Strategic factors in SME leadership orientation towards initiating exports: India context

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Abstract

Purpose – *This paper aims to examine characteristics of emerging market small and medium-sized enterprise (SME) decision makers in their entry to exporting. What prior experience is significantly related to an export orientation? How influential are factors that would both aid and inhibit exports? What about the decision to not initiate exporting.*

Design/methodology/approach – *In total, 319 surveys were collected from managers in South India for quantitative and qualitative analysis. Structural equation modelling was used to test the model.*

Findings – *Fluency in English was the only significant managerial characteristic associated with a positive perception of export benefits. Education and export experience were not significant strategic factors. SMEs who only serve their domestic market were not averse to exporting but were satisfied with the performance of their home markets. Once deciding to export, use of export intermediaries helped them to move towards presence in multiple markets. None of the inhibiting costs or constraints involved with exporting, other than labour, transportation differentials and export controls, were significantly influential in the export decision process. However, exports were favourably influenced by perceptions of the firms' quality, pricing, selection and business relationships.*

Practical implications – *The value of export intermediaries and government agencies is clearly indicated from this study. Such providers could use these findings to target decision makers and assist in overcoming objections to branching out beyond a domestic-only strategy. One strategy option is to establish a strong market presence in the home state and then "export" to adjoining states. The findings might be generalised to other emerging markets as well.*

Originality/value – *Export entry decision-making is an under-researched area in emerging markets.*

Keywords *Export, India, SMEs, Internationalisation, Leadership*

Paper type *Research paper*

Introduction

It has been suggested that organisational behaviour is driven by key individual(s) within a firm (Mullins, 2005; Suliman *et al.*, 2019). As such, perceptual factors are likely to be important for decision makers in framing company strategy and for governments in establishing policy that encourages international business. Micro, small and medium-sized enterprises [1] (SMEs) play a crucial economic role in countries around the world. According to the World Bank (2020), SMEs throughout the world represent 90% of businesses and over 50% of employment. Both researchers and government agencies have attempted to explain the successful internationalisation of SMEs to develop policy to further their growth (Filatotchev *et al.*, 2009). The majority of existing research is advanced-economy studies (see, e.g. Andersen (1993); Leonidou *et al.* (2010); Li *et al.* (2017)). Emerging market studies are less common. India in particular (Saiyed *et al.*, 2021; Singh, 2009) is not well-represented. Even less attention is given to firms' pre-export behaviour

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(Shih *et al.*, 2023; Tan *et al.*, 2007), even though it is recognised that firms often have deep experience through their personnel's prior knowledge (Chetty and Campbell-Hunt, 2004).

This research pertains to orientations and characteristics of managers in the decision process to initiate exports. We are not examining "born global" firms. In particular, we address (1) individual managerial characteristics that contribute to a firm's.

Export behaviour and (2) the impact of export barriers in managerial export actions. This contribution towards literature and practice is an under-researched area of managerial influences in emerging market export decision-making.

Responding to Acedo and Galán's (2011) call for a more in-depth and holistic understanding of perceptual factors contributing to export behaviour of managers/firms, our study examines these within a diffusion of innovation (DOI) framework proposed by Lekvall and Wahlbin (1973). While large firms were SMEs early in their inception, SMEs are not smaller versions of larger firms, as they face a unique set of constraints, such as a lack of human and other resource capabilities (Wright *et al.*, 2005). Nonetheless, SMEs tend to be "nimble" in reacting to market opportunities more quickly than larger firms and will play an expanding role, for example, in post-pandemic recovery.

Like many other governments, Indian governments, particularly in Kerala State, have prioritised encouraging exports as part of their developmental strategy (MSME, 2019). In India, 99% of firms are classified as SMEs (Sidhartha, 2020), and they contribute substantially to the country's economic development. They employ over 106 million, 40% of India's workforce, second only to the agricultural sector (Government of India, 2023). Recent disruptions to global supply chains have highlighted over-reliance on certain countries, such as China, for manufactured goods, presenting India and Indian SMEs with opportunities to expand their international business.

