

## Chapter 4

# Internal Key Factor in the Export Performance of Spanish SMEs

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### ABSTRACT

*The internationalization is a complex process that requires a great effort, both financial and human, that some companies cannot spare, especially if they are medium or small companies. The authors' investigation is based upon these medium and small companies and the problems they face, and analyzes the issues that affect their export intensity. For this, a multidimensional model is proposed as a result of a deep research on literature on this field. The results of this study show how technological innovation is an important aspect when determining an effort for exportation in this kind of companies.*

### PROBLEM STATEMENT AND RESEARCH OBJECTIVES

There is a constant growth on the number of companies that look for opportunities in international markets as a strategy to keep or retain their position in the market. Medium and Small Companies (SMEs), due to their characteristics, find a hard way when they begin an internationalization process. In this aspect, exporting has been the most common way of internationalization because it

requires less financial and human resources and it carries lower risks (Leonidou et al., 2002). In sum, it's an internationalization process, defined as the development of a set of activities that lead to the establishment of somewhat stable links with international markets (Root, 1994; Rialp, 1999).

This paper focuses on the research realm of the companies' internationalization, which is characterized by a broad set of views, mainly from multiple disciplines, that derive from the numerous instruments that the enterprises use for entering foreign markets. Coviello & McAuley insist systematically on this matter (1999:243).

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Based on this, this paper wants to analyze one of the most important among the set of internationalization tools, which is exportation as a mode of entry in foreign markets.

Economic literature, which encompasses different theoretical currents, has dealt with the export phenomena either from a macroeconomic view or from a more business-based perspective. The former includes all the approaches that try to explain trade between different countries and/or productive sectors. The researches that analyze the export results from a macroeconomic perspective tend to conclude that the international activity of an enterprise would be conditioned by institutional actions and by the conditions offered by its country of origin (Porter, 1990).

There is no doubt that a macro vision offers a good explanation for international commerce and competence among countries, but it's not complete or it's limited for explaining the competitive issues of a company in a specific geographic zone or sector and especially to understand a company's role in an international projection.

Traditionally, researches concerning the examination of the export results of the enterprises based on their competitive capacities have focused on the identification of all the factors that explain why the company made the decision to export, as well as on the export effort, expressed normally by the percentage of the total sales that the company cashes in foreign markets. As indicated by a series of authors (Bilkey, 1978; Thomas & Araujo, 1986; Miesembock, 1988; Andersen, 1993; Leonidou & Katsikeas, 1996; Zou & Stan, 1998), the obtained results are characterized by a high fragmentation and in many cases by an important contradiction between them. This suggests that a more encompassing model that integrates different perspectives is necessary.

On the other hand, most of the research is based on the study of the determinants of export results of Anglo-Saxon enterprises –mainly north American-. Like Zou & Stan (1998,353). In their work about the main and most recent empirical

researches that focus on the analysis of the determinants of export results, studies that focus on non-Anglo-Saxon companies are scarce. Hence, the need to focus this research towards other geographic contexts, such as Europe and Asia.

These latter, even if they indicate some generic determinants of the export results of the enterprises, they are limited for explaining the results of Catalan or Spanish companies.

Today, the various studies that have been published about the Spanish enterprises are a proof of the growing interest for this topic. Due to the notability of enterprises' internationalization in general, and of their exports in particular, one can observe an important number of works focused on these subjects<sup>1</sup>. Some of them focus particularly on the case of one autonomous community<sup>2</sup>. Nonetheless, empirical evidence at the local levels is yet inexistent.

Analyzing the export results from the perspective of a concrete territory is in line with all those researches that consider it as a factor for the cohesion, the specialization, the diversification and the competitiveness of companies. Moreover, even if the territorial factor is not the object of this research, we insist on the fact that when doing a research on a concrete territory, particularly in the business realm of Terrassa, it validates the obtained results. It is not in vain that the enterprises in a realm such as the indicated above reinforce their competitiveness via externalities. There is enough empirical evidence that demonstrates that the links between the enterprises' system and their territory are accentuated and that they constitute the fertile soil for the frequent existence of external economies for the enterprises, but internal in the geographic area. This was shown by the pioneer work of Marshall (Marshall, 1890) and afterwards those of Arrow (Arrow, 1962), (Romer, 1986), (Porter, 1990) and (Krugman, 1995).

We will focus our research based upon this context. Our principal objective is to analyze the internal determinants of the export behaviour in small and medium-sized companies (SMEs)

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