Impact of export promotion programs on SME export performance: empirical evidence from an emerging nation

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INTRODUCTION

The literature on government export promotion programs (EPPs) and other antecedents of export performance is relatively rich. On one hand, a significant body of research over the decades (e.g. Cavusgil and Michael, 1990; Seringhaus and Rosson, 1990; Kotabe and Czinkota, 1992; Donthu and Kim, 1993; Czinkota, 1994; Katsikeas et al., 1996; Gencturk and Kotabe, 2001; Francis and Collins-Dodd, 2004; Gillespie and Riddle, 2004; Hutchinson et al., 2006; Brewer, 2009) has highlighted the benefit of using EPPs by exporting firms. On the other hand, the international marketing literature is replete with conceptual and empirical research that pertains to the factors that influence firm export performance (e.g. Bilkey and Tesar, 1977; Cavusgil and Nevin, 1981; Madsen, 1994; Cadogan et al., 2002; Cadogan et al., 2005; Morgan et al., 2004; Lee et al., 2007; Leonidou et al., 2007; Racela et al., 2007). However, researchers from both sides have paid little attention to the study of the true impact of EPPs and other government policies in shaping export business strategy and potentially influencing the export success of business firms, especially small and medium-sized enterprises (SMEs). In a conceptual paper Leonidou and colleagues (Leonidou et al., 2007) provide a critical review of the internal and external factors that stimulate small firms’ exporting activities and posit that government assistance ‘seriously encourage[s] firms to initiate and/or develop exports’ (p. 747). Interestingly, no research thus far has empirically examined ‘how’ it encourages firms to initiate and/or develop exports; that is, what is the mechanism through which the use of EPPs affects a firm’s exporting success? This research examines the benefits of EPPs in a novel way to understand the mechanism of how EPPs actually facilitate SMEs’ export success, and contributes both theoretically and methodologically.

First, from a theoretical perspective, the mechanisms of how EPPs alter export behavior and performance are still not well understood (Lages and Montgomery, 2005). In an EJM article Lages and Montgomery (2005)
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first revealed a complex relationship between the use of EPP (for pricing strategy adaptation) and export performance, rather than the simple direct relationship reported in most studies. They found negative, indirect effects severely affect the positive, direct effects of export assistance on export pricing strategy adaptation and export performance. This lack of understanding is a problem, not least for policy makers, as it hampers their ability to purposefully design EPPs that are grounded in a thorough understanding of how the programs can assist export success. This study addresses this research gap by empirically testing an innovative model that explains how EPPs influence firms’ export success by enhancing knowledge base and export skills, shaping managers’ perceptions and export commitment, and ultimately influencing export strategy development for export success.

Second, from a methodological perspective, most EPP studies thus far have either examined the overall impact of all government assistance programs in a single bundle (e.g. Gencturk and Kotabe, 2001) or analyzed the impact of individual programs on firm export performance (e.g. Marandu, 1995). While the first method is too simplistic to capture the true impact of different categories of assistance programs designed to solve different exporting problems of firms at different stages of exporting (Kotabe and Czinkota, 1992), the second method is too descriptive. To overcome these problems, this study categorizes EPPs as market development EPPs, and finance and guarantee EPPs. To capture the true impact of EPPs on internal determinants, this study differentiates between these two forms of EPP in a novel way, and provides new insights into the causal mechanisms by which these two forms of EPPs shape export success. Therefore, this study contributes to export marketing theory by evaluating the ‘synergistic outcomes’ of government export assistance programs in the context of a ‘bundle of factors’ (Leonidou et al., 2007) by examining the effect of different types of assistance on firm export performance.

In this chapter, the complex interrelationships of EPPs and export performance are examined using the internationalization process (IP) model, the resource-based view (RBV) of the firm, and, to some extent, network theory as theoretical lenses. While the IP model indicates how gradual knowledge acquisition leads to greater market commitment and international operations of firms (Johanson and Vahlne, 1977; 1990), the RBV proposes that human competencies in the form of knowledge and expertise are critical to superior organizational performance (Barney, 1991). Export performance competencies are internal and acquired by firms, but the use of EPPs provides outside assistance to help firms obtain information, gain knowledge and experience, and obtain the resources needed to develop an export strategy to achieve greater performance (Singer and Czinkota,
1994) as well as enhancing the export competencies of a firm (Francis and Collins-Dodd, 2004). That is, government EPPs influence export performance not only directly (Katsikeas et al., 1996; Gencturk and Kotabe, 2001) but also indirectly through firms’ information gathering, knowledge and skill building, perception improvement, and export commitment. This chapter presents research that specifically tests the indirect impact of EPPs on firm export performance. Primary data from an Asian developing country context is used to empirically test the conceptual model drawn from the literature.

LITERATURE REVIEW AND HYPOTHESES

A review of the theories of the IP, export behavior and performance literature suggests that firms’ export performance is likely to correlate highly with key decision makers’ international business attitudes, commitment, knowledge and skills (Johanson and Vahlne, 1977; Aaby and Slater, 1989; Evangelista, 1994; Katsikeas et al., 1996). Moreover, a positive strategy–performance relationship is well documented in the literature (e.g. Leonidou et al., 2002; Morgan et al., 2004). A few studies have revealed a direct impact of export promotion on export performance, but its impact on the above-mentioned determinants of export performance has not yet been explored. Drawing on the extant literature on export performance and export promotion, the conceptual model herein integrates export strategy, management perception of the export market environment, export knowledge, export commitment and the use of EPPs.

Research into the internationalization of SMEs has emphasized the role of human capital-related elements (e.g. strategy, attitudes, perceptions, commitment and managers’ international experience) in influencing the performance of international activities (Ruzzier et al., 2007). Researchers have categorized these elements as organizational and managerial factors that influence export targeting and strategy factors (Katsikeas et al., 2000). From the RBV perspective, entrepreneurial/managerial knowledge and skills (e.g. knowledge of markets, technologies, consumer preferences, business connections, overseas market environments, legal procedures) are valuable, inimitable human capital elements that create competitive advantage for the firm (Penrose, 1980). This knowledge enhances the organization’s ability to mobilize company resources for its internationalization activities (Ruzzier et al., 2007). Such entrepreneurial/managerial resources are in short supply in most SMEs, and create actual and/or perceived barriers to export (Czinkota, 1994). Czinkota (1994) has argued that export assistance focuses on the organizational and managerial
characteristics and capabilities of the firm, and tries to improve them to contribute to positive changes in export performance. This suggests that export assistance programs help develop organizational capabilities and competencies for export. Francis and Collins-Dodd (2004) provide empirical support for this argument and posit that greater use of export assistance programs by Canadian SMEs at the early stages of export operations contributes to export market knowledge and product-market objectives, and enhances export capabilities and competencies.

The relationships conceptualized in this study are also based on the network model, which emphasizes knowledge sharing through vertical and horizontal networks (Welch et al., 1996; Freeman et al., 2006) to solve exporting problems related to resource-constrained small firms (Ghouri et al., 2003). Export assistance programs facilitate a network of small exporting firms as well as governmental and non-governmental agencies by creating horizontal networks of overseas exporting firms (Sim and Ali, 2001) and internal and external vertical networks of suppliers, buyers and other facilitating organizations at home and abroad. Export assistance programs such as seminars, trade shows, trade exhibitions, sales leads and trade delegations play a significant role in facilitating knowledge sharing, and in establishing links with trade partners.

