Export Promotion Programs and Exporters Performance, Strategies and Competencies: A Review

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Abstract—Export promotion schemes are very beneficial to the exporters. These programs help the exporters in different stages of exporting. These programs enhance the performance of the exporters in international market. Previous researches show mixed view on it. It has been observed that export promotion programs affect the firm’s performance, competencies and strategies, directly and indirectly. The earlier studies indicate that there is need of awareness of export promotion programs.

Keyword—Economic Development, Economic Growth, Export promotion schemes

I. INTRODUCTION

To increase the exports growth, government offer number of incentives to firms through a wide range of export promotion programs (Cavusgil and Yeoh, 1994; Jaramillo, 1992). Promoting national exports is, therefore, a top priority of many public policy makers, mainly because national exports provide the means to increase employment opportunities for local people, generate foreign exchange to finance imports, increase public funds with additional tax revenues, create backward and forward linkages in the economy, and achieve higher economic growth and living standards (Archer and Maser, 1989). Export activities are known to be important for the economic well-being of a nation.

II. OBJECTIVE

Objective of this article is to present a review of literature on relationship between export promotion programs and firm’s performance. To carry out this study we have considered on six factors i.e. Export Growth, Export performance, Export strategy, Export competencies, need for export promotion programs and awareness of Export Promotion Programs.

III. EXPORT GROWTH

Growth of exports is very important from a nation’s point of view. If exports show a rising trend and this results in the increased GDP due to the making of multiplier. For this government introduce various schemes from time to time to encourage the exporters. Mishra (2011) found significant relationship between export promotion schemes and export growth in India during the period from 1970 to 2009. Yannopoulos (2010) examined the usefulness of the export assistance programs available to Canadian exporting firms. This study analyzed that the importance and usefulness of export promotion programs are different according to level of stages in export activities. This study reveals that all support services are not equally important or useful and used to the same degree by Canadian exporters. It concluded that importance must be given to most useful programs as to maximize the effectiveness of these export support efforts. He examined the performance of Indian textile and clothing industry in United States market. This study revealed that India had not maintained its position in textile sector in US market in comparison to China. It also concluded that the Indian exports of textiles and clothing are highly correlated with global trade pattern in contrast to China and Bangladesh etc. Domician (2009) also observed that export promotion programs are relevant for the country as well as for the global development orientations. But for some instance the programs remain inefficient due to the prevailing risk in the market. Figure 1 showed conceptual model given by Jalali (2012). He found that export promotion programs affect the export knowledge and commitment of the firm. So the firm makes strategies to compete in the international market and firm export performance enhances. Export promotion
programs have a significant impact on firm’s export growth and these programs provided proper guidance to the firms for availing the opportunities in the foreign market Reid (1984).

![Figure 1 Conceptual model of the study](image)

*Source: Seyed Hossein Jalali*

### IV. EXPORT PERFORMANCE

Export promotion programs are government measures that help the exporting firms to improve the performance of export market. The main motive behind these programs is to overcome various problems related to export, Seringhaus (1986) and Seringhaus and Rosson (1990). Performance of the firms means firm ability to satisfy and develop the customer’s base in foreign market by satisfying the needs of the customer by offering good product and services, Moorman and Rust (1999). However, by developing the customer base, the firm will have to penetrate the market and improve the turnover and market share, Grozdanovc and klarmann (2007). Mainly the export performance means activities of the firm in international market, Cavusgil & Zou (1994). Shoham (1998) stated that a firm’s export performance included growth as well as export profitability. A better understanding of the activity of export is most important for a firm for improving financial position and utilization of production capacity etc, Lu &Beamish, (2001). Leonidou et. al. (2011) examined the significant relationship between export promotion program and firm export performance. They stated that by adoption of various export promotion programs, firms increase their export based capabilities by developing the export marketing strategy. Export assistance programs enhance the internationalization of SMEs directly and indirectly Shamsuddoha et al (2009). Further Francis and Colleen (2004) analyzed that there is significant relationship between a firm’s export performance and export promotion programs. They concluded that the export promotion programs provided by the government help SMEs to overcome barriers to exporting. This study examined that export promotion programs affect the firm’s performance, strategies and competencies in Canadian economy. They added that if the government provides more and more programs to boost the export, it will influence the achievement of export objectives and export promotion strategies as well as increase the export competitiveness. Export promotion programs are an important source of enhancing the knowledge and expertise necessary for international market involvement and the use of these programs could influence export performance of the firm directly and indirectly. So the export promotion programs affect the export performance of the firms either directly or indirectly (Gillespie and Riddle 2004; Iages and Monotogomery 2005; Shamsuddoha 2006). Jalali (2012) examined the significant relationship between export promotion programs and export performance in Iranian food manufacturers. He revealed the positive effects of export promotion programs on export performance directly and indirectly. He further stated that export strategy played a key role in relationship between export promotion programs and export performance so that firm also achieves competitive advantages in global world.