The purpose of this paper is to examine some antecedent orientations of SME manufacturers and managers in the export initiation process. It extends recent work of Shih *et al.* (2023) to look at a gap in research involving firms that decide to not initiate exports. International Market Selection (IMS) is a highly complex topic area of how firms go abroad (Papadopoulos and Martín Martín, 2011). IMS findings have proven to be inconsistent due to the fragmentation of study conceptualisations and diversity of perspectives and models (Francioni and Martín, 2024). We add incrementally to literature on the pre-export dynamics of the firm.

The paper is structured as follows. We highlight the Indian contextual background and discuss the conceptual background, theoretical base and foundation for the conceptual model with hypothesis set. Then, the methodology is presented, findings are reported and discussed, while the latter sections present and discuss implications, limitations and directions for future research.

Contextual background

The Republic of India is the largest democracy in the world, with over 1.4 billion people. It is a federal democracy with 29 states and seven union territories. After gaining independence in 1947, India's share of world trade declined from 2.4% to 0.5% due to bureaucracy and over-regulation. Finally, the country initiated much-needed reforms (APH, 1998). They facilitated a remarkable upturn in economic activity, especially in the volume of international trade (Subramanian and Felman, 2019).

The southern Indian state of Kerala was selected for this study. It has the 12th largest number of SMEs in India, generating employment for approximately 4.4 million people. The state has four international airports and a seaport to facilitate exports. SMEs in Kerala and India generally are mostly in the early stages of internationalisation (Abraham, 2020). Exporting, as a low-commitment strategy, is the most common form of market entry for these firms, given its limited risks and resource needs for internationalisation (Leonidou *et al.*, 2010).

Conceptual background

SMEs are necessarily actively managed by their owner-managers (Pope, 2002). In this research, we focus on the orientations of leaders, in that their decision-making process is primary in framing strategy for the firm (Acedo and Galán, 2011; Cyert and March, 1963), including internationalisation strategy.

The DOI Model (Rogers, 1962, 2003) is a theoretical lens that recognises internationalisation to be an innovation in the firm. DOI is an abstract theory with numerous facets (Bass, 1969). DOI is well-established in social sciences and emphasises the critical role played by persons in the leadership role in the organisation who act as early adopters of an innovation (Rogers, 1962). Defining the organisation as a social system (Hall, 2004), the theory includes readiness for innovation, implementation and consequences to the actors.

Although their individual decisions to adopt an innovation are not independent of other considerations, these leaders are instrumental in initiating strategic action, which includes exporting (Shih *et al.*, 2023). Cognitive antecedents of the propensity to observe and then try innovations include motivation, learning style and tolerance for ambiguity amongst the primary decision makers. Our research focuses on the organisation's individual adopters of innovation, first discussed at length by Rogers (1962). Greenhalgh *et al.* (2004) recommended that the orientations of adopters would make a good research question. Vagnani and Volpe (2017) found preferences of individual adopters in organisations to be influential in a mediated-moderated framework towards the actual innovation adoption decisions in organisations. In our study, innovation is in the form of internationalisation, which then becomes diffused into the organisation through exporting. In studying internationalisation, the behaviour of the firm is a proxy for the behaviour of its managers.

Recent behavioural theory has looked at subjective norms and attitudes using the theory of planned behaviour (Kalula *et al.*, 2024; Sandoval and Rank, 2022; Syed *et al.*, 2024). Such behavioural theories often revert to social cognitive theory (Bandura, 1986), which is not a psychological direction of this study other than perhaps the expected net benefit to the decision maker. Our interests in this project are primarily in the more basic characteristics of the adopting decision maker in relation to initiating exports for their firm. Thus, our measures are not conceptually abstract.

