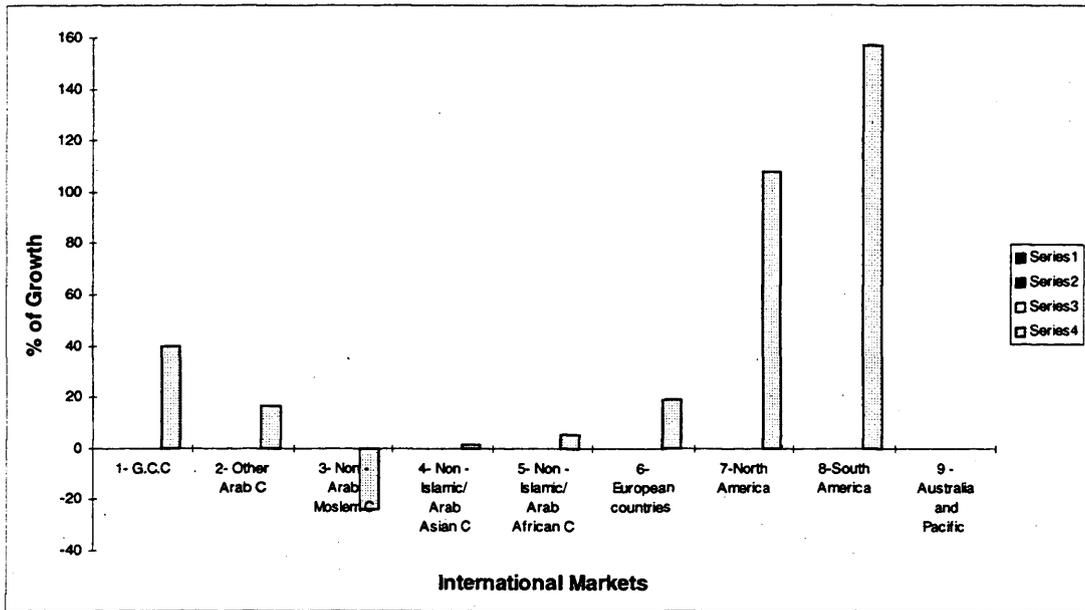


Table 2.4 shows the highest 10 non-oil product exports in 1995 and 1996, and their percentage of the total. It shows that the highest five products in 1995 were metal pipes, electric cables, titanium, steel building products, and dairy & related products. In 1996 they were paints, electric cables, cement, steel building products and metal pipes. These top-ranking products in 1995 and 1996 could be classified into three main industries: Engineering & metals, Chemicals and plastic, and Food & drink.

Table 2.4 The 10 Highest Non-Oil Product Exports in 1995 and 1996 and Their Percentage of the Total.

1995			1996		
Product	Sales Volume (in Millions Saudi Riyal)	% of the total	Product	Sales Volume (in Million Saudi Riyal)	% of the total
Metal pipes	564	6.7	Paints	649	6
Electric cables	324	3.9	Electric cables	501	4.7
Titanium	319	3.8	Cement	428	4
Steel building products	251	3	Steel building products	326	3
Dairy & related products	234	2.8	Metal pipes	262	2.4
Baby nappies	216	2.6	Dairy & related products	252	2.3
Can ends	190	2.3	Can ends	205	1.9
Tanning leather	159	1.9	Water isolated products	180	1.7
Cement	157	1.9	Empty glass bottles	179	1.7
Air conditioners	147	1.7	Baby Nappies	171	1.6

Al-Iktissad Wal-Aamal (1998).

## 2.7 Summary

From the evidence presented in this chapter, it can be concluded that there has been considerable development in the exports of non-oil Saudi products in recent years. Despite the short time of the Saudi private sector's experience in exporting, the last few years have seen significant progress in exporting activities, which rivalled most industrially developed countries. For example, the total value of manufacturing industry exports (excluding SABIC) increased from 368.8 million Riyals in 1984 to 4581 millions S.R. at the end of 1994, which is an increase of 1142%. Also, the total Saudi non-oil product exports including SABIC jumped from 1185.2 million Riyals in 1984 to 11081 millions S.R. at the end of 1994, an increase of 835%.

The next chapter will review previous empirical studies and literature relevant to the purposes of this study, such as firms' motives to export, export stages, characteristics of exporting and non-exporting firms, obstacles facing exporters and measures of export performance.

CHAPTER THREE

LITERATURE REVIEW

## Introduction:

The purpose of this chapter is to review previous empirical studies and literature relevant to the purposes of this study, specifically that which explains the internationalisation of firms.

A number of writers have tried to conceptualise the dynamic forces outside and inside the firm that motivates it to serve international markets, and to identify the different characteristics of exporting and non-exporting firms together with the obstacles facing exporters.

Also, much research has attempted to explain the export performance of firms using measures such as export growth and profitability; also, the advantages and disadvantages of each measure.

For the purposes of this chapter, literature is examined which addresses the following points:

3.1 Motivation to export.

3.2 Export Stages

3.3 Characteristics of exporting and non-exporting firms.

3.4 Obstacles facing exporters.

3.5 Factors connected with export success.

3.6 Sources of international marketing success.

3.7 Measures of export performance.

### 3.1 Motivations to Export

Although recent literature has discussed new international ventures (NIVs) i.e firms that are international from the start, classic theory suggests that most firms start as non-exporters selling to a local market, then expand their operations to more distant, unfamiliar markets. In this section we will explore the factors that stimulate firms to move from being non-exporters to exporters.

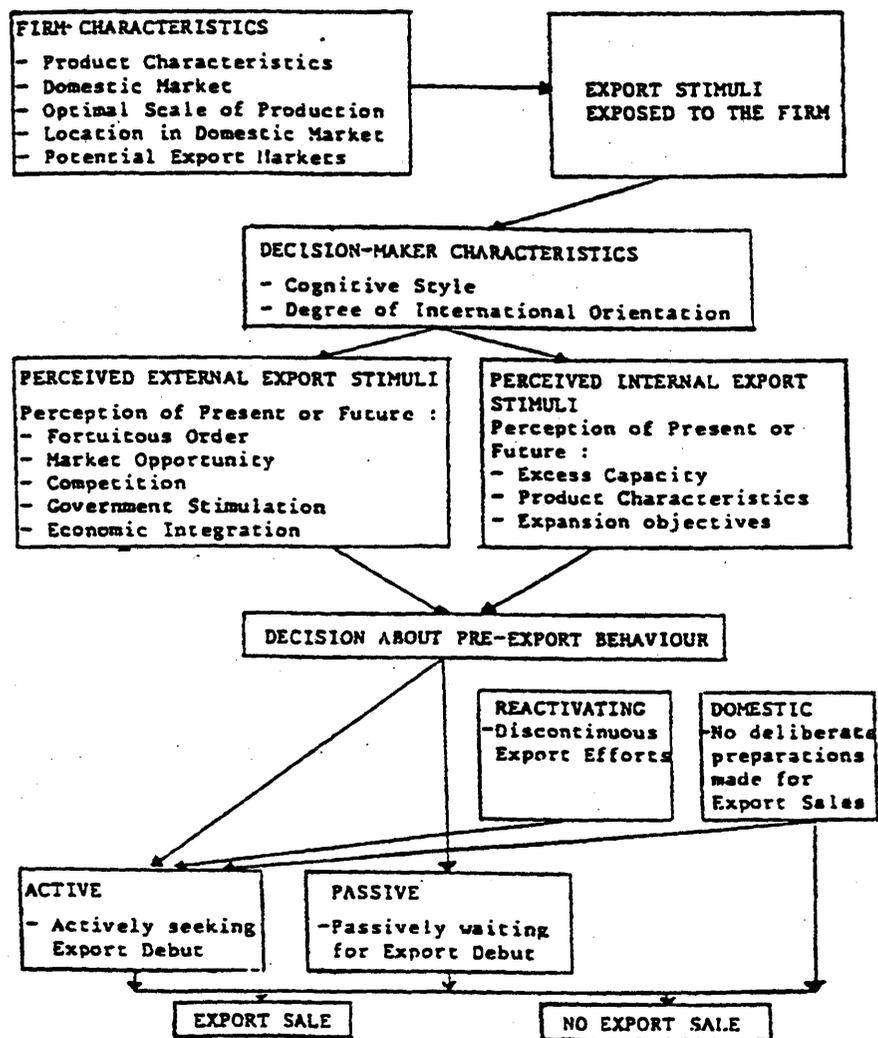
Olson and Weidersheim-Paul (1978), studied the factors affecting the pre-export behaviour of a firm, and produced a model as shown in Figure 3.1.

A firm's characteristics (including the objectives of the firm, product type, capacity of the production and size of the firm); the decision maker characteristics (number of languages he can

CHAPTER THREE  
LITERATURE REVIEW

speak; work experience and degree of international orientation) and firm's environment (such as government stimulation, competition, location of the firm and export market opportunity) interactively influence the firm's internationalisation or degree of export involvement. Reid's (1981) study found that the decision maker played an important role in a firm's export decision.

Figure 3.1: Factors Affecting the Pre-Export Behaviour of a Firm



Source: Olson & Wiedersheim-Paul (1978), pp. 285.

However, Brooks and Rosson (1982) stated that the single most important stimulus for Canadian small and medium sized manufacturers was excess production capacity. According to Czinkota and Ursic (1983), the key motivation to encourage firms to concentrate on increasing exports was through a profit advantage of international activities over domestic activities.

Crick and Chaudhry (1997), in their study involving small businesses' motives for exporting found that certain factors were rated low by the firms. These include attractive export incentives and national export promotion programmes; arguably, a potential concern for policy makers. However, the factors which firms rate relatively high are competitive pressures, marketing advantage, opportunity to increase the number of country markets and reduce the market related risk.

Edmunds and Khoury (1986) concluded that major motives for exporters were: profit, market expansion, diversification of risks and extension of the product life cycle.

Moreover, Albaum et al (1989) explain two kinds of stimuli which could affect a firm's decision to export, shown in Table 3.1.

**Table 3.1: Classification of Export Motives**

	INTERNAL	EXTERNAL
PROACTIVE	<ul style="list-style-type: none"> <li>- Managerial urge</li> <li>- Growth and Profit goals</li> <li>- Marketing advantages</li> <li>- Economies of scale</li> <li>-Unique product/technology competence</li> </ul>	<ul style="list-style-type: none"> <li>- Foreign market opportunities</li> <li>- Change agents</li> </ul>
REACTIVE	<ul style="list-style-type: none"> <li>-Risk diversification</li> <li>-Extend sales of a seasonal produce</li> <li>- Excess capacity of resources</li> </ul>	<ul style="list-style-type: none"> <li>-Unsolicited orders</li> <li>-Small home market</li> <li>-Stagnant or declining home market</li> </ul>

Source : Albaum al., (1989) p.35.

As shown in Table 3.1, Albaum et al. (1989) suggest that there are two kinds of stimuli which affect a firm's decision to engage in exporting: motivational factors due to stimuli initiated from influences internal to the firm, and stimuli arising from the firm's external environment (export market). They also classify export motivation according to whether the export activity is reactive (the firm responds to internal or external pressures i.e. push factors), or is a result of proactive and/or aggressive behaviour based on for example, the firm's interest in exploiting unique market possibilities (i.e. pull factors).

Albaum et al. (1989) classified motivational factors according to this typology and measured the importance of each factor for 654 smaller Danish exporters. The results, shown in Table 3.2, suggest that the most important factors motivating firms to export are:

Long-term growth

Long-term profit

Risk diversification

Table 3.2: Export Motivation Factors

Motive	Proactive (P) or Reactive (R)	External (E) or Internal (I)	Mean Value of Importance
Managerial urge	P	I	3.0
Long-term growth	P	I	2.0
Long-term profit	P	I	2.1
Marketing advantages	P	I	3.7
Unique products /technologies	R	I	3.2
Risk diversification	R	I	2.7
Extend sales of seasonal product	R	I	3.9
Excess production capacity	R	I	3.4
Change agents	R	E	4.3
Unsolicited foreign order	R	E	3.0
Small home market	R	E	3.0
Stagnant or declining home market	R	E	3.7
Strong competition in the home market	R	E	3.6

Source : Albaum et al.(1989) p.35.

Clearly, as can be seen in Table 3.2, the profit motive is very important and the desire for short-term profit is important to many companies at a stage of initial interest in exporting. Of particular importance will be the extent to which it is growth motivated. However, many exporting firms probably face less of

a total market risk than non-exporters by having diversified markets. An economic slump does not take effect at the same time or with the same intensity in different overseas markets and so selling in many markets lessens the risk linked to declining sales in one market.

Other researchers describe a firms' internationalisation either as a reactive or proactive response to situations (Da Rocha et al., 1990; Simpson and Kujawa, 1974; Bourantias and Halikias, 1991).

### 3.2 Export Stages:

Irrespective of the kind of factors (proactive or reactive) motivating a firm to explore opportunities in export markets, internationalisation is postulated to occur in stages. A number of models have been developed from studies in recent years concerning the export stages, though evidence on the stages of firms' internationalisation process is mixed. Although Johanson and Wiedersheim-Paul (1975) and Jansson (1989) are among those who support the export stage model, there are differences in the number of stages between particular

authors' studies. Nevertheless, Varaldo (1987) and Turnbull (1987) refute the validity of the model.

Turning to the stages approach in more detail, Steinman et al. (1980) proposed three stages as follows:

- 1- The decision to invest abroad .
- 2- The establishment of overseas facilities.
- 3- The management of overseas operations.

Also, the JEPD ( which administers UK export trade services) uses a three stage model of non-exporters, passive exporters and active exporters for differentiating between firms (Crick, 1995).

Although the model shows a step-by-step process from the export decision to the management of overseas operations, it does not give a breakdown of the intermediate steps.

Another classification was made by Pavord and Bogart (1975) who discussed four stages:

- 1- No activity.
- 2- Passive activity.

3- Minor activity.

4- Aggressive strategy.

The first stage is where the firm does not export even with unsolicited orders. The next stage involves firms that do respond to unsolicited orders. When a firm looks into exporting or export supportive activity, no matter how small, it progresses to stage 3. The final stage involves those firms that persistently look for export orders and consider exporting to be an established activity

However, Ford and Leonidou (1991) summarised four different stage models namely those proposed by Johanson and Wiedersheim -Paul (1975), Bilkey and Tesar (1977), Cavusgil (1980) and Czinkota (1982). The stages postulated by the four authors are summarised in Figure 3.2.

Figure 3.2: Export Development Stages

Johanson and Wiedersheim - Paul (1975)	Bilkey and Tesar (1977)	Cavusgil (1980)	Czinkota (1982)
Stage 1 No regular exports activities.	Stage 1 Management is not interested in exporting	Stage 1 Domestic marketing: the firm sells only to the home market	Stage 1 The completely uninterested firm.
Stage 2 Export via overseas agents.	Stage 2 Management is willing to fill unsolicited orders, but makes no effort to explore the feasibility of active exporting	Stage 2 pre-export stage: the firm searches for information and evaluates the feasibility of undertaking exporting	Stage 2 The partially interested firm.
Stage 3 Establishment of an overseas sales subsidiary	Stage 3 Management actively explores feasibility of active exporting	Stage 3 Experimental involvement: the firm starts exporting on a limited basis to some psychologically-close countries	Stage 3 The exploring firm.
Stage 4 Production in foreign subsidiaries	Stage 4 The firm exports on an experimental basis to some psychologically-close country	Stage 4 Active involvement: exporting to more new countries - direct exporting - increase in export volume	Stage 4 The experimental exporter.
	Stage 5 the firm is an experienced exporter	Stage 5 Committed involvement: management constantly makes choices in allocating limited resources between domestic and foreign markets	Stage 5 The experienced small exporter.
	Stage 6 Management explores the feasibility of exporting to other more psychologically-distant country		Stage 6 The experienced large exporter

Source: Ford and Leonidou. (1991) p.16

From Figure 3.2, it can be seen that Johanson and Wiedersheim -Paul (1975) proposed that a firm's progression into export markets can be explained by four stages. In this model the authors give a brief account of institutional and structural changes.

Bilkey and Tesar (1977) and Cavusgil (1980) in their stage model concentrated on the role of firm management and its commitment to export. However, Czinkota (1982) concentrated on the experience of the firm and the size of the firm. Generally, the three models have differences in the number of stages.

Campbell (1987) and Crick and Chaudhry (1997) identified eight export stages, ranging from firms that are not interested in exporting to firms that did export in the past, but are not currently exporting. Also, they suggest that firms can be classified according to their export percentage. Less than 10 per cent represents low involvement and more than 10 per cent represents high involvement in exporting. This model is

considered to provide a more detailed categorisation of export development stages.

As the literature review suggested, there is no single agreed export stages model for classifying firms according to degrees of export development. Existing models propose various numbers of stages, from the three export stages used by JEPD to the eight export stages used by Crick and Chaudhry (1997).

### 3.3 Characteristics of Exporting and Non-Exporting

#### Firms

In this section we shall focus on the characteristics of exporters and non-exporters, though it should be remembered that even though firms may share similar characteristics and are sometimes exposed to the same stimuli, they may not respond in the same way. The size of the firm is one of the most important features, because larger firms enjoy more advantages accrued from having greater financial resources and specialised staff, placing them in a better position to exploit the opportunities in international markets (Madsen, 1987; Ford and Leonidou, 1991).

However, the influence of the resource characteristic is unfortunately not clear. Tookey (1964), Yaprak (1985), Cavusgil and Naor (1987) and Keng and Jiuan (1989) found that the larger firms are the more likely to be involved in export marketing. In contrast, Ross (1989) found that company size is not a distinguishing feature between exporters and non-exporters.

Aksoy and Kaynak (1994) summarised a list of factors which differentiate exporters and non-exporters (see Table 3.3).

Table 3.3 : Characteristics of Exporters and Non-Exporters:

Characteristics	Exporters	Non-exporters	Source
<b>Management's perceptions of:</b>			
Cost and risk in exporting export barriers	Lower No differences	Higher	Ogram (1982) Sharkey et al (1989) Gripsrud (1990)
Necessity for external assistance	Lower	Higher	Yaprak (1985)
Export profitability	No differences		Aaby and Slater (1989) Roy and Simpson (1981)
<b>Management's qualities and attitudes:</b>			
Awareness of government export promotion programmes	Lower	Low	Kedia and Chhokar (1986)
Activity in seeking market opportunities	Higher	Lower	Brooks and Rosson (1982)
Attention to R&D	Higher	Lower	Burton & Schlegelmilch (1987)
Attention to customer preferences	Higher	Lower	Burton & Schlegelmilch (1987)
Dynamic and change oriented behaviour	More	Less	Christensen et al (1987)
<b>Firm characteristics:</b>			
Firm size	Larger	Smaller	Keng and Jiuan (1989)
Number of years in business	No difference		Ogram (1982)
Foreign equity participation in the firm	Higher	Lower	Keng and Jiuan (1989)

Aksoy & Kaynak (1994), p.17

Regarding export age, Aksoy and Kaynak (1994) did not find any difference between exporters and non-exporters. However, Kirpalani and MacIntosh (1980) and Ursic and Czinkota (1984) found that active exporting firms are more likely to be younger, suggesting that there is no direct relationship between the age of the firm and whether the firm is an exporter or not.

Bilkey (1978) found that exporting firms are more likely to have better management than non-exporting firms. Export decisions are determined by the background of the firm and its managers. He also mentioned the role of the management's view of the firm's competitive advantages and adverse home market conditions. Furthermore, he concluded that non-exporters' real reason for not exporting was managerial apathy.

The relationship between a firm's characteristics and its decision-making in export initiation was the focus of attention in a study by Reid (1981), whose empirical findings indicate a strong correlation between firms' export behaviour/market expansion and the characteristics and experience of managers /decision-makers. Exporting firms are managed by decision makers who are internationally orientated. Therefore, the decision-maker plays a major role in a firm's decision of whether to export or not. Also, Simpson and Kujawa (1974), Keng and Jiuan (1989) found that exporting firms are managed by better-educated executives.

### 3.4 Obstacles Facing Exporters:

So far the debate has highlighted the motivating factors for firms to become exporters. Nevertheless, firms may also face obstacles to their export operations, and in this section we will discuss the barriers that exporters might encounter.

Firm's characteristics such as size, export experience and age can help the firm to overcome certain perceived export obstacles. For example, large-sized firms are sometimes more actively involved in export, according to the evidence from the United Kingdom (Piercy, 1981), United States (Cavusgil, 1984b; Cavusgil and Naor, 1987) and Brazil (Christensen et al., 1987). In Italy, however, the situation is quite different, with small and medium-sized firms dominating the export sector (Bonaccoris,1992).

While much has been said about the relationship between size and export involvement, there appears to be a lack of empirical evidence to indicate the obstacles facing Saudi exporters and the assistance requirements Saudi exporters require to overcome these barriers.

### 3.4.1 Barriers Facing Saudi Exporters:

Saudi exporters, like exporters in most countries, may face two different types of barriers, internal or external. The former are the local barriers which are related to the internal procedures and regulations; these are to some extent are controllable. The latter are related to the importing countries, such as the import procedures and regulations, which are to some extent uncontrollable.

#### 3.4.1.1 Internal barriers:

Although the export operation from Saudi Arabia abroad does not involve many administrative procedures, some exporters have commented about the delay caused by such procedures in relation to the seaports, commercial banks and the custom organisation (Saudi Chambers' Council, 1994).

Also, the lack of international market information is another internal barrier. Most Saudi exporters are newly engaged in export activity and as such they lack information about international markets and the regulations procedures in these markets (Saudi Chambers' Council, 1992; Al-Aaktassiad wal aamal, 1994; Saudi Chambers' Council, 1994; Almajalla, 1994).

Recently, Crick et al. (1998), in their study concerning the perceived obstacles of Saudi Arabian exporters of non-oil products, found that the two groups of firms (low export involvement firms and high export involvement firms), rated the lack of market information as the second most important factor.

Finance and insurance risks are another form of internal barrier encountered by Saudi exporters, especially the small exporters, and the local commercial banks are reluctant to give guarantees to them. Other exporters lack insurance cover against export risks (Al-Aaktassiad wal aamal,1994; Saudi Chambers' Council, 1994).

Although the location of Saudi Arabia is strategic since it extends from the Arabian Gulf in the east to the Red Sea and the Gulf of Aqaba in the west, and it is between different markets, the cost of transportation from Saudi Arabia to overseas markets is considered high compared to other countries' transportation costs. Furthermore, there are no regular shipping lines and road haulage networks with other close countries (Al-Aaktassiad wal aamal,1994; Saudi Chambers Council, 1994; Al-Eqtisadiyah, 1994; Tegart Al Riyadh, 1996).

Seaport taxes are considered another barrier for Saudi exporters (Al-Aaktassiad wal aamal, 1994; Al-Eqtisadiyah, 1994).

#### 3.4.1.2 External barriers:

High customs taxes in other countries are one of the important external barriers that are used to protect their local production; also, according to Al-Aali (1995), variations in product standardisation is another kind of external barrier.

In view of the relatively low Saudi experience in exporting, Saudi exporters are facing high competition in international markets, from more experienced firms (Al-Aali, 1995). Moreover, Crick et al. (1998), in their study concerning perceived obstacles of Saudi Arabian exporters of non-oil products, found that both groups of firms (low export involvement firms and high export involvement firms), rated the competition in export markets as the most important factor.

Although Saudi Arabia has trade agreements with certain other countries, these agreements sometimes seem unclear because the agreements do not give details about the procedures for products entering those countries, such as customs taxes or

because the firm does not undertake research to get the appropriate information before it takes an export decision (Al-Aaktassiad wal aamal, 1994).

Some barriers may be sectoral specific. For example, Al-Aali (1995) discovered that obstacles facing chemical and food exporters in Saudi Arabia were: high competition in overseas markets; cost of importing material; lack of information about overseas markets; changes in foreign currency and cost of export customs. This finding can not be generalised, because Al-Aali's study concentrated on only two types of industry, chemicals and food. However, the type of obstacles faced could be determined by the type of industry. Also, the findings of this research carried out in Saudi Arabia show that exporters are facing organisational, financial, production and marketing obstacles.

Arguably, there are no major differences between the barriers facing Saudi exporters and those faced by exporters from other developing countries. In Turkey, for example, Bodur (1986) shows the difference in the type of obstacles faced by two

different types of exporters; textile and food. Problems faced by food exporters in Turkey are:

- 1-Poor scheduling by Turkish cargo lines;
- 2-Inadequate rail freight;
- 3-Insufficient foreign market information supplied by public agencies/association;
- 4-High cost of production;
- 5-Delay in paperwork flow (in public institutions).

Some of the problems faced by textile exporters in Turkey are different, and they are:

- 1-High cost of production;
- 2-Delay in paperwork flow (in public institutions);
- 3-High cost of export credits;
- 4-Energy shortage and limitation in quality;
- 5-Energy shortage and limitation in type;

This supports the argument that barriers vary between industries.

In the US, Kedia and Chhokar (1986), show the difference in the type of obstacles faced by exporters and non-exporters; the

five inhibiting factors which are considered as most important by non-exporters are:

- 1- Knowing export procedures ;
- 2- Knowing how to market overseas;
- 3- Knowing foreign business practices;
- 4- Obtaining information on prospects and markets overseas;
- 5- Communicating with clients overseas

However, the assessment of exporters about the five most important inhibiting factors is different from that of the non-exporters. In the exporters' view the main obstacles are:

- 1- Obtaining information on prospects and markets overseas
- 2- Knowing how to market overseas;
- 3- Knowing foreign business practices;
- 4- Minimising foreign exchange risk, and
- 5- Competing with foreign and US firms overseas.