The internationalization of firms from some developing countries has a special feature in which so-called born-global firms are involved in manufacturing and exporting apparel, specialized textiles, leather goods and similar other products for developed country markets such as North America and the European Union. The authors’ personal experiences suggest that the government policy shift from import-substitution to export-led industrial growth in Bangladesh with a set of export assistance programs encouraged such firms to exploit the export market opportunities under the quota system of the Generalized Scheme of Preferences (GSP). Their ability to survive and increase market share in the current open market without GSP indicates the sustainability of these firms’ competitive advantages based on acquired knowledge, experience and the benefit of horizontal and vertical networks. Many of these born-global firms have reached the higher stages of export activities suggested by Wortzel and Wortzel (1981), which requires up-to-date market information, careful market selection, and other product-market strategies to survive and prosper in the open global market.

Export promotion programs include all public measures designed to assist firms’ exporting activity, including counseling, trade shows, providing sales leads, tax incentives and export financing (Gencturk and Kotabe, 2001). These measures provide existing and potential exporters with primary export knowledge, experiential knowledge and physical
facilities (Seringhaus and Rosson, 1990). Analyzing the impact of an individual program could be either too descriptive (Marandu, 1995) or too narrowly focused, thereby missing the impact of the combined effects of other EPPs (Wilkinson and Brouthers, 2006). Similarly, using a single ‘global’ construct combining all EPPs to analyze their collective impact on firms’ export performance (Gencturk and Kotabe, 2001) is too simplistic and may contribute to ‘ambivalent and ambiguous findings’ (Seringhaus, 1986a, p. 57). Between these two extremes, a ‘narrow global’ construct measure combines similar purpose services and programs (Seringhaus, 1986a, p. 57), and this can be an effective method of assessing the impact of different categories of programs on firms’ export capability building and export performance.

Researchers have categorized export promotion programs differently. For instance, Singer (1990) classified EPPs as informational knowledge (e.g. how-to-export assistance, workshops and seminars) and experiential knowledge (finding foreign buyers, trade missions, trade shows, market research etc.) on the basis of the intent of providing assistance. In contrast, Kotabe and Czinkota (1992, p. 639) categorized export assistance programs as (i) export service programs; and (ii) market development programs. Naidu and colleagues (Naidu et al., 1997) proposed categorization into four categories: (1) export information (information and advisory service); (2) product planning and support (product planning, development and modification); (3) marketing support (e.g. market information/research, finding customers, agents or distributors, displaying products in trade fairs/exhibitions, negotiating assistance); and (4) finance and guarantee (e.g. export credit guarantees, subsidies, insurance, tax incentives/subsidies). The first three categories can broadly be grouped into market development programs that are designed for informational and experiential knowledge of the firms (Singer, 1990). The finance and guarantee programs are designed to drive firms to the exporting activities, and are found to be a unique category of assistance in developing countries (Panagariya, 2000) where other programs are not enough to solicit export commitment of SMEs. Considering the research context of this study, this study proposes (1) market development programs; and (2) finance and guarantee programs as broad categories of EPPs to examine their impact on other variables in the model.

The conceptual model in Figure 1.1 integrates firm- and management-related factors to examine the simultaneous direct impact of EPPs on these factors and the indirect effect of EPPs on firm export performance mediated by firm- and management-related factors. The first part of the model conceptualizes the relationships between the two types of EPPs and firm- and management-related antecedents of firm export performance, which
is the core focus of this study. The widely used and tested relationships between the firm- and management-related variables and firm export performance are hypothesized in the second part of the model, which aims to explore the potential indirect impact of EPPs on firm export performance. Theoretical backing and empirical support for the hypothesized relationships are briefly discussed in this section.

Use of EPPs and Management Perception of the Export Market Environment

Management perception of the overall foreign market environment is an important factor for an exporting firm when engaging in exporting or when expanding its export activities. Favorable managerial attitude toward the foreign market environment encourages exporting as an attractive growth strategy for the firm (Bilkey, 1978; Cavusgil and Nevin, 1981; Suarez-Ortega and Alamo-Vera, 2005). Following the general sentiment of the literature (for a comprehensive review see Eshghi, 1992), management’s perception of exporting is defined as managerial attitude towards exporting in terms of the advantage of exporting and the perception of exporting barriers. Exporters normally assess exporting risks and returns as more positive than do non-exporters, and organizations without export experience require a wide range of information to overcome these external barriers. Moreover, SMEs are at a disadvantage in assessing complex international business environments (Seringhaus, 1986b). High perceived risk and uncertainty regarding exporting, the lack of foreign market information, and the daunting nature of exporting processes all militate against

\[ H1a \quad \text{Management perception of the export market environment} \]

\[ H1b \quad \text{Use of market development EPPs} \]

\[ H2 \quad \text{Use of finance and guarantee EPPs} \]

\[ H3 \quad \text{Export knowledge} \]

\[ H4 \quad \text{Export strategy} \]

\[ H5 \quad \text{Export commitment} \]

\[ H6 \quad \text{Export performance} \]

\[ H7 \quad \text{Hypothesis 1} \]

\[ H8 \quad \text{Hypothesis 2} \]

\[ H9 \quad \text{Hypothesis 3} \]

\[ H10 \quad \text{Hypothesis 4} \]

\[ H11 \quad \text{Hypothesis 5} \]

\[ H12 \quad \text{Hypothesis 6} \]

\[ H13 \quad \text{Hypothesis 7} \]

\[ H14 \quad \text{Hypothesis 8} \]

\[ H15 \quad \text{Hypothesis 9} \]

\[ H16 \quad \text{Hypothesis 10} \]
such firms becoming committed exporters (Bilkey and Tesar, 1977; Reid, 1984; Seringhaus and Rosson, 1990).

Government EPPs include various initiatives to assist with different export barriers that SME managers normally face. Some of these initiatives highlight the benefits of exporting to reluctant managers (Seringhaus and Rosson, 1990) and aim to overcome managerial inertia (Koh, 1991). Other programs help managers assemble timely foreign market information to deal with their information barriers. A number of programs provide training to overcome operational and personnel resource barriers, to assist foreign market visits, or to enable the meeting of potential buyers at trade shows to try to remove many practical barriers to exporting. Certain EPPs provide export financing, credit guarantees, and insurance against currency fluctuation to overcome these risks, and they help generate positive attitudes toward exporting. Therefore, EPPs help overcome managers’ barriers to exporting and help develop more positive managerial perceptions toward exporting operations. Empirical findings in this area are lacking, but the preceding normative logic can be used to hypothesize the following relationship:

**Hypothesis 1:** The greater is the use of (a) market development EPPs and (b) finance and guarantee EPPs, the more positive is management’s perception of the export market environment.

### Use of EPPs and Export Knowledge

Export knowledge considers how to market a firm’s products and services abroad (Seringhaus, 1993). Export knowledge is defined in this study as knowledge of exporting procedures and knowledge of the foreign market (Wang and Olsen, 2002). These two categories of knowledge have critical bearings on the firm’s exporting success. While knowledge of exporting procedures enables a firm to effectively and efficiently manage these procedures (e.g. shipping and forwarding, processing paperwork, receiving payment), knowledge of a foreign market enables managers to design an effective marketing program for the target country market. Export knowledge can be objective and experiential (Johanson and Vahlne, 1977). Objective market knowledge ‘can be taught’ (Johanson and Vahlne, 1977, p. 28) or ‘obtained from secondary or primary sources’ (Seringhaus, 1986b, p. 27). In contrast, experiential market knowledge ‘can only be learned through personal experience’ (Johanson and Vahlne, 1977, p. 28) or ‘must be personally acquired through direct market or customer contact’ (Seringhaus, 1986b, p. 27). Experiential knowledge is the critical kind of knowledge that provides the framework for perceiving
and formulating opportunities (Johanson and Vahlne, 1977). It enables managers to recognize export opportunities, evaluate them, and adopt appropriate export behavior to achieve export objectives (Morgan et al., 2004).