Other behaviour-related theory would include the Uppsala model of organisational learning (Johanson and Vahlne, 1977). Cognitive biases have been identified as being influential to organisational learning (Stouraitis *et al.*, 2017). Although the Uppsala model has had past popularity in literature on international expansion, its insights are limited, pertaining to specific stages of exporting, particularly the pre-export stage (Shih *et al.*, 2023).

Technology has application to export initialisation in consideration of AI and big data analytics encompassed in the fourth industrial revolution (Al-Khatib, 2023; Zheng *et al.*, 2021). This is also known as Industry 4.0 (Beltrami *et al.*, 2021), using technology in decision-making processes (Sahoo *et al.*, 2024).

Hypotheses

Human capital of the decision maker is likely to be instrumental to the firm's exports development (Leonidou *et al.*, 2004). As such, we examine the link between human capital dimensions such as language skills (FLAN), education (TEREDU), export training (EXPTRN) and international orientation due to being born overseas (BOS) or having worked overseas (WOS) and the perceived benefits of exports. This leads to our first hypothesis:

H1. The perceived benefits of exports are positively related to the managerial characteristics of the firm's manager.

Top management with an international orientation (Bilkey, 1978; Acedo and Jones, 2007) has been considered an important factor in explaining the firm's export behaviour. Thus, following these studies, hypothesis 2 is presented:

H2. Managers' perceptions that exports are beneficial will have a positive impact on a firm's export behaviour.

Commitment is a key determinant of internationalisation (Javalgi and Todd, 2011). Attitudinal commitment is the willingness to invest in international activities due to the personal meaning it has for key personnel, whereas behavioural commitment addresses resources used (Kuiken *et al.*, 2020). In this study, we incorporate a composite measure developed by Cavusgil and Zou (1994) to capture both the attitudinal and behavioural elements of commitment. Furthermore, commitment has been found to have both a direct and a mediating role in modelling the behaviour of the firm (Urgal *et al.*, 2013), and these two roles are reflected in the proposed model.

A plethora of studies has identified management commitment to be one of the most important determinants of export behaviour (Makrini and Chaibi, 2015). Thus, managerial commitment not only has a direct impact on a firm's export behaviour but also presents a condition for the influence of other managerial factors on firm activities. As such, we hypothesise:

H3. Managerial commitment mediates the perception of factors that impact a firm's export behaviour.

It has been questioned whether managers initiate exporting because of their confidence in competitive advantage. Factors that influence competitiveness include production competitiveness (Philp, 1998), product quality (Styles and Ambler, 1994), uniqueness of product (Louter *et al.*, 1991), efficient production (Leonidou, 1995; Lim *et al.*, 1991), marketing skills (Leonidou, 1995) and a network of distributors (Blomström and Kokko, 1998). Clearly, an important factor that influences product competitiveness is price. Contradictory findings abound in this literature (see e.g. Chetty and Hamilton, 1993). Our fourth hypothesis is:

H4. Perceptions of factors that influence exports positively impact a firm's export behaviour.

Prior research has found that the perceptions of export barriers (OSBAR) (or complexity) are negatively related to export involvement (Leonidou, 2004). If firms perceive low advantages and high barriers in relation to export activity, they tend to be non-exporters. Based on literature (Kahiya, 2018; Katsikeas and Morgan, 1994), a number of variables related to export barriers can be identified, such as the rules and regulations of government, exchange rate variations, infrastructure factors and cultural differences. In studies conducted in the USA, major barriers to exporting were found to be insufficient export finances, foreign government restrictions, insufficient knowledge about market opportunities and inadequate product distribution services abroad (Leonidou and Katsikeas, 1996).