Christensen et al. (1987), in their study of the factors influencing the continuation of exporting activities among Brazilian firms, found that four barriers were consistently seen as more serious by 'ex'-exporters than by successful exporters.

These were: inadequate financial incentives; strong international competition; obstacles internal to the firm; and the need to service the domestic market demand. However, in the U.S. Alexandrides (1971) found that foreign competition was the main problem to exporters.

In fact, many studies have been carried out in this field. Bodur's (1986) summary of these studies is presented in Table 3.4. Ford and Leonidou (1991) summarised these problems in five categories: environmental; organisational; managerial; strategic; and functional. The list of specific obstacles is shown in Table 3.5.

**Table 3.4:**

**A Summary of Research on Export Problems**

Author (year)	Firm/Product Characteristics	Measurement of Export Problems	Findings
Albaum (1983)	86 manufacturing exporters having less than 500 employees	Semi-structured in depth interviews with various government representatives, and a mail questionnaire Number of counts for self-reported problem items	Based on number of exporters reporting:  1. Documentation requirements 2. Lack of customer leads 3. Competing with foreign suppliers 4. Locating foreign markets/distributors 5. Financing export sales (a total of 12 variables)
Alexandrides (1971)	Manufacturing exporters	Significance of problems with an importance scale	Rank order of importance:  1. Competition 2. Locating foreign markets 3. Payment procedures 4. Transportation 5. Lack of knowledge (a total of 8 variables)
Czinkota (1981)	200 small and medium-sized exporters in the manufacturing sectors of: (a) material handling (b) avionics and aviation support (c) industrial instruments	Perceived strength of problems encountered on a four point importance scale for four groups of exporters varying in experience ("How much of a problem is it to deal with each of the particular aspects of exporting?")	Rank order of importance means:  <u>Least Experienced</u> <u>Most Experienced</u> (1-2 years exporting)      (10 years exporting) 1. Communications      1. Communications 2. Market info-      2. Sales effort gathering 3. Sales effort      3. Market info-gathering 4. Obtaining info on      4. Obtaining business practices      financial info 5. Product adaptation/ obtaining financial info      5. Obtaining info providing parts (tie) pra-      on business ctices (a total of 20 variables)

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<p>Bilkey (1978)</p>	<p>Not applicable</p>	<p>Not applicable; a review of previous literature</p>	<p>The most frequent serious obstacles to exporting:</p> <ol style="list-style-type: none"> <li>1. Insufficient finances</li> <li>2. Foreign government restrictions</li> <li>3. Insufficient knowledge about foreign selling practices</li> <li>4. Inadequate product distribution abroad</li> <li>5. Lack of foreign market connection</li> </ol>																												
<p>Czinkota and Johnston (1983)</p>	<p>Same as Czinkota (1981) study</p>	<p>Importance of particular aspects of exporting for two groups of firms, namely, small-sized (\$5million annual sales) and medium-sized (\$5-50 million annual sales) ("How much of a problem is it to deal with each of the particular aspects of exporting?")</p>	<p>Rankings of importance means:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <p><u>Small Firms</u></p> <ol style="list-style-type: none"> <li>1. Communications</li> <li>2. Sales effort</li> <li>3. Providing repair services</li> <li>4. Obtaining financial info</li> <li>5. Gathering market info</li> </ol> </td> <td style="width: 50%; vertical-align: top;"> <p><u>Medium Firms</u></p> <ol style="list-style-type: none"> <li>2. Sales effort</li> <li>3. Gathering market info</li> <li>4. Obtaining financial info</li> <li>5. Providing repair service</li> </ol> </td> </tr> </table> <p>(a total of 20 variables)</p>	<p><u>Small Firms</u></p> <ol style="list-style-type: none"> <li>1. Communications</li> <li>2. Sales effort</li> <li>3. Providing repair services</li> <li>4. Obtaining financial info</li> <li>5. Gathering market info</li> </ol>	<p><u>Medium Firms</u></p> <ol style="list-style-type: none"> <li>2. Sales effort</li> <li>3. Gathering market info</li> <li>4. Obtaining financial info</li> <li>5. Providing repair service</li> </ol>																										
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<p>Czinkota and Ricks (1983)</p>	<p>Same as previous Czinkota (1981) and Czinkota and Johnston (1983) studies</p>	<p>Three measures utilised for each exporting issue: (1) Importance (2) Strength of problem (3) Improvement possibility if more emphasis is placed on each issue</p>	<p>Grouping in terms of three measures combined into:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;"></td> <td style="width: 33%; text-align: center;">High Concern</td> <td style="width: 33%; text-align: center;">Medium Concern</td> <td style="width: 33%; text-align: center;">Low Concern</td> </tr> <tr> <td>Importance</td> <td>(1) Product adaptation</td> <td>(1) Providing repair service</td> <td>(1) Arranging transport</td> </tr> <tr> <td>Packaging</td> <td>(2) Communications</td> <td>(2) Pricing</td> <td>(2)</td> </tr> <tr> <td>Problem Strength:</td> <td>(1) Communications</td> <td>(1) Financing</td> <td>(1) Arranging transport</td> </tr> <tr> <td></td> <td>(2) Sales effort</td> <td>(2) Providing parts</td> <td>(2) Distribution control</td> </tr> <tr> <td>Change:</td> <td>(1) Sales effort</td> <td>(1) Pricing</td> <td>(1) Funds transfer</td> </tr> <tr> <td></td> <td>(2) communications practice</td> <td>(2) Info on business</td> <td>(2) packaging</td> </tr> </table> <p>(a total of 20 variables)</p>		High Concern	Medium Concern	Low Concern	Importance	(1) Product adaptation	(1) Providing repair service	(1) Arranging transport	Packaging	(2) Communications	(2) Pricing	(2)	Problem Strength:	(1) Communications	(1) Financing	(1) Arranging transport		(2) Sales effort	(2) Providing parts	(2) Distribution control	Change:	(1) Sales effort	(1) Pricing	(1) Funds transfer		(2) communications practice	(2) Info on business	(2) packaging
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	(2) communications practice	(2) Info on business	(2) packaging																												

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Halbrooks (1979)	A single company	Self-report of real or imagined barriers to exporting	Rank order by importance: 1. Need for market info 2. Financial documents and methods 3. Slow communications 4. Non-financial documents 5. Inability to service (a total of 28 variables)
Minnesota Export Survey (1975)	All exporters in the region	Significant problems in "planning export programs"	Rank order of problems:  1. Gov't restrictions 2. Financing 3. Other 4. Shipping 5. Knowledge and experience (a total of 9 variables)
Pavord and Bogart (1975)	Manufacturing Scientific instruments	Significance of problem in "entry into foreign markets"	Rank order of problems: 1. Host movement regulations 2. Lack of information on foreign markets 3. Making foreign contacts 4. Supplying services 5. Getting paid (a total of 18 variables)
Rabino (1980)	46 high- technology ex- ports with annual sales less than \$10 million	Self-reported problems evaluated on an importance scale; a second measure: "Why in your opinion are other firms with the same characteristics not exporting?" (self- reported and ranked by importance)	Rank order by importance.  1. Paperwork 2. Selecting a reliable distributor 3. Competitive disadvantage due to non-tariff barriers 4. Honouring letters of credit 5. Communications with foreign customers  Rank order of barriers (2nd measure)  1. Lack of exposure to outlet cultures 2. The large domestic market 3. Lack of staff time 4. Paperwork 5. Different safety and quality standards

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Weinrauch and Rao (1975)	Small manufacturing firms not yet exporting	Significant problems in exporting: an importance scale was utilised	Rank order by importance:  Internal Problems 1. Lack of overseas contacts 2. Determining product demand 3. Credits and collections (a total of 15 variables)  External Problems  1. Limited foreign markets 2. Foreign competition 3. Foreign gov't regulations
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Source: Bodur (1986) p 208-211

Table 3.5 :Factors and Obstacles to Export Success

<p><b><u>Environmental:</u></b></p> <p>Cultural differences Government barriers Infrastructure facilities Availability of export services Regularity of supplies Degree of competition</p>
<p><b><u>Organisational:</u></b></p> <p>Amount and quality of export staffing Size of the firm</p>
<p><b><u>Managerial:</u></b></p> <p>Level of management quality and determination Marketing vs selling orientation in exporting Long-term commitment to exporting Frequency of personal visits to foreign markets Degree of management's international outlook Foreign language proficiency of export executives Frequency and clarity of communication with customers</p>
<p><b><u>Strategic:</u></b></p> <p>Degree of product and packaging adaptation Level of product quality and design Product delivery performance Pricing practices in foreign markets Extent of overseas promotion Degree of promotion adaptation Selection of the right overseas distribution channels</p>
<p><b><u>Functional:</u></b></p> <p>Level and use of export marketing research Existence and adequacy of export market plans Availability of sources to finance export efforts</p>

Source : Ford and Leonidou (1991) p.10

The evidence from Bodur (1986) who reviewed 11 studies of export obstacles, summarised in Table 3.4, shows the similarity and the differences in the type of obstacles faced by exporters in different countries.

There are some obstacles which appear in most of Bodur's (1986) summary. One is gathering market information, an obstacle identified in Saudi studies (Saudi Chambers' Council, 1992; Al-Aaktassiad wal aamal, 1994; Saudi Chambers' Council, 1994; Almajalla, 1994; Crick et al., 1998). Others include various adaptation requirements. In respect of these, Bodur's (1986) study is confirmed by Ford and Leonidou (1991), in their study of the factors and obstacles affecting export success.

Whatever barriers Saudi exporters or others may face, this does not mean that exporters cannot overcome them and improve their export performance, as is demonstrated by the example of Japan. Japan is a very poor country in terms of natural resources. Also, it had to rebuild its infrastructure after it was defeated in World War II. However, these factors did not prevent the Japanese from being successful exporters. They have successfully overcome their barriers to become one of the

world's leading exporters and sell their products in almost every corner of the world (Kotler et al., 1985; Walsh, 1991).

### 3.5 Factors Connected with Export Success:

The debate so far has highlighted the factors motivating firms to export and, in contrast, the barriers that might face exporters in their export operations. Another part of this research focuses on factors connected with export success. Based on the success factors associated with Canadian firms, Kamath et al. (1987) consider four crucial factors for export success:

- 1-The fundamental strength of having good people at both the managerial and work force levels;
- 2-A clear philosophy and corporate mission;
- 3- Action skills leading to good implementation of company strategy;
- 4-Close attention to the specifics of the company's exporting situation and activity (a market - by - market, product by product, or contract by contract approach to business).

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Furthermore, the following points were highlighted by the authors:

- both small and large companies can be successful
- technology and R & D are not necessary for export success except in high technology companies
- export success comes at all stages of export development;
- a dispersed “shotgun” approach to exporting succeeds as well as a focused “rifle approach”
- the international background of company personnel is not crucial for export success ;
- no single marketing mix recipe ensures success ;
- government assistance is important for some but not for others;
- a variety of organisational structures work;
- no particular environmental variables (for example, exchange rates) is tied to success;
- ad hoc practices succeed as often as planned approaches to exporting ;

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- both experienced and inexperienced exporters have been rewarded with success;
- financial clout is not crucial to export success.

(Kamath et al, 1987, pp.405-406).

In contrast, Madsen (1987) states that firms with larger resources and high technological intensity are more likely to be successful. Madsen (1987) suggests four points for export success, namely:

1- Before starting a new export market venture, it seems advisable to:

- ensure top management support, and

-build up a knowledge base related to export marketing

2-If alternative target markets (countries) exist, then choose those with:

-little competition and /or a high growth rate,

- small trade barriers,

- a small physical distance and
- a small psychological / cultural distance

3-Before entering the market , do the following:

- research the market (however, market research and other planning activities do not appear to be of crucial importance in export performance),

- develop a product with a strong core benefit for the customers, and

- adapt marketing (and especially product) policy to local market conditions (weighing, of course, the cost involved).

4- in managing an ongoing export market venture, do the following:

- keep good personal contact with the market

- ensure continuously good relations with foreign distributors/ dealers based on formalised equality (but with roles being flexible),

- support and keep close contact with the distributor, and
- establish good control procedures for monitoring the export activities.

(Madsen 1987, pp.195-196).

Madsen's study suggests that export involvement should be supported by a commitment from top management; also, special care should be taken when selecting the market both when identifying market needs and subsequent contact with that market. A suggestion is that it would be more advantageous to select a market with a similar culture (a smaller psychic distance) to the home market. Also, Madsen (1987) stresses that relationships with importers are important and Ford and Leonidou (1991) and Gemunden (1991) support this suggestion.

### 3.6 Source of International Marketing Success:

The discussion so far has highlighted those factors that are connected with export success at firm level. But it does not reflect the degree and the source of success at the international level.

The degree of success in Japanese firms in international markets compared to the American and British has led to the question: what are the factors contributing to the success of Japanese firms? Kotler and Fahey (1982) stated that understanding and use of marketing has played a major role in Japanese success in the international market.

Moreover, Wong et al (1988) rejected any explanation of Japanese success in international marketing that attributes it to factors other than marketing skills:

“The differences in marketing effectiveness of the Japanese and western competitors, in the UK, could not be explained by national cultures. The performance differences between the US, Japanese and British is best attributed to their marketing skills”

In contrast, there are several factors that affect British exporters in the Middle East, such as the lack of consumer research and cross-cultural analysis, either because they thought that it was not possible or that it was not necessary (Nicholls, 1985). Moreover, little or no adaptation has been made by

British exporters in their marketing mix (products, promotion, prices and their distribution decisions) (Nicholls ,1985).

Tuncalp (1990), in his study about British exporters in Saudi Arabia, stated that they should not expect good results by sending some researchers to Saudi Arabia for a few days to undertake market research and feasibility studies. British exporters should hire professional research organisations with previous experience in Saudi Arabia.

Another form of success that helped the Japanese to break down the American and British stronghold in Saudi Arabia is highlighted by Yavas et al (1987, p.242), as follows:

“...careful product design to suit local needs, better value for money, timely delivery, long-term dependability, and the meticulous attention given to after-sales services. Having local repair facilities, spare parts, and adequate warranties are extremely important to Saudi customers. Japanese have sensitive to this need to the extent that they have employed travelling clinics with factory-trained technicians in Saudi Arabia, in addition to permanent facilities.”

### 3.7 Measures of Export Performance:

In this section we will focus on ways of measuring export performance and their weaknesses and strengths. A review of literature indicates that many measures have been taken by different researchers as indicators of export performance, but there is little agreement amongst researchers on how success in exporting is to be defined and measured. Kaynak and Kuan (1993) used both the export profitability and export ratio measures. Another study from Brazil by Christensen et al. (1987) took firms which were continuously exporting as successful exporters. Recently, Morgan and Katsikeas (1997) reviewed 68 studies on export performance measurements, and summarised their findings in the format shown in Table 3.6.

Table 3.6: Export Performance Measures

Performance Measures	Frequency of Use (Percentage)
Export sales ratio	45 (66.2)
Export sales growth	29 (42.6)
Export profitability	17 (25.0)
Export sales volume	13 (19.1)
Export ratio growth	8 (11.8)
Export profitability growth	5 (7.4)

Morgan and Katsikeas (1997)

The literature tends to show a strong preference towards the usage of the following three basic measures:

- a- export sales ratio
- b- export sales growth; and
- c- export sales profitability.

They are discussed in turn, below.

### 3.7.1 Export sales ratio:

The export sales ratio is the percentage of export sales to a firm's total sales. It is also referred to as a proportion of export sales or export intensity. The use of this measure is based on the assumption that firms whose export sales intensity (ratio) is low are considered to have a lower export performance than firms whose export sales ratio is high.

An export sales ratio (intensity) is widely used as a dependent variable in most studies on export behaviour and performance. Madsen (1987) reviewed 17 studies on export performance and noted that 11 of these used the export sales ratio as an indicator of export performance. Some researchers who employed these measurements used a cut-off percentage (cut-off point) to classify the exporters as successful and less successful exporters. The variations on the cut-off point were due to the differences in the industrial level from one country to another. In an Indian study, Das (1994) used the export ratio and the cut-off point for this study was 20%. Dichtl et al (1990) used the same export measurement, but the cut-off point in their study was 10%. Recently, Morgan and Katsikeas (1997) reviewed 68 studies on

export performance measurements and found that 45 of these studies used export sales ratio as an indicator of export performance.

The disadvantage of the export ratio as an indicator is that it is a static measurement. It does not indicate the competitiveness of the firm in exploiting international market opportunities (Hunt et al., 1967).

### 3.7.2 Export Sales Growth:

This measurement is based on the assumption that firms whose export level (export sales) increases should be considered to have a better export performance than firms whose export level is stable or decreasing. In India, Das (1994) used export growth as an export success measure. Recently, Morgan and Katsikeas (1997) found that 29 of the 68 studies reviewed used export sales growth as an indicator of export performance.

The advantage of this measurement is that it is an objective measure which allows comparison at all levels and firms, at industrial and national level. Therefore, it is useful to both the government and decision-makers in individual companies. This

measurement is also suitable for those firms which may not reach the success level if performance is measured by purely the export ratio (cut-off point), even if the firm's export level has grown. Also, there is a variation in the time period of growth. Cooper and Kleinschmidt (1985) used a three year period; Kirpalani and MacIntosh (1980) used export growth over five years. In short, this measurement is much used to support other measures, especially export sales intensity (export ratio).

### 3.7.3 Export Sales Profitability:

Export sales profitability is an objective measure of export success which has also received attention in the literature. For example, Morgan and Katsikeas (1997) found that 17 of the 68 studies reviewed used export profitability as an indicator of export performance.

The advantage of this measurement is that the export profitability measure reflects the effectiveness of export sales. However, this measure also has disadvantages. Schlegelmilch and Ross (1987) suggested that asking about actual profits would affect the response rate to surveys and hence the validity of the

results. This view is supported by the findings of Holzmuller and Kasper (1990).

Also, some studies used all the three measures (export sales ratio export sales growth; and export sales profitability) but instead of using a cut-off point, established firms' overall objectives and then determined the extent to which firms have met them (Katsikeas et al., 1996; Cavusgil and Zou, 1994). However, this approach could be criticised in two ways, small firms (especially family-oriented ones such as in Saudi Arabia), may not have written objectives; and the assessment could be affected by the personality (optimistic or realistic) of the decision maker who answers this question.

From the previous literature on export performance measures, it appears that none of the export measures are free of criticism. Therefore, considerable criticism has been maintained against studies using a single export performance measure as an indicator (Fenwick and Amine, 1979; Reid, 1981; Buckley et al, 1988).

### 3.8 Summary

This chapter reviewed the literature on firms' export development stages and suggested that there is no standard, generally-accepted model. Also, the differences between exporters and non-exporters were considered and their characteristics such as motives, barriers etc. were discussed in the context of previous investigations.

The literature reveals that firms' export involvement and performance are influenced by both external and internal factors. The issues connected with export success in firm level and in country level were also investigated, and their advantages and disadvantages were reviewed. It was concluded that there is no single agreed method by which to classify success.

The next chapter examines the literature concerning successful and less successful exporters, in terms of their characteristics such as: size, age, export experience, export market strategy of firm and the other factors that distinguish the two groups.

CHAPTER FOUR  
SUCCESSFUL AND LESS  
SUCCESSFUL EXPORTERS

## Introduction

The objective of this chapter is to determine the characteristics of successful and less successful exporters, and the factors that distinguish between the two groups. The review of export literature revealed that firms' export behaviour and performance is the result of a complex interaction of a variety of internal and external factors. In this study we cannot cover all these factors. Therefore, this study will be limited to a number of factors in order to meet the objectives of this research, which attempts to answer the following questions:

1-Is the size of the firm associated with success in exporting?

2-Is the age of the firm associated with success in exporting?

3-Is the export experience of the firm associated with export success?

4-Is the export market strategy of the firm associated with export success? (Export

market strategy refers to the number of markets that the firm serves. On this basis, two main types of strategy can be identified: diversification strategy and concentration strategy).

5-Do successful exporters differ from less successful firms in terms of the following factors:

- a) Planning activities
- b) Export market research
- c) Management strength

6-Do successful exporters differ from less successful firms in terms of their Marketing Mix (product, price, promotion and place) strength?

Therefore, this chapter is divided into two sections: the first section will focus on the characteristics of successful and less successful exporters, in terms of organisational characteristics such as:

1. Size of firm
2. Age of firm
3. Export experience of firm
4. Export market strategy

The second section will concentrate on other factors related to export success such as:

- 1- Marketing mix
- 2- Other factors related to export success.

#### 4.1 Organisation Characteristics

This section is concerned with the organisation's main characteristics in terms of its:

- Size
- Age
- Export experience
- Export market strategy

In so doing an attempt is made to determine the main characteristics of successful and less successful exporters with a view to identifying the factors most conducive to export performance.

Organisational factors associated with performance are well-established in the industrial economics literature. Firms with more resources enjoy economies of scale and can exploit opportunities, both domestically and internationally (Madsen, 1987; Ford and Leonidou, 1991). The characteristics of a firm such as its size, age and export experience reflect the resources both financial and managerial, available to achieve its aims.

The significance of organisational characteristics is highlighted in the marketing literature, which points out that all marketing decisions should take into account a company's resources and experience (Albaum et al, 1989; Young et al, 1989).

#### 4.1.1 Size of the Firm

This factor has received a lot of attention, particularly regarding the question of whether export success is related to the firm's size.

The majority of researchers agree that there is an association between export performance and the size of the firm. Christensen et al. (1987), in their study of exporting Brazilian firms, found that larger firms were more successful than smaller

firms. Similar findings have been obtained by Tookey (1964), Cavusgil and Naor (1987) and Moini (1995). This could be because larger firms enjoy the advantages which accrue from having greater financial resources. They tend to have more specialised staff and be in a better position to exploit opportunities in international markets (Madsen, 1987; Ford and Leonidou, 1991).

Other researchers conclude that there is no relationship between the size of the firm and export success (Kirpalani and MacIntosh, 1980; Diamantopoulos and Inglis, 1988; Moon and Lee, 1990; Ali and Swiercz, 1991; Bodur, 1994; Katsikeas et al., 1996). Bonaccorsi (1992), in his study of Italian firms, found that small and medium-sized firms dominate the nation's export sector. This result supports Kamath et al's (1987) argument that both small and large companies can be successful.

#### 4.1.1.2 The criteria for classifying size of the firms:

One problem in considering size is that researchers cannot agree on its definition. Some use the number of employees as the

criterion for size classification (Katsikeas et al., 1997), while others use the number of employees and sales volume and some researchers use only sales volume.

Moreover, some researchers consider companies employing 500 to be small businesses. On the other hand, others define small companies as those employing up to 25 employees. This could depend on the country and the type of industry (Douglas, 1993).

Table 4.1 shows the different ways in which sales volume and number of employees have been used as criteria by which to assign firms to size categories.

Table 4.1: Approaches to Size Definition

Author	Number of employees	Sales volume
Weaver and Pak	small: 20 or less medium: 21-300 large: 301 or more	under \$1 million bet \$1 and \$5 million bet \$5 to £10 million over \$ 10 million
Axinn*	50 or less (small ?) 50-150 (medium?) 150 and over (large?)	
Tookey	smaller: less than 500 larger: more than 500	
Sriram*	Under 25 employees (small?) between 26 -100 (SME?) between 101 and 250 (medium?) between 251 and 500 (large?) over 500 (very large ?)	under \$ 1 mil + \$1 to \$ 5 mil + \$5 to £10 mil +\$ 10 to \$ 25 mil +\$ 25 to \$ 100 mil over \$ 100 mil
Fonfara & Collins*	50-100 (small?) 101-500 (medium?) 501 -1000 (large?) 1,001 or more (very large?)	
Cavusgil*		small? less than \$1 mil medium? \$1 to \$4.9 mil large? Over \$5 mil
Craig		small: less than \$2 mil medium: \$1 to \$ 25 mil large over \$ 25 mil
Czinkota		small: \$1 mil or less medium: \$ 50 mil or less
Patten	small less than 500	

Source: Douglas (1993)

\* These authors did not give a definition of size

#### 4.1.2 Age and Export Experience

These two factors are to some extent related to each other. Knowledge accumulated through business experience is dependent on the total number of years the firm has been in business. However, export experience is dependent on the total of years the firm has been exporting.

Regarding export experience, several previous studies report a positive relationship between export experience and export performance, for example, Bilkey (1982); Madsen (1989); Dominguez and Sequeira (1991). On the other hand, other researchers have found that the most significant feature of high performance is the shorter period of experience in exporting, (Ursic and Czinkota, 1984; Bodur, 1994).

As regards the age of the firm as an organisational variable and its effect on success in exporting, some studies indicate that it is positively correlated with export activity (Snively et al, 1964). However, other researchers have found that newer firms tend to be more successful exporters (Kirpalani and MacIntosh, 1980; Ursic and Czinkota, 1984; Bodur, 1994) whilst others,

notably Reid (1989) and Kamath et al. (1987) found no relationship between age and export success.

#### 4.1.3 Export Market Strategy

Another factor which could be related to export performance is export market strategy, i.e. the number of countries the exporting firm serves.

In export marketing, a firm can adopt one of two strategic alternatives: a market concentration strategy or a market diversification strategy (Piercy, 1982; Young et al., 1989; Albaum et al., 1995). In view of this, this study will determine if adopting specific export market strategies contributes to differences in export performance.

