2009

Key Factors for Successful Export Performance for Small Firms

Lance Eliot Brouthers
Kennesaw State University, lbrouthe@kennesaw.edu

George Nakos
Clayton State University

John Hadjimarcou
University of Texas at El Paso

Keith D. Brouthers
North Carolina State University

Recommended Citation

Key Factors for Successful Export Performance for Small Firms

Lance Eliot Brouthers, George Nakos, John Hadjimarcou, and Keith D. Brouthers

ABSTRACT

What key factors result in superior export performance for small firms from small countries? Drawing on the internationalization process model and organizational learning theory, the authors hypothesize and find that (1) emphasizing international sales while (2) restricting exports to a few foreign markets results in superior perceived export performance for the sample of small firms from Greece and several Caribbean countries. Emphasizing international sales while focusing on a few markets enables small firms to develop expertise in those markets, build strong distribution networks, and manage export activities effectively.

Keywords: export performance, internationalization, multinationality, exporting, small firms

One of the most researched topics in international marketing is the internationalization process and, in particular, exporting (Dhanaraj and Beamish 2003; Leonidou, Katsikeas, and Piercy 1998; Li and Cavusgil 1995; Nakata and Huang 2005). Despite the relatively large number of exporting studies devoted to small and medium-sized enterprises (SMEs; Leonidou, Katsikeas, and Piercy 1998), determining the appropriate level of export activities for small firms exclusively has received little attention. Although the combination of SMEs has been examined in prior research, we suggest that it is reasonable to question whether differences exist between small firms employing approximately 35–50 employees and the typical SME, which can have up to 500 employees. In particular, understanding the key factors that lead to improved export performance is important for small firms whose goal is to internationalize their operations.

How much internationalization is beneficial for small firms? If a small firm decides to export, how many countries should it target? Although questions such as these have been examined extensively for other types of firms, such as multinational enterprises (MNEs) and SMEs, there is scant research addressing these same questions for small firms exclusively. For example, most early SME studies (and state and local trade promotion organizations) assumed that any type of internationalization an SME undertakes would be beneficial (Aaby and Slater 1989; Bilkey 1978). Does this also hold true for small firms?

Lance Eliot Brouthers is Professor of Management, Department of Management and Entrepreneurship, Michael J. Coles College of Business, Kennesaw State University (e-mail: lbrouthe@kennesaw.edu).

George Nakos is Professor of Marketing, School of Business, Clayton State University (e-mail: georgenakos@clayton.edu).

John Hadjimarcou is Associate Professor of Marketing, Department of Marketing and Management, University of Texas at El Paso (e-mail: jhadjima@utep.edu).

Keith D. Brouthers is Professor of Strategy, College of Management, North Carolina State University (e-mail: keith.brouthers@kcl.ac.uk).

We believe that this may not hold for such companies. Small firms are not merely smaller versions of large corporations (Shuman and Seeger 1986). Compared with their larger counterparts, small firms face substantial resource constraints and tend to be more risk averse to environmental uncertainty (Erramilli and D'Souza 1993). Because of this, small firms tend to seek safer growth strategies (Freeman, Edwards, and Schroder 2006; Van Hoorn 1979). Is exporting considered a safe growth strategy? If so, how much exporting constitutes safe international expansion?

Typically, a small firm is privately held, employs relatively few employees, and is managed by the entrepreneur/founder of the company (Zacharakis 1997). Despite their size (by definition a small firm has limited resources and expertise compared with MNEs), many small firms still attempt to expand abroad. The reasons firms engage in international expansion include the following: to exploit the unique knowledge they possess (Oviatt and McDougall 1994), to potentially reduce costs by developing scale economies and/or leveraging resources (Kim, Hwang, and Burgers 1993), to follow customers abroad (Bell 1995), to alleviate competitive pressures at home (Oviatt and McDougall 1994), and/or to acquire new products or market knowledge (Autio, Sapienza, and Almeida 2000).

The propensity to expand internationally is counterbalanced by the many risks involved in internationalizing, including little market power and the lack of financial and managerial capabilities, information about foreign market opportunities, foreign market expertise, and other resources, compared with the traditional MNE (Baird, Lyles, and Orris 1994; Bonaccorsi 1992; Buckley 1989; Caruana, Morris, and Vella 1998; Coviello and Martin 1999; Julien and Ramangalahy 2003; Knight 2000; Wilkinson and Brouthers 2000). Thus, for a smaller firm, given its comparatively limited resources and expertise, internationalization may be much riskier than for an MNE. In this study, we attempt to answer the following question: Given the comparative limited resources and greater risks involved for small firms, after a small firm decides to export, how international (multinational) should it become? (Multinational refers to the number of foreign markets in which a firm operates and the proportion of output it sells in foreign markets.)

As Keegan (1989) suggests, learning through stage internationalization is an essential element of "successful marketing" (Shoham and Albaum 1995, p. 87). Building on this notion, we draw on the internationalization process (IP) model (Johanson and Vahlne 1977, 1990, 2006) and hypothesize that small firms may be better off following the classic IP model, expanding slowly and incrementally and severely restricting the number of foreign markets they enter. Furthermore, focusing on a few export markets enables a small firm to develop expertise in those markets, build a strong distribution network, and manage its export activities effectively, resulting in superior export performance.

Organizational learning (OL) theory leads to our second hypothesis: Small firms that export a larger portion of their output tend to perform better; they accumulate knowledge in international markets and, as a result, develop a competitive advantage (Hult, Ketchen, and Nichols 2002; Lages, Jap, and Griffith 2008), which in turn leads to better performance. Finally, drawing from both OL theory and the IP model, we hypothesize that small firms that (1) export to fewer markets but (2) concentrate their sales activities in export markets have even better performance than firms that merely pursue either strategy in isolation. Unlike previous studies, which have focused on larger, publicly held companies, we test our hypotheses on a sample of Greek and Caribbean privately held firms with 100 or fewer employees.

Previous studies also have not used the same export performance measures. However, many studies have used a perceptual measurement of export performance (Aulakh and Kotabe 1997; Brouthers and Xu 2002; Cavusgil and Zou 1994; Lages, Jap, and Griffith 2008; Shohan 1998). Moreover, prior studies have shown that subjective performance measures are correlated with objective measures of performance (Geringer and Hebert 1991). For these two reasons, we draw on the perceptual scale of export performance that Aulakh and Kotabe (1997) employ to develop our measure of perceived export performance. We define export performance as the degree to which a firm believes that it exceeds (or does not exceed) its domestic sales and profitability.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

What influences export success in foreign markets? Prior studies have identified various internally controllable and uncontrollable factors as influencing export performance (Aaby and Slater 1989; Bilkey 1978; Zou and Stan 1998). Internally controllable factors are usu-

ally divided into two categories: the export marketing strategy of the firm (usually combined with planning and organization issues) and the attitudes and perceptions of management (e.g., management's international orientation, export commitment, perceptions of barriers to exporting). Internally uncontrollable determinants include (1) firm characteristics, such as international experience, technological intensity, and company size, and (2) managerial traits, such as international experience, formal education, and general business experience (Aaby and Slater 1989; Nakos, Brouthers, and Brouthers 1998; Zou and Stan 1998). Such characteristics are difficult to alter in the short run.

Little research has examined the relationship between the degree of small firm multinationality (how international a small firm is) and export performance. This is unfortunate because prior MNE research has demonstrated the important role of multinationality in influencing MNE performance (Geringer, Beamish, and DaCosta 1989; Hitt, Hoskisson, and Ireland 1994; Hitt, Hoskisson, and Kim 1997; Lu and Beamish 2004). The little SME multinationality research that does exist offers mixed or inconclusive results (Aaby and Slater 1989). For example, Piercy (1983) finds no relationship between the number of foreign export markets (a common multinationality measure) and firm performance for a sample of British exporters. In contrast, Zahra, Ireland, and Hitt (2000) find that U.S. high-technology exporters that sell their products to a greater number of countries tend to be more successful. Commonly, studies use multinationality as a control variable rather than as a variable of interest, in concert with other firm characteristic control variables (Diamantopoulos and Inglis 1988).