Government export assistance programs enable managers to achieve both objective and experiential knowledge. Export workshops and seminars create export market awareness, but other programs encourage the firm to explore opportunities and start sporadic exporting to gain first-hand experience. Some assistance programs (e.g. seminars and workshops, export information-related publications, lists of agents and distributors in foreign markets, training, sales leads) are designed to provide objective knowledge to explore exporting. Other programs (e.g. export planning support, participation in trade fairs, trade missions) enable managers to gain experiential knowledge. Once an inexperienced firm overcomes initial export barriers and starts its first foreign operations with support from assistance programs, positive outcomes help it learn to master the market closely, which increases the firm’s commitment to the export market and creates the willingness to conquer other markets (Johanson and Vahlne, 1977; Lages and Montgomery, 2004; 2005). Singer and Czinkota (1994) argue that government EPPs help accelerate and expand management’s acquisition of objective and experiential knowledge, as well as develop its competitive competences. Gencturk and Kotabe (2001) also argue that EPPs are an important resource for building the knowledge and experience necessary for successful foreign market involvement. It has also been argued that a knowledgeable organization is more able to determine which information it is important to collect and how to use it than are their less knowledgeable counterparts (Seringhaus and Rosson, 1990). Therefore the following hypothesis is suggested for testing:

**Hypothesis 2:** The greater is a firm’s use of market development EPPs, the greater is the firm’s export knowledge.

**Use of EPPs and Commitment to Export**

Researchers define an organization’s commitment to export as the general willingness of its management to devote adequate financial, managerial and human resources to export-related activities (Aaby and Slater, 1989). The attitudinal component of commitment indicates managers’ perceptions of the benefits and risks associated with exporting (Cavusgil and Nevin, 1981; Aaby and Slater, 1989), and it demonstrates their behavioral commitment in allocating the required amount of effort and resources to export-related activities (Axinn and Athaide, 1991;
Cavusgil and Zou, 1994; Lages and Montgomery, 2004). Top management support, including a sufficient export development budget and specialized export personnel, are considered critical success factors in foreign markets (Cavusgil and Zou, 1994; Evangelista, 1994). Resources and capabilities provided to the export venture are critical to the development of a competitive export strategy and to building a competitive advantage in the export market (Morgan et al., 2004). Building knowledge competencies, hiring and training the right personnel, obtaining resources and formulating an effective marketing program are important indicators of management’s commitment to the export venture. The resource-based view (RBV) of the firm (Barney, 1991) strongly argues that these resource-building activities for sustainable competitive advantage are internal to the firm.

Public policies in the form of EPPs also play a major role in creating SME managers’ commitment to exporting. While some EPPs provide a motivational boost to managers and increase their attitudinal commitment, others complement firms’ resources and competencies by helping them access timely foreign market information and by providing sales leads and management training. Although the RBV considers resources and competencies as a firm’s internal strengths (Barney, 1991), the network model (Welch et al., 1996) suggests outsourcing as a possible scenario for building strengths through cooperative and collaborative networking with other business organizations and government agencies. Because of resource constraints and limited opportunities, SMEs normally follow cautious market selection and entry strategies (Brouthers and Nakos, 2005); SMEs also tend to take advantage of government support services to gain market information, locate foreign distributors, negotiate sales contracts with distributors, and even receive export credits at low interest rates. Thus, government EPPs are part of the broad partnership between corporations and governments aimed to achieve corporate and national goals of creating international competitiveness for firms. Export subsidies, import duty concessions, tax rebates and similar programs are direct resources designed to support exporters in improving their commitment. Thus, export assistance programs make an important, indirect contribution to the creation of a pro-exporting attitude among SMEs. They also assist SMEs by making exporting a positive experience and by fostering SME commitment to export activities. On the basis of these suggestions and conclusions the following hypothesis is offered for testing:

Hypothesis 3: The greater is the use of finance and guarantee EPPs, the greater is the firm’s export commitment.
Export Knowledge and Management’s Perception of the Export Market Environment

Lack of export knowledge and foreign market information is a barrier to export and discourages firms from pursuing exporting as an ongoing activity (Reid, 1984). We suggest that the acquisition of experiential knowledge from operations in overseas markets reduces managers’ foreign market uncertainty (Johanson and Vahlne, 1977; 1990), helps managers gain positive perceptions about the export market environment (Katsikeas et al., 1996), and increases managers’ confidence in the target markets. Managers’ export experience increases their familiarity with available sources of export information and with ways to use that knowledge effectively (Cadogan et al., 2002), thereby making managers more confident in export decision making. From the RBV, market experience, knowledge and skills are intangible firm resources that create a sustainable competitive advantage for the firm and help it outperform competitors. As such, the following hypothesis is offered for testing:

Hypothesis 4: The greater is the firm’s export knowledge, the more positive is management’s perception of their export market environment.

Export Knowledge and Export Commitment

The IP theory (Johanson and Vahlne, 1977; 1990) focuses on firms’ gradual acquisition, integration and use of knowledge about foreign markets and operations, and on its successively increasing commitment to foreign markets. The theory indicates that the lack of knowledge and resources is the most important obstacle to internationalization and that this is reduced through incremental decision making and learning about foreign markets and operations (Johanson and Vahlne, 1977; 1990). This indicates a direct, positive relationship between knowledge and commitment. Johanson et al. (1976, p. 37) more candidly argued that experiential information ‘enables us to perceive opportunities for new or enlarged business activities . . . [and] serves as input in the decision-making process that will eventually lead to commitment.’ As a result, the following hypothesis is offered for testing:

Hypothesis 5: The greater is the firm’s export knowledge, the greater is the firm’s export commitment.
Export Knowledge and Export Strategy Development

Export marketing strategy is how a firm responds to export market opportunities through market selection and integrated marketing activities (Cavusgil and Zou, 1994; Style and Ambler, 1994; Zou et al., 1997). Although previous researchers have used the ‘four Ps’ as they apply to export marketing strategy (see, for example, the review by Leonidou et al., 2002), the exporting literature also focuses on several other approaches, including export expansion strategy (Cooper and Kleinschmidt, 1985) and a commitment to information-gathering activity (Dhanaraj and Beamish, 2003). Born-global firms from developing countries may rely on other strategy elements such as distinct exporting goals and objectives, market knowledge building, and product-market expansion to move from the primitive stage of marketing of production space to the relatively advanced stages of marketing of a product (Wortzel and Wortzel, 1981). This strategy direction may well be termed ‘export expansion planning’ or ‘export strategy development’, and we define it here as the extent of the adoption of target country markets, the expansion of exportable products for existing and new markets, the development of marketing programs to compete in export markets, the establishment of distinct export goals and objectives, and the building of knowledge capabilities of the firm (Dhanaraj and Beamish, 2003). A firm’s physical resources and capabilities interact to create a competitive advantage (Mahoney, 1995). McKee and Varadarajan (1995) argue that a competitive advantage is the cornerstone of strategy and that enacted knowledge is the essence of a competitive advantage. The lack of this knowledge makes exporting riskier. Singer and Czinkota (1994) categorically argue that increased export knowledge increases pre-export activities such as export market decisions, marketing planning, and the establishment of foreign contacts and marketing channels. In other words, export market knowledge helps a firm select its export markets and formulate and implement proactive export expansion strategies more effectively (Cavusgil and Zou, 1994). As such, the following hypothesis is offered for testing:

Hypothesis 6: The greater is the firm’s export knowledge, the greater are the firm’s initiatives for export strategy development for export expansion.