Some empirical evidence suggests that a market diversification strategy results in a better export performance (Piercy, 1981; Cooper and Kleinschmidt, 1985; Axinn, 1988; Lee and Yang, 1990; Al- Aali, 1995). Other researchers believe that to achieve export success a firm should concentrate its resources and efforts on the needs of specific markets rather than spreading their efforts and resources over many markets (Day, 1977; Baker, 1987).

From previous literature on firm characteristics and exporters' performance we will establish the main characteristics of the successful and less successful exporters. Also, we will attempt in the following sections to establish the other factors associated with export success.

#### 4.2 Competitiveness as a Source of International Marketing Success:

A firm's competitiveness is important for its survival. Buckley et al (1988, p.176) suggested that a firm is competitive if:

"It can produce products and services of superior quality and lower costs than its domestic and international competitors. Competitiveness is synonymous with a firm's long-run profit performance and its ability to compensate its employees and provide superior returns to its owners."

The U.K Department of Trade and Industry (DTI, 1995) gives a similar definition, defining a firm's competitiveness as:

"The ability to produce the right goods and services of the right quality, at the right price, at the right time."

Porter (1985), summarises a firm's marketing strength in terms of its competitive advantage. He states that a firm may have two kinds of competitive advantage: cost leadership (its ability to perform at lower cost); and differentiation (performing in a unique way relative to its competitors). What buyers are willing to pay for and what the firm provides is the final value that a firm creates, which includes physical products and other services. This can either be at the industry level or by focussing on a market niche.

Moreover, Piercy (1982) extends the sources of a firm's marketing strength beyond the traditional 4Ps (product, price, promotion, place) suggesting that:

“Perhaps the most important practical point to be emphasised is that being competitive in exports is not simply a position of being cheaper. In fact competitiveness depends on price - in the full sense of the cost to the customers, including discounts, currency effects, insurance, freight, credit and the like - and the many *non - price* factors connected with the product and how it is marketed - which have value to the customer and which influence his decisions.”

In the present study, marketing strength is taken to extend beyond the 4ps to cover other factors associated with export success such as marketing planning, export market research and management strength.

### 4.3 Factors Associated With Export Success:

The debate so far has highlighted the characteristics of the firm and its relation with export success. In this section we will explore other factors associated with export success such as export marketing planning, export market research, export department, and management and managerial strength, in order to see how these factors reflect the degree of the commitment of the organisation to exporting.

#### 4.3.1 Export Marketing Plan:

One of the most important parts of successful marketing strategy is a well-constructed marketing plan. The advantages of planning to improve the firm's marketing performance in all aspects include input into objective setting, marketing strategy development, implementation and control (Chakravarthy and Permultter, 1985; Kotler, 1988; Bradley, 1995). Therefore,

Lancaster and Reynolds (1995) described planning as the heart of marketing.

Planning is considered particularly important for firms which are involved in exporting, because of the differences in international markets in terms of political differences, currency fluctuations, lack of market data, culture and the like. Therefore, firms that are going into exporting should plan their foreign marketing operations carefully (Cavusgil, 1993; Bradley, 1995). Detailed consideration should be given to choice of country, product market, timing of market entry, and also the important decisions concerned with the operation within a given country, such as product adaptation, advertising adaptation and media selection, distribution decisions, and pricing decisions (Albaum et al. 1989). The preparation of an export marketing plan will enable the manager to reduce uncertainties (Nicholls et al., 1988).

A review of literature on export marketing reveals that successful exporters are more planning-oriented. In a study of Turkish exporting firms, Bodur (1994) found that those firms whose only business aim is to export, have some type of

advanced planning for market development in the short term. The association between export performance and planning is widely known and has been reported by several researchers (Ursic and Czinkota, 1984; Cooper and Kleinschmidt, 1985; Madsen, 1989; Sriram and Franklyn, 1995).

#### 4.3.2 Export Market Research

The main objective of market research is to gather reliable information which is crucial for preparing a marketing plan. Also, the quality of information about markets and other factors which influence the demand for their product is important to enable managers to take strategic decisions. A firm cannot usually sell to all the markets in the world, so it must do market research, in order to be able to rank them according to their attractiveness (Terpstra and Sarathy, 1997).

Moreover, at the international level, when the firm is dealing with a new environment (competitors, customer preferences, currency exchange, export obstacles), export market research has strategic importance to support the decision-maker by clearing the picture for him to take the right decision (Johansson and Nonaka 1987; Kohli and Jaworski; 1990).

Also, quality and type of information required is important. Chaudhry and Crick (1998) in their study which provides empirical evidence concerning the perceived usefulness of sources of export information together with types of data required by Asian and indigenous (white)-owned small and medium-sized firms in the UK, found agents overseas were the source of data ranked first by Asian firms and second by indigenous firms.

A number of studies have reported an association between market research and export success (Christensen et al, 1987; Katsikeas et al, 1996). Moreover, Crick and Czinkota (1995), in a comparative study of the UK and US, found that marketing research activities are the most important factors rated by exporters (small and medium-sized) in terms of assistance required from the government.

Tuncalp (1990) studied the factors associated with Japanese export success in Saudi Arabia and came to the conclusion that market research has been one of the keys for Japanese exporters in achieving success in the Saudi market.

In fact the opportunities and risks are likely to differ from one market to another. Commitment to information seeking and preparation of a marketing plan can reduce uncertainties and enable managers to evaluate potential export markets.

Moreover, at the end of the twentieth century, a rapidly growing amount of information is available, with increasing use of 'electronic mail' and the Internet. These developments are likely to increase the accuracy of information gathering and support rapid response to the external environment (Mercer, 1998; Fletcher, 1995).

#### 4.3.3 Export Department:

The organisation of export behaviour could be carried out within the existing marketing department or as a separate export department. In larger firms, the availability of a separate export department is a sign of a more committed exporter, which is linked with export success. An export department offers the advantage that export activities are performed by personnel with sole responsibility for and knowledge of export activity. (Kirpalani and MacIntosh, 1980; Diamantopoulos and Inglis, 1988; Koh, 1991; Koh and Robicheaux, 1988; Al-Aali, 1995).

#### 4.3.4 Management Strength:

In addition to the marketing plan and export market research as important factors associated with export success, management strength (such as relations with suppliers, understanding of international business culture) and knowledge (such as education, international marketing experience and the number of languages the manager can speak) are considered to be other factors associated with export success. For example, Abdel-Malek (1974 p 145) maintained that:

“a firm’s export performance is influenced significantly, if not primarily, by the degree to which its management is export-oriented”

The formulation of a marketing strategy involves decision-making linked to the 4Ps. Supporting activities, to back up decisions connected to the 4Ps, include R & D which is needed to maintain and upgrade the product. Also, the relationship with suppliers is vital because a product’s quality frequently begins at the source of the supply line (Porter, 1985; 1990). Moreover, a firm’s adaptability to respond quickly to international markets will depend on the manager’s awareness of the social and

cultural factors in the market place (Turnbull, 1987; Ford, 1990).

Regarding the possible link between a firm's marketing success in exporting and its managerial characteristics, it has been suggested that one of the factors contributing to Japanese success in Saudi Arabia is that the Japanese have large staff teams, many of whom are professional international marketers, cultivated since graduation from a specialist Japanese international trading university and schooled in English and Arabic (Business America, 1984).

Some studies have found that there is an association between export success and the education level of the decision-maker, for example, Cavusgil and Naor (1987); Bello and Barksdale, (1986); Keng and Tan (1989); Holzmuller and Kasper (1991) and Diamantopoulos and Schlegelmilch (1994).

In contrast, Bodur (1994) found this variable to be an insignificant factor to export success. Moini (1995), also, found no significant association between export success and the education level of the decision-maker, but he found that the more

successful exporters employ managers who are more knowledgeable in the finance and marketing areas.

The manager's knowledge of foreign languages is connected with export success (Business America, 1984; Holzmuller and Kasper, 1991; Seringhaus, 1993; Enderwick and Akoorie, 1994), as is his experience abroad (Langston and Teas, 1976; Da Rocha et al., 1990; Das, 1994).

In a study of successful Canadian exporters, Kammath et al. (1987) considered certain managerial characteristics, such as skills and quality of top managers, to be crucial factors in successful exporting. Their study suggested that other managerial factors, such as the international background of company personnel, are not vital for export success.

Managerial experience has also been put forward as a key variable influencing the export activities of Brazilian firms (Da Rocha et al., 1990). Similar conclusions were drawn in a study of Central American firms exporting to developed nations (Dominguez and Sequeira, 1991). Also, Das (1994), from a study of LDC exporters, suggested two points relating to

managerial success. Firstly, great care should be taken when appointing managers. This may be even more relevant for firms in LDCs such as Saudi Arabia, because of their position as relative newcomers. Secondly, firms may also need to give their export managers time to learn the intricacies of the export business; the export managers in successful firms in the study by Das (1994) had over nine years' experience.

#### 4.3.5 Marketing Mix Adaptation:

The main reason for adapting the marketing mix is that there are significant differences among countries in terms of their economy, culture, political systems and customer life-styles (Hill and Still, 1984; Cavusgil and Zou, 1994). The ways individual components of the marketing mix may be adapted are considered below.

##### 4.3.5.1 Product

The product is the first main component in the marketing mix. The product meets a person's needs or wants and can be any combination of goods, services or ideas which a buyer hopes will deliver satisfaction (Porter, 1985; Kotler, 1988). Also, it is

the key part of marketing, since it is the physical evidence of what the organisation is offering to the customer and it is to the product that the customer reacts. The new competition is not so much in the area of what companies produce, but of what they add to their products, in the form of packaging, design, differentiation, diversification, customer service, financing, delivery arrangements, and other things that people value (Kotler, 1988; Baker and Hart, 1989; Yahiya, 1997).

An issue which arises in the export context is the degree of modification undertaken by exporters. There is a long-running debate over standardisation versus adaptation (Buzzell, 1968; Hill and Still, 1984). The main issue facing the manufacturer is the degree of standardisation needed to ensure the end-user's acceptance of the product (Quelch and Hoff, 1986).

The general opinion among researchers is that those firms which export quality products (Cavusgil and Kaynak, 1982; Christensen et al, 1987; Madsen, 1989) are associated with export performance. Moreover, Dominguez and Sequeira (1993), in their study about determinants of LDC exporters from Costa

Rica, El Salvador, Guatemala, Honduras, and Panama, found high-intensity stable exporters (more successful) were the most involved in product quality improvement.

Product uniqueness is another factor that could be associated with export performance. McGuinness and Little (1981), Cavusgil and Kaynak (1982), Madsen (1989) and Nicholls et al (1988) all found that firms whose products have unique attributes tend to perform well in export terms.

Also, wide product range is a factor associated with exports. Christensen et al. (1987) found a significant positive correlation between wide product lines and success among Brazilian exporters. In contrast, Kirpalani and MacIntosh (1980) found that product line was negatively associated with success, which means that firms with narrow product lines were more successful.

However, the relationship between export success and product adaptation is not clear. Cooper and Kleinschmidt (1985), Szymanski et al. (1993), and Cavusgil and Zou (1994) found that product adaptation is linked to successful exporting. Also,

a study conducted by the International Trade Administration of the US Department of Commerce, to identify some factors that contribute to Japanese success in the Saudi market, suggested that one of these factors is the Japanese willingness to adapt their products to the needs of the local market (Business America, 1984). In a study of Turkish exporters, Bodur (1994) found that adaptation of product labelling was a factor associated with wholly exporting firms. Moreover, Alqahtani (1996), in his study of UK firms exporting to Saudi Arabia, found that successful exporters adapted their labelling and design/style more than less successful exporters.

On the other hand, Douglas (1993), in a study of Peruvian exporters, found that product adaptation was not correlated with success. Also, Diamantopoulos and Inglis (1988), and Koh and Robicheaux (1988) have found no link between export success and product adaptation. Johnson and Arunthanes (1995) found that product adaptation does not affect firms' profit.

#### 4.3.5.2 Price

The price is the second main component in the marketing mix. Price is what the customer offers for a product; pricing policy is about encouraging acceptance by the target markets and to achieve this, the product must be offered at the right price (Kotler, 1988; Baker and Hart, 1989). Therefore, before establishing its international pricing, the firm has to take many variables into account. It is rare to have the same price for one product for all world markets, because of the differences between the markets in terms of currency fluctuations, factor costs, government regulations, standardisation etc. (Bradley, 1995). Moreover, even if a product is very attractive in terms of quality, design, packaging etc., it might not succeed if it is not competitively priced.

In relation to pricing policy, a number of issues have been explored. Kirpalani and MacIntosh (1980) observed that successful exporters have specific policies related to price discounts and credits. Also, flexibility in the price, for example in terms of payment, can be a powerful marketing factor,

especially when exporting to a competitive market (Becker and Lenberg, 1990; Kirpalani and Robinson, 1990).

Several studies have found a positive relationship between export success and adopting competitive prices (Kirpalani and MacIntosh, 1980; Sriram et al., 1989; Katsikeas, 1994), although Hirsch (1971) did not establish any such relationship.

#### 4.3.5.3 Distribution Channels:

Distribution, the third main component in the marketing mix, identifies the time and place for transactions. The commitment to deliver a product on time is important to export success, and to build a firm's competitiveness (Leonidou, 1988; Brown and Cook, 1990; Louter et al, 1991). Moreover, Styles and Ambler (1994), in their study about success factors, found that meeting delivery dates was the third most important factor.

A channel of distribution is an organised network of institutions which move the product from the manufacturer to the customer (Young et al., 1989). The channel may be short and direct between producer and customer, or may have a number of intermediaries. The producer's choice of the form specific

export channels should take, will depend on the foreign market opportunity and location, the firm's resources and the sort of product involved (Bradley, 1995; Ramaseshan and Patton, 1994).

Cunningham and Spigel (1971), in their study about winners of the Queen's Award for export, found that agents and distributors were playing an important role in the firms' success; also Moore (1989) found that agents and distributors were the most widely used method of distribution.

According to Koh and Robicheaux (1988) and Koh (1991), direct exporting to the final end-users is the most profitable export channel.

In the case of Japanese success in the Saudi market, two distribution factors can be identified. First, Japanese trading companies are perceived as direct suppliers who can make commitments on specifications, prices and quantities; and secondly, the Japanese select single agents and work with these agents to select sub-agents. Moreover, they upgrade their agents

by offering technical training seminars for the agents or sub-agents (Business America, 1984) .

Exporters should support their foreign agents/distributors in various ways, such as training, technical assistance, after-sales service, and so on (Cavusgil and Zou, 1994; Business America, 1984).

#### 4.3.5.4 Promotion

Promotion in a particular market must be supported by strategies which ensure the smooth flow of information to the end users. Promotional efforts can attain this end with the emphasis on some modification of communication tools, such as translating advertisements into the language of the export market, taking the cultural factors into account and so on.

According to Bradley (1995), the choice of the type of promotion tools used depends on the type of product and the different cultures in the export market. Several factors may affect the decision on adaptation of promotion programmes. These include religion (Boddewyn, 1982a; Luqmani et al, 1980), economic factors such as standard of living (Boddewyn, 1982a; Dunn,

1976), and customs and culture (Amine and Cavusgil, 1983; Boddewyn and Marton, 1987).

Also, keeping in touch with the international market through frequent visits contributes to export success (Kirpalani and MacIntosh, 1980; Bilkey, 1982; Cavusgil and Kaynak, 1982; Cooper and Kleinschmidt, 1985; Koh and Robicheaux, 1988; Kirpalani and Robinson, 1990; Moini, 1995).

One of the many factors associated with Japanese success in Saudi Arabia, is that the Japanese firms pay attention to frequent advertising in newspapers, highway billboards and street signs (Business America, 1984).

#### 4.4 Summary

The first part of this chapter summarised the literature on the firm's characteristics, including size, age, export experience, and number of countries served, and their relationship with export success. The majority of researchers agree that there is an association between export performance and these factors.

The second section concentrated on other factors related to export success such as export marketing plan, export market research, export department, management strength and adaptation of the marketing mix. These factors reflect the degree of commitment of the organisation to exporting. Generally, associations have been found between these factors and export success.

The next chapter will explain the research framework and the hypotheses to be tested, in order to see how the factors discussed in this chapter are related to export success in a Saudi context.

CHAPTER FIVE  
RESEARCH METHODOLOGY

## Introduction

An environmental analysis embraces very wide-ranging considerations which cannot be adequately covered in one study. For this reason it was decided to narrow down the focus of this research to the factors associated with export success and the obstacles facing exporters in Saudi Arabia .

Following the review of the literature on the factors associated with export success in Chapters 3 and 4, this chapter formulates the hypotheses and explains the methodology of the research.

### 5.1 Research Hypotheses

The export literature, reviewed in Chapters 3 and 4, suggests that export success may be related to firm characteristics, such as size, age, export experience and the export marketing strategy of the firm. It has also been suggested that managerial factors, such as export marketing plan, export market research, management strength, existence of an export department, and adaptation of marketing mix to suit the export market, may be determinants of export success. This research aims, by carrying out a comparison study between successful exporters and less successful exporters,

to investigate factors associated with export success for Saudi firms. Therefore, the following hypotheses were formulated to be tested in this study.

### 5.1.1 Hypothesis 1

There are different associations between the main characteristics of successful and less successful exporters in terms of firm size, age, export experience and export market strategy.

#### Hypothesis 1.1

There is a relationship between export performance and firm size.

#### Hypothesis 1.2

There is a relationship between export performance and age of the firm.

#### Hypothesis 1.3

There is a relationship between export performance and export experience.

Hypothesis 1.4

There is a relationship between export performance and export strategy.

5.1.2 Hypothesis 2:

There are different associations between some factors of successful and less successful exporters in terms of market research, planning and management strength.

Hypothesis 2.1

There is an association between export performance and research activities

Hypothesis 2.2

There is an association between export performance and the frequency of seeking information from:

- 1-Saudi Export Development Centre
- 2-Saudi Chambers' Council
- 3-Foreign embassies in Saudi Arabia
- 4-Saudi trade offices abroad

5-Commercial banks in Saudi Arabia

6-Measurement & Standardisation  
Organisation

7-Consulting companies/market research  
agencies based in Saudi Arabia

8-Consulting companies/ market research  
agencies based in importing country

Hypothesis 2.3:

There is an association between export  
performance and planning

Hypothesis 2.4:

There is an association between export  
performance and organisation of exporting.

Hypothesis 2.5:

There is an association between export  
performance and the background of decision  
makers in relation to:

1-Education.

2-International marketing experience.

3- Knowledge of languages.

Hypothesis 2.6:

There is an association between export performance and managerial strengths in relation to:

- 1-Good relations with suppliers
- 2-Understanding of international business culture

5.1.3 Hypothesis 3

There is a relationship between export performance and management of the marketing mix, specifically:

Hypothesis 3.1:

- 1-Wide product range.
- 2-High product quality.
- 3-Product uniqueness.

Hypothesis 3.2:

- 1-Size of packaging
- 2- Labelling
- 3-Colour of packaging
- 4-Packaging materials

5-Raw materials used in the product

6-Design

Hypothesis 3.3:

1-Price competitiveness

2-Low production cost.

Hypothesis 3.4:

1- importance of reliability of delivery

Hypothesis 3.5:

1-Retailers in importing countries

2-Distributors in importing countries

3- Wholesalers in importing countries.

4-Agents in the Saudi market.

Hypothesis 3.6:

1-International exhibitions

2-Advertising in trade journals

3-Advertising on radio

4-Advertising on TV

5-Regular visits to overseas markets

6-Joint efforts with distributors

## 5.2 Research Design

The first step in this investigation's research design was to decide whether to use a qualitative or a quantitative approach.

In fact there is no right or wrong methodology, but each approach may be more or less useful, depending on the nature of the research and its objective, because each method serves different applications and produces different kinds of data (Mintzberg, 1983). Marsh's (1988) summary of the strengths and weaknesses of the qualitative and quantitative approaches is presented in Table 5.1.

Table 5.1: Strengths and Weaknesses of Qualitative and Quantitative Methods

	<b>Quantitative</b>	<b>Qualitative</b>
<b>Strengths</b>	Relatively quick Cheap Simple Offers useful overview Helpful as prelude to qualitative	Greater accuracy Provides facts Results more detailed Greater scope for prediction Margin of error can be calculated
<b>Weaknesses</b>	Subjectivity Higher levels of interpretation skill Statistical accuracy can be reduced Greater chance of bias through difficult interpretation of the results	Slower More expensive More complicated Computer analysis often required Low response rates Closed questions tend to force answers into limited categories

Source : Marsh (1988)

There are two main types of qualitative research, focus groups and depth interviews. Qualitative methods are often used for generating hypotheses (Aaker and Day, 1990; Malhotra, 1996). They are unstructured, nonstatistical and best suited to a small number of nonrepresentative cases (Malhotra, 1996). In the

exploratory stage of research, the qualitative approach is useful. However, it is time-consuming and expensive.

Quantitative research is a research approach involving the use of structured questions where the response options have been predetermined and a large number of respondents is involved (Burns and Bush, 1998)

Quantitative research may employ several data collection methods, such as personal interview, telephone interview and mail survey. Every survey type has advantages and disadvantages associated with it (Nachmias and Nachmias, 1981; Jobber, 1986; Hodgkinson, 1990; Aaker and Day, 1990; Maholtra, 1991). Aaker and Day (1990) summarise the advantages and disadvantages of each method, as Table 5.2 shows.

Table 5.2 : Advantages and Disadvantages of Collection Methods

Characteristics	Personal Interview	Telephone Interview	Mail Survey
1. Accuracy of data collected from individual respondent	Fair to very good	Fair to very good	Very good
2. Amount of data that can be collected	Excellent	Fair to very good	Fair
3. Flexibility	Excellent	Good	Poor
4. Sample bias (response rate)	Excellent	Good	Poor to good
5. Direct cost per completed interview	Poor to fair	Good	Excellent
6. Time requirements	Poor to fair	Good to excellent	Fair
7. Administrative problems	Poor	Good	Very good

Source: Aaker and Day (1990:220)

The researcher's choice of method should be dictated by the kind of data required, the time and the cost. Moreover, the use of more than one type of collection method is desirable, when

possible, in order to draw on their complementary strengths to cover the weakness of each collection method (Chisnall, 1986). For this research, the primary data were collected through exploratory interviews and a mailed questionnaire. The mail questionnaire was used to collect data from exporting manufacturers. This method was chosen for specific reasons, namely time and cost considerations, the accuracy of data collected from individual respondents, and the quantity of data that can be collected; each of these methods will be discussed in the sections which follow.

### 5.3 Data Sources

Data for this study were obtained from both primary and secondary sources.

The secondary data were collected through intensive research into government departments and agencies, which covered many subjects related to the study, such as the development of Saudi industries and Saudi exports. Among these government departments and agencies are:

- 1-Saudi Export Development Centre
- 2-Saudi Chambers' Council
- 3-Saudi Trade Ministry
- 4-Saudi Ministry of Industry and Electricity
- 5-Saudi Ministry of Planning
- 6-Saudi Ministry of Finance and National Economy
- 7-Market research agencies based in Saudi Arabia
- 8-Commercial banks in Saudi Arabia
- 9-Saudi Measurement & Standardisation Organisation.

However, the primary data were collected through exploratory interviews and a mail questionnaire.

#### 5.3.1 Exploratory Interviews:

Exploratory personal interviews were used to collect information about various aspects of this investigation, for example obstacles facing Saudi exporters and about the factors associated with export success, to help in both defining underlying issues and in formulating the final questionnaire.

The interviews were conducted with managers (either the marketing manager or export manager) in six exporting firms; these were selected via the Export Development Center (mixed in terms of size, export involvement and industries). A structured approach was used and incorporated open-ended questions. These interviews were held in the managers' offices, during the period of Jan-Feb. 1996, and each interview lasted about 50-60 minutes.

### 5.3.2 Mail Questionnaire

The mail questionnaire was the main research method used in this study. As mentioned before, every collection method has advantages and disadvantages. The main advantage of the mail questionnaire is the relatively low cost for each contact with a large number of respondents. Also, the mail questionnaire allows the possibility of obtaining information on a very wide-ranging number of issues in a brief manner.

A major disadvantage of using a mail questionnaire, however, is that of lack of control; it is very difficult to ensure completion by the intended respondent. Also, there is the problem of non-response, either because recipients refuse to respond or they do

not have the ability to respond or the questionnaire might not be answered by the suitable person, which can cause a non-response or low response rate.

To avoid these problems, the researcher took some measures to ensure the highest and best response rate possible in data collection by conducting a pilot study (to ensure that the questionnaire was suitable in terms of the language, length and the meaning of the questions), sending the questionnaire to the right person (Marketing Manager or Export Manager) and following-up the mailing with contact over the telephone.

#### 5.3.2.1 Questions:

Various areas were covered by the questions which were asked in the questionnaire (see Appendix 5.1), as follows:

Part one: Background information about the firm, such as its size, export experience, business experience, location etc.

Part Two: The decision maker's characteristics, such as his education, number of languages he speaks and his experience in international marketing.

Part Three: General obstacles which might face Saudi exports and factors which may contribute to overcoming such obstacles.

Part Four: Market research and planning activities of the firm.

Part Five: Export performance measures, to classify the firms into successful and less successful exporters by using two different export performance measures (export ratio and export growth).

Part Six: Export marketing strategy of the firm (classified as either a concentration strategy or a diversification strategy) and more information about export markets.

Part Seven: Marketing mix strategy of the firm, which includes four sub-parts:

- 1- Product strategy (modifications of their products to suit export market requirements).
- 2- Promotion strategy of the firm.
- 3- Distribution channels.
- 4- Pricing strategy.