Disadvantages of Small Firm Multinationality

There are at least three reasons to suspect that multinationality may be even more difficult for small firms than for an MNE. First, according to Zacharakis (1997), such firms are not merely smaller versions of the giant MNEs; they have different management styles, ownership patterns, and scale and scope of operations (Coviello and Martin 1999) than MNEs. Small firms possess different attributes and advantages than MNEs; as a result, they may need to rely on different internationalization strategies than the ones shown to work for larger companies (Calof and Viviers 1995; De Chiara and Minguzzi 2002). Strategies that have been found to work for MNEs may not work for small firms; it is a

mistake to assume that imitating an MNE strategy will result in success (Brouthers and Nakos 2005).

Second, the most obvious difference between large and small companies is their size. As Knight (2000, p. 13) states, "in light of their smaller size, most SMEs lack the capabilities, market power, and other resources of the traditional [MNE and] ... compared with large, resource-rich MNEs, the complexities of operating under globalization are considerably more onerous for the SME." Therefore, the size of small firms suggests a relative lack of resources compared with MNEs (Bonaccorsi 1992; Caruana, Morris, and Vella 1998; Knight 2000).

Third, prior research has shown that small firms commonly lack financial and managerial capabilities required for successful internationalization (Baird, Lyles, and Orris 1994). Typical resource obstacles that small firms face when trying to expand abroad include the lack of the following: information about foreign market opportunities (Julien and Ramangalahy 2003; Wilkinson and Brouthers 2000), foreign market expertise (i.e., shortage or absence of managers with international experience; Coviello and Martin 1999), and the financial resources necessary to support successful overseas expansion (Buckley 1989). Extensive export activities may stretch scarce resources too far. Therefore, many managers of small firms are reluctant to expand abroad (Carrier 1999).

Perceptual Export Performance Measures

The export performance literature fails to provide definite and unambiguous guidelines on the selection of an export performance measure, particularly one that is appropriate for small firms, the focus of our study. As Styles (1998) suggests, export performance constructs, conceptualizations, and operationalizations are complex and inconsistent. No single definition of export performance has been widely accepted and used over the years (Lages and Lages 2004). To this point, one of the major criticisms of the export performance literature has been the lack of a uniform and widely accepted measure of export performance (Katsikeas, Leonidou, and Morgan 2000; Sousa 2004). Typically, two types of measures are used to capture export performance: subjective and objective. Most measures are perceptual and self-reported because secondary information on the export activities of individual firms is not often publicly available (Lages, Lages, and Lages 2005).

On a positive note, Lages, Lages, and Lages (2005) point to several reasons subjective measures may be suitable: the difficulty of obtaining financial export performance data, managers' unwillingness to provide such information, and the lack of specific export information in financial reports. Furthermore, Lages and Lages (2004, p. 39) suggest that by measuring perceptions of performance "instead of performance per se, we are able to capture the degree to which performance has matched the aspiration levels of the firm from one year to the next." Shoham (1999, p. 31) also uses subjective measures of export performance, explaining the logic behind their use by suggesting that management's satisfaction with performance captures "the effectiveness of a program being evaluated, by definition, against its intended results." Thus, previous literature supports the type of measures used in this study to capture performance (subjective measures of sales and profits). Zou, Taylor, and Osland (1998) refer to these indicators as the financial outcomes of exporting.

Several scholars have suggested that export performance is multidimensional and cannot be measured simply by a single performance indicator (Cavusgil and Zou 1994; Diamantopoulos and Kakkos 2007; Sousa 2004). In this study, we respond by employing two indicators of performance (sales and profitability). Furthermore, although some studies recommend that the unit of analysis in export performance studies be the export venture, export venture portfolio, or product line rather than the entire firm for larger firms (see, e.g., Diamantopoulos and Kakkos 2007; Katsikeas, Leonidou, and Morgan 2000; Morgan, Kaleka, and Katsikeas 2004), Styles (1998, p. 27) concludes that "smaller firms are less able to isolate the performance of a specific export venture from total export performance, or even total firm performance." Hult and colleagues (2008, p. 1069) also report that "the largest body of [international business] studies (44.8% or 43/96) focused on the firm level of analysis." For these two reasons, we decided to measure performance at the firm level as well. Thus, we followed suggestions in the literature when using subjective financial outcomes of exporting measures (sales and profits) to construct the perceived export performance measure used in this study.

The Small Firm, Multinationality, and Export Performance

Our study attempts to answer the following question: Given the limited resources and greater risks involved for small firms, after the small firm decides to export, how international (multinational) should it become? Keegan (1989) suggests that learning through stage internationalization is an essential element of "successful marketing" (Shoham and Albaum 1995, p. 87). Building on this notion, we draw on two theoretical paradigms—the IP model (Johanson and Vahlne 1977, 1990, 2006) and the OL theory (Lages, Jap, and Griffith 2008)—to develop theory-based hypotheses regarding smaller firm export behavior.

The relationship between multinationality and smaller firm export performance has received little attention. Early research examining exporting versus nonexporting SMEs made the assumption that internationalization always had a positive influence on performance (Aaby and Slater 1989; Bilkey 1978). Only a few export studies even mention the relationship between multinationality and small firm performance. Most of those studies use multinationality as a control variable (Diamantopoulos and Inglis 1988; Nakos, Brouthers, and Brouthers 1998).

Here, we propose that small firms follow a combination of an OL approach and the internationalization stage or process (IP) model, as Johanson and Vahlne (1977, 1990) advance. The IP model emphasizes a gradual, stepwise approach to international expansion (Johanson and Vahlne 1990, p. 12), particularly for small, less experienced firms, because of their limited resources. Moreover, the exporting route seems to be the most conventional form of marketing entry for such firms (Leonidou et al. 2007). In addition, as Lages, Jap, and Griffith (2008, p. 305) suggest, marketing activity through exporting is a means of "learning about local environments and the development of capabilities." We employ the OL paradigm and the IP model to advance the idea that because of the added resource challenges facing early exporting behavior of small firms and the limited exploration learning capabilities about export markets (Lages, Jap, and Griffith 2008), the export market portfolio of small firms should be justifiably restricted. Given these two factors, how many different export markets are optimal for small firms?

As Hitt and colleagues (2006, p. 1143) show, greater internationalization does not necessarily result in higher performance levels; firms may lack "adequate resources to overcome the liability of foreignness." Thus, it seems that a trade-off exists between the degree of a firm's internationalization and its export performance. On the plus side, there are potentially new markets and scale

economies that can expand the firm's scope and profitability. On the minus side, internationalization is complex and difficult to manage (Roth, Schweiger, and Morrison 1991) and can greatly increase transaction costs (Hitt, Hoskisson, and Ireland 1994) or the need for resources. Cross-national differences in government regulations, trade policies, and currency fluctuations create additional risks for the firm and increase managerial complexity (Sundaram and Black 1992). Dealing with foreign government officials, laws and agencies, suppliers, and customers increases the complexity of managing such an enterprise, taxing managerial resources and expertise. Developing new distribution networks for each new international market is required, further expending firm resources and capabilities.

Along with the real and apparent complexity of internationalization, the lack of market knowledge encourages small firms to take tiny steps as they internationalize. According to the OL theory, market knowledge is the result of learning, as the organization takes previous experiences (positive or negative) and turns them into actionable behavior (Lages, Jap, and Griffith 2008; Ozsomer and Gencturk 2003). Hult, Ketchen, and Nichols (2002) suggest that learning is an important part of developing a competitive advantage. Because internationalization must be done incrementally, learning takes time to produce worthwhile knowledge that in turn will translate to actual market behavior for the small business entrepreneur. Therefore, we propose that, at some point, the additional costs and the lack of market knowledge begin to undermine the benefits associated with increasing the firm's number of export markets (multinationality). At this point, additional multinationality decreases rather than improves performance. Because the resources of small firms are more limited than MNE resources, they are expended rapidly, and costs exceed the benefits associated with multinationality quickly. Thus, a typical small firm hits its optimal point of internationalization more quickly than an MNE. In addition, the lack of extensive market knowledge hinders the development of marketing-related competitive advantages (Hult, Ketchen, and Nichols 2002; Lages, Jap, and Griffith 2008).

If the preceding notions are correct, small firms need to concentrate their efforts on exporting to a limited number of markets to avoid exhausting scarce resources and to allow market learning to materialize. Thus, we hypothesize that, on average, small firms that concentrate their foreign market efforts in fewer markets perform better than small firms that do not. Our logic is that such decisions enable a small firm to be more effec-

tive in the use of its limited resources and expertise, resulting in superior perceived export performance.