Price competitiveness and export performance could be improved by developing a low-cost offering relative to competitors. Low costs might result from technology, efficient use of the workforce or low-cost inputs that cannot be copied (Bobillo *et al.*, 2007). There is similar evidence regarding managerial costs (Katsikeas and Morgan, 1994), export regulation, factory facility costs (Sullivan and Bauerschmidt, 1991), costs of export documentation and other transaction costs (Matlay *et al.*, 2006). Hypothesis 5 is thus framed:

H5. Perceptions of cost-related factors inhibiting exports negatively impact a firm's export behaviour.

The conceptual model of the internationalisation of Indian SMEs developed in this study is illustrated in Figure 2.

Methodology

This research primarily uses quantitative analysis. Qualitative items also contributed to clarification of managerial motives. The extrapolation method was used to test for sample bias. Structural equation modelling (SEM) was used to test the model. The data were collected from the manager or the management team most responsible for internationalisation decisions in the SMEs. We assume that management team's behaviour and the firm's behaviour will be the same (Ganotakis and Love, 2012).

Data collection

The survey instrument was a questionnaire based on a number of previous studies. Financial information was not sought due to the reluctance of managers to divulge such data. The sample involved 500 SME managers from the state of Kerala in South India. The data collection was done by visiting industrial parks over a 3-month period. Firms were identified from an SME directory published by the Government of Kerala. Industrial parks were chosen as they host a large number (50–200) of SMEs in close proximity. In Kerala, there is at least one industrial park in each of the 14 districts within the state. Data were mainly collected from the districts of Thrissur, Kottayam, Palakkad and Ernakulam.

The questionnaire was distributed to each firm's managing director. The researcher gave a brief introduction, assuring respondents of strict anonymity. Survey items were Likert scale, followed by qualitative questions.

A total of 432 surveys were collected (a response rate of 86.4%). Consistent with Saunders *et al.* (2006), in-person collection can achieve high response rates. In total, 319 questionnaires were usable. Removed surveys were incomplete, subsidiary firms or IT startups.

Variables

A firm's transition from a domestic-oriented firm to one that is international could be due to strategic choices made by the managers/owners of the firm. A fundamental difficulty in empirical research has been determining and measuring the firm's degree of internationalisation. One solution is to use a multi-item scale to measure the stage of internationalisation (Sullivan, 1994), which would be superior to single-item measures due to the increase in reliability (Churchill, 1979). Ramaswamy *et al.* (1996) suggested scale development based on attitudes to measure the firm's export orientations (Perks and Hughes, 2008) with a focus on managerial behaviour (Andersen, 1993; see Table 1).

Table 1 The study's four stage-based dependent variables adapted for this study

Variable	*Description*
Awareness, domestic market oriented (DOMOR)	During the first phase, management is not interested in exporting. They are focused on the domestic market (Bilkey and Tesar, 1977). They view the domestic market to be sufficient for their operations
Export interest (INTEXP)	The firm has a manager or management team that is interested in the innovation of exporting (Lim *et al.*, 1991). They have positive expectations in relation to foreign market entry
Export via agent (EXAGT)	Trial(ability) "the degree to which the innovation of exporting is experimented on a limited basis (Rogers, 2003). These novice exporters engage in exports using agents (Johanson and Vahlne, 1977) as they do not possess an export licence and are evaluating the benefits of exporting
Export adoption (ESTEXP)	Favourable management perceptions of export, or a favourable evaluation of them, will usually result in a firm deciding to incorporate exporting as a long-term strategy (Lim *et al.*, 1991)

Source: Authors' own work

For this study, consideration was given to using the scale developed by Lim *et al.* (1991) and their DOI model (Silva Castellanos *et al.*, 2021). We adopt four stage-based dependent variables grounded in DOI theory via the lens of Lekvall and Wahlbin's (1973) model (see Figure 1) to identify export behaviour of Indian SMEs at different stages in their export development (see Table 1). It has been shown that the DOI model can be applied in emerging markets, as evidenced by Shih *et al.*'s research in 2023. However, that study had a few limitations, including the use of single items to measure the degree of internationalisation and a single pre-export stage. As previously mentioned, we have attempted to address these limitations in our own research.