### 5.3.2.2 Questionnaire piloting test:

A pre-test or piloting test is necessary for several reasons. The main aim of the piloting test is to ensure that the information which will be obtained from the questionnaire covers the expectations of the researcher (Aaker and Day, 1990). Another objective of the pre-test is to test the meaning of the questions in the questionnaire.

In this research, piloting test was undertaken to ensure that the questionnaire was satisfactory in terms of the language, length and the meaning of the questions. Therefore, a two-stage piloting procedure was adopted.

The first stage was carried out at Leicester University in general and in the Management Centre in particular, where a number of questionnaires were distributed to some of the staff and research students. Also, one questionnaire was sent to a member of the Computer Centre who has experience of questionnaire design and data analysis. The purpose of submitting the instrument to these advisors was to obtain their comments on the understandability of the questions, their

appropriateness to the study's purpose, and ability to generate analysable data.

The second stage was completed in Saudi Arabia. The researcher translated the questionnaire into Arabic then sent it to experts in the English-Arabic translation office, for checking. The final version of the questionnaire (in Arabic ) is shown in Appendix 5.2.

Twenty export managers in exporting firms, in Riyadh (which represents about 5% of the total sample) were asked to complete the questionnaire in the presence of the researcher. Some of these export managers had some difficulty in understanding some of these questions, others found difficulty in answering some questions, and another group complained about the length of the questionnaire. All these comments highlighted by export managers were considered by the researcher, and some adjustments were made to the questionnaire. For example, the length of the questionnaire was reduced and some questions were rewritten.

The final version of the questionnaire (in English) is shown in Appendix 5.2.

#### 5.4 Sampling

The target population of this study is all non-oil producing exporting firms in Saudi Arabia. The source of information about the target population is the Saudi Export Directory (1995) which is produced by the Saudi Export Development Centre. The sampling frame comprised all firms which have been involved in exporting for at least two years. Based on the above condition, a total of 411 exporting firms which have at least two years of export experience was the sample of this research.

#### 5.5 Questionnaire Administration

The data collection process was implemented during the months of July to October 1996. The questionnaire was sent to 411 exporting firms and addressed to the executive who was in charge of exporting. The first mailing was sent out on the first of July 1996. Several measures were taken to maximise the response, as follows :

### 5.5.1 Covering Letters

Three covering letters were sent to the sample group. The first covering letter was sent on official "University of Leicester Management Centre" paper by Professor Jackson, the Director of the Management Centre. In this letter, Professor Jackson confirmed the researcher's status as a PhD researcher in International Marketing at Leicester University, specialising in exporting. He also highlighted the aims of this research (Appendix 5.3 refers).

The second letter was sent by Fahd Mohammed Al-Slimy who is the Executive Manager of the Export Development Centre. In this letter, the importance of the research to Saudi industry in general and to export development in particular was highlighted and the confidentiality of the information was assured. The letter endorsed the research and urged firms to answer the questionnaire (Appendix 5.4 refers).

The third letter was sent by the researcher, who began by introducing himself to the reader, then drew attention to the importance of their information and opinions which, as the back-bone of this research, would help to identify the

difficulties facing them as exporters, and the factors associated with their export success and lead to recommendations and suggestions which would be of benefit to them and to the country in the future. Respondents were invited to request a copy of the results of this if they so wished. Finally, the researcher's name and telephone number in Saudi Arabia were given (Appendix 5.5 refers).

#### 5.5.2 Postage

As a support to this research, the questionnaires were sent to all the sample firms through the Export Development Centre, who agreed to take responsibility for their distribution. For convenience, a stamped and addressed reply envelope was sent with every questionnaire.

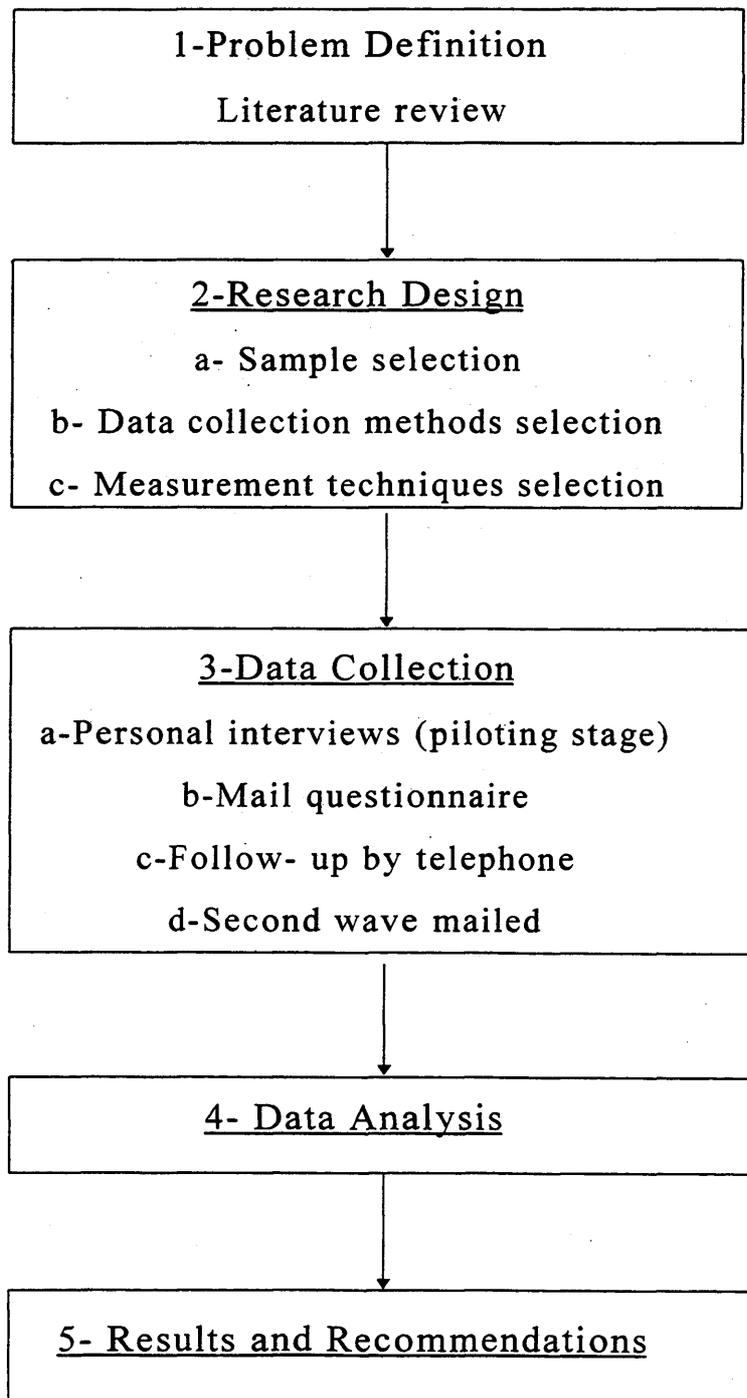
#### 5.5.3 Follow-Up

The first questionnaire mailing was followed by a second mailing, after six weeks (in the middle of August 1996) to all exporting firms which had not responded first time around.

Follow-up telephone calls were made to the exporting firms to confirm that the firm had received the questionnaire, and also to remind the recipient to complete it. In some cases firms were

asked to complete some important information which had been missed. Figure 5.1 breaks down the steps of this research design.

Figure 5.1: The Steps of This Research Design.



## 5.6 Response Rate

As is usual in third world countries, the researcher faced difficulties with the respondents. Due to the poor quality of the postal service, some firms did not receive the questionnaire, and in some cases the researcher had to deliver it by hand. Some people thought the questionnaire a waste of time because they did not recognise the importance of such research to their export development.

The main problem found in this stage was that most of the managers, whether marketing or executive managers, were on holiday, which delayed the return of the questionnaires. A conclusion drawn from this was that it may be better for other researchers when they are sending questionnaires to avoid distributing them in the Summer time.

By the middle of October (1996), which was the cut-off date, 108 questionnaires had been returned, of which nine were unusable, leaving 99 usable response. The response rate was, therefore, 24.1 percent, which was considered to be an acceptable response rate.

The issue of non-response bias has been well documented within the literature (see most classic management research texts for more details). In the course of this investigation due concern was taken in limiting the potential effect of non-response bias. A sample of managers was contacted to understand the reasons for non-response in their particular firms and the two reasons given were lack of time and that the data was considered to be of a confidential nature. While both reasons appear consistent with non-response in many studies involving postal surveys, it was recognised that non-response may have had an impact on the results obtained.

### 5.7 Data Analysis Technique:

Firms' respondents were asked mainly to answer three types of question: first a five-point scale (0-4), where the score 0 represents a response of "Not at all important" and a score of 4 represents a response of "Extremely important"; second, dichotomous yes or no (0 or 1); and, the third, open ended questions.

The answers to the questionnaire were coded and entered on computer; use was subsequently made of the Statistical Package

for Social Sciences (SPSS). As a result of the main objective of this study, the sample was classified into two groups, successful and less successful exporters, according to their export performance (export ratio and export growth). The initial analysis used descriptive statistics such as frequencies and means. Then, correlation statistics such as Kendall's correlation coefficient test and cross-tabulation (chi-square) were used to test the research hypotheses.

### 5.8 Measurement of Export Success:

From reviewing the literature on export performance measures in Chapter 3, it was found that no export measure is free from criticism. Considerable criticism has been levelled against studies using a single export performance measure as a single indicator (Fenwick and Amine, 1979; Reid, 1981). Also, some studies used some measures such as export sales ratio, export sales growth and export sales profitability, but instead of using a cut-off point, established firms' overall objectives and then determined the extent to which firms have met them (Katsikeas et al, 1996; Cavusgil and Zou, 1994). However, this approach could be criticised in two ways, small firms (especially family-

oriented ones such as in Saudi Arabia), may not have written objectives; and the assessment could be affected by the personality (optimistic or realistic) of the decision maker who answers this question.

Therefore, the researcher in this study used two export success measures. The first measure is the export sales ratio (percentage of export sales or export intensity) over the period 1993, 1994 and 1995 as the measure for the export performance. However, for export ratio, the mean of the sample was used as the cut-off point. Therefore, firms which had an export performance over the mean in the three-year period (1993, 1994 and 1995) were classified as successful exporters, while firms whose export performance (export ratio) was less than or equal to the mean were classified as less successful exporters. The subjectivity of this approach is duly acknowledged as a methodological limitation.

The second measure used as an export performance measure is export growth, which is the yearly growth in export volume in the same period (1993, 1994 and 1995). Therefore, firms with export volume growing yearly during the period were classified

as the successful exporters and those firms whose export volume decreased or was stable during this period were classified as the less successful exporters. Again, the subjectivity of this approach is readily acknowledged as a limitation.

In arriving at the performance measurement decision (use of averages), it was recognised that certain authors have used various subjective cut-off points (for example, Diamantopoulos and Inglis, 1988 use 50 percent; Das, 1994 use 20 percent; Dichtl et al, 1990 use 10 percent). These are in themselves subjective since there is a disagreement between authors concerning the actual cut-off points to be used and no single agreed point exists in the literature. Therefore, the subjective approach adopted in this study is not considered to be out of line with the existing body of research into performance measurement.

Three years' performance was seen as important even though only two years of export sales was used as the criteria for firms to be selected. In doing so, two groups could be identified. First, those firms with three or more years export experience were not

affected by this decision since they could readily comment on the three years' performance. Nevertheless, the subjectivity in using the second group was noted. Here, where they had been exporting for only two years (the minimum criteria for selection), they could also comment on a third year where they were non-exporters and therefore provide an indication of growth from the pre-export stage to the export stage - hence providing a better overview in relation to performance.

### 5.9 Validity and Reliability

The importance of validity and reliability has been well documented within the literature (see most classic management research texts for more details). In addressing these issues within this investigation, each will be discussed in turn. Commencing with validity, measures taken were: first, to formulate the questionnaire after a review of the literature and discussions with managers and policy makers; second, to check this with academics deemed knowledgeable in this field of research; third, with a university specialist in questionnaire design to ensure that subsequent analysis was possible; and fourth, that a back-

translation process was undertaken in converting this into Arabic. Turning now to reliability, Cronbach Alpha tests were undertaken on selected variables (such as obstacles) to ensure that satisfactory internal consistency was present in the data. A result of in excess of 0.9 enabled this to be deemed acceptable.

### 5.10 Summary

This chapter has presented the hypotheses formulated to test the relationship between export success and firm characteristics, such as: size, age, export experience and export marketing strategy of the firm; also, other factors potentially associated with export success, such as export marketing plan, export market research, management strength, existence of export department, and adaptation of marketing mix to suit the export market. Furthermore, the methods of collecting primary and secondary data were explained in this chapter.

At the end of this chapter, the export success measures used in this study (export ratio and export growth) and the criteria for classifying firms were explained in order to provide a conceptualisation for the key variables. In the next chapter, the

initial analysis using descriptive statistics such as frequencies and means, will be presented.

# CHAPTER SIX

## DATA ANALYSIS, PART ONE

## Introduction:

In this chapter, descriptive statistics (frequencies and percentages) concerning the responding firms are presented. The discussion looks in turn at each characteristic, such as the size of the firm, the industry category, the age of the firm and its export experience. Firms' export performance is then considered, and the breakdown of the sample into successful and less successful exporters is explained. Finally, the chapter presents respondents' perceptions in relation to the obstacles facing Saudi exporters in their international markets.

### 6.1 Industry Classification

The 99 respondents represent firms from various manufacturing groups in Saudi Arabia, and can be classified into ten industrial sectors. The highest percentage of the respondents (18.2%) represented firms from the Mineral products sector, followed by the firms in the Building materials category, which represented 17.2%; Plastic products came in third position, constituting 16.2%, then came Chemical products (14.1%); Food and beverages (10.1%), and Engineering and electric products

(9.1%) respectively. Table 6.1 classifies the respondents by industrial category.

Table 6.1: Distribution of Respondents by Industrial Sectors

Industry	Frequency	Percentage
Textile, leather and paper products	5	5%
Furniture	3	3%
Animal and farm products	3	3%
Chemical products	14	14.1%
Plastic products	16	16.2%
Food and beverages	10	10.1%
Mineral products	18	18.2%
Building materials	17	17.2%
Engineering and electric products	9	9.1%
Other products	4	4%
Total	99	100

## 6.2 Size of the Firm

From a resource perspective, one of the most important characteristics of the firm is its size, which in many studies is correlated with export performance. Nevertheless, there is no agreement among researchers on a standard measure by which to classify firms into categories. Indeed, based on criteria such as turnover and employees, some studies classify firms by size into five categories, some three, while others identify only two categories.

In this study, classification of the sample involved three groups, small, medium and large, on the following basis. After considering the mean, the median and mode of the number of employees working in the firms, 70 employees was used as a cut-off point. Although subjective and open to criticism, firms employing 70 or fewer employees were categorised as small firms; 30.2 percent of the sample fell into this category. Those employing more than 70 employees but no more than 435 employees were categorised as medium sized firms; 50.5 percent of the sample fell into this category.

Table 6.2: Classifying the Firms into Small, Medium and Large Size, According to the Number of Employees.

<u>Size of the firm</u>	<u>Number of firms</u>	<u>Percentage</u>
Small size number of employees $\leq 70$	29	30.2%
Medium size $70 <$ number of employees $\leq 435$	50	50.5%
Large size $> 435$ number of employees	17	17.2%
missing	3	
Total	99	100%

All other firms, i.e. those with more than 435 employees, were categorised as large firms, and these constituted 17.2 percent of the sample. The cut-off point 435, again, was determined by considering the mean, mode and the median of the firm size (number of employees). Table 6.2 shows the distribution of firms by size.

### 6.3 Age of the Firm:

Table 6.3 shows the distribution of the firm by age (years since starting the business), classified into five groups. Each group spanned a five-year period, except for the first group which covered more than five years and the last group which contains only four years (as a condition of this research the firm had to have been involved in export activities for at least two years).

The first group, i.e. firms established before 1975, represented 15.3% of the total sample. The oldest firm in the sample was established in 1962. This can be compared with the third group which ran from 1981-1985 and represented 29.6% of the total sample which is the highest percentage.

In Table 6.4, which describes the business experience of the firms, firms are classified into two groups based on the level of business experience. Firms involved in business since 1983 or before were categorised as having more business experience; 51% of the sample fell into this category. However, firms involved in business after 1983 were categorised as having less business experience, and 49% of the sample fell into this category, the cut-off point of 1983 was determined by

considering the mean and the median of the age, where mean = 1983.2 and median =1983.

Table 6.3: Percentage of Respondents Classified According to Year That the Business was Established, as Age of the Firm.

Year of business establishment	Number of firms	Percentage
Before 1975	15	15.3%
1976-1980	18	18.4%
1981-1985	29	29.6%
1986-1990	19	19.4%
1991-1994	17	17.3%
Missing	1	Missing
Total	99	100%

**Table 6.4 : Distribution of Respondents by Business Experience**

Years of establishment	Number of firms	Percentage
On or before 1983 (more experience)	50	51%
After 1983 (less experience)	48	49%
Missing	1	Missing
Total	99	100.0%

#### 6.4 Export Experience of the Firm

Table 6.5 measures the export experience of the firm in terms of the period during which firms have had export involvement. For example, the percentage of the firms which began exporting during 1990-1994 was 40.7 %, making this the largest group in the sample. This finding could be explained as a reflection of the series of the five strategic plans that have been implemented since the early seventies by the Saudi government. In particular, the third, fourth and fifth plans (established in the early eighties to mid-nineties) emphasised development of the manufacturing sector in general and of non-oil products' exports specifically.

Table 6.6 classifies the responding firms into two categories, as having more export experience or less export experience. Again, the cut-off point used to classify the two groups was decided after considering the mean and the median of the export experience of the firms (median = 1990 and mean = 1988.5).

Table 6.5: Distribution of Respondents by Period in Which They Started Exporting.

Year of starting exporting	Number of firms	Percentage
Before 1975	1	1.1%
1976-1980	6	6.6%
1981-1985	14	15.4%
1986-1990	33	36.3%
1991-1994	37	40.7%
Total	99	100%

Missing 8 cases

Table 6.6: Distribution of Responding Firms According to Export Experience.

Year of starting exporting	Number of firms	Percentage
On or before 1990 (more export experience)	54	59.3%
After 1990 (less export experience)	37	40.7%
Total	99	100.0%

Missing 8 cases

### 6.5 Export Markets

Table 6.7 shows the major export markets of responding firms, among ten regions of the world. It can be seen that more than 70 percent of the firms' exports are to Gulf countries (G.C.C states), making this the major export market. The next most important region is the Arab League member states, which account for more than 20 percent of the firms' exports. The rest of the world accounts for approximately ten percent of the exports. These results highlight the importance of the closest markets, which have similar cultures.

Table 6.8 provides additional details on respondents' export markets by identifying the ten major countries to which exports are made. As might be expected in the light of the findings reported in Table 6.7, the most important country to which Saudi firms export is a GCC country, Kuwait, which is the major importing country for 41 firms. For 37 firms, the United Arab Emirates is the major importing country, while 27 firms reported Qatar to be their major export market. These three are followed successively by Jordan, Bahrain, Lebanon, Yemen, Oman, Egypt and Syria.

From Table 6.8 it is evident that all the major ten exporting countries are either G.C.C states (Gulf countries) or Arab League member states, which is consistent with the previous finding that approximately 90 percent of the respondents' exports go to these two regions (the first and second regions in Table 6.7).

Table 6.7: The Ten Major Export Regions

Name of the region	Percentage of export
G.C.C states (Gulf countries)	70.768
Arab League member states	20.969
Non-Arab Muslim countries	2.689
European Community Union	1.272
Non-Islamic/Arab Asian countries	.742
America	.543
Russia	.151
Australia	.086
East European countries	.054
Other countries	2.762

Table 6.8: The Ten Major Countries to Which Exports are Made.

Name of the country	No of firms which mention the name of the country as their major importing countries	Ranking of the country
Kuwait	41	1
UA.Emirates	37	2
Qatar	27	3
Jordan	18	4
Bahrain	18	4
Lebanon	10	6
Yemen	9	7
Oman	8	8
Egypt	8	8
Syria	5	10

### 6.6 Export Marketing Strategy:

In Table 6.9 the number of countries to which the firm exports is displayed. The number of export markets reflects the marketing strategy that the firm uses, which can be either a concentration strategy (concentrating export effort on a small

number of countries) or a diversification strategy (spreading the export effort over many markets). The survey findings show the number of countries served by a firm to range from two countries to 75. Firms which concentrate their effort into six markets or less, come into the first and second groups in the table, accounting respectively for 17.2% and 34.3% of the sample or 51.5% of all respondents. Based on the mode and median, six markets was taken as the criterion figure for distinguishing export concentrators from export diversifiers (see Table 6.10). Firms which spread their efforts to more than six countries (i.e. which follow a diversified strategy) represent 48.5% of the total. They can be divided into three groups, the first group containing those which serve between seven and nine countries, the second group serving between ten and twelve countries and the third group serving more than twelve countries. The percentage of firms in each of these three groups was 20.2, 14.1 and 14.1, respectively.

Table 6.9: Distribution of Firms by the Number of Their Export Markets

Number of export markets	Total firms	Percentage
1 - 3	17	(17.2%)
4 - 6	34	(34.3%)
7 - 9	20	(20.2%)
10 - 12	14	(14.1%)
13 or more	14	(14.1%)
Total	99	100%

Table 6.10: The Firms Divided According to Their Export Market Strategy, Either Concentration or Diversification Strategy

Number of countries	Total firms	Type of strategy	Percentage
1 - 6	51	concentration strategy	(51.5%)
more than six countries	48	diversification strategy	(48.5%)
Total	99		100%

## 6.7 Export Performance

Table 6.11 grouped the firms according to their export performance, measured on the basis of an export sales ratio (export ratio or export intensity is the percentage of exports to total sales).

From Table 6.11, it can be seen that the highest percentage of the respondent firms (24.0%) fall into the group with the lowest export performance (1-5%). Only 12.5% of the respondent firms reported a percentage of export sales to total sales of more than 35%.

For the main purpose of this research, the respondent firms were divided into groups, successful and less successful, according to their export performance. As mentioned before, there is no agreement among researchers as to how to classify exporting firms into successful and less successful exporters. In this study, the researcher used two types of export measures, export ratio and export growth.

The first measure is the export intensity (export ratio). Table 6.12 classifies the respondent firms into successful firms (those with an export ratio above the mean) and less successful exporter firms (those with export ratio less than or equal to the mean). It can be seen from Table 6.12 that the sample was equally divided between these two categories.

The second measure is the export growth, which is the yearly growth in export volume in the period 1993-1995. Firms whose export volume grew yearly during that period were classified as successful exporters and those whose export volume decreased or remained stable during the period were classified as less successful exporters. As with previous classifications, the subjectivity of this categorisation was recognised.

Table 6.13 shows the classification of respondent firms into successful firms and less successful exporting firms according to their yearly growth in export volume. According to this criterion, around fifty-eight percent of the respondent firms fell into the successful exporters group, while approximately forty two percent could be classified as less successful exporters.

Table 6.11: The Responding Firms Divided According to Their Export Performance.

Percentage of export sales to total sales	Number of firms	Percentage
1-5%	23	24.0%
6-10%	22	22.9%
11-15%	11	11.5%
16-20%	14	14.6%
21-35%	14	14.0%
36-50%	7	7.3%
>50%	5	5.2%
Total	96	100%

There are three missing values

Table 6.12: Division of Responding Firms into Successful and Less Successful Firms, Based on Export Ratio.

Classification	Number of firms	Percentage
More successful exporters (their export ratio above the mean)	48	50%
Less successful exporters (their export ratio less than or equal to the mean)	48	50%
Total	96	100%

There are three missing values, the mean of the export performance of the respondents = 11.58

Table 6.13: Division of Responding Firms into Successful and Less Successful Firms, Based on Export Sales Growth.

Classification	Number of firms	Percentage
Successful exporters (who had increased export sales during the period 1993-1995)	53	58.2%
Less successful exporters (who had decreasing or stable export sales during the period 1993-1995)	38	41.8%
Total	91	100%

There are eight missing values

### 6.8 Obstacles Facing Saudi Exporters:

Table 6.14 presents a list of 25 obstacles facing Saudi exporters. Respondents were asked to rate these obstacles on a five-point scale (0-4). Mean scores were calculated for each item. The items are presented in Table 6.14 in rank order, based on the mean.