H_1: On average, small firms that concentrate exports in fewer markets have better perceived export performance than small firms that do not.

Export Intensity and Export Performance

Previous research has defined multinationality in two ways. We discussed the first way in the preceding section. Research in this vein defines multinationality as the number of countries in which an SME sells its products (Diamantopoulos and Inglis 1988). The shortcoming of this measure is as Piercy (1983, p. 52) states: "The major implication is that the number of export country markets is at least partly invalid as a criterion for assessing export strategy, since it ignores differentiation in efforts between markets, that falls short of actually not dealing with a particular market."

Lu and Beamish (2001) suggest a second way to measure multinationality. They define it as the ratio of international sales to total sales (called "export intensity"). In contrast to previous studies (Bijmolt and Zwart 1994; Brouthers and Nakos 2005; Cavusgil and Zou 1994) suggesting that export intensity measures an SME's degree of multinationality, many SME export studies have used export intensity as their dependent variable, a proxy measure for export performance (Katsikeas, Leonidou, and Morgan 2000). Although much research examining publically held MNEs has measured international performance by examining a firm's profits, sales, and/or market share (Hult et al. 2008), it is common for studies examining SME exports to use export intensity to measure export performance, perhaps because of the difficulty associated with obtaining such measures from the typically privately held smaller firms. Despite this obstacle, we suggest that export intensity more accurately describes the level of a firm's internationalization rather than its export performance because a firm could export a high proportion of its output and still lose money. Such a firm cannot be characterized as successful. Thus, we follow MNE research (Contractor, Kundu, and Hsu 2003; Sullivan 1994) and SME studies (Bijmolt and Zwart 1994; Brouthers and Nakos 2005; Cavusgil and Zou 1994) that use percentage of foreign sales as an independent variable to measure the multinationality of a firm.

Next, how concentrated should a small firm be in export markets? One of the key issues in OL theory is

Successful Export Performance for Small Firms **25**

balancing exploration and exploitation (Lages, Jap, and Griffith 2008; March 1991). March (1991, p. 73) likens exploration to the "search for new ideas, markets, or relations." He suggests that exploration itself has uncertain outcomes that may take a long time to materialize. In contrast, exploitation is associated with actionable behavior that may provide more immediate and direct results (March 1991). In the context of this study, a small firm in the early stages of internationalization may engage in exporting as a means of exploration or testing the waters. However, because of its limited resources, the exploration stage is short lived because the outcomes of exploitation in the form of sales and profits become increasingly salient. In other words, rather than continue searching for new markets, the firm puts more emphasis on achieving higher sales and profits from existing export markets through its marketing program (Lages, Jap, and Griffith 2008). That is, OL theory suggests that small firms would more readily engage in market exploitation to reap the benefits of this initial-stage internationalization (Lages, Jap, and Griffith 2008; Schulz 2001). Moreover, the exploitation dimension of OL theory leads to our hypothesis: Small firms that export a larger portion of their output perform better, accumulate knowledge in international markets, and, as a result, develop a competitive advantage (Hult, Ketchen, and Nichols 2002; Lages, Jap, and Griffith 2008), which in turn leads to better performance. In contrast, small firms that only export a small portion of their output have not developed sufficient knowledge of export markets to be competitive. As a result, these firms exhibit weaker performance. Therefore, small firms may be more successful in export markets by placing more emphasis on recouping their exploration investments in those markets rather than the domestic market. Thus, we hypothesize the following:

H$_2$: Greater export intensity is associated with better small firm perceived export performance.

Fewer Markets, Greater Export Intensity, and Small Firm Export Performance

Our first hypothesis draws on the IP model to suggest that smaller firms that concentrate on fewer export markets tend to have better export performance. Our second hypothesis draws on OL theory and suggests that smaller firms that concentrate their sales activities in export markets tend to have better export performance. Here, we develop and test a third measure of multinationality. We use both the number of foreign markets and export intensity variables to create this third meas-

ure of multinationality, the interaction between number and intensity. This variable measures the trade-offs between market penetration and market proliferation. Firms that have substantial sales abroad can reap benefits from economies of scale and scope, extension of product life cycle, and various tax advantages (Daniels and Bracker 1989). They also gain from diversifying revenues by operating in markets with different business cycles and growth rates (Ramaswamy 1992).

We propose that focusing on export sales while targeting only a few foreign markets enables a small firm to maximally leverage its OL and IP advantages, resulting in superior export performance. Thus, we hypothesize that the interaction of a greater emphasis on international sales with a concentration in fewer markets results in better performance than merely pursuing the main effects of each:

H$_3$: Greater export intensity coupled with concentration in fewer foreign markets leads to better small firm perceived export performance.

METHOD

We chose a sample of Greek and Caribbean small firms for two reasons. First, both Greece and the Caribbean region have small domestic markets. Therefore, for small firms from these markets to grow beyond a certain point, they must internationalize. Second, our sample contains firms from two different economic, social, political, and cultural environments. The resulting diversity of our sample may aid when attempting to generalize our findings.

The first set of small firms came from Greece, a member of the European Union (EU). As an EU member, Greece benefits in at least two ways: (1) Direct financial assistance from EU structural funds is available to Greece, and (2) membership opens a wealthy market of almost 350 million consumers to Greek products and consumers. Becoming an EU member resulted in the Greek economy increasing per-capita income from less than $4,000 in 1981 to a present per-capita income of almost $31,890 in 2008 (Economist Intelligence Unit 2008; Mohyuddin 2003), approximately 70% of the EU-15 average.

The second set of small firms came from English-speaking Caribbean countries. These Caribbean countries do not belong to any major trade group. (The CARICOM regional trade group has been inactive for years.) However, they have (1) geographic proximity to

both the North and South American markets and (2) political and psychological connections to the former dominant colonial power of the region, the United Kingdom.

However, in recent years as the United Kingdom has become more attached to the EU and the Caribbean nations have tried to develop other export markets, this bond has weakened somewhat. For example, in 2007, the United Kingdom was the third export market for the exports of Barbados, taking only 9.1% of its total exports. The numbers are similar for Jamaica (9.7% of total exports) and the other Caribbean nations (United Nations 2007).

In general, economic development in the Caribbean, empowered largely by the World Bank and International Monetary Fund initiatives, has been much less successful than in Greece. For example, in Jamaica, per-capita gross national product rose from $1,250 in 1981 to $4,147 in 2007. During the same period, Barbados's per-capita gross national product rose from $3,442 to $12,687 (Reddy 1994; United Nations 2008). These representative rates are less than half the rate of growth for Greece. Thus, the sets of small firms in this study contain firms from different economic environments.

Data Collection and Sample

Primary data collection occurred in both Greece and the Caribbean islands of Barbados, Dominica, Jamaica, Grenada, St. Lucia, and Trinidad and Tobago. The Greek sample came from 400 firms, and the Caribbean sample was drawn from 306 firms. The companies that replied to our questionnaire were mostly privately held, family-owned enterprises, typical of businesses in the sample countries (Spanos 2005).

We used the number of employees to classify companies as small firms. Many studies use the number of employees as a proxy for firm size, though no universally accepted number of employees classifies a business as being a small firm. In the United States, an SME tends to be widely defined as a company that has up to 500 employees in manufacturing (U.S. Small Business Administration 2009). The EU uses a different definition: an SME can have up to 250 employees (European Commission 2009). Because we examine the exporting practices of smaller firms rather than medium-sized firms, we chose a cutoff size of 100 employees to differentiate small firms from the classic use of 250 (EU) to 500 (United States) employees, which defines an SME.

Approximately 40% of the companies in our sample were involved in food or beverage industries, 25% in textiles or footwear industries, 10% in mature chemical or pharmaceutical industries, and 25% in other industries. The median size for the Greek sample was 50 employees, and for the Caribbean sample, it was 38. Of the companies, 29% had fewer than 20 employees, 22% had between 21 and 40, 20% had between 41 and 60, 10% had between 61 and 80, and 19% had 81 to 100 employees.

Not surprisingly, the majority of Caribbean companies (60%) had a Caribbean nation as their largest export market, while a smaller number had the United States (15%) and the United Kingdom (9%) as their largest markets. The primary export markets for 36% of Greek companies were the EU nations of Western Europe, whereas the neighboring Balkan nations, Eastern Europe, and Russia were the main export markets for 31% of the companies. In addition, 13% of Greek companies had a Middle Eastern country as a primary market, and 9% had Cyprus as their primary target. Finally, we measured international experience as the number of years a firm has exported; the median number of years was nine.