### V. EXPORT STRATEGY

Export promotion programs have significant impact on export strategy of the firms. Export strategy means firms use internal and external forces to meet the objective. It includes all aspects of marketing plan that involves four p’s of marketing (Cavusgil and Zou, 1994). Export strategy means policies made by the firms to achieve the firm’s objective (Orville and Walker 2008). Maghaddam (2011) examined the effect of export marketing strategy on firm’s export performance. He added that various strategies adopted by the firms, like product marketing strategy, price marketing strategy, place marketing strategy, and promotion marketing strategy are on the basis of export promotion programs. Lederman and Olarreaga (2006) analyzed the impact of existing Export Promotion Assistance and firm export strategies, based on a data set covering 104 developing and developed countries. They stated that there is positive relationship between Export Promotion Assistance on export growth. Similar results were shown by Francis and Colleen (2004). They examined the relationship between export promotion programs and export strategy of the firms. They focused on the impact of export promotion programs on SMEs competencies, strategies and performance in Canadian economy. They found that export promotion programs
increased the export activities of firms. They revealed that the export promotion programs influence the export expansion strategies. Export marketing strategy, firm’s international competence, and managerial commitment are the key determinants of export performance (Cavusgil and Zou 1994)). Lee and Yang (1990) examined the relationship between the export market strategy and the performance of exporting firms. They showed that firms follow different export market expansion strategies: export market concentration etc. Kleinschmidt and Cooper (1985) pointed out that there is a positive relationship between export intensity and domestic market potential and domestic market growth. They stated that much speculation has, of course, already surrounded the causes of the varying performance of the industry with the general consensus focusing on the vital role of FDI and the growth of externally-owned, high-tech sector. In brief, although a few studies mention that there is not any relationship, most of researchers concluded that marketing strategy is affected by export promotion programmes.

VI. EXPORT COMPETENCIES

Competencies mean using the organizational resources to benefit the export market of the firm. La et. al. (2005) examined that the competencies affect the firm’s performance in international market. Morgan and Keleka (2004) showed that various competencies related to sales, information and production increased the firm’s export capabilities. Ritter (2006) added that various competencies played a different role that is measured by the customer value delivering process of manufacturing goods for exporting. Francis and Colleen (2004) examined the impact of export promotion programs on firm competencies in export market. They discounted that there is positive correlation between export promotion programs and export competencies. These programs boost the firm’s export competencies. They found that these programs influence the accomplishment of objectives of firms as well as expand the export strategies of the firms. Export marketing competencies have got enhanced because of these programs. He explained that the active exporters gain more from export promotion programs in comparison to other exporters. SMEs have limited capacity to gain information of international market. So, that limited involvement was possible in the export market. Reid (1984) found that if firm’s market competencies improve in foreign market then market diversification is possible because of export promotion programs.