Table 6.14: The Obstacles Facing Saudi Exporters

Obstacles to Saudi exporting (ranked according to mean)	The mean
20-Competition with foreign firms in export markets	3.212
24-Lack of information about potential export markets	2.887
25-Dumping strategy in some export markets	2.856
16-Increasing tariffs in other countries	2.808
22-Restrictions in importing countries	2.763
23-Unclear trade agreement with other countries	2.740
18-Cost of importing raw material	2.677
1-Lack of the right personnel involved in exports	2.649
19-High transportation cost out of S.A	2.531
2-Lack of experience in exporting	2.500
21-Supplying services in foreign markets	2.389
17-High cost of Saudi seaports	2.326
8-Differences in product standards	2.302
4-Complex export procedures	2.263
6-Insufficient companies specialising in exports	2.208
13-Cost of intermediate local products	2.118
5-Obstacles related to Saudi Seaports	2.077
3-Unfamiliarity with export documents & licences, shipping and procedures	2.031
11-High transportation cost in S.A	2.010
9-High standard requirement of technology in the industry	1.891
10-Difficulties in the finance from international markets	1.806
12-Cost of labour in S.A	1.762
7-Insufficient production capacity to meet foreign demand	1.698
14-Lack of insurance cover	1.691
15-Differences in exchanging currency	1.660

Table 6.15: Factors Which Might Improve Saudi Exports

Factors which might improve Saudi exports	The mean
3-Give more discounts to exporters for transportation and loading	3.535
9-Establish up-to-date computer information system to provide exporters with information about any international market	3.505
1-Incentive agreement with other countries for custom exemptions	3.465
6-The S.A embassies should be more active in supporting exporters	3.367
4- The procedure of export should be faster	3.323
2-Support the organisations responsible for exports	3.260
7-Give exporters a special price to exhibit their products abroad	3.250
13-Reduce the customs duties on import of intermediate products for exporters	3.213
10- Special price from SABIC companies to exporter firms	3.205
14- Establish special bank to support exporters in their operations (especially new exporters)	3.145
8-Allow new exporters to exhibit their products abroad, free of charge	3.134
5-Give subsidy to exporters	3.116
12-Establish special companies responsible for export activities	2.796
15- Special price for exporters when they bring labour into Saudi Arabia	2.747
11-Encourage overseas companies to invest in Saudi Arabia	2.368

The first obstacle, competition with foreign firms in export markets, gave the highest mean, 3.212. This was followed by lack of information about potential export markets with a mean of 2.887, and dumping strategy in some export markets, with a mean of 2.856. However, the fourth and the fifth obstacles facing Saudi exports, which are increasing tariffs in other countries and restrictions in importing countries, could be classified as external economic barriers; they are to some extent uncontrollable. These are the five most important obstacles facing Saudi exporters.

Moreover, with regard to how Saudi exporters might overcome these obstacles, the investigations suggested to the firms fifteen factors which might improve Saudi exporting.

Table 6.15 shows these factors and how important each one is to improving Saudi exports, in the perception of respondents. These factors are ranked in order of the means depending on the firms' responses.

The items rated most highly by respondents were giving more discounts to exporters for transportation and loading, establishing an up-to-date computer information system to provide exporters with information about any international market, incentive agreement with other countries for exemption from customs duties, greater support for exporters from the Saudi embassies and speeding up export procedures.

From these responses, it can be seen that even though the Saudi government is giving some incentives to Saudi exporters, exporting firms are still looking for more support from the government and this opens up areas for debate which are covered later in this thesis.

### 6.9 Summary

In this chapter, descriptive statistics (frequencies and percentages) on responding firms were presented, such as the size of the firm, the industry category, the age of the firm and export experience. Firms' export performance was then considered, and the breakdown of the sample into successful and less successful exporters was explained. Finally, the

chapter presented respondents' perceptions concerning the obstacles facing Saudi exporters in the international market, and the factors which might improve Saudi exports.

The following chapter will discuss the statistical relationship between export success and the main characteristics of the firm, i.e. its size, age, export experience and export market strategy. Also, other factors will be investigated, such as marketing planning, marketing research and marketing mix variables.

# CHAPTER SEVEN

## DATA ANALYSIS, PART TWO

## Introduction

To address the substantive aspects of this research, this chapter will present the results of statistical analysis which tests the previously constructed hypotheses. In doing so, this chapter establishes the main characteristics of successful and less successful exporters in Saudi Arabia.

### 7.1 Firm's Characteristics and Export Success

In order to achieve the main objective of this thesis, and in order to test the first set of hypotheses which concerns associations between successful and less successful exporters, export success was examined in relation to the main characteristics of the firm, i.e. its size, age, export experience and export market strategy.

As mentioned in Chapter 5, two export success measures were used: the first measure is the export sales ratio (percentage of export sales or export intensity) over the period 1993, 1994 and 1995. In assigning firms to the successful or less successful groups, the mean export ratio for the sample as a whole was used as the cut-off point; therefore, firms which had an export

performance above the mean in the three-year period were classified as successful exporters, while firms whose export performance (export ratio) was less than or equal to the mean were classified as less successful exporters.

The second measure used was export growth, which is the growth in export volume in the same period (1993, 1994 and 1995). Therefore, firms which had a growing export volume during the period were classified as successful exporters, while firms which had a decreasing or stable export volume during the period were classified as less successful exporters.

In order to establish the main characteristics of successful and less successful exporting firms in Saudi Arabia, correlation coefficients were calculated. Correlation was used to test the relationship between the variables in this investigation, i.e. whether characteristics such as firm size, age etc. were associated with either successful or less successful Saudi exporters. Table 7.1 summarises the results of the correlation between export performance and other factors already discussed. The results of these tests show that there is no

significant correlation between the size, age, or export experience of the firm and its export success. Thus, hypotheses H1.1- H1.3 are rejected. However, a very highly significant relationship was found between the success of exporters, (as measured by export intensity and export growth) and export strategy (number of export markets), in favour of market diversification. Thus, hypothesis H1.4 which suggests that the successful exporters are more likely to use market diversification strategy and less successful exporters are more likely to use market concentration strategy, is accepted in the case of Saudi exporters.

Table 7.1: Summary of Tests of the First Hypothesis and its Sub-Hypotheses.

		<u>Export performance measures</u>	
No	Hypothesis 1 and its sub-hypotheses	Export intensity	Export volume growth
1.1	There is a relationship between export performance and firm size.	$\tau = -.0203$  $p = .812$  NS	$\tau = .0044$  $p = .960$  NS
1.2	There is a relationship between export performance and age of the firm.	$\tau = .1453$  $p = .089$  NS	$\tau = .1618$  $p = .069$  NS
1.3	There is a relationship between export performance and export experience.	$\tau = -.0504$  $p = .576$  NS	$\tau = .1382$  $p = .139$  NS

1.4	There is a relationship between export performance and export strategy.	$\tau = .3355$  $p = .000$ ***  significant	$\tau = .2330$  $p = .009$ **  significant
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$p \leq 0.001$  \*\*\* very highly significant  
 $p \leq 0.010$  \*\* highly significant  
 $p \leq 0.050$  \* significant  
 $p > 0.050$  NS ( not significant )  
 Group1 successful exporters  
 Group2 less successful exporters

Table 7.2: Analysis Between Export Success and Export Strategy (Number of Export Markets)

	<u>Export intensity</u>		<u>Export growth</u>	
	Group1	Group2	Group1	Group2
Export strategy	48 Number of firms	50	53 Number of firms	38
	$\tau = .3355$  $p = 0.000$ ***		$\tau = .2330$  $p = .009$ **	
percent	49%	51%	58.2%	41.8%

$P \leq 0.001$  \*\*\* very highly significant  
 $P \leq 0.010$  \*\* highly significant  
 $P \leq 0.050$  \* significant  
 $P > 0.050$  NS ( not significant )  
 Group1 successful exporters  
 Group2 less successful exporters

### 7.1.1 Discussion of the Relationship Between the Main Characteristics of the Exporting Firms and Export Success:

The results of the statistical analysis on the data which were collected by mail survey revealed a significant relationship between the success of exporters and their export strategy. This relationship was very highly significant ( $p < 0.001$ ) for export success as measured by export intensity, and highly significant ( $p < 0.010$ ) when export success was measured in terms of export growth. Therefore, the main characteristic of the successful exporters in Saudi Arabia is their export strategy. Firms which adopt a diversification strategy are more successful than those adopting a market concentration strategy. This finding is in agreement with the findings of most researchers, such as Cooper and Kleinschmidt (1985), Axinn (1988), Lee and Yang (1990) and Al-Aali (1995), who all found that firms which export to world-wide markets have a better export performance than the other firms which export to a smaller number of export markets. On the other hand, it differs from the findings of Day (1976) and Lamont (1993) who suggest that a concentration strategy

leads to high export performance. However, Lee and Yang (1990) found no significant difference when export performance was measured by profitability.

Regarding the size of the firm, as mentioned before, there is no significant correlation between success of exporters (as measured by export intensity and export growth) and this factor. In this respect, the study's finding is in agreement with those of Diamantopoulos and Inglis (1988); Moon and Lee (1990); Ali and Swiercz (1991); Bodur (1994); Naidu and Prasad (1994) and Katsikeas et al. (1996). It is however, inconsistent with those of Christensen et al. (1987), who in their study of exporting Brazilian firms found that larger firms were more successful than smaller firms. Tookey (1964) and Cavusgil and Naor (1987) also found firm size to be significant. Naidu and Prasad (1994) found size of the firm to be significant when measured in terms of volume of sales, but not when measured in terms of number of employees. In fact, size may have an indirect effect on export performance, in that larger firms enjoy more advantages accrued from having greater financial resources, specialised staff and being in a better position to exploit opportunities in

international markets (Madsen, 1987; Ford and Leonidou, 1991).

Regarding the relationship between age and export success, no significant correlation was found, for either measure of export success. This finding is in agreement with those of other researchers such as Reid (1989) and Kammath et al. (1987), who found no relationship between age and export success. However, some studies indicate that age is positively correlated with export activity (Snaveley et al., 1964), while other researchers have found that newer firms tend to be more successful exporters (Ursic and Czinkota, 1984; Bodur, 1994; Das, 1994).

Regarding export experience of the firm, the finding of no relationship with export success is consistent with that of Katsikeas et al, (1996) who, in their study about determinants of export performance in a European context, found that export experience appeared not to be a significant determinant of export performance. In contrast, other studies report a positive relationship between export experience and export performance

(Bilkey, 1982; Madsen, 1989; Dominguez and Sequeira, 1991; and Aaby and Slater, 1988). On the other hand, other researchers have found an inverse relationship, in other words, that the most significant feature of high performance is the shorter period of experience in exporting (Ursic and Czinkota, 1984; Bodur, 1994).

## 7.2 Export Market Research

The importance of marketing information is crucial for the decision-maker to set-up the marketing plan and to take the right strategic decisions.

This section tests hypothesis H2.1 which suggests that an association exists between performance and research activities undertaken.

The results of Chi-square tests are presented in Table 7.3.

As expected, the data show that the majority of firms carry out market research before taking an export decision. Approximately 43 percent of the sample which carried out market research before taking an export decision were

successful exporters, as measured by export intensity, and only 6.3 percent of the firms were successful exporters who did not do such research. Among less successful exporters, approximately 31 percent of the firms carried out market research before taking an export decision, whereas around 20 percent of the firms did not carry out such research.

When export success is measured by export growth, approximately 48 percent of the firms, who are also successful exporters carry out market research before they take an export decision, while about 10 percent of the firms do not carry out market research before they take an export decision. In the other group (less successful exporters), 25.8 percent of the firms carry out market research before they take an export decision. However, 15.7 percent of the firms do not carry out market research before they take an export decision.

By using the Chi-square test (see Table 7.3) undertaking research is shown to be significantly associated with export success (as measured by both export intensity and export growth). Therefore, hypothesis H2.1, which suggests that an

association exists between performance and undertaking research, is accepted.

Table 7.3: Cross-Tabulation of the Successful and Less Successful Exporters and use of Market Research

	<u>Export ratio</u>				<u>Export growth</u>			
	Number of firms which do market research and its percentage		Number of firms which do market research and its percentage		Number of firms which do market research and its percentage		Number of firms which do market research and its percentage	
	Group1		Group2		Group1		Group2	
Market research	Yes 41 42.7%	No 6 6.3%	Yes 30 31.3%	No 19 19.8%	Yes 43 48.3%	No 9 10.1%	Yes 23 25.8%	No 14 15.7%
	Chi-Square , $\chi=8.42622$				Chi-Square , $\chi=4.75453$			
	Degree of freedom =1				Degree of freedom =1			
	<b>p=.00370**</b>				<b>p=.02922 *</b>			
Total	47		49		52		37	
Total Percentage	49%		51%		58.4%		41.6%	

p<= 0.001 \*\*\* very highly significant

p<= 0.010 \*\* highly significant

p<= 0.050 \* significant

p> 0.050 NS ( not significant )

Group1 successful exporters

Group2 less successful exporters

### 7.2.1 The Frequency of Seeking Information From the Sources:

The frequency of seeking information could be another factor associated with successful exporters; therefore, hypothesis 2.2 postulated that an association exists between performance and the frequency of seeking information from:

1-Saudi Export Development Centre

2-Saudi Chambers' Council

3-Foreign embassies in Saudi Arabia

4-Saudi trade offices abroad

5-Commercial banks in Saudi Arabia

6-Saudi Measurement & Standardisation Organisation

7-Consulting companies/market research agencies based in Saudi Arabia

8-Consulting companies / market research agencies based in the importing country

From Table 7.4, correlation analysis suggests that there is no significant association in relation to the first seven information resources. However, significant association was found between the two groups (successful and less successful exporters as measured by export ratio) in their use of the last source of information (consulting companies / market research agencies based in the importing country).

Table 7.4: Correlation Between Export Success (Successful and Less Successful Exporters) and Their Frequency of Seeking Information From the Sources.

Source of information	<u>Export ratio</u>		<u>Export growth</u>	
	Group1	Group2	Group1	Group2
1-Saudi Export Development Centre	49.5%	50.5%	56.5%	43.5%
	$\tau=.0679$		$\tau=.1771$	
	P=.477 NS		P=.073 NS	
2-Saudi Chambers Council	49.5%	50.5%	56.5%	43.5%
	$\tau=.0201$		$\tau=-.0058$	
	P=.832 NS		P=.953 NS	
3-Foreign embassies in Saudi Arabia	48.4%	51.6%	57%	43%
	$\tau=.1730$		$\tau=.0436$	
	P=.069 NS		P=.656 NS	
4-Saudi trade offices abroad	48.9%	51.1%	54.2%	45.8%
	$\tau=.1540$		$\tau=.0231$	
	P=.124 NS		P=.823 NS	
5-Commercial banks in Saudi Arabia	47.7%	52.3%	55.4%	44.6%
	$\tau=.0663$		$\tau=.1820$	
	P=.500 NS		P=.073 NS	
6-Measurement & Standardisation Organisation	50.6%	49.4%	54.8%	45.2%
	$\tau=-.0363$		$\tau=-.0071$	
	P=.709 NS		P=.943 NS	
7-Consulting companies/market research agencies based in Saudi Arabia	48.9%	51.1%	56.5%	43.5%
	$\tau=.0351$		$\tau=-.0671$	
	P=.725 NS		P=.513 NS	
8-Consulting market research agencies based in importing countries	48.3%	51.7%	60.8%	39.2%
	$\tau=.2943$		$\tau=.0926$	
	P=.003 **		P=.367 NS	

p <= 0.001 \*\*\*

p <= 0.010 \*\*

p <= 0.050 \*

p > 0.050 NS ( not significant )

Group1 = successful exporters

Group2 = less successful exporters

### 7.2.2 Discussion

The association between export success and the commitment to export market research is widely supported by various researchers from different countries.

Madsen (1987) reviewed nine studies, and he found, in four of these, no association between export performance and market research intensity, while in the other five studies he found a positive relationship.

In Brazil, Christensen et al. (1987) found that successful exporters (termed, the best export performers in their study) are more effective in the collection of information. Other evidence from CACM (Central American Common Market) countries by Dominguez and Sequeira (1993) suggests that market research is associated with export success. Katsikeas et al (1996) in their study of the determinants of export performance in a European context found that there is a positive linkage between export marketing research and export performance.

In the case of the present research, the information from Saudi sources may be less accurate or less up-to-date, because it is further from the source or context of interest. This may be why Saudi sources were not significantly associated with export performance, whereas use of sources in the importing country was significant.

### 7.3 Export Marketing Plan

Planning is a very important factor to help the executive manager respond appropriately to the influencing factors in the international market. Also, planning supports executive managers in achieving the organisational goals. Therefore, hypothesis 2.3 was formulated which suggests that an association exists between performance and planning activities.

From Table 7.5 which shows the results of cross-tabulation of the data on preparing export marketing plans and export success as measured by export ratio, it can be seen that approximately 40 percent of the firms (successful exporters) prepare such a written plan. However, around 8 percent of the firms (successful exporters) do not prepare such a written plan. On the other hand,

of the less successful exporters, 32.3 percent of the firms prepare a written export marketing plan and approximately 20 percent of the firms (less successful exporters) do not prepare export marketing plans.

Table 7.5 also shows the results of the cross-tabulation on the preparing of an export marketing plan and export success as measured by export growth, and indicated that approximately, 48 percent of the firms (successful exporters) prepare a export marketing plan, compared with 10.1 percent of the firms (successful exporters) who do not do so. On the other hand, of the less successful exporters, 22.5 percent of the firms prepare a written export marketing plan and 19.1 percent of the firms (less successful exporters) do not prepare export marketing plans.

The results of the Chi-square tests, which are significant at  $p < 0.05$  or better, show that there is an association between preparing a written marketing plan and export success, as measured by both measures, export ratio and export growth.

Table 7.5: Cross-Tabulation of the Successful Exporters and Less Successful Exporters and the Marketing Plan

	<u>Export intensity</u>				<u>Export growth</u>			
	Group1		Group2		Group1		Group2	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
Written Marketing plan	38	8	31	19	43	9	20	17
	39.6%	8.3%	32.3%	19.8%	48.3%	10.1%	22.5%	19.1%
	chi-square $\chi = 5.03370$				chi-square $\chi = 8.5738$			
	Degree of freedom = 1				Degree of freedom = 1			
	P= .02486 *				P= .00341 **			
Total	46		50		52		37	
The Percentage	47.9%		52.1%		58.4%		41.6%	

p <= 0.001 \*\*\*

p <= 0.010 \*\*

p <= 0.050 \*

p > 0.050 NS (not significant)

Group1 = successful exporters

Group2 = less successful exporters

### 7.3.1 Discussion

The present finding of an association between export success and the commitment to export planning confirms those of several previous researchers.

The evidence from the United Kingdom presented by Amine and Cavusgil (1986) and Cunningham and Spigel (1971), as well as evidence from North America obtained by Kirpalani and MacIntosh (1980) suggests that less successful exporters are less planning-oriented than successful exporters. Similarly, Cooper and Kleinschmidt (1985) showed that nearest neighbour orientations firms (which adopt a market concentration strategy) are less planning-oriented than world orientation firms (which adopt a market diversification strategy). In Turkey, Bodur (1994) found that group three firms (those whose only business aim was to export) had some type of advanced planning for their development in the short term. The present findings are also consistent with those of Ursic and Czinkota (1984) Madsen (1989), Aaby and Slater (1988), and Sriram and Franklyn (1995).

In contrast, Fenwick and Amine (1979), in their study of the UK clothing industry, found no association between export performance and planning.

#### 7.4 Export Department

Usually, export activities are undertaken by either the marketing department in the organisation or by a separate department specialising in export activities. The relationship between the existence of export department and export success was investigated by testing hypothesis 2.4.

Table 7.6 shows the results of the cross-tabulation of data on the existence of an export department and export success, as measured by export ratio and export growth.

When success is measured by the export ratio, approximately 21 percent of the firms (successful exporters) have a separate export department. However, 27.6 percent of the firms (successful exporters) do not have a separate export department to handle export activities. On the other hand, of the less successful exporters, 14.3 percent of the firms have a separate export

department, compared to 36.7 percent of the firms (less successful exporters) which do not have an export department.

When export success is measured by export growth, 23.1 percent of the firms (successful exporters) have a separate export department, while, 35.2 percent of the firms (successful exporters) do not have a separate export department. On the other hand, of the less successful exporters, 12.1 percent of the firms have a separate export department and 29.7 percent of the firms (less successful exporters) do not have a separate export department.

The results of Chi-square tests show that there is no significant association at the 0.050 level between the existence of a separate export department and export success, as measured by both export ratio and export growth. This hypothesis is therefore rejected.

Table 7.6: Cross-Tabulation of the Successful Exporters and Less Successful Exporters and the Existence of a Separate Export Department.

	<u>Export intensity</u>				<u>Export growth</u>			
	<u>Group1</u>		<u>Group2</u>		<u>Group1</u>		<u>Group2</u>	
Existence of export department	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
	21	27	14	36	21	32	11	27
	21.4%	27.6%	14.3%	36.7%	23.1%	35.2%	12.1%	29.7%
	chi-square $\chi = 2.64600$				chi-square $\chi = 1.10626$			
	Degree of freedom = 1				Degree of freedom = 1			
	P=.10381 NS				P= .29290 NS			
Total	48		50		53		38	
The Percentage	49%		51%		58.2%		41.8%	

p > 0.050 NS ( not significant )  
 Group1 successful exporters  
 Group2 less successful exporters

#### 7.4.1 Discussion

The finding of this research is in agreement with Fenwick and Amine (1979) who, in their study of the UK clothing industry, found no association between export performance and the existence of an export department.

Similarly, Al-Qahtani (1996) studied British exporting firms and found that the availability of an export department is not associated with export success.

In contrast, Karafakioglu (1986) studied Turkish exporting firms, and found that firms which exported a large percentage of their production were more likely to have a separate export department. Also, Kirpalani and MacIntosh (1980), Diamantopoulos and Inglis (1988), Mohamed (1994) and Al-Aali (1995), in their studies, found the existence of an export department to be associated with export success.

The finding in this study, that is, of no relationship between the existence of an export department and export success, could be explained in terms of exporting firms tending to reduce their costs by passing the responsibility for exporting activity to their marketing department.

### 7.5 Management Characteristics:

As indicated in Chapter 5, hypotheses 2.5 and 2.6 are concerned with an association between performance and aspects of management strength. The first aspect focuses on the main

characteristics of the Chief Executive in charge of export decision-making and the second aspect focuses on the importance of two variables describing management strength. Correlation coefficients were calculated to investigate the relationships.

### 7.5.1 Managerial characteristics

Table 7.7 presents the result of the correlation coefficient test of hypothesis H2.5 which investigates relationships between performance and the following chief executive's characteristics:

- 1-Education
- 2-International marketing experience
- 3- Knowledge of languages

Table 7.7: Correlation Coefficients Between Export Success and Managerial Characteristics.

Managerial characteristics	<u>Export intensity</u>		<u>Export growth</u>	
	<u>Group1</u>	<u>Group2</u>	<u>Group1</u>	<u>Group2</u>
Education	48 <u>number of firms</u> 49.5% <u>percent</u>	49 50.5%	53 <u>number of firms</u> 58.9% <u>percent</u>	37 41.1%
	$\tau=.2631$ $p=.008$ **		$\tau= .2110$ $p=.041$ *	
Languages number	48 <u>number of firms</u> 49.5% <u>percent</u>	49 50.5%	53 <u>number of firms</u> 58.9% <u>percent</u>	37 41.1%
	$\tau=.2120$ $p=.034$ *		$\tau=.0502$ $p=.628$ NS	
Experience	47 <u>number of firms</u> 50% <u>percent</u>	47 50%	51 <u>number of firms</u> 58.6% <u>percent</u>	36 41.45%
	$\tau=.1695$ $p=.053$ NS		$\tau=.0008$ $p=.993$ NS	

$p \leq 0.010$  \*\*

$p \leq 0.050$  \*

$p > 0.050$  NS ( not significant )

Group1 successful exporters

Group2 less successful exporters

The education of the chief executive in charge of export decision-making was classified into four groups: 1- less than high school, 2- high school, 3-university and 4- post graduate. In Table 7.7, managerial characteristics in terms of education can

be seen to be associated (significant at  $p < 0.05$  or better) with firms' export success (in both measures export intensity and export growth). Therefore, there is an association between the education level of the export decision maker and export success. As such, hypothesis H2.5 is accepted, in the case of Saudi Arabia exporters.

The number of languages spoken by the chief executive in charge of export decision-making was also found to be associated (significant at  $p < 0.05$  or better) with export success, as measured by the export intensity only (see Table 7.7). Thus, for languages also, hypothesis H2.4 is accepted in the case of Saudi Arabian exporters.

For the variable, "the international marketing experience" of the chief executive in charge of export decision-making, no statistical evidence was found of an association between this variable and export success.

### 7.5.1.1 Discussion

The association between managerial characteristics (the education level of the export decision maker, number of languages he can speak and international marketing experience) and success has been studied by various researchers such as Bello and Barksdale (1986); Cavusgil and Naor (1987); Da Rocha et al. (1989); Keng and Jiuan (1989); Seringhaus (1993); Bodur (1994); Das (1994); Enderwick and Akoorie (1994); and Moini (1995). The majority found this had an impact on export behaviour and success, though others found no association between managerial characteristics and export success.

Regarding education level, as mentioned before, in this study an association was found between export success, as measured by export intensity and export growth, and the education level of the decision-maker. This finding is in agreement with those of Cavusgil and Naor (1987); Bello and Barksdale (1986); Keng and Jiuan (1989) and Holzmuller and Kasper (1991).

In contrast, Bodur (1994) found this variable to be an insignificant factor in export success. Moini (1995) found no

significant association between export success and the education level of the decision-maker, but he found that the more successful exporters employ managers who are more knowledgeable in the finance and marketing areas.

Regarding the number of languages that the decision-maker speaks, the present findings support those of other researchers. Holzmuller and Kasper (1991) found foreign languages to be associated with export performance. Also, a similar finding was obtained by Enderwick and Akoorie (1994). Seringhaus (1993) found that in terms of knowledge of foreign languages, there were important differences in export marketing between companies in Austria and Canada. The Canadian companies exported almost wholly to the United States, which has a similar cultural background. On the other hand, the Austrian firms, because of their geographical situation, were under pressure to understand the different cultures and languages of their neighbouring countries. In contrast, Moini (1995) found no relationship between export success and the number of languages that the decision-maker speaks.