A small number of firms were created with the notion of engaging in exports only. Six firms in our sample (3%) exported 100% of their output. Approximately 15% exported more than 80% of their output. Thus, almost 20% of our sample did not follow a gradual process of internationalization but rather may have been created with the goal of selling to other countries from inception.

Greek Sample. The Greek sample consisted of 400 firms selected randomly from of a list of 600 companies. We developed the list of Greek companies from lists of active SME exporters provided by Greek Chambers of Commerce. The questionnaire was translated from English to Greek (the primary language of the managing directors of the Greek firms). Then, an independent translator back-translated it into English and checked it for meaning and consistency. The resultant questionnaire was mailed to the managing directors of the 400 randomly selected companies. Two additional mailings were sent out over a seven-week period. This resulted in 119 usable questionnaires, for a response rate of approximately 30%.

Caribbean Sample. The Caribbean sample was drawn from the islands of Barbados, Dominica, Jamaica, Grenada, St. Lucia, and Trinidad and Tobago. These islands are home to approximately 12 million inhabi-

tants. We chose a sample of 306 companies from *Caribbean Exporters: A Directory for Caribbean Exporters* (published by Caribbean Export Development Project) and the *Trinidad and Tobago Exporters Directory* (published by the Tourism Company of Trinidad and Tobago). We opted to choose every fifth firm listed in each directory.

For the Caribbean sample, a questionnaire was mailed to the managing director or general manager. Three weeks later, a reminder letter was sent along with copies of previous correspondence and a questionnaire. Three weeks after that, a final follow-up letter (with the questionnaire) was sent. Of the 100 questionnaires returned, 83 provided usable responses. (The remaining 17 were returned because of bad addresses or because the firm was no longer active internationally.)

Dependent Variable

To measure perceived export performance, we used a previously developed construct. Taken from Aulakh and Kotabe's (1997) study, the construct measures export performance using two seven-point Likert-type questions. The respondents were asked to rate the export performance of their company in relation to their domestic performance for (1) sales and (2) profit contribution to the company (Cronbach's α = .91).

Similar to previous studies (Aaby and Slater 1989; Brouthers, Brouthers, and Werner 1999; Brouthers and Xu 2002; Nakos, Brouthers, and Brouthers 1998; Nitsch, Beamish, and Makino 1996; Woodcock, Beamish, and Makino 1994), we used subjective perceptual measures of export performance. Subjective perceptual measures are deemed to be appropriate when (1) firms cannot or will not provide financial measures, (2) differences in accounting practices among nations make it difficult to compare outcomes across firms, and/or (3) exchange rate fluctuations or financial reporting differences between host and home countries exist (Woodcock, Beamish, and Makino 1994). In addition, prior research has found that there is a high correlation between subjective and objective measures of performance (Dess and Robinson 1984; Geringer and Hebert 1991; Zahra, Ireland, and Hitt 2000).

Independent Variables

We used four independent variables of interest in this study: (1) the number of foreign markets in which a small firm sells its products, (2) export intensity (the ratio of international to total sales), (3) the interaction between the number of foreign markets and export intensity, and (4) concentration—how highly concentrated a small firm's exports were in its largest export market. We defined concentration by the percentage of total export sales found in the small firm's largest export market.

Control Variables

We included seven control variables that previous studies have shown to influence SME export performance. As in previous studies (Axinn et al. 1995; Nakos, Brouthers, and Brouthers 1998), we measured size of company as the number of employees worldwide. Following Cavusgil and Zou (1994), we measured export experience as the number of years the firm had been selling products outside its home country. We calculated geographic distance (in kilometers) on the basis of the distance between home and target country capital cities (Fladmoe-Lindquist and Jacque 1995).

We created a dichotomous variable, nationality, to control for potential home-country differences: Greek firms were coded as 1, and Caribbean firms were coded as 0. Because some companies had invested in proprietary distribution systems in foreign countries and others rely on foreign distributors, we included a distribution mode control variable. Respondents were asked to indicate the precise type of distribution organization in the foreign country that represented their highest foreign sales. We coded company-owned distribution systems as 1 and non-company-owned distribution systems as 0.

We also used advertising spending and research and development (R&D) spending as control variables. Kotabe, Srinivasan, and Aulakh (2002) show that advertising and R&D spending influence the performance of multinational companies. Similar to that study, we also measured advertising and R&D spending as the percentage of total sales that a firm spends on these two activities. Finally, we controlled for several industries that represented a majority of the firms in our sample: food and beverage, clothing and footwear, chemicals/pharmaceuticals, and firms operating in other industries.

DATA ANALYSIS AND RESULTS

After collecting our data, we checked for nonresponse bias and common methods variance. (Nonresponse bias occurs when the respondents who agree to participate in

a study have different characteristics from those of non-respondents.) We checked for nonresponse bias in two ways. First, we compared the responses we received after each one of the three mailings to determine whether a significant difference existed in the responses of the three groups. We observed no significant differences. Second, we used t-tests to compare two descriptive variables (i.e., number of employees and sales) for our sample and the same variables from our response group. This test also revealed no significant nonresponse bias; the number of employees and sales volume were similar for both groups.

Common methods variance may occur when both dependent and independent variables are gathered from the same respondents at the same time. We tested common methods variance by using the single factor method that Podsakoff and Organ (1986) describe. They note that if all the variables in one study load onto one factor, or if one factor explains the majority of the variance, common methods variance may occur. We performed a factor analysis with all the variables of the study, which resulted in a four-factor solution. The largest factor explained only 28% of the variance. Therefore, we determined that common methods variance is not a problem with our data set.

Table 1 presents the correlations between all our variables. We observed several significant correlations among the independent and control variables. To further investigate whether multicollinearity was a problem with our data, we calculated the variance inflation factor (VIF) scores. The results showed that all VIF scores were between 1 and 3, except for the interaction variable, which had a VIF of 6. A high VIF is a typical problem when an interaction term is composed of correlated variables. To eliminate the suspicion that the interaction item is significant only because it overlaps with other nonlinear items, we decided to follow Cortina's (1993) advice and use the squared terms of the covariates. As a result, all new VIF scores were below 3. Thus, for our sample, we determined that multicollinearity is not a problem (Neter, Wasserman, and Kutner 1983).

Table 2 provides the results for the multiple regressions, analyzing the relationship among the independent variables, control variables, and performance measure. Model 1 includes the control variables. Model 2 includes all control variables plus the number of the firm's foreign export markets. Model 3 includes all control variables, number, and the export intensity. Model 4 includes all control variables, number, export inten-

sity, and the interaction between number and export intensity. Model 5 includes all control variables, number, export intensity, interaction, and one final independent variable of interest, concentration (percentage of sales in a firm's largest foreign market).

We found that two of the seven control variables were consistently significant in all five models: distribution mode and geographic distance. We found that nationality was significant in the control variable and multinationality equations. Owning a channel of distribution may influence export performance because a firm making this type of investment in a foreign market may pay more attention to that market, resulting in improved performance. In contrast, independent agents (which typically represent multiple companies) are less likely to focus on the success of a specific firm, resulting in lower performance levels.

Geographic distance was significant; further examination of the largest host target markets showed that more than 60% of the Caribbean companies reported a Caribbean nation as their largest export market, whereas 15% indicated the United States and 9% indicated the United Kingdom as their largest market. For Greek companies, the EU nations of Western Europe were the primary export markets for 36%, the neighboring Balkan nations, Eastern Europe, and Russia were the main export markets for 31%; 13% of companies indicated a Middle Eastern country as a primary market; and 9% named Cyprus, a culturally and linguistically similar nation, as their primary target. Thus, proximity to the home country is a great predictor of the primary export market for our sample of smaller firms. This provides prima facie support for the IP theoretic explanation regarding choice of export markets for our sample of smaller firms.