Management’s Perception of Export Market Environment and Export Strategy Development

Effective exporting requires comprehensive export strategies to address the international market environment. Managers’ high degree of perceived
environmental volatility significantly affects their export decisions and proactive export strategies. Managers who perceive the export environment favorably tend to search for and acquire more information when designing proactive export strategies for expansion and making rational market entry decisions (Axinn, 1988). Researchers have found that decision makers with positive perceptions of the foreign market environment also view competition and risk-and-return favorably and make proactive efforts to export (Johanson and Nonaka, 1983; Style and Ambler, 1994). As such, the following hypothesis is offered for testing:

Hypothesis 7: The greater are management’s positive perceptions of the export market environment, the greater are the firm’s initiatives to develop an export strategy for export expansion.

Export Commitment and Export Strategy Development

Top management commitment is a critical determinant of a firm’s export behavior and success (Evangelista, 1994; Katsikeas et al., 1996). The willingness of top management to commit adequate financial and human resources to export market research and to the planning and implementation of export expansion strategies contributes to export success (Katsikeas et al., 1996) through export product and market diversification (Dhanaraj and Beamish, 2003). When managers are mentally committed to exporting, they carefully plan the entry and allocate sufficient managerial and financial resources, which helps reduce risks and uncertainties regarding the implementation of marketing strategies (Aaby and Slater, 1989). Therefore, the following hypothesis is offered for testing:

Hypothesis 8: The greater is the firm’s export commitment, the greater are the initiatives to develop export strategy development for export expansion.

Export Commitment and Export Performance

The IP model (Johanson and Vahlne, 1990, pp. 11–12) clearly suggests that through an interaction process, the firm’s commitment decision affects a firm’s market commitment (market expansion) and market activities (level of involvement in a specific market). Increased market experience enhances knowledge capabilities and reduces managers’ level of uncertainty in the export market, which in turn encourages firms to commit resources to achieve a competitive advantage (Penrose, 1980). Top management commitment allows a firm to aggressively seek export market opportunities and pursue effective export strategies that in turn
improve export performance (Koh, 1991). This theoretical conclusion has been supported in Chetty and Hamilton’s (1993) meta-analysis, where they revealed that 16 out of 27 studies reported a positive relationship between managers’ commitment to exporting and export performance. Therefore, the following hypothesis is offered for testing:

**Hypothesis 9:** The greater the firm’s export commitment, the better is the firm’s export performance.

**Export Strategy Development and Export Performance**

The export literature increasingly reflects on the importance of strategy to export success (Style and Ambler, 1994; Morgan et al., 2004). Empirical studies unequivocally suggest that export performance is determined by export marketing strategies and management’s ability to implement the strategies (Aaby and Slater, 1989; Cavusgil and Zou, 1994), as well as components of strategies such as export diversification (Aulakh et al., 2000), export product diversification (Dhanaraj and Beamish, 2003), export marketing strategy (Cavusgil and Zou, 1994), and competitive pricing. Therefore, the following hypothesis is offered for testing:

**Hypothesis 10:** The greater the firm’s export strategy development, the better is the firm’s export performance.

**RESEARCH DESIGN**

To test the proposed conceptual model, we conducted a mail survey of firms in three major export-oriented industries (garments; leather and leather products; and specialized textiles) in Bangladesh. We used member directories of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the Bangladesh Finished Leather, Leather Goods, and Footwear Exporters Association (BFLLFEA), and the Bangladesh Terry Towel and Linen Manufacturers’ and Exporters’ Association (BTTLMEA) as our sampling frame (total membership of 3230 firms), from which we selected an initial sample of 1200 firms for a mail survey. The target respondent was the senior manager responsible for making export decisions. Each firm in the initial sample was contacted by telephone to determine eligibility, to confirm mailing address, and to solicit participation in the survey. A questionnaire, an explanatory cover letter, and a postage-paid reply envelope were sent to eligible firms that agreed to participate. Two weeks after the first mailing, a reminder card...
was sent to each non-respondent. Another questionnaire was mailed ten days later to all remaining non-respondents, together with an appropriate letter and a reply-paid envelope. Of the 1200 questionnaires mailed, we obtained 223 responses (response rate of 18.5 percent), but 20 cases were excluded from further analysis as a result of incomplete responses. The mean differences between early and late respondents’ responses to the questionnaire were examined to test for possible non-response bias in the data set (Lambert and Harrington, 1990). None of the mean differences was significant, which indicates that non-response bias was not present.

**Measurement of Variables**

Measures of all variables were developed from the literature and field interviews in Bangladesh. All variables in the model are latent variables, except for the use of EPPs. The export assistance programs offered by different agencies of the government of Bangladesh to the target industrial sectors were used to measure the two categories of EPPs and are listed in Appendix 1A.1. Multi-item scales were drawn from the literature to measure the latent variables.

The measurement approach for the constructs in this model follows.

**Export performance**

Export performance was measured at the level of the firm rather than the venture level. Because our theory contains only firm-specific factors (e.g. export strategy development, export commitment etc.) and not venture-specific export performance antecedents, measurement of export success at the venture level is inappropriate in terms of the theory. This is because individual export ventures can be successful or not depending on numerous venture-specific factors and interdependencies between ventures, as well as firm-level factors. Assessing export performance at the firm level avoids potential problems resulting from incorrect mix-ups of theory and measurement. Export performance was assessed using four items. Two items captured export sales and export profits (e.g. Katsikeas et al., 1996), and two items captured export sales growth and new market entry (see Wortzel and Wortzel, 1981). The items were measured on seven-point scales, anchored at 1 = ‘much below expectations over the past three years’ and 7 = ‘much above expectations over the past three years’.

**The use of EPPs**

Different government agencies in Bangladesh offer a range of EPPs to support the business community and promote exports from the country. Field interviews with senior executives of government and industry
bodies (Bangladesh Export Promotion Bureau, BGMEA, BFLLEA and BTTLMEA) and business leaders in Bangladesh confirmed a list of 19 assistance programs available to the target industrial sectors in Bangladesh. We measured usage by asking respondents to indicate whether they had used the listed programs during the past three years (1 = ‘used’; 0 = ‘never used’). These 19 assistance programs were grouped into two categories on the basis of their commonality of purposes as discussed earlier (13 export market development programs and six finance and guarantee programs). Around 14 percent of the sample firms did not use any of the 13 market development EPPs whereas 10 percent firms used all programs over the past three years prior to this study (average being 5.67 EPPs). All firms used either one or more finance and guarantee EPPs and around 16 percent of the firms used all six EPPs (average being 3.45). The sums of usage of EPPs in each group were then used as indices for ‘use market’ and ‘use finance’ constructs for analysis as observed variables in the model. The EPPs are reported in Appendix 1A.1.