Evidence on the association between the international marketing experience of the decision-maker and export success is not clear. There may perhaps be an association between export success (export intensity) and the experience of the decision-maker, that is  $p=.053$ , but with the significance level set in this study it is not possible to show statistically a clear link between the international marketing experience of the decision-maker and export success. In this respect, the present study provides no support for the finding reported by Das (1994) that export success is associated with the experience of the decision maker, or Axinn's (1988) finding of a positive relationship between export performance and overseas work experience of managers.

The lack of relationship found in this study between the international marketing experience of the decision-maker and export success could be interpreted in a number of ways. For example, either the exporting firms in this study tended to reduce cost through appointing export managers with less international marketing experience, or the exporting firms believe that the less experienced managers are more active in stimulating the firm to improve their export performance.

### 7.5.2 Management Strength

Managerial characteristics are important, but they do not reflect the international orientation of top management, which is another factor that could be related to export success.

Through two factors which describe the importance of management strengths, this research attempted to investigate the relationship between this and performance. Table 7.8 shows the outcome of testing for correlation between these factors and export success.

The results of correlation coefficient tests show that the importance of these two factors (very good relations with suppliers and understanding of the international business culture) is statistically significant at  $p < 0.05$  or better in relation to export success as measured by export ratio.

Table 7.8: Correlation Coefficients Between Export Success and Management Strength.

	<u>Export ratio</u>		<u>Export growth</u>	
	Group1	Group2	Group1	Group2
Very good relations with suppliers	47 number of firms 49% percent	49 51%	53 number of firms 59.6% percent	36 40.4%
	$\tau=.2200$ <b>P=.023 *</b>		$\tau=-.0105$ p=.917 NS	
Understand the international business culture	47 number of firms 49% percent	49 51%	53 number of firms 59.6% percent	36 40.4%
	$\tau=.2019$ <b>P=.033 *</b>		$\tau=.0469$ p=.635 NS	

p <= 0.050 \*

p > 0.050 NS ( not significant )

Group1 successful exporters

Group2 less successful exporters

### 7.5.2.1 Discussion

By using correlation to test the relationship, there was shown to be a significant positive correlation ( $\tau=.2200$ ,  $p<0.05$ ) between the success of exporters, as measured by the export ratio, and the importance of the first factor, “very good relations with suppliers” The relationship of the organisation with its

suppliers is crucial for the firm's competitiveness, according to Porter (1985;1990).

The analysis also yielded a significant positive correlation ( $\tau=.2019$  ,  $p=.033$ ) between the success of exporters, as measured by the export ratio, and the importance of understanding the international business culture. This is consistent with other researchers. For example, Axinn (1988), Kirpalaini and Robinson (1990) and Das (1994) have all found the international orientation of the firm's management to be a factor related to export success.

## 7.6 Marketing Mix Adaptation:

### 7.6.1 Product:

As mentioned previously in Chapter 4, this research examined two aspects of product strength. The first aspect encompasses three factors which describe product strength and the relationship between export success and these three factors.

The second aspect focuses on product modifications, made up of six factors, and the relationship between the importance of these six factors and export success.

The three variables contained in the first aspect were:

1-Wide product range

2-High product quality

3-Product uniqueness

Correlation between export success (as measured by the export ratio) and the importance of these three factors was significant and positive ( $\tau=.2148$  ,  $P=.033$  \*) for the second variable “high quality product”. However, when export success was measured by export growth, high quality product showed no significant association. Analysis did not find any correlation between either measure of export success and the importance of the other two variables, “Product uniqueness” and “Wide product range”.

Table 7.9 shows the correlation between these three variables as a source of product strength and export success.

Table 7.9: The Results of the Correlation Coefficients Between Export Success (Successful and Less Successful Exporters) and the Importance of Three Variables as a Source of Product Strength.

	<u>Export ratio</u>		<u>Export growth</u>	
	Group1	Group2	Group1	Group2
1-Wide product range	45 number of firms 49.5% percent	46 50.5%	52 number of firms 61.9 % percent	32 38.1%
	$\tau = -.0447$ P = .643 NS		$\tau = -.0067$ P = .946 NS	
2-High quality product	47 number of firms 48.5% percent	50 51.5%	53 number of firms 58.9% percent	37 41.1%
	$\tau = .2148$ <b>P = .033 **</b>		$\tau = .1054$ P = .313 NS	
3-Product uniqueness	47 number of firms 50% percent	47 50%	52 number of firms 59.8% percent	35 40.2%
	$\tau = .0865$ P = .368 NS		$\tau = -.0388$ P = .697 NS	

p ≤ 0.050 \*

p > 0.050 NS ( not significant )

Group1 successful exporters

Group2 less successful exporters

The second type of product strength is the product modification factor, as a source of product strength, which contains six elements, namely :

1-Size of packaging

2- Labelling

3-Colour of packaging

4-Packaging materials

5-Raw materials used in the product

6-Design

By using correlation analysis there was shown to be a significant positive relationship ( $\tau=.2007$ ,  $P=.039$  \*) between the success of exporters, as measured by the export ratio, and the importance of the variable “Labelling”.

However, for the other five variables the analysis did not find any significant correlation between export success and the importance of those variables.

Table 7.10, shows the findings on the importance of the six variables as a source of product strength, and export success as indicated by correlation tests.

Table 7.10: Correlation Coefficients Between Export Success (Successful and Less Successful Exporters) and The Importance of the Six Product Modification Variables.

Changes	<u>Export intensity</u>		<u>Export growth</u>	
	Group1	Group2	Group1	Group2
1-Size of packaging	41 number of firms 48.2% percent	44 51.8% $\tau=.1703$ P=.087 NS	48 number of firms 60.8% percent	31 39.2% $\tau=.0072$ P=.945 NS
2- Labelling	42 number of firms 48.3% percent	45 51.7% $\tau=.2007$ <b>P=.039 *</b>	49 number of firms 60.5% percent	32 39.5% $\tau=-.0095$ P=.925 NS
3-Colour of packaging	41 number of firms 48.2% percent	44 51.8% $\tau=.0443$ P=.659 NS	47 number of firms 59.5% percent	32 40.5% $\tau=-.0613$ P=.557 NS
4-Packaging materials	41 number of firms 47.7% percent	45 52.3% $\tau=.1687$ P=.089 NS	47 number of firms 58.8% percent	33 41.3% $\tau=.0162$ P=.875 NS
5-Raw materials used in the product	44 number of firms 50% percent	44 50% $\tau=.1162$ P=.231 NS	46 number of firms 56.1% percent	36 43.9% $\tau=-.0327$ P=.745 NS
6-Design	43 number of firms 47.3% percent	48 52.7% $\tau=.0805$ P=.398 NS	48 number of firms 56.5% percent	37 43.5% $\tau=-.0050$ P=.960 NS

$p \leq 0.050$  \*

$p > 0.050$  NS ( not significant )

Group1 successful exporters

Group2 less successful exporters

#### 7.6.1.1 Discussion

The finding that high product quality is associated with export success concurs with the findings of other researchers, such as Cavusgil and Kaynak (1982); Bodur (1986) and Madsen (1989). Also Christensen et al. (1987) found this factor to influence the exporting success of Brazilian firms, while Dominguez and Sequeira (1993), in their study about determinants of LDC exporters from Costa Rica, El Salvador, Guatemala, Honduras, and Panama, found that high-intensity stable exporters (more successful) were the most involved in product quality improvement.

However, regarding the importance of product uniqueness, this study found no evidence of an association between this factor and export success in Saudi Arabia. In contrast, Madsen (1989), in his study which focused on Danish exporters, found product uniqueness to be strongly associated with export performance.

As regards wide product range, the finding of no association between this factor and export success is in contrast to the finding by Christensen et al. (1987) of a significant positive

correlation between wide product lines and successful Brazilian exporters. It is also in contrast to the finding of Kirpalani and MacIntosh (1980), that product line was negatively associated with success, which meant that firms with narrow product lines were more successful.

For product modifications, analysis found only one of the six factors, labelling, was associated with export success, while the other five factors showed no association with export success. Therefore, in this specific case, it can be concluded that product modifications are not associated with export success in Saudi Arabia. Similar results have been obtained by other researchers in developing countries. There is evidence from Turkey by Karafakioglu (1986) who found no significant association between the export volume and product policy (adaptation). Other evidence by Douglas (1993) in the study of Peruvian exporters found that product adaptation was not correlated with success. However, Bodur (1994) found in Turkey that the product labelling adaptation was a factor associated with group three (wholly exporting firms). Moreover, Al-Qahtani (1996) in his study of successful UK firms exporting to Saudi Arabia,

found that labelling was associated with export success, but that other factors such as colour and size were not associated with export success. Therefore, it seems that the labelling factor is more important than the other product modification factors (such as size, colour and design). This is potentially because the labelling gives the customer all the information needed to influence a purchase decision (content, how to use the product, expiry date) in his own language, but other factors (size, colour, design) the customer will know, whatever language he speaks. Also, many countries have legislation about what product information must be displayed on the label and may forbid the import and sale of products that do not conform. Moreover, labelling "Made in Saudi Arabia" has a special importance in Muslim countries in particular, because it assures them that the product conforms with Islamic requirements and has not been produced by a company which deals in forbidden activities; also it came from what Muslims consider to be the 'Holy Land'.

### 7.6.2 Price

Pricing is one of the important factors of the marketing mix. By using correlation analysis it was shown that there was no

significant relationship between export success, as measured by export ratio and export growth, and price strengths. Therefore, hypothesis 3.3, was rejected. Table 7.11 shows the results of the test for correlation between export success and price strength.

Table 7.11: Correlation Between Export Success and Price Strengths.

Price strength	<u>Export intensity</u>		<u>Export growth</u>	
	Group1	Group2	Group1	Group2
Price competitiveness	48 number of firms 49% percent	50 51%	53 number of firms 58.2% percent	38 41.8%
	$\tau=.0662$ P=.497 NS		$\tau=-.0529$ P=.602 NS	
Low production cost	47 number of firms 50% percent	47 50%	53 number of firms 50.9% percent	34 39.1%
	$\tau=.1515$ P=.114 NS		$\tau=.0359$ P=.725 NS	

p > 0.050 NS (not significant)  
 Group1 successful exporters  
 Group2 less successful exporters

### 7.6.2.1 Discussion

The findings of this research show that there is no significant relationship between performance and the importance of price strength. Other researchers from different countries have

obtained similar results. For example, Louter et al. (1991) confirmed that successful Dutch exporters do not rate price as a factor for export success. Other evidence by Moini (1995) in the study of Wisconsin exporters found that price was not associated with export success. The same result was reported by Bodur (1994). In his Turkish study of determinants of successful export performance, he found that the importance of price was not associated with export performance. Luz (1993), in his study about the relationship between export strategy variables and export performance in Brazil, found an insignificant positive relationship between competitive pricing and export performance.

In contrast, Sriram et al. (1989) found that there was an association between price competitiveness and export success among exporters in North America. This result supported that of Kirpalani and MacIntosh (1980).

### 7.6.3 Distribution Channels:

Another component of the marketing mix is distribution. In relation to distribution strength, two hypotheses (H3.4 and H3.5)

were tested. Hypotheses 3.4 suggests that there is a relationship between performance and reliability of delivery.

Hypothesis 3.5 postulated that there is a relationship between performance and the following issues:

1-Retailers in importing countries

2-Distributors in importing countries

3-Wholesalers in importing countries

4-Agents in the Saudi market

By using correlation analysis there was shown to be no significant association between export success and the importance of the factor "Reliability of the delivery". Nor was any significant correlation found between the importance of the four issues related to export channels and export success.

Table 7.12 shows the results of the correlation analysis between export success and the importance of reliability of delivery as a source of success, while Table 7.13 shows the results of the analysis between export success and the importance of export channels.

Table 7.12: Correlation Between Export Success and the Importance of Reliability of Delivery as a Source of Export Success.

	<u>Export intensity</u>		<u>Export growth</u>	
	Group1	Group2	Group1	Group2
Reliability of delivery	48 number of firms 49.5% percent	49 50.5% percent	53 number of firms 58.9% percent	37 41.1% percent
	$\tau=.0677$		$\tau=.0633$	
	P=.486 NS		P=.530 NS	

p > 0.050 NS (not significant)

Group1 successful exporters

Group2 less successful exporters

Table 7.13: Correlation Between Export Success and the Importance of Export Channels

	<u>Export intensity</u>		<u>Export growth</u>	
	Group1	Group2	Group1	Group2
1. Retailers in importing countries	47 number of firms 51.1% percent	45 48.9%	49 number of firms 57.6% percent	36 42.4%
	$\tau=.0793$ P=.400 NS		$\tau=-.0644$ P=.513 NS	
2. Distributors in importing countries	47 number of firms 49.5% percent	48 50.5%	50 number of firms 56.8% percent	38 43.2%
	$\tau=.1576$ P= .095 NS		$\tau=.0677$ P=.490 NS	
3. Wholesalers in importing countries	47 number of firms 49.5% percent	48 50.5%	51 number of firms 58% percent	37 42%
	$\tau=.1591$ P=.087 NS		$\tau=-.1368$ P=.157 NS	
4. Agents in Saudi market	47 number of firms 50.5% percent	46 49.5%	50 number of firms 58.1% percent	36 41.9%
	$\tau=.1235$ P=.190 NS		$\tau=.0169$ P=.864 NS	

p > 0.050 NS (not significant)

Group1 successful exporters

Group2 less successful exporters

### 7.6.3.1 Discussion

Regarding the reliability of delivery, the findings of this study agree with those of Mohamad (1994), who found that successful exporters are not significantly different from less successful exporters with respect to the importance of the factor "Reliability of delivery".

However, Brown and Cook (1990), in their study of the Queen's Award for Export winners, rated the delivery factor as the third on the list of the most important success factors. Also, Leonidou (1988), in his study about factors affecting the decision to purchase from third-world country exporters (Cyprus) by developed country importers (United Kingdom), found that "reliability/security of regular delivery and long-term supply" was ranked as the second most important factor. Also, Luz (1993), in his study of the variables that could be linked with export growth in Brazilian firms, found that the highest performing (more successful) firms place greater emphasis on reliability in meeting delivery dates.

Regarding the lack of any significant association between export success and export channels, this is consistent with the finding of Luz (1993), which showed that there is no significant relationship between the type of export channel used and export growth.

#### 7.6.4 Promotion

Promotion activities are one of the most important components of the marketing mix, and so this research sought to study the relationship between export success and the following promotion activities:

- 1-International exhibitions
- 2-Advertising in the trade journals
- 3-Advertising on radio
- 4-Advertising on TV
- 5-Regular visits to overseas markets
- 6-Joint efforts with distributors

By using correlation analysis there was shown to be no significant correlation between export success, as measured by

the export ratio and export growth, and most of the promotion and advertising activities in Saudi exporting firms. The only factor which was found to be associated with export success as measured by export growth, was regular visits to overseas markets. Therefore, hypothesis 3.6 is not supported in the case of Saudi Arabia. Table 7.14 shows the results of the correlation between export success and the type of promotional tools by using correlation analysis.

Table 7.14: Correlation Between Export Success and Type of Promotion Tools.

Promotional and advertising activities	Export intensity		Export growth	
	Group1	Group2	Group1	Group2
1- International exhibitions	46 number of firms 47.9% percent	50 52.1% percent	52 number of firms 58.4% percent	37 41.6% percent
	$\tau=.0817$ $P=.394$ NS		$\tau=.1092$ $P=.274$ NS	
2-Advertising in the trade journals	46 number of firms 47.9% percent	50 52.1% percent	52 number of firms 58.4% percent	37 41.6% percent
	$\tau=.1198$ $P=.196$ NS		$\tau=-.0148$ $P=.878$ NS	
3-Advertising on radio	43 number of firms 46.7% percent	49 53.3% percent	48 number of firms 56.5% percent	37 43.5% percent
	$\tau=.0927$ $P=.338$ NS		$\tau=-.1824$ $P=.069$ NS	
4- Advertising on TV	44 number of firms 47.3% percent	49 52.7% percent	50 number of firms 58.1% percent	36 41.9% percent
	$\tau=.0379$ $P=.687$ NS		$\tau=-.1598$ $P=.102$ NS	
5-Regular visits to importers in the overseas markets	46 number of firms 48.4% percent	49 51.6% percent	51 number of firms 58.% percent	37 42% percent
	$\tau=.1559$ $P=.103$ NS		$\tau=.2130$ $P=.032$ *	
6- Joint efforts with distributors	46 number of firms 47.9% percent	50 52.1% percent	52 number of firms 58.4% percent	37 41.6% percent
	$\tau=.0423$ $P=.650$ NS		$\tau=.0192$ $P=.843$ NS	

$p \leq 0.050$  \*

$p > 0.050$  NS (not significant)

Group1 successful exporters

Group2 less successful exporters

#### 7.6.4.1 Discussion

The results of this research suggest that most types of promotional tools have no significant relationship to export success, as measured by the export ratio and export growth, the exception being regular visits to importers in the overseas markets, which has been found to be associated with export success. In this respect, there is agreement with the findings of other researchers who stress the importance of personal visits as a promotional factor associated with export success. Cunningham and Spigel (1971) reported general agreement among the winners of the Queen's Award for export that personal visits were an important factor in their success. Bodur (1994), in his study of Turkish exporters, found that frequent visits to foreign markets were correlated with success. Also Moini (1995), in a study of Wisconsin exporters, found that successful exporters tended to make more frequent visits to foreign markets.

In contrast, Cooper and Kleinschmidt (1985) found that the level of foreign visits was not associated with any group, the

world orientation firms (market diversification firms) or the nearest neighbour orientation (market concentration) firms.

The explanation of the finding that there is generally no association between export success and export promotion tools except for frequent visits to foreign markets, may be that Saudi exporters do not have the requisite budgets for promotion in international marketing. Alternatively, since Saudi exporters are newcomers to international marketing, they do not as yet recognise the importance of this factor in export success.

### 7.7 Summary

This chapter has established the main relationship between performance and selected characteristics of firms in Saudi Arabia. The results show that there is no significant correlation between the size, age, or export experience of the firm and its export success. However, a very highly significant positive correlation was found between the success of exporters (as measured by export intensity and export growth) and export strategy (number of export markets).

Also, the successful exporters are more likely to undertake export market research, prepare an export marketing plan, be managed by highly educated people who speak more than one language, have very good relations with suppliers and understand the international business culture. In addition, the quality of the product, labelling and the regular visits to importers in the overseas markets were important factors to their success.

The next chapter, will present an overall summary of the study, discuss its implications and make recommendations.

## CHAPTER EIGHT

### SUMMARY, IMPLICATIONS AND RECOMMENDATIONS OF THE STUDY

## Introduction

This chapter is divided into two parts. The first part summarises the main factors associated with successful exporters in Saudi Arabia. Characteristics investigated included the size, age, export experience and export marketing strategy of firms. Other factors thought to be associated with export success, such as export marketing research, planning, availability of a separate export department, managerial strength (such as number of languages spoken, education and export experience of the decision-maker), management strength and the 4Ps (product, price, promotions and advertising, and place) were also examined. In relation to these factors, several hypotheses were formulated (see Chapter 5), based on the literature (see Chapters 3 and 4). The outcome of testing these hypotheses is discussed in the first part of this chapter, and the main obstacles faced by Saudi exporting firms are highlighted.

The second part of this chapter considers the implications of this study for Saudi Arabian exporting firms and makes

recommendations accordingly. Also, the limitations of this study are acknowledged and suggestions made for further research.

### 8.1 The Findings

In order to achieve the main objective of this study, the exporting firms were classified into successful and less successful exporters with respect to two measures, their export ratio and their export sales growth (Chapter 3 addressed this point in greater detail).

The findings of this research were presented in Chapters 6 and 7. Chapter 6 presented a profile of the respondents, with a breakdown of each characteristic (the size of the firm, the industry category, the age of the firm, and the export experience of the firm). The firms were also classified into two groups (successful and less successful exporters). Chapter 7 established the main characteristics of the successful exporters and the factors that may be associated with export success. The SPSS statistical program (correlation and Chi-square test) was used to test the hypotheses of this research, which suggested that successful exporters are likely to be bigger and older, have more

export experience and employ a diversification strategy in their choice of export markets. In addition, the successful exporters, it was proposed, would be more likely to have a separate export department, have management strength, and carry out market research, export planning and product mix modifications.

#### 8.1.1 Firm Characteristics and Export Success:

The first part of Chapter 7 examined some characteristics of firms (size, age, export experience, and export marketing strategy) and their influence on export success. The results of the test revealed no correlation between the size, age or the firm's export experience and its export success. Therefore, there is no significant association between export success and these particular firms' characteristics.

However, regarding export strategy, as one of the characteristics of the more successful exporting firms from Saudi Arabia, by using correlation analysis, a significant positive correlation between the success of exporters (as measured by export intensity and export growth) and export strategy (number of export markets) was shown. Therefore, those firms adopting a

market diversification strategy are more successful than the firms adopting a market concentration strategy.

## 8.2 Other Factors Associated with Export Success:

The second part of Chapter 7 examined other factors potentially associated with export success (such as availability of an export department, market research activities, marketing planning, management strength of the firm and product mix modifications).

### 8.2.1 Export Market Research:

The data revealed that the majority of firms undertake market research before taking an export decision. Approximately 43% of the firms (successful exporters as measured by export intensity) carried out market research before they took an export decision, while only 6.3% of the firms did not do market research before an export decision. In the other group (less successful exporters), approximately 31% of the firms carried out market research before they took an export decision. However, around 20% of the firms did not undertake market research before an export decision.

Regarding export success as measured by the export growth measure, approximately 48 percent of the firms (successful exporters) carried out market research before taking an export decision, while about 10 percent of the firms did not undertake market research before taking an export decision. In the other group (less successful exporters), 25.8 percent of the firms carried out market research before taking an export decision. However, 15.7 percent of the firms did not carry out market research before they took an export decision.

The Chi-square test showed that this factor is significantly associated with export success (as measured by both export intensity and export growth). Therefore, the successful exporters are more likely to carry out market research before making an export decision.

### 8.2.2 Marketing Planning:

A comparison of both groups (successful and less successful exporters) using different export measures (export ratio and export growth) revealed a positive correlation between export success and commitment to the preparation of a formal written

export marketing plan. Using the export ratio measure, it was found that approximately 40% of the firms (successful exporters) prepared a written export marketing plan while around 8% did not. On the other hand, of the less successful exporters, 32.3% of the firms prepared a written marketing plan and approximately 20% did not.

With the export growth measure, approximately 48% of the firms (successful exporters) prepared a marketing plan and only 10.1% did not. However, of the less successful exporters, 22.5% of the firms prepare a written marketing plan and 19.1% did not. The results of the Chi-square tests show  $p < 0.05$  or better. Therefore, in this case, the hypothesis which suggests that performance is associated with planning, was accepted.

### 8.2.3 Export Department:

In measuring export success by the export ratio, it was found that approximately 21% of the firms (successful exporters) had a separate export department to handle export activities while 27.6% did not. On the other hand, of the less successful

exporters, 14.3% of the firms had a separate export department while 36.7% of them did not.

However, when export success was measured by export growth, only 23.1% of the successful exporters had a separate export department, while 35.2% did not. Of the less successful exporters, 12.1% of the firms had a separate export department but 29.7% did not.

In this study, no correlation was found between export success (export ratio and export growth) and the presence of an export department. A possible explanation for this result is that the exporting firms in this study may reduce the cost by passing the responsibility of exporting to the marketing department.

#### 8.2.4 Management Characteristics:

Two main aspects of management characteristics were highlighted. The first aspect was the main characteristics of the chief executive in charge of export decision-making, while the second aspect was management strength, as represented by good relations with suppliers and understanding of the international

business cultures. The chi-square and correlation tests were applied.

#### 8.2.4.1 Managerial Characteristics

The managerial characteristics examined in this research were the education, international marketing experience and knowledge of languages of the executive in charge of export decision-making.

Education was found to be associated (significant at  $p < 0.05$  or better) with the firm's export success (in both measures, export intensity and export growth). Therefore, there is an association between the education level of the export decision-maker and the firm's success. As such, hypothesis H2.4 is accepted, in the case of Saudi Arabian exporters.

Furthermore, the number of languages that the executive (in charge of export decision-making) speaks, seems also to be related to export success as measured by export intensity (significant at  $p < 0.05$  or better).

The variable “international marketing experience” of the executive in charge of export decision-making, may possibly be associated with export success, as measured by export intensity, though the correlation coefficient did not reach the criterion significance level.

#### 8.2.4.2 Management strength

Both the factors chosen to describe management strength, namely the importance of good relations with suppliers and of understanding the international business culture were found to be statistically significantly associated at  $p < 0.05$  or better with export success, as measured by the export ratio.

#### 8.2.5 Marketing Mix:

##### 8.2.5.1 Product:

Two aspects of product strength were highlighted; the first contained three factors (wide product range, high product quality and product uniqueness) which describe product strength. The second focused on product modifications which encompassed six factors, and the relationship between the importance of these six factors and export success.

A significant positive correlation was evident between the success of exporters, as measured by export ratio, and the variable, “high product quality”. However, for the variables, “product uniqueness” and “wide product range”, no correlation with export success was found.

The second type of product strength is product modification, which consists of six factors, namely: size of packaging, labelling, colour of packaging, packaging materials, raw materials used in the product, and design.