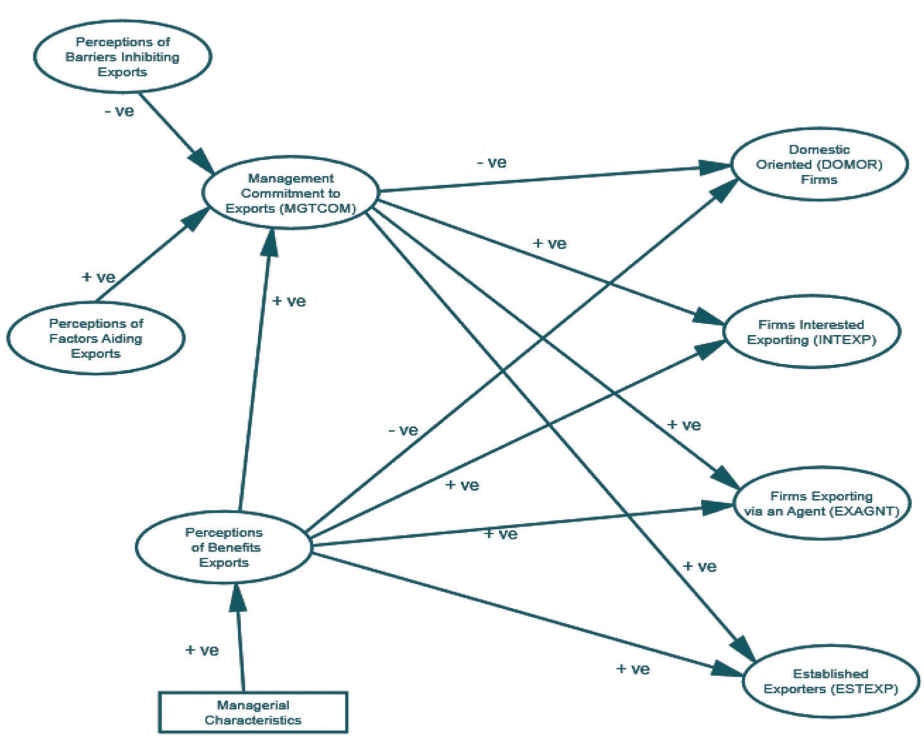
Managerial characteristics influencing the decision to export

Many studies have identified the importance of human capital in forming positive managerial attitudes towards developing international markets (Aaby and Slater, 1989; Calof and Beamish, 1995; Lim *et al.*, 1993). According to the resource-based view, managerial characteristics and attributes can be seen as corporate assets (Omri and Becuwe, 2014), intellectual capital or human capital (Nadeem *et al.*, 2017). Individual attributes such as type and level of education have been found to be important in a study in India (Boermans and Roelfsema, 2013). Other studies have found foreign language skill (Williams and Chaston, 2004) positively correlates with exporting. India's colonial history and the wide use of English (the *lingua franca* of international business) could be an advantage in conducting international business (Balasubramanyam and Forsans, 2010).

Sample

The study used the stratified random sampling method to take probability samples, in which the sampling frame was first divided into related strata. Then, the sample members are

Figure 1 Adapted model



Note: For clarity, the paths between perceptions of factors aid
Source: Authors' own work

randomly selected from within each layer; thus, samples must be representative (O'Leary, 2017) to draw statistically significant conclusions about that community (Creswell, 2003). To test for sample bias, the extrapolation method with a two-tailed t-test (Armstrong and Overton, 1977) was used.

Common method variance

Measures were taken in the design of the survey instrument to minimise common method variance, including reverse-scored items and mixed order of questions. In addition, Podsakoff and Organ's (1986) factor analysis procedure resulted in no single or general factor accounting for most of the variance in the independent and dependent variables. Thus, no common method bias variance issues were identified. The well-known dangers of monomethod bias (Spector, 1994) are acknowledged here, in the use of self-reported variables, although others argue that the best source of survey data is from the subjects themselves (Noe *et al.*, 1997). To increase content validity, established scales or adapted scales were used.