We found that the remaining four control variables were not significant in most models. A possible explanation for this is the relatively small size of the firms in our sample. Prior studies have examined larger firms (Aaby and Slater 1989; Leonidou, Katsikeas, and Piercy 1998), whereas we concentrated on smaller companies. The lack of variance in the amount of international experience and size among our sample may explain why they do not seem to influence export performance. Similarly, the lack of variance in spending for R&D and advertising also may account for the nonsignificance of these control variables. Thus, for these four variables, our sample may lack the power to detect statistical significance. Moreover, it is possible that R&D and advertis-

Successful Export Performance for Small Firms **29**

Table 1. Correlation Matrix

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
M	18.7	48.3	.59	2.1	4.8	2.9	.27	.11	.17	.10	1145	6.5	39.6	266	42.4	3.9
SD	15.5	37.2	.49	4.1	2.9	2.9	.44	.31	.31	.37	1246	3.8	32.3	289	25.2	1.9
1. International experience	1															
2. Size of company	.27*	1														
3. Nationality	-.28*	-.03	1													
4. R&D spending	.14	.45*	-.18	1												
5. Advertising spending	.36*	.34*	-.26*	.47*	1											
6. Distribution mode	.07	.38*	.21*	.06	.31*	1										
7. Food/beverage industry	.24*	.03	-.26*	.03	.14	-.06	1									
8. Clothing/footwear industry	-.11	-.02	.09	-.09	-.06	.14	-.21*	1								
9. Chemical/pharmaceutical industry	-.11	.02	.12	.16	-.07	-.02	-.20*	-.12	1							
10. Other industry	.01	-.06	-.32*	.02	-.02	-.21*	-.27*	-.16	-.15	1						
11. Geographic distance	.13	.01	.04	.04	.04	.08	.10	.05	-.10	-.10	1					
12. Number of foreign markets	.30*	.31*	.15	.09	.44*	.34*	.05	-.06	-.01	-.14	.04	1				
13. Export intensity	.24*	.14	-.32*	.20*	.20*	.24*	.16	.10	.10	-.02	.28*	.09	1			
14. Interaction	.34*	.29*	-.08	.18	.47*	.33*	.17	.12	.03	-.09	.17	.68*	.67*	1		
15. Concentration in one market	-.09	-.06	.11	.02	-.15	.03	-.12	.05	.05	-.01	.18	-.37*	.17	-.20*	1	
16. Perceived export performance	.09	.23*	-.13	.09	.13	.35*	.01	.05	.05	-.04	.31*	.01	.40*	.12	.32*	1

*$p < .01$.

Table 2. Model Parameter Estimates and t-Values Regression Analysis

Dependent Variable: Perceived Export Performance[a]

Independent Variables	Model 1		Model 2		Model 3		Model 4		Model 5		VIF Score
	Parameter Estimate	t-Value	Parameter Estimate	t-Value	Parameter Estimate	t-Value	Parameter Estimate	t-Value	Parameter Estimate	t-Value	
Constant	3.35	7.92***	3.54	8.11***	2.9	6.40***	1.78	3.56***	1.05	1.99**	
International experience	-.030	-.39	-.002	-.02	-.037	-.50	-.068	-.95	-.079	-1.14	1.383
Size of company	.116	1.35	.140	1.63	.151	1.83*	.170	2.16**	.171	2.25**	1.673
Nationality	-.219	-2.57**	-.184	-2.11**	-.068	-.76	-.008	-.09	-.079	-.92	2.112
R&D spending	-.003	-.034	-.029	-.32	-.087	-.98	-.120	-1.41	-.142	-1.73	1.962
Advertising spending	-.057	-.64	.005	.049	.048	.52	.117	1.31	.123	1.43	2.156
Distribution mode	.346	4.24***	.353	4.34***	.285	3.57***	.249	3.25***	.232	3.13**	1.592
Food/beverage industry	.016	.18	.004	.04	-.006	-.07	.035	.44	.057	.74	1.686
Clothing/footwear industry	.031	.42	.019	.26	-.013	-.18	.017	.25	.035	.53	1.254
Chemical/pharmaceutical industry	.013	.17	.003	.03	.030	.41	.040	.58	.063	.95	1.294
Other industry	.086	1.0	.083	.97	.097	1.18	.127	1.62	.116	1.53	1.672
Geographic distance	.298	4.28***	.303	4.37***	.209	2.97**	.233	3.46***	.216	3.30**	1.235
Number of foreign markets			-.136	-1.65	-.147	-1.85*	.080	.87	.180	1.91*	2.557
Export intensity					.308	3.91***	.534	5.80***	.461	5.04***	2.424
Interaction							-.429	-4.23***	-.411	-4.18***	2.800
Concentration in one market									.238	3.43**	1.394
R^2/adjusted R^2	.266/.217		.278/.225		.340/.287		.406/.355		.447/.395		
Change in R^2			.012		.062		.066		.041		
F/sig F for ΔR^2	.000		.101		.000		.000		.001		

*p < .10 (two-tailed test).
**p < .05 (two-tailed test).
***p < .01 (two-tailed test).
[a]Comparison of international performance with domestic performance.

ing may not improve export performance for smaller firms that concentrate in traditional, low-technology industries (the typical firm in our sample). Similarly, the industrial sector also did not make a difference, again perhaps because our sample consists primarily of low-technology companies concentrating in traditional industries.

In Model 2, the number of foreign markets was not significantly related to small firm export performance but would have been at the $p < .1$ level. In Model 3, the number of foreign markets was significantly and negatively related to small firm export performance. Piercy (1983) notes that the number of small firm export target countries does not influence export performance. In Model 2, adding the number of foreign markets variable did not significantly increase the adjusted R-square. These results are in contrast to previous findings that show a positive relationship between the number of foreign markets and export performance (Zahra, Ireland, and Hitt 2000). However, that particular study concentrated on the export behavior of high-technology SMEs, many of which were publicly held. Our results indicate that strategies that work for the more typical privately held small firm operating in a more mature industry are different. Thus, in general, the results from our study may be more representative of small firms than findings examining entrepreneurial, high-technology, born-global companies.

The equation for Model 3 contains all control variables plus the number of foreign markets and export intensity. As Model 3 shows, both the number of foreign markets and export intensity were significantly related to small firm export performance. Moreover, the adjusted R-square of the regression significantly increased from .217 to .287 and was significant ($p < .0001$). These results empirically support H_1 and H_2.

The equation for Model 4 includes all variables used in Model 3 and adds the number of foreign markets × export intensity interaction term. Model 4 shows that the interaction was significant ($p < .01$) and increased the explanatory power of the equation from an adjusted R-square of .287 to .355. Moreover, the change in adjusted R-square also was significant ($p < .0001$). These results provide strong initial support for H_3.

Though not formally hypothesized, one important question remains: What is the optimal number of foreign markets for a small firm? As we observed, restricting exporting efforts to a few markets enables small firms to

make maximal use of their limited resources and expertise, which leads to better performance. Given their limited resources, will small firms exhibit better export performance if they export to just one market?

The equation for Model 5 includes all variables used in Model 4 and adds the concentration (percentage of export sales in a single market) in a single market variable. Model 5 shows that concentration was significant ($p < .01$) and increased the explanatory power of the equation from an adjusted R-square of .355 to .395. Again, the change in adjusted R-square also was significant ($p < .0001$). These results clearly show that the greater a small firm's concentration of export sales in a single foreign market, the greater is its export performance.

DISCUSSION AND CONCLUSION

We theorized that small firms' export activities are constrained by limited managerial/financial resources and foreign market expertise. Building on this notion, we attempted to answer the following question: How international should small firms be? We hypothesized that their export performance is enhanced by emphasizing export sales while limiting their exports to a few foreign markets.

Our logic is that pursuing these simultaneous strategies enables small firms to leverage limited managerial/financial resources and expertise. We propose that by doing so, small firms achieve a higher level of export performance than by diluting their scarce resources by choosing many foreign export markets. Because we posit that concentrating in fewer markets provides a small firm maximal use of its limited resources and expertise, we also engaged in a post hoc analysis to determine whether for our sample of small firms (median size: less than 50 employees) limiting their export activities to a single market would improve export performance further.

From our results, it seems that the number of foreign markets may be a poor indicator of how multinational small companies are. We propose a possible reason for this result: Frequently, small firms are represented in foreign markets by nonexclusive agents that have a low level of commitment to sell the firms' products (Piercy 1983). Thus, the reason for the discrepancy between MNEs and small firms with respect to the impact of the number of foreign markets on perform-

ance may be that the number of foreign markets does not accurately reflect the amount of time, effort, and resources small firms expend on increasing foreign sales.