A significant positive correlation was found between the success of exporters, as measured by export ratio, and the importance of the variable “labelling”. However, for the other five variables, no correlation was found.

#### 8.2.5.2 Price:

The coefficients of the correlation between export success (as measured by export ratio and export growth) and price strengths were found to be not significant. Therefore, hypothesis 3.3, which investigates the relationship between performance and pricing strategy was rejected.

#### 8.2.5.3 Distribution channels:

As regards distribution strength, two hypotheses were put forward (H3.4 and H3.5). Hypothesis 3.4 investigated the relationship between performance and reliability of delivery while Hypothesis 3.5 considered the association between performance and the importance placed on the following export channels: retailers, distributors and wholesalers in importing countries, agents in the Saudi market.

The correlation coefficient showed no significant correlation between export success and the importance of the “reliability of the delivery” factor. Regarding the importance of the export channels and its correlation with export success, also, the results showed that there is no significant association between export success and any export channels.

#### 8.2.5.4 Promotion

Using correlation analysis no significant relationship was shown between export success (as measured by export ratio and export growth) and most of the promotion activities in Saudi exporting firms, except for one factor which was found to be associated

with export success, that is, regular visits to overseas markets. Therefore, hypothesis 3.6 is in general not supported in the case of Saudi Arabia.

### 8.3 Obstacles Facing Saudi Exporters:

According to the firms' respondents, the major obstacles faced by Saudi exports are: competition with foreign firms in export markets; lack of information on potential export markets; and dumping strategy in some export markets. These three barriers can be classified as marketing obstacles, and are to some extent controllable. The fourth and fifth obstacles are increasing tariffs in other countries and restrictions in importing countries; these can be classified as external barriers and are to some extent uncontrollable. The above barriers are the five most important obstacles faced by Saudi exporters.

A number of factors were suggested to firms which may improve Saudi exports and overcome such obstacles. The most important five factors, in the perception of respondents, are as follows: giving more discounts to exporters for loading and transportation, establishing an up-to-date computer information

system, to provide exporters with information about the international market; incentive agreements with other countries for custom exemptions; Saudi Arabian embassies being more active in supporting exporters; and, finally, expediting the procedure for export in Saudi Arabia.

Moreover, some firms complained about the high electricity connection fees; therefore, the investigation suggests special electricity connection fees for exporter firms may be adopted.

#### 8.4 Summary

Table 8.1 summarises the results of the hypothesis tests in this research. The aim was to find any relationship between export success (as measured by export ratio and export growth) and other factors like size, age, export experience and export marketing strategy, export marketing research, marketing planning, availability of a separate export department, managerial strength (such as number of languages spoken, education and export experience of the decision maker), management strength and 4Ps (product, price, promotions and advertising, and place).

Table 8.1: Summary of the Results of the Hypothesis Tests

The Hypothesis	<u>Export ratio</u>	<u>Export growth</u>
<p><b><u>Hypothesis 1.1:</u></b></p> <p>There is a relationship between export performance and firm size.</p>	Rejected	Rejected
<p><b><u>Hypothesis 1.2:</u></b></p> <p>There is a relationship between export performance and export experience.</p>	Rejected	Rejected
<p><b><u>Hypothesis 1.3:</u></b></p> <p>There is a relationship between export performance and age of the firm.</p>	Rejected	Rejected
<p><b><u>Hypothesis 1.4:</u></b></p> <p>There is a relationship between export performance and export strategy</p>	Accepted	Accepted
<p><b><u>Hypothesis 2.1:</u></b></p> <p>There is an association between export performance and research activities</p>	Accepted	Accepted

<p><b><u>Hypothesis 2.2:</u></b></p> <p>There is an association between export performance and the frequency of seeking information from:</p> <p>1-Saudi Export Development Centre</p> <p>2-Saudi Chambers' Council</p> <p>3-Foreign Embassies in Saudi Arabia</p> <p>4-Saudi trade offices abroad</p> <p>5-Commercial banks in Saudi Arabia</p> <p>6-Measurement &amp; Standardisation Organisation</p> <p>7-Consulting companies/market research agencies based in Saudi Arabia</p> <p>8-Consulting companies/ market research agencies based in importing country</p>	<p>Rejected</p> <p>Rejected</p> <p>Rejected</p> <p>Rejected</p> <p>Rejected</p> <p>Rejected</p> <p>Rejected</p> <p>Rejected</p> <p>Accepted</p>	<p>Rejected</p> <p>Rejected</p> <p>Rejected</p> <p>Rejected</p> <p>Rejected</p> <p>Rejected</p> <p>Rejected</p> <p>Rejected</p> <p>Rejected</p>
<p><b><u>Hypothesis 2.3:</u></b></p> <p>There is an association between export performance and planning</p>	<p>Accepted</p>	<p>Accepted</p>
<p><b><u>Hypothesis 2.4:</u></b></p> <p>There is an association between export</p>	<p>Rejected</p>	<p>Rejected</p>

performance and organisation of exporting.		
<p><b><u>Hypothesis 2.5:</u></b></p> <p>There is an association between export performance and the background of decision makers in relation to:</p> <p>1-Education .</p> <p>2- Knowledge of languages</p> <p>3- International marketing experience.</p>	<p>Accepted</p> <p>Accepted</p> <p>Rejected</p>	<p>Accepted</p> <p>Rejected</p> <p>Rejected</p>
<p><b><u>Hypothesis 2.6:</u></b></p> <p>There is an association between export performance and managerial strengths in relation to:</p> <p>1-Good relations with suppliers</p> <p>2-Understanding of international business culture</p>	<p>Accepted</p> <p>Accepted</p>	<p>Rejected</p> <p>Rejected</p>
<p><b><u>Hypothesis 3.1:</u></b></p> <p>There is a relationship between export performance and management of the marketing mix, specifically:</p> <p>1-Wide product range.</p>	<p>Rejected</p>	<p>Rejected</p>

2-High product quality.	Accepted	Rejected
3-Product uniqueness.	Rejected	Rejected
<b><u>Hypothesis 3.2:</u></b>		
1-Size of packaging	Rejected	Rejected
2- Labelling	Accepted	Rejected
3-Colour of packaging	Rejected	Rejected
4-Packaging materials	Rejected	Rejected
5-Raw materials used in the product	Rejected	Rejected
6-Design	Rejected	Rejected
<b><u>Hypothesis 3.3:</u></b>		
1-Price competitiveness	Rejected	Rejected
2-Low production cost	Rejected	Rejected
<b><u>Hypothesis 3.4:</u></b>		
1-Reliability of delivery	Rejected	Rejected
<b><u>Hypothesis 3.5:</u></b>		
1-Retailers in importing countries	Rejected	Rejected
2-Distributors in importing countries	Rejected	Rejected
3-Wholesalers in importing countries	Rejected	Rejected
4-Agents in Saudi market	Rejected	Rejected

<b><u>Hypothesis 3.6:</u></b>		
1-International exhibition	Rejected	Rejected
2-Advertising in trade journals	Rejected	Rejected
3-Advertising on radio	Rejected	Rejected
4-Advertising on TV	Rejected	Rejected
5-Regular visits to overseas markets	Rejected	Accepted
6-Joint efforts with distributors	Rejected	Rejected
7-Promotional programme through trade associations	Rejected	Rejected

### 8.5 Implications and Recommendations of the Study:

The implications and recommendations of this study were developed from two sources:

1-General information and comments gathered from the questionnaire and introductory interviews.

2-The literature on determinants of export success, from countries of different economic status (developed and developing countries).

It is hoped that awareness of the study's implications and implementation of its recommendations would help to create a climate more conducive to export success for Saudi business enterprises.

#### 8.5.1 Marketing Planning:

Saudi exporters in the first instance should establish the firm's main marketing objective which should be both realistic and clear. Then, they should develop plans for the short-term (one year) and the long-term (ten years) for both local market and international markets, with a degree of flexibility (the ability to respond to external and internal changes).

In preparing the marketing plan the Marketing Manager should address the following questions:

- Have previous assessments helped the firm's export performance in the past?
- What are the firm's strengths and weaknesses?
- What are the target export markets of the firm?

- What marketing strategy is needed to enter that market?
- Who are the primary competitors?
- What are the strengths and weaknesses of the competitors?
- How do they succeed?
- What resources do we need to achieve success?

#### 8.5.2 Marketing Research:

There are some difficulties in carrying out export market research from Saudi sources alone, because of the lack of information about potential export markets. Therefore, it is suggested that Saudi exporters consult other sources, such as companies/market research agencies based in importing countries, foreign embassies in Saudi Arabia and the Saudi embassies in importing countries.

Moreover, with the beginning of the 21<sup>st</sup> century, Saudi exporters should be connected (by E-mail and the internet) with Saudi trade offices abroad and their agents in export markets (distributors, wholesalers, retailers) to obtain the latest

information about any export market, and to respond quickly to the external environment.

In addition, Saudi exporters should consider the following questions when carrying out export market research:

- What is the business environment (political, economic religion, language, demographic etc.) for the export market?
- What are the barriers (tariffs, differences in exchanging currency, and other restrictions in importing countries) in the export market?
- What are the customers' needs and preferences?
- Is there a need to adapt the marketing mix (product, price, promotion, export channels) to the export market?
- What is the firm's sales potential (costs, sales, profitability etc.)?

It is recommended for very good results to hire a professional research agent who has good experience in the export market.

### 8.5.3 Management Strength:

The management of the firm is crucial. Therefore, Saudi exporters should take great care when appointing managers; this may be even more relevant for LDC firms because of their position, as relative newcomers to exporting. Consequently:

- Saudi exporters should appoint marketing or export department managers who have a higher level of education in this field.
- Saudi exporters should appoint marketing or export managers who have a better knowledge of languages.
- Saudi exporters should appoint marketing managers who have good export experience.
- Saudi exporters should train their staff in export marketing and consider the establishment of a specific department in this respect.

### 8.5.4 Export Markets:

The most important advice which could be offered regarding export markets is that Saudi exporters (new exporters in

particular) should start their export activities to a country which has a similar environment (culture and religion, law, language) and consumer preferences. Careful consideration of the destination of exports should also be taken into account; in the case of Gulf countries, Saudi exporters do not need to adapt (or need only to slightly adapt) their products to meet the local need of the customer in the export market.

Also, exporting firms (new exporters in particular) should choose markets with little competition and a high-growth rate. Also, "Made in Saudi Arabia" has a special importance in Muslim countries in particular.

Moreover, new Saudi exporting firms should adopt a concentration strategy in the beginning, focusing on a limited number of countries, such as the Gulf Countries, until they get used to the international markets, and export procedures, then spread their effort gradually by increasing the number of markets to which they export (diversification strategy).

### 8.5.5. Marketing Mix Adaptation

#### 8.5.5.1 Product:

Saudi exporters should adapt their product to match customer preferences and the export market environment (religion, language, legislation, etc.).

As regards product modifications, product characteristics should suit the export market requirements in terms of size of packaging, colour of packaging, packaging materials, raw materials used in the product, design and labelling (e.g. made in Saudi Arabia, which has special importance in Muslim countries in particular). Also the quality of the product and variety are important factors for success.

#### 8.5.5.2 Price:

Saudi exporters should adapt their prices to the export markets. The main problem which some Saudi exporters is that they think they will get high profit through exporting. However, the best advice to them may be to minimise their export profit expectations at least in the early stages.

Other points that could help Saudi exporters in the international markets include discounts, free gifts, and long term guarantees.

#### 8.5.5.3 Distribution Channels:

Saudi exporters should set up a policy for selecting the right distribution channels which would provide the right information. This depends on the type of product and the distance between the export market and the Saudi market.

Saudi exporters should also be more reliable in terms of delivery promises, to build up their reputation and competitiveness in the international markets.

Also, its recommended that Saudi exporters link up with their distributors by E-mail to get the latest information about the export markets.

#### 8.5.5.4 Promotion:

Saudi exporters should adapt their promotion programmes according to the religion, language and government regulations of the export market.

They also need to carry out regular visits to their importers in the overseas market, to be in touch with their market as well as to get feedback from the importers about the export market.

#### 8.5.6 Obstacles Facing Saudi Exporters

Although the Ministry of Industry has provided some incentives for Saudi firms, Saudi exporters are still looking for more support from the Ministry of Industry and other agencies. Their main needs could be met by :

- Establishing a new organisation which has executive authority. Such an organisation should be linked (at high level) with the Saudi government to be responsible for export activities.
- Granting more discounts to exporters for loading and transportation (allowing for WTO regulations).
- Establishing an up-to-date computer information system to provide exporters with information about any international market.

- Arranging incentive agreements with other countries for custom exemptions, to arrange an open market between these countries. This would be a task for the Trade Ministry.
- Speeding up export procedures in Saudi Arabia and better linkage with embassies.
- Introducing special electricity connection fees for exporting firms.
- Co-operation between firms which produce similar products, to import raw materials via one order from the same supplier, instead of ordering them individually, to reduce costs.

### 8.6 Limitations and Suggestions for Further Research:

This study, like all studies, has limitations, which will now be highlighted with some suggestions for further research to overcome these limitations.

- A structured survey approach was used in this investigation resulting in quantitative analysis. However, further studies could use both quantitative and qualitative methods.

- The target population of this study was all non-oil producing exporting firms in Saudi Arabia. The source of information about the target population was the Saudi Export Directory (1995), produced by the Saudi Export Development Centre. The sampling frame comprised all firms which had been involved in exporting for at least two years. Based on the above condition, a total of 411 exporting firms which had at least two years experience was the sampling frame which formed the basis of this research. Allowing for location problems, further research could use an extended sampling frame. which did not rely on government sources
- The main objective of this thesis was to compare successful and less successful exporters in terms of their firm characteristics and other factors associated with export success. The selection of factors included in this study was made after reviewing export behaviour and performance literature. However, this study does not claim to be exhaustive, and further research could study the indirect effect of the same factors (by combining two factors or more together) in relation to the export performance of the firms.

Further research using multi-variate analytical techniques is suggested in order to shed light on various relationships between particular variables (firm size, commitment etc.) not investigated in this study. Indeed, analysis such as the use of LISREL may help explain causal paths which would have direct implications for policy makers in gaining a better understanding of the impact of the multitude of factors identified within this study as influencing export performance.

- No distinction was made in this research between industrial and consumer products. However, further research could investigate this point.
- No distinction was made in this research between those firms which have foreign shareholders and those firms which have not. However, further research could study this area.
- Regarding the measures of export performance, from the review of literature on export performance measures in Chapter 3, it was found that no export measure is free from criticism. Since considerable criticism has been levelled against studies using a single export performance measure as

a single indicator, the researcher in this study used two measures of export success: export sales ratio (percentage of export sales or export intensity) over the period 1993, 1994 and 1995, and export growth, which is the yearly growth in export volume in the same period (1993, 1994 and 1995). Nevertheless, this study cannot claim that the measures of export performance in this study are the most appropriate ones. Further research could use additional measures of export success, such as export profitability, or could ask the decision maker, whether the firm met its objectives (successful exporter) or not (less successful exporter).

- This research was limited to three years of export performance; further research could be based over a longer period using a longitudinal analytical approach to investigate the data.

Interestingly, while the findings within this thesis offer a contribution to the academic knowledge in this field of study, it might be suggested that the Saudi Arabian government policy makers are potentially already aware of some of the issues

discussed in this investigation from their own studies. This in itself raises questions about why particular factors concerning assistance in export development have not already been addressed although such matters are issues in their own right for further studies to take this work further. Nevertheless, it is believed that the public/private sector interaction within the specific circumstances outlined in this study provide the basis on which further research can build. In the meantime, a contribution to knowledge has been made, although the findings should not be generalised outside of the context described in this thesis.

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## Appendix 5.1

# Questionnaire For Saudi Firm exporters

### Part 1 : Information about the firm

Which of the following industries does your firm belong to? please tick (/)

1-Textile & Leather products	( )	2- Paper products	( )
3- Furniture	( )	4- Animal products	( )
5- Chemical products	( )	6-Grain and farm products	( )
7- Plastic products	( )	8- Food and beverages	( )
9- Mineral products	( )	10- Building materials	( )
11-Engineering and electric products.	( )	12- Others products specify -----	( )

How many employees are in your firm? ----- employees

For how long has your firm been exporting? ----- years

For how many years has your firm been in business? ----- years

What is the total sales volume of your firm ? -----Million

What percentage of your production capacity is utilised? -----%

Where is the location of your firm ?

Middle Region [ ]      2-West Region [ ]      3- East Region[ ]  
 North Region [ ]      5-South Region[ ]

Does your firm have foreign share holders ?  
 yes ( ) please go to question 9      no ( ) please go to question 11

What is the percentage of your firm's capital held by foreign companies?-----%

)- To what extent does your foreign shareholders provide input into your firm's operations in following areas:

	To a greater extent	very much	somewhat some extent	not much	not at all
Production technology	( )	( )	( )	( )	( )
Product development	( )	( )	( )	( )	( )
Market information	( )	( )	( )	( )	( )

## **Part 2 : Decision makers' characteristics**

-What is the education of the Chief Executive in charge of export decision making ?  
 Less than high School( ) 2-High School ( ) 3-University( ) 4-Post Graduate( )

- What is the field speciality of the Chief Executive in charge of export decision making?  
 1- Business ( ) 2- Others -----

-What is the tongue language of the Chief Executive in charge of export decision making ?  
 1- Arabic ( ) 2- English ( ) 3- Others ( ) -----

-What other languages does he speak ?  
 1- Arabic ( ) 2- English ( ) 3- Others ( ) -----

- How many years experience does the decision maker have in export or international marketing?  
 -----years

## **Part 3 : Obstacles to exporting :**

- Please complete the table below and tick the box (/) which is most appropriate

<b>Obstacles to export</b>	extremely important	very important	important	not important	not at all important
1. Lack of the right personnel involved in exports	( )	( )	( )	( )	( )
2. Lack of experience in exporting	( )	( )	( )	( )	( )
3. Unfamiliarity with export documents & licenses , shipping, and procedures	( )	( )	( )	( )	( )
4. Complex export procedures	( )	( )	( )	( )	( )
5. Obstacles related to Saudi Seaports	( )	( )	( )	( )	( )
6. Insufficient companies specialising in exports	( )	( )	( )	( )	( )

<b>Obstacles to export</b>	<b>extremely important</b>	<b>very important</b>	<b>important</b>	<b>not important</b>	<b>not at all important</b>
7. Insufficient production capacity to meet foreign demand	( )	( )	( )	( )	( )
8. Different standards of the product	( )	( )	( )	( )	( )
9. High standard requirement of the technology in the industry	( )	( )	( )	( )	( )
10. Difficulties in the finance from international markets	( )	( )	( )	( )	( )
11. High transportation cost in S.A	( )	( )	( )	( )	( )
12. Cost of the labour in to S.A	( )	( )	( )	( )	( )
13. Cost of the intermediate local products	( )	( )	( )	( )	( )
14. Lack of insurance cover	( )	( )	( )	( )	( )
15. Differences in exchanging currency	( )	( )	( )	( )	( )
16. Increasing tariffs in other countries	( )	( )	( )	( )	( )
17. High cost of Saudi Seaports	( )	( )	( )	( )	( )
18. Cost of importing raw material	( )	( )	( )	( )	( )
19. High transportation cost out of S.A	( )	( )	( )	( )	( )
20. Competition with foreign firms in export markets	( )	( )	( )	( )	( )
21. Supplying services in foreign markets	( )	( )	( )	( )	( )
22. Restrictions in importing countries	( )	( )	( )	( )	( )
23. Unclear trade agreements with other countries	( )	( )	( )	( )	( )
24. Lack of information about potential export markets	( )	( )	( )	( )	( )
25. Dumping strategy in some export markets	( )	( )	( )	( )	( )
26 Other obstacles----- -----	( )	( )	( )	( )	( )

17-Please indicate how important the following factors may contribute towards improving Saudi exports :

	Extremely agree	Very much agree	Agree	don't agree	don't agree at all
1-Incentive agreement with other countries for custom exception	( )	( )	( )	( )	( )
2-Support the organisations which are responsible for exports	( )	( )	( )	( )	( )
3-Give special price to exporters for transportation and loading	( )	( )	( )	( )	( )
4- The procedure of export should be faster	( )	( )	( )	( )	( )
5-Give subsidy to exporters.	( )	( )	( )	( )	( )
6-The S.A embassies should be more active in supporting exporters	( )	( )	( )	( )	( )
7-Give exporters special price to exhibit their products abroad	( )	( )	( )	( )	( )
8-Free charge for the new exporters to exhibit their products abroad	( )	( )	( )	( )	( )
9-Establish up-to-date computer information system to provide exporters with information about any international market	( )	( )	( )	( )	( )
10- Special price from SABIC companies to exporter firms	( )	( )	( )	( )	( )
11-Encourage overseas companies to invest in Saudi Arabia	( )	( )	( )	( )	( )
12-Establish special companies which are responsible for export activities	( )	( )	( )	( )	( )
13-Reduce the customs in importing intermediate products for exporters	( )	( )	( )	( )	( )
14- Establish special bank to support exporters in their operations (specially new exporters)	( )	( )	( )	( )	( )
15- Special price for exporters when they bring labour in to Saudi Arabia.	( )	( )	( )	( )	( )
16- Others-----					

# **SPECIAL NOTE**

**This item is tightly bound  
and while every effort has  
been made to reproduce the  
centres force would result  
in damage.**

#### **Part 4 Market research and planning activities**

18-Does your firm have a separate department for export? yes [ ] no [ ]

19-Do you carry out market research before you take an export decision? yes [ ] no [ ]

20- How many staff are totally dedicated to export strategy and procedures within your firm?-----

21- Does your firm have a formal written marketing plan for exporting?  
yes [ ] if yes please answer Q 22 no [ ] if no, proceed to Q 23

22- Please indicate the level of importance of export activities as covered in your firm's marketing plan based on the following time-frame :

	extremely important	very important	important	not important	not at all important
One year plan	( )	( )	( )	( )	( )
Two - three years plan	( )	( )	( )	( )	( )
More than three years plan	( )	( )	( )	( )	( )

23-Please indicate how frequently you have consulted each of the following sources of information and how you assess these sources?

assessment				source of information			frequency of consultant			
not useful	slightly useful	of average use	quite useful	very useful		very frequently	quite frequently	sometimes	hardly	never
( )	( )	( )	( )	( )	1-Saudi Export Development Centre	( )	( )	( )	( )	( )
( )	( )	( )	( )	( )	2-Saudi Chambers' Council	( )	( )	( )	( )	( )
( )	( )	( )	( )	( )	3-Foreign embassies in Saudi Arabia	( )	( )	( )	( )	( )
( )	( )	( )	( )	( )	4-Saudi trade abroad offices	( )	( )	( )	( )	( )
( )	( )	( )	( )	( )	5-Commercial banks in Saudi Arabia	( )	( )	( )	( )	( )
( )	( )	( )	( )	( )	6-Measurement & Standardisation Organisation	( )	( )	( )	( )	( )
( )	( )	( )	( )	( )	7-Consulting companies/market research agencies based in Saudi Arabia	( )	( )	( )	( )	( )
( )	( )	( )	( )	( )	8-Consulting market research agencies based in importing countries	( )	( )	( )	( )	( )

24-How important is each of the following types of information in making export decisions?

	extremely important	very important	average important	not important	not at all important
1. Demand in export markets	( )	( )	( )	( )	( )
2. Market size	( )	( )	( )	( )	( )
3. Political / social background of export market	( )	( )	( )	( )	( )
4. Rules and regulations in export market	( )	( )	( )	( )	( )
5. Cultural similarity of your markets	( )	( )	( )	( )	( )
6. Economic indicators	( )	( )	( )	( )	( )
7. Competitive product available in the market	( )	( )	( )	( )	( )
8. Ways to adapt current product for the export market	( )	( )	( )	( )	( )
9. Price trends	( )	( )	( )	( )	( )
10. Buyers preferences	( )	( )	( )	( )	( )
11. Reaction from product exposure in export market	( )	( )	( )	( )	( )

**Part 5 : Export performance**

25-What is the total sales volume of your firm in the last three years 1993 ,1994 and 1995 ?

a) In total ?      b) Exporting only ?

years	Total sales	Export sales only
1993		
1994		
1995		

26- During the last three years (1993,1994 and 1995) what is the percentage of export profit to total profit?

years	Percentage of export profit from total profit.
1993	----- %
1994	----- %
1995	----- %

27- During the last three years (1993, 1994 and 1995) how would you rate your export performance?

	far below expectations	below expectations	as expected	above expectations	far above expectations
Export sales volume	( )	( )	( )	( )	( )
Export sales growth	( )	( )	( )	( )	( )
Export profitability	( )	( )	( )	( )	( )

**Part 6 : Export market strategy**

28- To how many countries is your firm currently exporting? ----- countries

29- Could you state your major exporting countries and the percentage exported to these countries :

country	percentage
a-	----- percent
b-	----- percent
c-	----- percent
others	----- percent

30- What percentage of your firm's exports were made to these export markets during the past year ?

<u>International markets</u>	<u>percentage</u>	<u>International markets</u>	<u>percentage</u>
1- G.C.C states (Gulf countries)	-----%	2- Arab league member state	-----%
3- Non - Arab Moslem countries	-----%	4- Non - Islamic/ Arab Asian countries	-----%
5- America	-----%	6- European countries union	-----%
7- Australia	-----%	8- East European countries	-----%
9- Russia	-----%	10- Other countries	-----%

**Part 7 : Marketing mix strategy**

31- What modifications are made to the product characteristics to suit the export market requirement?