Measurement of other latent variables in the model
Measurement items were drawn from the literature to measure management’s perception of the export market environment (Axinn, 1985), export knowledge (Kotabe and Czinkota, 1992), and export commitment (Cavusgil and Nevin, 1981; Cavusgil and Naor, 1987; Evangelista, 1994). As indicated earlier, this study defined export strategy with a focus on export expansion (Cooper and Kleinschmidt, 1985; Dhanaraj and Beamish, 2003), by means of the export strategy development construct. Therefore, measurement was tailored to the study’s context of a developing country, such as Bangladesh. Here, firms at the later stages of exporting gain knowledge of foreign market demand and customer preferences and acquire the knowledge and skills to export their products to diversified regional and global markets (Wortzel and Wortzel, 1981). From that perspective, developing a strategy for target country markets, expanding exportable products to existing and new markets, developing marketing programs to compete in export markets, establishing distinct export goals and objectives, and developing capabilities to collect the necessary market information are important to those firms. Therefore, the export strategy development construct was developed to measure the extent of adoption of these items in an exporting firm for product-market expansion plans. It was assumed that the greater was the adoption of strategy items in a firm, the higher the position of the firm would be on the export stage hierarchy that Wortzel and Wortzel (1981) suggest. Respondents rated each item on a seven-point rating scale, anchored at 1 = ‘strongly disagree’ and 7 = ‘strongly agree’.
Sample Firm and Respondent Profile

Given the labor-intensive nature of the sample firms, 85 percent of the firms employed more than 200 employees and 47 percent employed more than 500. Slightly more than half of the responding firms (51 percent) had international business experience of more than ten years and another third had experience of seven to ten years. Respondents were relatively young (54 percent were between 30 and 40 years of age) and highly educated (80 percent had a university degree; some had graduated from foreign universities). A vast majority of respondents had a reasonable length of international business experience (78 percent had more than six years; the rest had between three and six years). The demographic information confirmed the profile of entrepreneurs of born-global firms. Half of the respondents were managers or commercial officers in charge of export operations, and another 41 percent held a more senior position such as managing director, chief executive officer, director, or general manager.

DATA ANALYSIS AND FINDINGS

Following Gerbing and Hamilton’s (1996) recommendation, we initially examined the measurement scales of the five latent variables using exploratory factor analysis. As a result, we eliminated a number of items from the scales. All remaining items were then entered simultaneously into a confirmatory factor analysis (CFA) using AMOS 16. Several more items were eliminated from the model to improve model fit. Fit for the revised measurement model was acceptable: $\chi^2 = 293.18$, df = 143, RMSEA = .07, IFI = .91 and CFI = .91. The standardized estimates of most items shown in Appendix 1A.2 are greater than the ideal level of .70 (significant at $p \leq .001$) and none were below .50. The inter-construct correlations are reported in Table 1.1, including the average variance extracted (AVE) and reliability score for latent constructs. The composite reliabilities of the construct measures are .70 or greater, which indicates adequate convergence and good internal consistency (Hair et al., 2006). None of the squared correlations is greater than the respective values for AVEs for the variables involved, which provides support for discriminant validity.

The structural model with five latent variables and two observed variables (indices for market development EPPs and finance and guarantee EPPs) was then assessed using AMOS 16, and we found adequate model fit: $\chi^2 = 419$, df = 218 (CMIN/DF = 1.92), RMSEA = .068, IFI = .904 and CFI = .902. The standardized and unstandardized parameter estimates, error estimates (S.E.), and critical ratios are reported in Table 1.2.
### Table 1.1 Bi-variate correlation between constructs, means, AVE and construct reliability

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Market Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance and Guarantee EPPs</td>
<td>.657***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management Perception of Environment</td>
<td>.117 NS</td>
<td>-.153 NS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export Knowledge</td>
<td>.236**</td>
<td>-.037 NS</td>
<td>.551***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export Commitment</td>
<td>.191**</td>
<td>.293 ***</td>
<td>.023 NS</td>
<td>.498***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export Strategy</td>
<td>.312 ***</td>
<td>.093 NS</td>
<td>.534 ***</td>
<td>.750 ***</td>
<td>.489 ***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export Performance</td>
<td>.373 ***</td>
<td>.290 ***</td>
<td>.209 *</td>
<td>.319 ***</td>
<td>.449 ***</td>
<td>.390 ***</td>
<td></td>
</tr>
<tr>
<td>Mean Score</td>
<td>5.67</td>
<td>3.44</td>
<td>5.091</td>
<td>6.017</td>
<td>5.317</td>
<td>5.640</td>
<td>3.714</td>
</tr>
<tr>
<td>Construct Reliability</td>
<td>a</td>
<td>a</td>
<td>.70</td>
<td>.85</td>
<td>.79</td>
<td>.86</td>
<td>.85</td>
</tr>
<tr>
<td>Average Variance</td>
<td>a</td>
<td>a</td>
<td>.45</td>
<td>.53</td>
<td>.50</td>
<td>.56</td>
<td>.62</td>
</tr>
<tr>
<td>Extracted (AVE)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- Market Development and Finance and Guarantee EPPs are observed variables, and are measured using the sum of usage of the EPPs in each category.
- Significance level: *** $p \leq .001$; ** $p \leq .01$; * $p \leq .05$; NS = not significant.
Table 1.2  Results of the analysis of the structural equation model

<table>
<thead>
<tr>
<th>Path Relationships</th>
<th>Standardized Estimate</th>
<th>Unstandardized Estimate</th>
<th>S.E.</th>
<th>Critical Ratios</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Development EPPs ➔ Management perception of environment</td>
<td>.200</td>
<td>.035</td>
<td>.017</td>
<td>2.06**</td>
<td>H1a: supported</td>
</tr>
<tr>
<td>Finance &amp; Guarantee EPPs ➔ Management perception of environment</td>
<td>−.276</td>
<td>−.115</td>
<td>.044</td>
<td>−2.64**</td>
<td>H1b: not supported</td>
</tr>
<tr>
<td>Market Development EPPs ➔ Export knowledge</td>
<td>.245</td>
<td>.031</td>
<td>.009</td>
<td>3.24***</td>
<td>H2: supported</td>
</tr>
<tr>
<td>Finance &amp; Guarantee EPPs ➔ Export commitment</td>
<td>.313</td>
<td>.230</td>
<td>.052</td>
<td>4.46***</td>
<td>H3: supported</td>
</tr>
<tr>
<td>Export knowledge ➔ Management perception of environment</td>
<td>.475</td>
<td>.608</td>
<td>.147</td>
<td>4.13***</td>
<td>H4: supported</td>
</tr>
<tr>
<td>Export knowledge ➔ Export commitment</td>
<td>.480</td>
<td>1.104</td>
<td>.196</td>
<td>5.645***</td>
<td>H5: supported</td>
</tr>
<tr>
<td>Export knowledge ➔ Export strategy development</td>
<td>.504</td>
<td>.711</td>
<td>.137</td>
<td>5.17 ***</td>
<td>H6: supported</td>
</tr>
<tr>
<td>Management perception of environment ➔ Export strategy development</td>
<td>.273</td>
<td>.305</td>
<td>.095</td>
<td>3.22 **</td>
<td>H7: supported</td>
</tr>
<tr>
<td>Export commitment ➔ Export strategy development</td>
<td>.265</td>
<td>.161</td>
<td>.046</td>
<td>3.52 ***</td>
<td>H8: supported</td>
</tr>
<tr>
<td>Export commitment ➔ Export performance</td>
<td>.377</td>
<td>.308</td>
<td>.086</td>
<td>3.57 ***</td>
<td>H9: supported</td>
</tr>
<tr>
<td>Export strategy development ➔ Export performance</td>
<td>.181</td>
<td>.317</td>
<td>.134</td>
<td>2.36 **</td>
<td>H10: supported</td>
</tr>
</tbody>
</table>

Model Fit Statistics:  
\( \chi^2(df) 419.38(218), \text{CMIN/DF} 1.92 \)  
IFI .904, CFI .902, RMSEA .068

Note: One-tailed significance level: *** \( p \leq .01 \); ** \( p \leq .05 \).
Direct, indirect and total effects of the exogenous variables on relevant endogenous variables in the model were estimated with a 95 percent confidence level. The estimated unstandardized direct, indirect and total effects of the variables including critical ratios (CRs) and their significance levels are shown in Table 1.3.