In contrast, it seems that emphasizing export sales can be a winning strategy for small companies. We discovered that for small firms, higher levels of export intensity were associated with greater satisfaction with export performance. Moreover, by simultaneously concentrating on international sales while entering only a few export markets, our two samples of small firms were able to improve export performance significantly.

Thus, for small companies, a concentration strategy seems to be the right one. Simply put, small firms tend not to possess the managerial, organizational, and financial resources to expand effectively in multiple foreign markets. On the basis of our findings, we conclude that small firms that restrict their export activities to few markets are more successful.

Confirming our final hypothesis further emphasized the importance of small companies having a concentration export strategy. In a post hoc analysis, we discovered that firms that limited their export activities to a single foreign market had the best export performance. Thus, our findings provide prima facie initial empirical support for our theory that for small firms, an optimal number of export markets may exist. For small firms that number may be one.

Limitations and Suggestions for Further Research

This study has a few limitations. First, although we tested our hypotheses in two different regional settings—Greece and the English-speaking Caribbean—it is possible that our findings will not apply to other regions of the world. For example, small firms originating in developed countries may exhibit different behavior. Therefore, the possibility exists that our findings are limited to Greek and Caribbean firms. Replication of this study with samples from other parts of the world, both developed and developing, would reveal its generalizability.

A second limitation is the use of a cross-sectional sample. It is possible that the behavior of firms changes over time. Any cross-sectional study fails to capture such changes. In addition, although prior studies indicate that smaller firms tend to have scarce resources (e.g., finan-

cial, expertise, managerial) that limit the scope of their international activities, we did not actually ask the firms about the lack of resources.

Third, as is typical with most surveys, we collected our data from a single respondent in each company. Thus, our sample may be influenced by single-respondent bias. Fourth, He, Merz, and Alden (2008) suggest that cross-cultural studies may suffer from a real source of bias. That is, observed differences in the results may not be due to the manipulations or the relationships but rather to cultural differences in the respondents as they interpret and respond to the survey instrument. This is a potential limitation that our study does not directly investigate; we did not follow the step-by-step procedures that Steenkamp and Baumgartner (1998) and Myers and colleagues (2000) provide. However, to partially address this issue, we used nationality as a control variable to detect any potential differences among the countries; in the fully specified models (Models 3–5), no differences were detected. This result provides prima facie evidence that there were no apparent differences in the results that can be attributed to the respondents' country of origin.

Fifth, our results show that advertising and R&D spending does not affect perceived export performance. However, our sample consists mostly of firms operating in mature, traditional, and low-technology industries. According to previous literature (Zahra, Ireland, and Hitt 2000), firms operating in high-technology industries may possess more resources and more experienced managers; therefore, they may exhibit drastically different behavior. It is possible that advertising and/or R&D spending may affect the export performance of small companies operating in high-technology industries. Future studies might examine whether advertising and R&D play a role in the success of small exporters operating in specific economic sectors, such as high technology.

Sixth, a possible explanation for why only two of the seven control variables were related to performance in all five equations may be related to the relatively small size of the companies in our sample. Prior studies have examined larger firms (Aaby and Slater 1989; Leonidou, Katsikeas, and Piercy 1998), whereas we concentrated on smaller companies. Characteristics such as international experience and size may influence export performance for a firm with 400 employees but may not be relevant for a company with only 40 workers. Small size also may account for the nonsignificance of the other

control variables. For example, R&D and advertising may not improve export performance for smaller firms that concentrate in traditional, low-technology industries (the typical firm in our sample).

Seventh, neither nationality nor industrial sector made a difference, perhaps because our sample consisted primarily of low-technology companies concentrating in traditional industries. It is possible that because our sample is relatively small and cross-sectional, there simply was not enough statistical power for the constrained variance in the size and experience variables (due to our study being limited to smaller firms) to be significant.

Finally, future studies also might examine whether a concentration strategy makes sense for medium-sized companies and/or smaller firms based in other nations. Moreover, given the rise of the Internet and the general improvements in global telecommunications, international scholars might want to reconsider the role of geographic distance in the choice of export markets for SMEs.

Managerial and Theoretical Implications

Our findings point to three managerial suggestions for small firms whose aim is to export. First, smaller firms are more likely to improve their export performance if they engage in active learning about their foreign markets. Second, smaller firms should confine their export activities to only a few (and perhaps only one) export markets. Such a strategy that emphasizes learning about a few carefully selected target export markets enables the firm to concentrate its resources, develop expertise in the particular markets, build a strong distribution network, and, as a result, manage its export activities more effectively. Third, our results also show that the traditional IP model does not necessarily lead to better performance. Our geographic distance measure was positively and significantly associated with improved export performance. This result suggests that the better-performing small firms in our sample were the ones that targeted distant, more developed markets and not the ones that sold most of their output to geographically and psychically close nations. Similar to Knight and Cavusgil (2004), our results provide some evidence for the notion that recent trends in globalization and improvements in telecommunication technology may have diminished the importance of gradual internationalization and the IP model. It may be that small firms perform better if they target more developed markets, regardless of geographic distance.

From an academic perspective, our findings also have important implications. We provide empirical support for Zacharakis's (1997) notion that small firms are not merely smaller versions of MNEs. Therefore, small firms may need to develop their own export strategies rather than merely imitating the behavior of larger MNEs (Calof and Viviers 1995; De Chiara and Minguzzi 2002). Thus, our study advances small firm research by showing how the superior small firm strategy differs from the superior MNE strategy when dealing with a similar international business question: How multinational should firms be? By doing so, we demonstrate how small firm research enhances what international business and marketing scholarship knows about best practices.

One last implication is for government export promotion organizations (EPOs). Our results indicate that EPOs should discourage small firms from expanding into too many foreign markets. Exporting is the first step that most companies take when internationalizing. If their initial exporting efforts are successful, they become more committed to international expansion. By encouraging appropriate initial export strategies (similar to the one developed and tested in this study), an EPO can help the small firm, government agency, and local economy and encourage the internationalization of other small entrepreneurial firms.

REFERENCES

Aaby, Nils-Erik and Stanley F. Slater (1989), "Management Influences on Export Performance: A Review of the Empirical Literature 1978–88," *International Marketing Review*, 6 (4), 7–26.

Aulakh, Preet S. and Masaaki Kotabe (1997), "Antecedents and Performance Implications of Channel Integration in Foreign Markets," *Journal of International Business Studies*, 28 (1), 145–75.

Autio, Erkko, Harry J. Sapienza, and James G. Almeida (2000), "Effects of Age at Entry, Knowledge Intensity, and Imitability on International Growth," *Academy of Management Journal*, 43 (5), 909–923.

Axinn, Catherine N., Ron Savitt, James M. Sinkula, and Sharon V. Thach (1995), "Export Intention, Beliefs, and Behaviors in Smaller Industrial Firms," *Journal of Business Research*, 32 (1), 49–55.

Baird, Inga S., Marjorie A. Lyles, and J.B. Orris (1994), "The Choice of International Strategies by Small Businesses," *Journal of Small Business Management*, 32 (1), 48–59.

Bell, Jim (1995), "The Internationalization of Small Computer Software Firms: A Further Challenge to the 'Stage' Theories," *European Journal of Marketing*, 29 (8), 60–75.

Bijmolt, Tammo H.A. and Peter S. Zwart (1994), "The Impact of Internal Factors on the Export Success of Dutch Small and Medium-Sized Firms," *Journal of Small Business Management*, 32 (2), 69–83.

Bilkey, Warren J. (1978), "An Attempted Integration of the Literature on the Export Behavior of Firms," *Journal of International Business Studies*, 9 (1), 33–46.

Bonaccorsi, Andrea (1992), "On the Relationship Between Firm Size and Export Intensity," *Journal of International Business Studies*, 23 (4), 605–636.

Brouthers, Lance Eliot, Keith D. Brouthers, and Steve Werner (1999), "Is Dunning's Eclectic Framework Descriptive or Normative?" *Journal of International Business Studies*, 30 (4), 1–14.

────── and George Nakos (2005), "The Role of Systematic International Market Selection on Small Firms' Export Performance," *Journal of Small Business Management*, 43 (4), 363–81.

────── and Kefeng Xu (2002), "Product Stereotypes, Strategy and Performance Satisfaction: The Case of Chinese Exporters," *Journal of International Business Studies*, 33 (4), 657–77.