VII. NEED FOR EXPORT PROMOTION PROGRAM

There are a number of factors which affect the exports of a country. Political risk is an important obstacle in international trade. Moser et. al. (2006) pointed out that a firm’s export activity is very much affected by the political risk in the importing countries. They further added that export credit agencies are unable to provide proper insurance for all types of risk associated with exports. Tesfom and Lutz (2006) observed that industrial factors and other external factors influence the export performance of the firm. They classified the export problems of small and medium sized firms in developing countries. They revealed that both developing and developed countries faced similar export problems. Rose (2005) observed that communication cost and other cost also affect the export promotion of the countries. Giovannucci (2004) observed that for development trade export promotion programs are an effective tool. He revealed that trade promotion organizations have clear roles and functions. Chiung (2003) examined the various external factors including exchange rate fluctuation, foreign income, price index between countries and cost of importing, are the main factors that affect the export growth of the countries. Silverman et. al. (2002) explained the export promotion needs of the SMEs in Californian environmental technology. The exporters into three stages that is heavy, moderate and marginal. Singer and Czinkota (1994) examined the factors affecting the use of export promotion programs. They revealed the four factors: export stage, firm size, management commitment and type of services used. They stated that export promotion programs help the exporting company to reduce the barriers of export. With the help of these programs export managers received more information, experience and resources to enhance the export market. According to this study export stage, firm size and management commitment are independent variables and export performance is a dependent variable. They found that less experienced firms use more export promotion schemes for development in comparison to more experienced firms. Weaver et. al. (1998) Naidu and Rao (1993) pointed out the need of Export Promotion Programs at different stages of the internationalization process. They found that Export Promotion Programs are introduced by the government according to the needs of the exporters, as well as proper measurement use by the government to monitor the performance of Export Promotion Programs. Kotabe and Czinkota (1992) studied that the difference between the need of export assistance required by an export firms and Export Promotion Programs provided by the government. They suggested that government make the Export Promotion Programs according to the needs of the exporters. There were two types of export activities: export source programs and market development programs. Involvements of exporters are different according to different stages in export market. They discussed the
following firm’s categories: partial exporting, exploring, experimental limited experience and experienced exporters. Vozikis and Miscon (1985) concluded that Export Promotion Programs provided by the government should fulfill the wishes of the exporters.

VIII. AWARENESS OF EXPORT PROMOTION PROGRAM

Exporters must be aware of different export promotion programs introduced by the government. Moini (1998) examined the impact of Export Promotion Programs on the export activities in US State of Wisconsin. He divided firms into four categories: non-exporters, regular exporters, growing exporters and partially invested exporters. He found that lack of export awareness about Export Promotion Programs was more in non-exporters and partially interested exporters. Lack of awareness of Export Promotion Programs affects the export development of a particular country. Effectiveness of Export Promotion Programs varies with firm export involvement. More export enhancement strategies should be developed and the exporter firms should be informed about the procedure of export operations. As a result export profit will increase. Diamantopoulos et. al. (1993) explained the awareness of exporters regarding Export Promotion Programs introduced by a country. According to the study awareness of Export Promotion Programs depends upon the stage of involvement of the exporters. They added that in the initial stage firms can use more Export Promotion Programs if they are aware of about the export opportunities and motivated to export but in other stages firms require more informational supports regarding export and in the last stage firm requires Export Promotion Programs for the selling of their products in export market. Government can promote the awareness of the programs to the exporters, that more export growth is possible. Czinkota and Ricks (1981) Exporters should be aware of the Export Promotion Programs provided by the government.

III. CONCLUSION

On the basis of earlier studies six major conclusions emerge:

1. There is direct relationship between export promotion programs and export growth of the country. However the importance and usefulness of these programs are different according to level of stages in export activities.
2. Export promotion programs could influence export performance of the firm directly and indirectly. However there is significant relationship between export promotion programs and export performance of the firms.
3. Export strategy of the firm and export promotion programs are directly related to each other. On the basis of export promotion programs various strategies are adopted by the firms like product, place, promotion and price marketing strategy.
4. There is positive correlation between export promotion programs and firms export competencies. Thus we can conclude that there is significant relationship between export promotion programs and export competencies of the firms. Export promotion programs enhance the various competencies like marketing, sales, production as well as informational competencies.
5. Government introduces the export promotion programs according to the need of the exporters. With the help of these programs export managers receive more information, experience and resources to enhance the export market.
6. According to earlier studies awareness of the export promotion programs depend upon the stages of involvement of the exporters. Firms can use export promotion programs in each and every stage of exports.

Export promotion programs improve the firm performance, competencies and strategies Czinkota (1996), Francis and Collins (2004). Many factors affect the export promotion programs of the export market Seringhaus and Rosson (1996). More awareness of export promotion programs affects the success in export market to the exporters. We can conclude that more and more export initiative should be provided to the exporters so that more export growth is possible.

REFERENCES