**DISCUSSION AND IMPLICATIONS**

The model results provide evidence that EPPs play an important role in the exporting activities of a firm by contributing to a number of firm- and management-related antecedents of firm export performance. With respect to the individual hypotheses, the results provide support for H1a. The positive relationship between the use of market development EPPs and management’s perception of the export market environment (standardized $\beta = .217$) suggests that such assistance programs (e.g. provision of export market information through trade missions, trade fairs, export workshops and seminars; human resources training programs on product development and marketing) help overcome exporters’ mental barriers and develop positive attitudes toward exporting. However, a negative result (standardized $\beta = -.276$) runs contrary to H1b, namely, the expected positive relationship between the use of finance and guarantee EPPs and management perceptions of the export market environment. The result may suggest that, in general, finance and guarantee EPPs are designed to provide support to established exporters, not to enhance managers’ positive perceptions of the export market environment.

The results also support H2, which proposed a positive relationship between market development EPPs and export knowledge (standardized $\beta = .245$). As presented in Table 1.3, the use of market development EPPs had a significant positive, indirect relationship with management perceptions of the export market environment (unstandardized $\beta = .019$), export commitment (unstandardized $\beta = .034$), export strategy development (unstandardized $\beta = .043$), and export performance (unstandardized $\beta = .024$). All standardized indirect effects are above .08 (from .091 to .245), to further indicate their relatively moderate to large impact on the total effect (Hair et al., 2006). This suggests that exporters gain objective and experiential knowledge through the use of market development EPPs that influence the commitment-building process as well as the design and implementation of effective export strategy to achieve better performance. This is consistent with IP theory that suggests firms’ gradual knowledge acquisition through exporting experiences enhances their commitment to export and in turn leads to higher international operations (Johanson and...
Table 1.3  Unstandardized direct, indirect and total effects of causal variables in the model

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Type of Effects</th>
<th>Management Perception of Environment</th>
<th>Export Knowledge</th>
<th>Export Commitment</th>
<th>Export Strategy Development</th>
<th>Export Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Beta</td>
<td>CR</td>
<td>Beta</td>
<td>CR</td>
<td>Beta</td>
</tr>
<tr>
<td>Market Development</td>
<td>Direct Effect</td>
<td>.035</td>
<td>2.06**</td>
<td>.031</td>
<td>3.24**</td>
<td>–</td>
</tr>
<tr>
<td>EPPs</td>
<td>Indirect Effect</td>
<td>.019</td>
<td>2.65**</td>
<td>–</td>
<td>–</td>
<td>.034</td>
</tr>
<tr>
<td></td>
<td>Total Effect</td>
<td>.053</td>
<td>2.75**</td>
<td>.031</td>
<td>3.24**</td>
<td>.034</td>
</tr>
<tr>
<td>Finance &amp; Guarantee</td>
<td>Direct Effect</td>
<td>-.115</td>
<td>-2.64**</td>
<td>–</td>
<td>–</td>
<td>.230</td>
</tr>
<tr>
<td>EPPs</td>
<td>Indirect Effect</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Total Effect</td>
<td>-.115</td>
<td>-2.64**</td>
<td>–</td>
<td>–</td>
<td>.230</td>
</tr>
<tr>
<td>Management Perception of Environment</td>
<td>Direct Effect</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Indirect Effect</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Total Effect</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Export Knowledge</td>
<td>Direct Effect</td>
<td>.608</td>
<td>4.13***</td>
<td>–</td>
<td>–</td>
<td>1.104</td>
</tr>
<tr>
<td></td>
<td>Indirect Effect</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Total Effect</td>
<td>.608</td>
<td>4.13***</td>
<td>–</td>
<td>–</td>
<td>1.104</td>
</tr>
<tr>
<td>Export Commitment</td>
<td>Direct Effect</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Indirect Effect</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Total Effect</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Export Strategy</td>
<td>Direct Effect</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Development</td>
<td>Indirect Effect</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Total Effect</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Notes:
One-tailed significance level: *** p ≤ .001; ** p ≤ .01; * p ≤ .05.
Critical ratios for indirect effects are calculated using Sobel Test formula in Google.
This study suggests EPPs as sources of educational knowledge (e.g. trade shows, trade missions, training), as well as sources of experiential knowledge (that help improve management’s attitude toward exporting and the export market), assist the development of export strategies for exporting success. Moreover, the study results also support the argument that market development EPPs assist small exporting firms’ resources- and capability-building processes and build a competitive advantage in their export markets (Barney, 1991) by establishing a vertical network of foreign buyers and suppliers as well as export facilitating organizations (Welch et al., 1996; Ghouri et al., 2003). This experiential knowledge is an outcome of successful initial export operations, aided by different assistance programs, and the experiential knowledge influences firms’ export commitment and strategy (Lages and Montgomery, 2004). However, this knowledge- and commitment-building process is not an automatic outcome of using EPPs and is likely to pay off only when small firms use these programs to overcome managerial mental and physical organizational barriers to export and to facilitate their human resource-building process.

We found support for H3, as there was a positive relationship between the use of finance and guarantee EPPs and export commitment (standardized $\beta = .313$). This indicates that finance and guarantee EPPs generally provide commitment-enhancing financial and material support to exporters, which ultimately influences export performance. Such programs are, in general, designed to provide resources and create a competitive position for the exporting firms. Some of these programs, such as the duty drawback scheme and income tax rebate scheme, make exporting more profitable and improve the competitive position of the exporting firms. Similarly, export credit guarantee schemes provide security against trade and political risks, and bonded warehouse facilities enhance financing opportunities for exporters. The use of these programs enables exporters to commit more resources to export-related activities. These programs are, in fact, a form of resource support that enables firms to commit managerial and financial resources, thus supporting the use of the RBV (Barney, 1991). The results in Table 1.3 also show that the use of finance and guarantee EPPs has a significant, indirect relationship with export performance (unstandardized $\beta = .072$, standardized $\beta = .105$, significant at $p < .01$). Its indirect effect on strategy is apparently trivial (.02) because the positive, significant unstandardized $\beta$ (.037) for the path mediated by commitment is adversely affected by its negative, indirect effect on strategy mediated by management perception. This complex relationship is similar to that concluded by Lages and Montgomery (2005). These results clearly suggest that a firm’s use of finance and guarantee EPPs directly
influences export commitment, and indirectly pays off in terms of export strategy development and export success.

The positive relationship between export knowledge and management’s perceptions of the export market environment (standardized \( \beta = .475 \)) provides support for H4. This suggests that firms with a high degree of knowledge about the export market environment and the exporting process tend to help managers manage and overcome potential barriers in export processes or markets and gradually gain a positive perception of their export market environment. For H5 and H6, the results provide support to our proposed positive relationship between export knowledge and export commitment (standardized \( \beta = .480 \)), and between export knowledge and export strategy development (standardized \( \beta = .504 \)). Furthermore, as reported in Table 1.3, export knowledge has a significant, indirect relationship with export strategy development (unstandardized \( \beta = .364 \)) and export performance (unstandardized \( \beta = .680 \)). This indicates that firms with improved export knowledge can formulate and implement proactive strategies more effectively and achieve their export objectives more efficiently.