Buckley, Peter J. (1989), "Foreign Direct Investment by Small and Medium-Sized Enterprises: The Theoretical Background," *Small Business Economics*, 1 (2), 89–100.

Calof, Jonathan L. and Wilma Viviers (1995), "Internationalization Behavior of Small and Medium-Sized South African Enterprises," *Journal of Small Business Management*, 33 (4), 71–79.

Carrier, Camille (1999), "The Training and Development Needs of Owner-Managers of Small Businesses with Export Potential," *Journal of Small Business Management*, 37 (4), 30–41.

Caruana, Albert, Michael H. Morris, and Anthony J. Vella (1998), "The Effects of Centralization and Formalization on Entrepreneurship in Export Firms," *Journal of Small Business Management*, 36 (1), 16–29.

Cavusgil, S. Tamer and Shaoming Zou (1994), "Marketing Strategy–Performance Relationship: An Investigation of the Empirical Link in Export Market Ventures," *Journal of Marketing*, 58 (January), 1–21.

Contractor, Farok J., Sumit K. Kundu, and Chin-Chun Hsu (2003), "A Three-Stage Theory of International Expansion: The Link Between Multinationality and Performance in the Service Sector," *Journal of International Business Studies*, 34 (1), 5–18.

Cortina, Jose (1993), "Interaction, Nonlinearity, and Multicollinearity: Implications for Multiple Regression," *Journal of Management*, 19 (4), 915–22.

Coviello, Nicole E. and Kristina A.-M. Martin (1999), "Internationalization of Service SMEs: An Integrated Perspective from the Engineering Consulting Sector," *Journal of International Marketing*, 7 (4), 42–66.

Daniels, John D. and Jeffrey Bracker (1989), "Profit Performance: Do Foreign Operations Make a Difference?" *Management International Review*, 29 (1), 46–56.

De Chiara, Alessandra and Antonio Minguzzi (2002), "Success Factors in SMEs' Internationalization Processes: An Italian Investigation," *Journal of Small Business Management*, 40 (2), 144–53.

Dess, Gregory D. and Richard B. Robinson Jr. (1984), "Measuring Organizational Performance in the Absence of Objective Measures: The Case of the Privately-Held Firm and Conglomerate Business Unit," *Strategic Management Journal*, 5 (3), 265–73.

Dhanaraj, Charles and Paul W. Beamish (2003), "A Resource-Based Approach to the Study of Export Performance," *Journal of Small Business Management*, 41 (3), 242–61.

Diamantopoulos, Adamantios and Karen Inglis (1988), "Identifying Differences Between High- and Low-Involvement Exporters," *International Marketing Review*, 5 (2), 52–60.

────── and Nikolaos Kakkos (2007), "Managerial Assessments of Export Performance: Conceptual Framework and Empirical Illustration," *Journal of International Marketing*, 15 (3), 1–31.

Economist Intelligence Unit (2008), *Greece*. London: Economist Intelligence Unit.

Erramilli, M. Krishna and Derrick E. D'Souza (1993), "Venturing into Foreign Markets: The Case of the Small Service Firm," *Entrepreneurship Theory & Practice*, 17 (4), 29–41.

European Commission (2009), "Small Business," (accessed April 6, 2009), [available at http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/index_en.htm].

Fladmoe-Lindquist, Karin and Laurent L. Jacque (1995), "Control Modes in International Service Operations: The Propensity to Franchise," *Management Science*, 41 (7), 1238–49.

Freeman, Susan, Ron Edwards, and Bill Schroder (2006), "How Small Born-Global Firms Use Networks and Alliances to Overcome Constraints to Rapid Internationalization," *Journal of International Marketing*, 14 (3), 33–63.

Geringer, J. Michael, Paul W. Beamish, and Richard C. daCosta (1989), "Diversification Strategy and Internationalization:

Implications for MNE Performance," *Strategic Management Journal*, 10 (2), 109–119.

—— and Louis Hebert (1991), "Measuring Performance of International Joint Ventures," *Journal of International Business Studies*, 22 (2), 249–63.

He, Yi, Michael A. Merz, and Dana L. Alden (2008), "Diffusion of Measurement Invariance Assessment in Cross-National Empirical Marketing Research: Perspectives from the Literature and a Survey of Researchers," *Journal of International Marketing*, 16 (2), 64–83.

Hitt, Michael A., Leonard Bierman, Klaus Uhlenbruck, and Katsuhiko Shimizu (2006), "The Importance of Resources in the Internationalization of Professional Service Firms: The Good, the Bad, and the Ugly," *Academy of Management Journal*, 49 (6), 1137–57.

——, Robert E. Hoskisson, and R. Duane Ireland (1994), "A Mid-Range Theory of the Interactive Effects of International and Product Diversification on Innovation and Performance," *Journal of Management*, 20 (2), 297–326.

——, ——, and Hicheon Kim (1997), "International Diversification: Effects on Innovation and Firm Performance in Product-Diversified Firms," *Academy of Management Journal*, 40 (4), 767–98.

Hult, G. Tomas M., David J. Ketchen Jr., David A. Griffith, Brian R. Chabowski, Mary K. Hamman, Bernadine Johnson Dykes, Wesley A. Pollitte, and S. Tamer Cavusgil (2008), "An Assessment of the Measurement of Performance in International Business Research," *Journal of International Business Studies*, 39 (6), 1064–80.

——, ——, and Ernest L. Nichols Jr. (2002), "An Examination of Cultural Competitiveness and Order Fulfillment Cycle Time Within Supply Chains," *Academy of Management Journal*, 45 (3), 577–86.

Johanson, Jan and Jan-Erik Vahlne (1977), "The Internationalization Process of the Firm: A Model of Knowledge Development and Increasing Foreign Market Commitments," *Journal of International Business Studies*, 8 (1), 23–32.

—— and —— (1990), "The Mechanism of Internationalisation," *International Marketing Review*, 7 (4), 11–24.

—— and —— (2006), "Commitment and Opportunity Development in the Internationalization Process: A Note on the Uppsala Internationalization Process Model," *Management International Review*, 46 (2), 165–78.

Julien, Pierre Andre and Charles Ramangalahy (2003), "Competitive Strategy and Performance of Exporting SMEs: An Empirical Investigation of the Impact of Their Export

Information Search and Competencies," *Entrepreneurship Theory & Practice*, 27 (3), 227–45.

Katsikeas, Constantine S., Leonidas C. Leonidou, and Neil A. Morgan (2000), "Firm-Level Export Performance Assessment: Review, Evaluation, and Development," *Journal of the Academy of Marketing Science*, 28 (4), 493–511.

Keegan, Warren J. (1989), *Global Marketing Management*. Englewood Cliffs, NJ: Prentice Hall.

Kim, W. Chan, Peter Hwang, and William P. Burgers (1993), "Multinationals' Diversification and the Risk-Return Trade-off," *Strategic Management Journal*, 14 (4), 275–86.

Knight, Gary (2000), "Entrepreneurship and Marketing Strategy: The SME Under Globalization," *Journal of International Marketing*, 8 (2), 12–32.

—— and S. Tamer Cavusgil (2004), "Innovation, Organizational Capabilities, and the Born-Global Firm," *Journal of International Business Studies*, 35 (2), 124–41.

Kotabe, Masaaki, Srini S. Srinivasan, and Preet S. Aulakh (2002), "Multinationality and Firm Performance: The Moderating Role of R&D and Marketing Capabilities," *Journal of International Business Studies*, 33 (1), 79–97.

Lages, Luis Filipe, Sandy D. Jap, and David A. Griffith (2008), "The Role of Past Performance in Export Ventures: A Short-Term Reactive Approach," *Journal of International Business Studies*, 39 (2), 304–325.

——, Carmen Lages, and Cristiana Raquel Lages (2005), "Bringing Export Performance Metrics into Annual Reports: The APEV Scale and the PERFEX Scorecard," *Journal of International Marketing*, 13 (3), 79–104.

—— and Cristiana Raquel Lages (2004), "The STEP Scale: A Measure of Short-Term Export Performance Improvement," *Journal of International Marketing*, 12 (1), 36–56.

Leonidou, Leonidas C., Constantine S. Katsikeas, Dayananda Palihawadana, and Stavroula Spyropoulou (2007), "An Analytical Review of the Factors Stimulating Smaller Firms to Export," *International Marketing Review*, 24 (6), 735–70.