Changes	major	moderate	some	minor	none
1- Size of packaging	( )	( )	( )	( )	( )
2- Labelling	( )	( )	( )	( )	( )
3- Colour of packaging	( )	( )	( )	( )	( )
4- Packaging materials	( )	( )	( )	( )	( )
5- Raw materials used in the product	( )	( )	( )	( )	( )
6- Design	( )	( )	( )	( )	( )

7- Others please describe -----  
-----  
-----

32-What is the importance of each of the following promotional activities in your firm's export promotion programmes ?

	extremely important	very important	important	not important	not at all important
1-External Exhibition	( )	( )	( )	( )	( )
2-Advertising in the trade journals	( )	( )	( )	( )	( )
3-Advertising on radio					
4- Advertising on TV	( )	( )	( )	( )	( )
5-Regular visits to importers in the overseas markets	( )	( )	( )	( )	( )
6- Joint efforts with distributors	( )	( )	( )	( )	( )

7- Others please describe -----  
-----  
-----

33-How important is each of the following export channels in your firm's export activities :

	extremely important	very important	important	quite important	not at all important
1. Retailers in importing countries	( )	( )	( )	( )	( )
2. Distributors in importing countries	( )	( )	( )	( )	( )
3. Wholesalers in importing countries	( )	( )	( )	( )	( )
4. Agents in Saudi market	( )	( )	( )	( )	( )

5-Others -----  
-----  
-----

34-Please indicate below how important each of the following factors are in your firm's competitive exportin strength.

	extremely important	very important	important	quite important	not at all important
1-Wide product range	( )	( )	( )	( )	( )
2-High product quality	( )	( )	( )	( )	( )
3-Product uniqueness	( )	( )	( )	( )	( )
4-Price competitiveness	( )	( )	( )	( )	( )
5-Policy on selection of the right overseas distribution channel	( )	( )	( )	( )	( )
6-Low production cost	( )	( )	( )	( )	( )
7-Tight cost control.	( )	( )	( )	( )	( )
8-Reliability of delivery	( )	( )	( )	( )	( )

	extremely important	very important	important	not important	not at all important
9-Very good relations with suppliers	( )	( )	( )	( )	( )
10-Understand the international business culture	( )	( )	( )	( )	( )
11-There is a commitment to quality improvement programmes	( )	( )	( )	( )	( )
12-Distributors commitment to providing market information	( )	( )	( )	( )	( )
13-Strong co-ordination among production, marketing & finance department	( )	( )	( )	( )	( )
14-Consumer is the centre of the firm thinking and activities	( )	( )	( )	( )	( )
15-Maximising customer satisfaction rather maximising sales.	( )	( )	( )	( )	( )

35- During last three years what is the percentage of export sales to total sales in your firm?

years	1- 5 %	6-10 %	11-15 %	16-20 %	21-25 %	26-35 %	36-45 %	46-55 %	56-70 %	71-90 %	90 > %
1993											
1994											
1995											

36-Please indicate to what extent the competition is in the Saudi market?

	Very Intense	Intense	Moderate	Little	None
Competition in Saudi market from:					
Local firms	( )	( )	( )	( )	( )
Imported product	( )	( )	( )	( )	( )

37-Please indicate to what extent the competition is in your export markets?

Competition in export market from :	Very Intense	Intense	Moderate	Little	None
1. Other exporters from ASIAN countries	( )	( )	( )	( )	( )
2. Exporters of other developed countries	( )	( )	( )	( )	( )
3. Saudi Exporters	( )	( )	( )	( )	( )
4. Local firms in importing countries					
5. Exporters from developing countries	( )	( )	( )	( )	( )



## Appendix 5.2

### استبيان للمصدرين السعوديين

١ - أي من المجموعات السلعية التالية تنتمي إليها شركتك؟ ضع علامة ( X ) :

( )	منتجات الورق	-٢	( )	المنسوجات والجلود	-١
( )	منتجات حيوانية	-٤	( )	الأثاث	-٣
( )	منتجات زراعية	-٦	( )	كيماوية	-٥
( )	غذائية ومشروبات	-٨	( )	بلاستيكية	-٧
( )	مواد بناء	-١٠	( )	منتجات معدنية	-٩
( )	صناعات أخرى حدها	-١٢	( )	معدات هندسية وكهربائية	-١١

- ٢ - كم عدد الموظفين في شركتك؟ ..... موظف
- ٣ - منذ متى بدأت شركتك في عملية التصدير؟ .....
- ٤ - منذ متى بدأت شركتك في الإنتاج؟ ..... سنة .
- ٥ - ما حجم المبيعات الكلي لشركتك؟ ..... مليون
- ٦ - ما هي النسبة المئوية للطاقة الإنتاجية المنتجة بها؟ .....
- ٧ - أين موقع شركتك؟  
 ( ) المنطقة الوسطى ( ) المنطقة الغربية ( ) المنطقة الشرقية  
 ( ) المنطقة الشمالية ( ) المنطقة الجنوبية
- ٨ - هل هناك شريك أجنبي لشركتك؟  
 نعم ( ) اتجه للسؤال ٩ لا ( ) اتجه للسؤال ١١
- ٩ - ما هي النسبة المئوية لارتباط شركتك بالشريك الأجنبي؟ .....
- ١٠ - إلى أي مدى يقوم الشريك الأجنبي بتزويد شركتك في المجالات التالية:

المجال	إلى مدى كبير	كبير جدا	نوعا ما	ليس كثيرا	لا يوجد
-١ تقنية الإنتاج	( )	( )	( )	( )	( )
-٢ تطوير الإنتاج	( )	( )	( )	( )	( )
-٣ معلومات عن السوق	( )	( )	( )	( )	( )

- ١١ - ما هي مؤهلات المدير المشرف على عمليات التصدير؟  
 أقل من ثانوي ( ) جامعي ( ) دراسات عليا ( )
- ١٢ - التخصص  
 ( ) تجاري ( ) تخصصات أخرى .....
- ١٣ - ما هي اللغة الأم للمدير المشرف على عمليات التصدير؟  
 ( ) عربي ( ) انجليزي ( ) لغات أخرى حدها .....
- ١٤ - ما هي اللغات التي يستطيع أن يتحدثها بطلاقة؟  
 ( ) عربي ( ) انجليزي ( ) لغات أخرى حدها .....
- ١٥ - كم عدد سنوات خبرة المدير المشرف على عمليات التصدير والتسويق الدولي؟  
 سنة .....

١٦- فيما يلي أهم العوائق التي قد تقابل عملية التصدير ، في رأيكم ما هي أهمية كل عائق منها لمصنعكم ؟

	أهم العوائق	ذو أهمية قصوى	مهم جدا	مهم	غير مهم	غير مهم أبدا
١-	افتقاد الشخص المناسب المسئول عن عملية التصدير في بعض المصانع	( )	( )	( )	( )	( )
٢-	نقص الخبرات في مجال التصدير	( )	( )	( )	( )	( )
٣-	صعوبة التآلف مع إجراءات والتصدير مثل الأذونات وإجراءات الشحن	( )	( )	( )	( )	( )
٤-	تعقيد إجراءات التصدير	( )	( )	( )	( )	( )
٥-	عدم وجود خطوط ملاحية ثابتة بين موانئ المملكة والموانئ الأخرى	( )	( )	( )	( )	( )
٦-	عدم وجود شركات كافية متخصصة في عملية التصدير	( )	( )	( )	( )	( )
٧-	الطاقة الإنتاجية للمصنع غير كافية لتغطية متطلبات السوق الدولي	( )	( )	( )	( )	( )
٨-	اختلاف في مواصفات المنتجات من سوق لآخر	( )	( )	( )	( )	( )
٩-	التكنولوجيا المتاحة أقل من متطلبات السوق الدولي	( )	( )	( )	( )	( )
١٠-	صعوبات في التمويل من الأسواق الأجنبية	( )	( )	( )	( )	( )
١١-	تكلفة نقل عالية في الداخل	( )	( )	( )	( )	( )
١٢-	تكلفة العمالة مرتفعة	( )	( )	( )	( )	( )
١٣-	تكلفة المنتجات المحلية الوسيطة عالية	( )	( )	( )	( )	( )
١٤-	نقص التغطية التأمينية	( )	( )	( )	( )	( )
١٥-	عدم ثبات أسعار صرف العملات	( )	( )	( )	( )	( )
١٦-	زيادة التعريفات الجمركية في بعض الدول	( )	( )	( )	( )	( )
١٧-	أسعار الموانئ والرسوم المفروضة تعتبر عالية	( )	( )	( )	( )	( )
١٨-	تكلفة عالية لاستيراد المادة الخام	( )	( )	( )	( )	( )
١٩-	ارتفاع تكلفة الشحن خارج المملكة	( )	( )	( )	( )	( )
٢٠-	المنافسة الحادة مع المصانع الأجنبية في السوق الدولي	( )	( )	( )	( )	( )
٢١-	صعوبة القيام بخدمات ما بعد البيع في الأسواق الدولية	( )	( )	( )	( )	( )
٢٢-	صعوبات في الدول المستوردة	( )	( )	( )	( )	( )
٢٣-	عدم معرفة المصدرين بمزايا بعض الإتفاقيات التجارية	( )	( )	( )	( )	( )
٢٤-	قلة المعلومات حول أسواق التصدير	( )	( )	( )	( )	( )
٢٥-	سياسة الإغراق في بعض أسواق التصدير	( )	( )	( )	( )	( )
٢٦-	عوائق أخرى .....	( )	( )	( )	( )	( )

١٧ - نرجو أن تشير إلى أهمية العوامل الآتية التي تساهم في تحسين الصادرات السعودية:

أهم العوامل	موافق للغاية	موافق تماماً	موافق	غير موافق	غير موافق تماماً
١- تكثيف عقد اتفاقيات الإعفاء الجمركي مع الدول الأخرى .	( )	( )	( )	( )	( )
٢- دعم الهيئات المشرفة على عمليات التصدير	( )	( )	( )	( )	( )
٣- تخفيض أسعار الشحن والنقل للمصدرين	( )	( )	( )	( )	( )
٤- إجراءات التصدير يجب أن تكون سريعة	( )	( )	( )	( )	( )
٥- إعانات مالية للمصدرين	( )	( )	( )	( )	( )
٦- السفارات والملحقيات التجارية السعودية يجب أن تكون أكثر فعالية لتدعيم المصدرين	( )	( )	( )	( )	( )
٧- أسعار مخفضة للمصدرين للعرض على نطاق أوسع	( )	( )	( )	( )	( )
٨- اشتراك مجاني للمصدرين الجدد في المعارض الدولية	( )	( )	( )	( )	( )
٩- تأسيس نظام معلومات آلي لتزويد المصدرين بالمعلومات عن الأسواق الدولية	( )	( )	( )	( )	( )
١٠- سعر خاص لمنتجات سبائك للمواد الوسيطة للمصدرين	( )	( )	( )	( )	( )
١١- تشجيع الشركات الأجنبية للاستثمار في السعودية	( )	( )	( )	( )	( )
١٢- تأسيس شركات خاصة مسنولة عن أنشطة التصدير	( )	( )	( )	( )	( )
١٣- تقليل جمارك المنتجات الوسيطة المستوردة للمصدرين	( )	( )	( )	( )	( )
١٤- تأسيس بنك خاص لتدعيم المصدرين	( )	( )	( )	( )	( )
١٥- سعر خاص للمصدرين عند إحضار عمالة للسعودية	( )	( )	( )	( )	( )
١٦- عوامل أخرى حددها .....	( )	( )	( )	( )	( )

١٨ - هل مؤسستك بها إدارة منفصلة لأعمال التصدير ؟ نعم ( ) ، لا ( )

١٩ - هل تقوم بإجراء بحث تسويقي قبل اتخاذ قرار التصدير . نعم ( ) لا ( )

٢٠ - كم عدد العاملين المفرغين كلياً لعملية التصدير ..... موظف

٢١ - هل في مصنعك خطط تسويقية موضوعة للتصدير ؟

نعم ( ) أتجه إلى سؤال ٢٢ ، لا ( ) أتجه إلى سؤال ٢٣

٢٢- ما مدى أهمية المدة للخطة الموضوعية للتصدير ؟

المدة	نو أهمية قصوى	مهم جداً	مهم	غير مهم	غير مهم أبداً
١- خطة سنوية	( )	( )	( )	( )	( )
٢- خطة لمدة من ( ٢ - ٣ سنة )	( )	( )	( )	( )	( )
٣- خطة أكثر من ثلاث سنوات	( )	( )	( )	( )	( )

٢٣ - نرجو الإشارة إلى عدد المرات التي استشرت فيها أي من المصادر الآتية عن المعلومات وما هو تقييمك لهذا المصدر إذا سبق لك أن استشرته ؟

التقييم					مصادر المعلومات	عدد مرات الاستشارة				
غير مفيدة أبداً	غير مفيدة	مفيدة	مفيدة جداً	مفيدة للغاية		دائماً	غالباً	أحياناً	نادراً	لا يتم
( )	( )	( )	( )	( )	١- مركز تنمية الصادرات	( )	( )	( )	( )	( )
( )	( )	( )	( )	( )	٢- الغرف التجارية	( )	( )	( )	( )	( )
( )	( )	( )	( )	( )	٣- السفارات الأجنبية	( )	( )	( )	( )	( )
( )	( )	( )	( )	( )	٤- الملحقيات التجارية والسفارات السعودية في الخارج	( )	( )	( )	( )	( )
( )	( )	( )	( )	( )	٥- البنوك التجارية في المملكة	( )	( )	( )	( )	( )
( )	( )	( )	( )	( )	٦- هيئة المواصفات والمقاييس	( )	( )	( )	( )	( )
( )	( )	( )	( )	( )	٧- وكالات أبحاث التسويق في المملكة	( )	( )	( )	( )	( )
( )	( )	( )	( )	( )	٨- وكالات أبحاث التسويق في الدول المستوردة	( )	( )	( )	( )	( )

٢٤ - أي من المعلومات التالية ذو أهمية في قرارات عملية التصدير لديكم ؟

غير مهم أبداً	غير مهم	مهم	مهم جداً	ذو أهمية قصوى	نوع المعلومات
( )	( )	( )	( )	( )	١- الطلبات في سوق التصدير
( )	( )	( )	( )	( )	٢- حجم سوق التصدير
( )	( )	( )	( )	( )	٣- الخلفية السياسية والاجتماعية لسوق التصدير
( )	( )	( )	( )	( )	٤- الأحكام والأنظمة في سوق التصدير
( )	( )	( )	( )	( )	٥- التشابه البيئي لسوق التصدير مع السوق السعودي
( )	( )	( )	( )	( )	٦- المؤشرات الاقتصادية
( )	( )	( )	( )	( )	٧- المنتجات المنافسة المتاحة والمتوفرة في سوق التصدير
( )	( )	( )	( )	( )	٨- طرق تكييف المنتج في أسواق التصدير
( )	( )	( )	( )	( )	٩- اتجاهات الأسعار
( )	( )	( )	( )	( )	١٠- رغبات المشترين
( )	( )	( )	( )	( )	١١- آراء ووجهات نظر المشترين الناتج من عرض المنتج في سوق التصدير

٢٥ - ما هي حجم مبيعاتك الكلية في آخر ٣ سنوات ١٩٩٢ ، ١٩٩٤ ، ١٩٩٥ بالمليون ؟

السنة	إجمالي المبيعات	مبيعات الصادرات فقط
٩٣		
٩٤		
٩٥		

٢٦ - خلال آخر ثلاث سنوات ما هي نسبة عوائد الصادرات إلى إجمالي الأرباح التي حققها مصنعك ؟

السنوات	النسبة المئوية لعائد الربح من التصدير
١٩٩٣	%
١٩٩٤	%
١٩٩٥	%

٢٧ - خلال آخر ثلاث سنوات ما هو تقييمك لأداء صادرات مصنعك ؟

	أقل من المتوقع بكثير	أقل من المتوقع	كما توقعت	فوق المتوقع	أكثر من المتوقع بكثير
حجم مبيعات التصدير	( )	( )	( )	( )	( )
نمو مبيعات التصدير	( )	( )	( )	( )	( )
ربحية التصدير	( )	( )	( )	( )	( )

٢٨ - كم عدد الدول التي تقوم شركتك بالتصدير لها حالياً ؟ ..... دولة  
٢٩ - هل تستطيع ذكر الدول الأساسية التي تصدر لها باستمرار مع ذكر النسبة للصادرات؟

الدولة	النسبة المئوية
أ -	%
ب -	%
ج -	%

٣٠ - ما هي النسبة المئوية للصادرات من شركتك للأسواق خلال العام الماضي ؟

الأسواق	النسبة المئوية	الأسواق	النسبة المئوية
١- مجلس التعاون الخليجي	%	٢- جامعة الدول العربية	%
٣- دول إسلامية (غير عربيه )	%	٤- دول آسيا غير الإسلامية	%
٥- الأمريكيتين	%	٦- الإتحاد الأوربي	%
٧- استراليا	%	٨- شرق أوربا	%
٩- جمهوريات الإتحاد السوفيتي	%	١٠- دول أخرى .....	%

٣١ - ما مدى التعديلات التي تدخلونها على منتجاتكم لملائمة احتياجات أسواق التصدير ؟

نوع التعديل	دائماً	غالباً	أحياناً	نادراً	لا يتم
١- حجم العبوة	( )	( )	( )	( )	( )
٢- المعلومات المسجلة على العبوة	( )	( )	( )	( )	( )
٣- لون العبوة	( )	( )	( )	( )	( )
٤- مواد التعبئة	( )	( )	( )	( )	( )
٥- المواد الخام المستخدمة للمنتج	( )	( )	( )	( )	( )
٦- التصميم	( )	( )	( )	( )	( )
٧- مواصفات المنتج للمقاييس المطلوبة	( )	( )	( )	( )	( )

٣٢ - ما هي أهمية هذه النشاطات في برامج ترويج التصدير في شركتك ؟

النشاطات	نو أهمية قصوى	مهم جدا	مهم	غير مهم	غير مهم أبداً
١- المعارض المحلية	( )	( )	( )	( )	( )
٢- المعارض الدولية	( )	( )	( )	( )	( )
٣- الإعلانات في الصحف التجارية الخارجية	( )	( )	( )	( )	( )
٤- الإعلانات في الراديو	( )	( )	( )	( )	( )
٥- الإعلانات في التلفزيون	( )	( )	( )	( )	( )
٦- زيارات منتظمة للمستوردين في الأسواق الخارجية	( )	( )	( )	( )	( )
٧- الترويج عن طريق الموزعين	( )	( )	( )	( )	( )
٨- برنامج ترويج خلال الشركات التجارية المختصة في الخارج	( )	( )	( )	( )	( )
٩- نشاطات أخرى حددها .....	( )	( )	( )	( )	( )

٣٣ - ما هي أهمية كل من قنوات التصدير في أنشطة التصدير بشركتك؟

قنوات التصدير	نو أهمية قصوى	مهم جدا	مهم	غير مهم	غير مهم أبداً
١- تجار التجزئة في الدول المستوردة	( )	( )	( )	( )	( )
٢- الموزعين في الدول المستوردة	( )	( )	( )	( )	( )
٣- الوكالات في الدول المستوردة	( )	( )	( )	( )	( )
٤- الوكالات في أسواق السعودية	( )	( )	( )	( )	( )
٥- فروعك خلال الأسواق العالمية	( )	( )	( )	( )	( )
٦- قنوات أخرى حددها .....	( )	( )	( )	( )	( )

٣٤ - نرجو الإشارة إلى أهمية كل من العوامل التالية في القوة التنافسية التصديرية لشركتك :

العوامل	نو أهمية قصوى	مهم جدا	مهم	غير مهم	غير مهم أبداً
١- التشكيل في المنتجات	( )	( )	( )	( )	( )
٢- جودة المنتجات	( )	( )	( )	( )	( )
٣- منتجات مميزة	( )	( )	( )	( )	( )
٤- أسعار منافسه	( )	( )	( )	( )	( )
٥- إتباع سياسة معينة في اختيار قنوات توزيع جيدة	( )	( )	( )	( )	( )
٦- تكلفة إنتاج منخفضة	( )	( )	( )	( )	( )
٧- تحكم في سعر التكلفة	( )	( )	( )	( )	( )
٨- الدقة في التسليم	( )	( )	( )	( )	( )
٩- علاقات طيبة مع الموزعين	( )	( )	( )	( )	( )
١٠- فهم المجتمع التجاري العالمي	( )	( )	( )	( )	( )
١١- الالتزام في برامج تحسين الجودة	( )	( )	( )	( )	( )
١٢- الاجتماع بالموزعين للتزود بمعلومات عن السوق والإدارة المالية	( )	( )	( )	( )	( )
١٣- التنسيق المستمر بين قسم الإنتاج والتسويق والإدارة المالية	( )	( )	( )	( )	( )
١٤- المستهلك مركز تفكير واهتمام المصنع	( )	( )	( )	( )	( )
١٥- زيادة رضاء وقناعة المستهلك أهم من زيادة حجم المبيعات	( )	( )	( )	( )	( )



## Appendix 5.3



UNIVERSITY OF LEICESTER  
UNIVERSITY ROAD · LEICESTER LE1 7RH · ENGLAND

MANAGEMENT  
CENTRE

### TO WHOM IT MAY CONCERN

DIRECTOR

Professor P M Jackson  
0116 252 5957

A. AL OBAIDI

ENQUIRIES

Admissions/Recruitment  
0116 252 5991

Full Time Programmes  
0116 252 5952

Distance Learning  
Programmes  
0116 252 5650

Finance  
0116 252 5522

Examinations  
0116 252 5521

FACSIMILE  
0116 252 5949

e-mail: LUMC@le.ac.uk

The above named is a full-time PhD student at Leicester University who is studying under my supervision.

He is carrying out research into the factors which are related to export success.

I should be grateful if you would give him your assistance in the course of his research.

Yours faithfully

  
  
**Professor P M Jackson**  
**Management Centre Director**

## Appendix 5.4



### مجلس الغرف التجارية والصناعية السعودية

مركز تنمية الصادرات السعودية

SAUDI EXPORT DEVELOPMENT CENTER

Ref: ٨٦٤ / ص ٢ الرمز  
Date: ١٤٢٩ - ٥ - ٢٩ التاريخ

المحترم

سعادة المدير العام

السلام عليكم ورحمة الله وبركاته

أود احاطتكم بأن السيد / منصور عبد العزيز العبيدي باحث سعودي يحضر لنيل درجة الدكتوراه في مجال التسويق الدولي بجامعة ليستر بالمملكة المتحدة ، وموضوع رسالته " عوائق وعوامل نجاح المصدر السعودي " .

ونظرا لأن موضوع رسالته ينصب بآدرجه الأولى على المصدر السعودي ، وحتى تأتي نتائج البحث مفيدة فمن الضروري أن تكون البيانات التي بنى عليها البحث مستقاه من الشركات والمصانع السعودية المصدره وعلى درجه كبيره من الدقه .

وقد أعد الباحث استماره الأستبيان المرفقه لتجميع البيانات المطلوبه للدراسه وسوف يقوم بتزويد المركز بنسخه من نتائج البحث للاستفاده منها .

وتجد الأشاره الى أن هذه البيانات لن تستعمل في غير أغراض البحث وسوف تعامل بما تقتضيه الأمانه العلميه من سريره تامه .

لذا أمل أن يحظى هذا الموضوع باهتمامكم للفوائد الكبيره التي تعود على صادراتنا الوطنيه وأهميه أن يتم هذا البحث على شركات ومصدرين سعوديين بدلا من اجرائه على دول أجنبيه تستفيد من نتائجه ، كما أمل تعبئه الأستماره واعادتها للمركز خلال أسبوعين .

شاكرين لكم تعاونكم وسرعه أستجابتكم .

وتقبلوا خالص التحيه ،،،

مساعد الأمين العام للصادرات

م. فهد محمد السلمي

## Appendix 5.5

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

عزيري المدير العام / مدير قسم التصدير أو مدير قسم التسويق المحترم

السلام عليكم ورحمة الله وبركاته .....وبعد

أنا باحث سعودي أحضر لنيل درجة الدكتوراه في مجال التسويق الدولي بجامعة ليستر بالمملكة المتحدة حول موضوع "عوائق وعوامل نجاح المصدر السعودي" تحت إشراف الدكتور بورلاكس وتمكنت من الحصول على عنوانكم من الغرفة التجارية .

بين يديكم عزيري المدير نسخة من استبيان متعلق بهذه الدراسة ، سأكون ممتنا إذا تكرمت بتعبئته وإرساله لي في المضروف المعنون والمرفق مع الاستبيان في أسرع وقت ممكن .

إن وجهات نظركم وآرائكم تشكل العمود الفقري في موضوع بحثي إذ أنها تمكنني من تقييم الوضع الحالي للصادرات السعودية كما أنها سوف تساعدني على تقديم الاقتراحات اللازمة لتطويرها

إن نتائج هذا البحث سوف تعود منفعتها على المصانع المصدرة وعلى دعم عملية التصدير في المملكة ، كما أن نتائج هذا البحث سوف تكون في متناول كل مصدر في حالة رغبته في الحصول عليها من الباحث أو من الغرفة التجارية الصناعية بالرياض . ولا يفوتني التأكيد على أن هذا الاستبيان ليس له أي استعمال آخر سوى مجال البحث العلمي ، فكل معلوماته سوف تعامل بأمانة علمية وسريته بحيث لا تتعدى موضوع الدراسة .

وتقبلوا أسمى تحياتي ،،

الباحث

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