We expected a positive relationship between favorable management perceptions of the foreign market environment and the firm’s export strategy development in H7 and found significant support (standardized \( \beta = .273 \)). This indicates that managers who have a positive perception of the export market environment tend to have clear goals and objectives for export operations, new market entry plans, and proactive strategies to compete in those markets with the right product and other marketing programs.

H8 and H9 were also supported, with significant, positive relationships between export commitment and export strategy development (standardized \( \beta = .265 \)), and between export commitment and export performance (standardized \( \beta = .377 \)). These results indicate that firms that are more committed to exporting in terms of human resource practices, organizational structures, and funding to develop overseas markets, and those that look for export opportunities, are likely to have proactive strategy development processes and achieve better performance. Finally, we found support for H10, with a positive relationship between export strategy development and export performance (standardized \( \beta = .181 \)).

CONCLUSION AND CONTRIBUTIONS

An assessment of the effectiveness of EPPs is an important research focus in the contemporary export marketing literature (Gencturk and Kotabe,
2001; Balabanis et al., 2004; Francis and Collins-Dodd, 2004; Gillespie and Riddle, 2004; Lages and Montgomery, 2005). This study contributes to international marketing theory by explaining how EPPs can influence firm export performance through the development of export knowledge, managers’ positive perceptions of exporting and export markets, and export commitment. Results of the empirical study of SMEs reveal that the use of market development export assistance programs has a significant direct impact on firms’ export knowledge and managers’ positive perceptions of the export market. The use of these assistance programs also has significant positive, indirect relationships with firms’ export commitment, export strategy development and export performance. In contrast, the use of finance and guarantee assistance programs directly influences firms’ export commitment and indirectly influences their export strategy and performance. The findings clearly suggest that the impact of export assistance programs on firm export performance is indirect through other firm- and management-related internal determinants of export performance, such as export knowledge, commitment, strategy and management’s perceptions of the export environment. In other words, the use of EPPs directly and/or indirectly assists SMEs’ resource- and capability-building processes and ultimately contributes to export success.

The study has several academic implications. First, the study lends valuable empirical support to the few studies that have examined the impact of EPPs on export performance (Donthu and Kim, 1993; Gencturk and Kotabe, 2001; Katsikeas et al., 1996). It validates the use of EPPs as an antecedent of export performance by testing a comprehensive model using SEM. Second, this study tested a conceptual model that theorized indirect effects of EPPs via other widely tested internal determinants of export performance. We found the hypothesized relationships in the complex model to be valid, revealing the indirect impact of EPPs on firm export performance, lending support to previous research by Lages and Montgomery (2005). Third, the complex relationships were theorized using the IP model of internationalization and the resource-based view of the firm as well as the network model. The findings support this theoretical grounding and the assumptions on which it is based, contributing to the extension of these theories in the study of EPPs. This study also provides a much-needed understanding of the export capability-building behavior of small, resource-constrained born-global firms from developing countries like Bangladesh that are contributing significantly to export-led economic growth of developing countries. The findings also provide support for the wisdom that export assistance programs offered by governments and other agencies do assist small firms in building their knowledge base and human capital for successful exporting (Czinkota, 1994). Finally, on
the methodological side, this research contributes to the measurement of EPPs by categorizing them according to their objectives of offering: export market development EPPs, and finance and guarantee EPPs. This measurement scheme reveals that the effects of the two categories of EPPs on other firm- and management-related internal variables in the model are not similar. While the first category of EPPs has a positive effect on export knowledge and management perceptions of the export environment, the second category of EPPs has a positive effect on export commitment. Future research may benefit from the EPP measurement scheme adopted in this study.

Managerial Implications

The findings indicate that the use of EPPs has a positive effect on management’s perceptions of the export market environment, export knowledge and export commitment. This indicates that managers who use more of the EPPs available have a more positive attitude toward the export environment, become more knowledgeable about the export market, and are likely to be more committed to exporting. We found export knowledge to be a significant determinant of management’s perceptions of the export market environment, export strategy and export commitment. Moreover, EPPs help managers overcome their mental barriers and enable them to develop positive attitudes toward exporting. Managers reduce their uncertainty and perceived risk associated with exporting by using EPPs. Some of these programs, such as export market information through trade missions, trade fairs and experiential knowledge, help them develop networks with buyers, suppliers and other export facilitating agencies and thus overcome export barriers. Managers also gain objective knowledge by participating in local training programs as well as overseas training programs on product development and marketing. Managers enjoy an enhanced competitive position and believe that exporting is more profitable and attractive when they use programs such as the export credit guarantee scheme, duty drawback scheme and income tax rebate schemes. As a result, managers commit more resources to exporting. Therefore, this study provides a framework of guidelines for managers of small exporting firms to show them how they can benefit from EPPs to improve their attitude toward the export market environment, to build their knowledge, and to enhance their commitment to exporting for greater success in their international operations.

It would appear that management in general is more likely to take full advantage of potential export markets when it commits adequate resources to undertake export-related activities. Once firms are involved
in exporting, differential advantages in management expertise are found to be important determinants of export performance. Firms need personnel who are able to develop export strategies and are knowledgeable in export market activities and export procedures. Firms can hire new personnel or train present employees. In general, in-house training is not available and thus small exporting firms should be able to send personnel to export seminars or workshops and conferences organized by government agencies as part of these assistance programs. In addition, it would seem that to continue or expand exports, existing export firms should expose top management to the international environment through travel. Overseas visits of various kinds (e.g. seminars, trade fairs) are an excellent method of stimulating or maintaining good buyer–seller relationships, thereby reinforcing export activities. Therefore, export promotion services are a valuable source of information and aid in building expertise and finding resources for developing export markets. Firms that are aware of, or engaged in, exporting as a strategic option should actively consider government assistance programs as a potentially useful source of export assistance. In addition, firms should seek to use services that address their particular export barriers (Francis and Collins-Dodd, 2004). Firms facing several barriers should identify programs that offer a variety of services. They should seek to use multiple services from such programs to increase their export performance.

**Government Policy Implication**

This study highlights the crucial role that government policy can play in facilitating firm performance in export markets by stimulating regular export activity. Given the critical importance of information about foreign markets and most small firms’ limited capabilities to collect such information, support services should include collection and dissemination of such information for potential exporting firms. Collected information should include the cultural environment in foreign markets, foreign government regulations, restrictions on imports, foreign government exchange-rate policy, and multiple channels of distribution in foreign markets. The government’s ability to improve the competitive edge of a firm not only helps reduce the degree of export risks that the firm perceives but also raises management’s confidence in the firm’s ability to export successfully. The government should provide a competitive platform for exporters through trade policies, market access initiatives, improved export opportunity awareness campaigns, and policies to minimize export disincentives. Firms must be made aware of international market opportunities and realize that export opportunities overseas are long-term growth markets. Because
export knowledge is a significant determinant of export performance, and EPPs help increase knowledge, government agencies should pay particular attention to the design and implementation of export marketing education and training programs among exporters and potential exporters.

Exporters’ need for support changes over time as they move from one stage to another on the export hierarchy. Policy makers should be mindful about those changing needs and review support services to make them appropriate for different target groups. The findings of this study provide a clear guideline on how assistance programs help in building SMEs’ capabilities and human capital for export competitiveness in the changing world market. Policy makers should take note of these results when designing policies and programs to help domestic firms build their competitiveness, enabling them to respond to global challenges from other developing and emerging countries.