——, ——, and Nigel F. Piercy (1998), "Identifying Managerial Influences on Exporting: Past Research and Future Directions," *Journal of International Marketing*, 6 (2), 74–102.

Li, Tiger and S. Tamer Cavusgil (1995), "A Classification and Assessment of Research Streams in International Marketing," *International Business Review*, 4 (3), 251–77.

Lu, Jane W. and Paul W. Beamish (2001), "The Internationalization and Performance of SMEs," *Strategic Management Journal*, 22 (6–7), 565–86.

——— and ——— (2004), "International Diversification and Firm Performance: The S-Curve Hypothesis," *Academy of Management Journal*, 47 (4), 598–609.

March, James, G. (1991), "Exploration and Exploitation in Organizational Learning," *Organization Science*, 2 (1), 71–87.

Mohyuddin, Samira (2003), "Greece," *Greece Country Monitor*, (August), 1–10.

Morgan, Neil A., Anna Kaleka, and Constantine S. Katsikeas (2004), "Antecedents of Export Venture Performance: A Theoretical Model and Empirical Assessment," *Journal of Marketing*, 68 (January), 90–108.

Myers, Matthew B., Roger J. Calantone, Thomas J. Page Jr., and Charles R. Taylor (2000), "An Application of Multiple-Group Causal Models in Assessing Cross-Cultural Measurement Equivalence," *Journal of International Marketing*, 8 (4), 108–121.

Nakata, Cheryl and Yili Huang (2005), "Progress and Promise: The Last Decade of International Marketing Research," *Journal of Business Research*, 58 (5), 611–18.

Nakos, George, Keith D. Brouthers, and Lance Eliot Brouthers (1998), "The Impact of Firm and Managerial Characteristics on Small and Medium-Sized Greek Firms' Export Performance," *Journal of Global Marketing*, 11 (4), 23–47.

Neter, John, William Wasserman, and Michael Kutner (1983), *Applied Linear Regression Models*. Homewood, IL: Richard D. Irwin.

Nitsch, Detlev, Paul Beamish, and Shige Makino (1996), "Entry Mode and Performance of Japanese FDI in Western Europe," *Management International Review*, 36 (1), 27–43.

Oviatt, Benjamin M. and Patricia Phillips McDougall (1994), "Toward a Theory of International New Ventures," *Journal of International Business Studies*, 25 (1), 45–64.

Ozsomer, Aysegul and Gencturk, Esra (2003), "A Resource-Based Model of Market Learning in the Subsidiary: The Capabilities of Exploration and Exploitation," *Journal of International Marketing*, 11 (3), 1–29.

Piercy, Nigel (1983), "Export Marketing Management in Medium-Sized British Firms," *European Journal of Marketing*, 17 (1), 48–67.

Podsakoff, Phillip M. and Dennis W. Organ (1986), "Self-Reports in Organizational Research: Problems and Prospects," *Journal of Management*, 12 (4), 531–44.

Ramaswamy, K. (1992), "Multinationality and Performance: A Synthesis and Redirection," in *Advances in International Comparative Management*, Vol. 7, Richard N. Farmer, Richard B. Peterson, and Paul Marer, eds. Greenwich, CT: JAI Press, 241–67.

Reddy, Marlita A., ed. (1994), *Statistical Abstract of the World*. Detroit: Gale Research.

Roth, Kendall, David M. Schweiger, and Allen J. Morrison (1991), "Global Strategy Implementation at the Business Unit Level: Operational Capabilities and Administrative Mechanisms," *Journal of International Business Studies*, 22 (3), 369–402.

Schulz, Martin (2001), "The Uncertain Relevance of Newness: Organizational Learning and Knowledge Flows," *Academy of Management Journal*, 44 (4), 661–81.

Shoham, Aviv (1999), "Bounded Rationality, Planning, Standardization of International Strategy, and Export Performance: A Structural Model Examination," *Journal of International Marketing*, 7 (2), 24–50.

——— and Gerald S. Albaum (1995), "Reducing the Impact of Barriers to Exporting: A Managerial Perspective," *Journal of International Marketing*, 3 (4), 85–105.

Shuman, Jeffrey C. and John A. Seeger (1986), "The Theory and Practice of Strategic Management in Smaller Rapid Growth Firms," *American Journal of Small Business*, 11 (1), 7–18.

Sousa, Carlos M.P. (2004), "Export Performance Measurement: An Evaluation of the Empirical Research in the Literature," *Academy of Marketing Science Review*, (9), (accessed April 6, 2009), [available at http://www.amsreview.org/articles/sousa09-2004.pdf].

Spanos, Loukas (2005), "Corporate Governance in Greece: Developments and Policy Implications," *Corporate Governance*, 5 (1), 15–30.

Steenkamp, Jan-Benedict E.M. and Hans Baumgartner (1998), "Assessing Measurement Invariance in Cross-National Consumer Research," *Journal of Consumer Research*, 25 (1), 78–90.

Styles, Chris (1998), "Export Performance Measures in Australia and the United Kingdom," *Journal of International Marketing*, 6 (3), 12–36.

Sullivan, Daniel (1994), "Measuring the Degree of Internationalization of a Firm," *Journal of International Business Studies*, 25 (2), 325–42.

Sundaram, Anant K. and J. Stewart Black (1992), "The Environment and Internal Organization of Multinational Enterprises," *Academy of Management Review*, 17 (4), 729–57.

United Nations (2007), "Commodity Trade Statistics Database: 2007," (accessed April 29, 2009), [available at http://comtrade.un.org/].

———— (2008), *Statistical Yearbook: 2008*. New York: United Nations, Department of Economic and Social Affairs.

U.S. Small Business Administration (2009), "Size Standards," (accessed April 29, 2009), [available at http://www.sba.gov/services/contractingopportunities/sizestandardstopics/summarywhatis/index.html].

Van Hoorn, Th. P. (1979), "Strategic Planning in Small and Medium-Sized Companies," *Long Range Planning*, 12 (April), 84–91.

Wilkinson, Timothy J. and Lance Eliot Brouthers (2000), "An Evaluation of State Sponsored Promotion Programs," *Journal of Business Research*, 47 (3), 229–36.

Woodcock, C. Patrick, Paul W. Beamish, and Shige Makino (1994), "Ownership-Based Entry Mode Strategies and International Performance," *Journal of International Business Studies*, 25 (2), 253–73.

Zacharakis, Andrew L. (1997), "Entrepreneurial Entry into Foreign Markets: A Transaction Cost Perspective," *Entrepreneurship Theory & Practice*, 21 (3), 23–39.

Zahra, Shaker A., R. Duane Ireland, and Michael A. Hitt (2000), "International Expansion by New Venture Firms: International Diversity, Mode of Market Entry, Technological Learning, and Performance," *Academy of Management Journal*, 43 (5), 925–50.

Zou, Shaoming and Simona Stan (1998), "The Determinants of Export Performance: A Review of the Empirical Literature Between 1987 and 1997," *International Marketing Review*, 15 (5), 333–56.

————, Charles R. Taylor, and Gregory E. Osland (1998), "The EXPERF Scale: A Cross-National Generalized Export Performance Measure," *Journal of International Marketing*, 6 (3), 37–58.

THE AUTHORS

Lance Eliot Brouthers is Professor of Management in the Michael J. Coles College of Business at Kennesaw State University. He has published more than 90 refereed articles, proceedings, and book chapters on international business, strategy, and/or public policy. He currently serves on the editorial boards of *Journal of International Business Studies*, *Journal of Management Studies*, and *Management and Organization Review*, which is generally considered the top journal focusing on Chinese management practices.

George Nakos is Professor of Marketing in the School of Business at Clayton State University. His most recent publications have appeared in *Journal of International Management*, *Entrepreneurship Theory & Practice*, *International Business Review*, and *Journal of Small Business Management*.

John Hadjimarcou is Associate Professor of Marketing in the Department of Marketing and Management at University of Texas at El Paso. He currently serves on the editorial board of *Psychology & Marketing* and has published in various journals, including *Journal of International Marketing*, *Psychology & Marketing*, and *Journal of Management Studies*.

Keith D. Brouthers recently joined the North Carolina State University faculty as Professor of Strategy. He serves on the editorial boards of *Journal of International Business Studies*, *Journal of Management Studies*, and *Journal of Management*. His articles have appeared in many leading journals, including *Journal of Management*, *Strategic Management Journal*, and *Journal of International Business Studies*.