Limitations of the Study

This study has some limitations that must be taken into consideration when interpreting the findings. First, because of the constraints of time and resources, the research was conducted in a single developing country context of Bangladesh. Although this has facilitated the controlling of diversity of EPPs across countries, it compromised the opportunity to generalize findings across countries. Therefore, findings of this research are tentative unless verified in other country contexts. Second, only manufacturing firms in three export-oriented industries in Bangladesh were studied rather than a cross-section of manufacturing and service firms in the country, which again would have aided generalization of the findings. Third, a longitudinal study of EPP users’ reaction over time rather than cross-sectional data would have been better for an in-depth view of the situation and the changes that take place over time. Fourth, we tested a model that we cannot claim is complete. Future research should consider other potential internal determinants such as managerial experience, managerial orientation, as well as external factors such as the domestic industry environment and export market environment competitiveness. Fifth, the measures of the constructs are a potential problem in most social science and business research. This research is not an exception. This research developed measurement of constructs that differ from other research in this domain: use of market development EPPs, use of finance and guarantee EPPs, and export strategy. Although these measures have high reliability and proved useful for this study, further research is required to refine them. First, we recommend possible refinement of the measurement of the EPP incorporating formative measures based on some
form of weighting the EPPs by perceived benefit or usefulness. Second, expansion of the measurement scale for export strategy could include marketing strategy factors such as product, price, promotion and distribution in future research. Finally, we used only subjective measures of performance in this study without any consideration of objective measures such as sales, market share and profit growth. Future research should consider these aspects as well.

**Future Research Directions**

The results and limitations herein provide the basis for future research. There are several areas to which further research into the evaluation of EPPs could be directed. First, further research could be directed at the limitations listed previously. Second, further research can explore other dimensions of EPPs in the evaluation process, such as validation in other developed and developing country contexts and across industries. Finally, drawing on limited literature support (Naidu et al., 1997) this research adopted a new approach to measure the use of EPPs by categorizing them into market development EPPs and finance and guarantee EPPs. Although these measures proved useful in this study, further research is required to validate them.

**REFERENCES**


Brouthers, L.E. and Nakos, G. (2005), ‘The role of systematic international market selec-


Research handbook on export marketing


APPENDIX 1A.1 EXPORT PROMOTION PROGRAMS IN BANGLADESH

Available Market Development related EPPs, and Finance and Guarantee related EPPs in Bangladesh are listed below.

**Market Development EPPs (Observed Variable ‘Usemarket’ = Sum of EPPs Used)**

1. Marketing assistance for exporting new products.
2. Technical assistance for developing new products.
3. Assistance in obtaining foreign technology for product development.
4. Technical and practical training program for development of skilled manpower in the export sector.
5. Assistance for establishing sales and display centers abroad.
6. Participation in international trade fairs and specialized export fairs.
7. Inclusion in trade missions.
8. Export workshops and seminars.
9. Overseas promotion of the firm’s products.
10. Assistance in establishing contact with foreign buyers.
11. Assistance in settlement of trade disputes with foreign buyers.
12. Assistance for participation in overseas training programs on product development and marketing.
13. Providing services in respect of market information, contact with buyers and other support services by the Bangladesh missions abroad.

**Finance and Guarantee EPPs (Observed Variable ‘Usefinance’ = Sum of EPPs Used)**

1. Pre-shipment, post-shipment and comprehensive guarantee insurance facilities through an export credit guarantee scheme.
2. Duty drawback scheme.
3. Rebate on insurance premium for fire, marine and shipment of goods.
5. Income tax rebate on export earnings.
6. Matching grant facilities.
APPENDIX 1A.2

Table 1A.1  List of measurement items for the latent variables in the overall measurement model

<table>
<thead>
<tr>
<th>Constructs and their Measurement Items</th>
<th>Parameter Estimate&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Critical Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Export Commitment</strong> (Composite Reliability: .79)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executives travel frequently to export markets (comit2)</td>
<td>.73</td>
<td></td>
</tr>
<tr>
<td>The firm has appropriate organizational structure to deal with all export activities (comit1)</td>
<td>.67</td>
<td>8.49**</td>
</tr>
<tr>
<td>The firm sets aside adequate funds to develop overseas markets (comit7)</td>
<td>.70</td>
<td>8.78**</td>
</tr>
<tr>
<td>The firm has extensive in-house export market research facilities (comit3)</td>
<td>.72</td>
<td>8.96**</td>
</tr>
<tr>
<td><strong>Export Knowledge</strong> (Composite Reliability: .85)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salespeople are sufficiently knowledgeable about existing foreign markets (know3)</td>
<td>.72</td>
<td></td>
</tr>
<tr>
<td>Overall, we have sufficient knowledge about foreign markets we serve (know4)</td>
<td>.83</td>
<td>10.94**</td>
</tr>
<tr>
<td>We have current information about foreign government regulations that affect our markets (know5)</td>
<td>.70</td>
<td>9.23**</td>
</tr>
<tr>
<td>We know the economic situation in our export markets (know6)</td>
<td>.64</td>
<td>8.47**</td>
</tr>
<tr>
<td>We have sufficient knowledge about the international marketing services available from public and private sources (know7)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>We have skills and knowledge to cope with the challenge of globalization (know8)&lt;sup&gt;b&lt;/sup&gt;</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>We are able to arrange shipping and forwarding activities (know1)&lt;sup&gt;b&lt;/sup&gt;</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>We are able to prepare and handle export documentation (know2)&lt;sup&gt;b&lt;/sup&gt;</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Export Strategy</strong> (Composite Reliability: .86)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distinct goals and objectives for export operations have been established (strate3)</td>
<td>.77</td>
<td></td>
</tr>
<tr>
<td>Export countries to be entered have been clearly identified (strate6)</td>
<td>.74</td>
<td>10.41**</td>
</tr>
<tr>
<td>Strategies for competing in export markets are formulated (strate2)</td>
<td>.80</td>
<td>11.37**</td>
</tr>
<tr>
<td>We have clear strategies to expand number of exportable products over the years (strate7)</td>
<td>.70</td>
<td>9.75**</td>
</tr>
</tbody>
</table>
Table 1A.1 (continued)

<table>
<thead>
<tr>
<th>Constructs and their Measurement Items</th>
<th>Parameter Estimate^a</th>
<th>Critical Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adequate capabilities to collect necessary information (strate4)^b</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>The export customers to be served (strate1)^b</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Sufficient budget to exploit overseas markets (strate5)^b</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Strategies to expand export markets over the years (strate8)^b</td>
<td>–</td>
<td></td>
</tr>
</tbody>
</table>

Management Perception of Export Environment
(Composite Reliability: .70)

- Making contacts with customers is easy (envir1) .73
- Obtaining payment is relatively simple (envir2) .54 6.45**
- Paperwork involved in export sales is easy to understand (envir7) .72 7.96**
- Locating sales agents/distributors in foreign markets is easy (envir10)^b

Export Performance (Composite Reliability: .85)

- Export sales (perfor1) .79
- Export profit (perfor2) .82 13.56**
- Export growth (perfor3) .89 14.76**
- New market entry (perfor4) .62 7.01**

Notes:
- Estimates shown are standardized.
- Item excluded from the final measurement model.
- Significance level of the critical ratios: ** p ≤ .01 or better.