Assessing reliability and validity

Cronbach's alpha (Cronbach, 1951) was used for reliability measurement. Low alpha measures were removed from analysis. Confirmatory factor analysis was used to establish unidimensionality (Gerbing and Anderson, 1988). The final model shows good model fit indices: Bollen's incremental fit index (IFI) is 0.907, comparative fit index (CFI) is 0.907 and standardised root mean square residual (SRMR) is 0.0592.

Data analysis

Table 2 presents the industry distribution of the firms within the sample. The majority of the firms are involved in various types of manufacturing (coir, rubber, plastic, electrical and rubber) and food processing (cashew, seafood and spices).

Managers were overwhelmingly male (94.4%), nearly 85% were tertiary educated, and 51% were fluent in a foreign language – primarily English – with over 1% fluent in both English and Arabic (Table 3). All managers were born in India and did not have family overseas; however, 8.2% had lived overseas, all of them in Middle Eastern countries. The average age of the decision makers was 43.6 years old.

The average number of full-time employees in these firms was approximately 18. Size ran from 50 to less than 10 employees. The average age of the firm was 29 years, with 12.7% of the firms being under 10 years. Surprisingly, 95.3% of the firms had an internet site, over 35% used their online presence for marketing purposes and 60% used their internet site for both marketing and sales. For exporters, the five most frequently entered first markets were the UAE (22.9%), followed by Oman (8.5%), Qatar (6%) and Saudi Arabia (2.5%). More recently entered markets included Oman (5.6%), Qatar (5.6%), the USA (5.6%) and the UK

Table 2 Export distribution of firms

Firm type	*Frequency*	*%*
DOMOR	70	21.9
INTEXP	95	29.8
EXAGT	97	30.4
ESTEXP	57	17.9
Total	319	100.0

Source: Authors' own work

Table 3 Characteristics of decision makers ($n = 319$)		
Characteristic	%	
Female	4.7	
Male	94.4	
Completed tertiary education	84.6	TEREDU
Received training in exporting	33.5	TREXP
Is fluent in foreign language(s)	50.8	FLAN
Previously worked for a company that exported	16.7	
Born overseas	0.0	BOS
Lived overseas	8.2	WOS
Have family overseas	0.0	

Source: Authors' own work

(4.1%). On average, the exporting firms derived 25% of their income from international activities, averaging four overseas markets and 19 years of exporting.

Model testing using structural equation modelling

SEM (EQS V6.4 and AMOS V27) was selected to examine a series of dependent relationships simultaneously while at the same time recognising measurement errors associated with the perceptual scales. We used the accepted p-value in SEM of 0.05 as the threshold for statistical significance to test the hypothesis (Giulio *et al.*, 2018).

The construct measures are shown in Table 4. The correlations and descriptive statistics of the retained items are presented in Table 5. The final model (see Figure 1) shows good model fit indices: Bollen's IFI is 0.907, CFI is 0.907 and SRMR is 0.0592.

Findings and discussion

H1: *The perceived benefits of exports are positively related to a firm's managerial characteristics*: was only partially supported. Based on the literature, we identified seven managerial characteristics that previous researchers have found to be instrumental in aiding managers to perceive exports as beneficial or that give the firm a "relative advantage". For the decision makers in Kerala, the significant factor was fluency in a foreign language – these languages being English, which is the *lingua franca* of international business and language of business in India, and, to a lesser extent, Arabic. Therefore, language ability should be nurtured to aid in developing an export culture (Balasubramanyam and Forsans, 2010). In particular, knowledge of the national language of the export market is a useful attribute.

Not supported was *H2: managers perceiving exports as beneficial will have a positive impact on a firm's export orientation.*, as indicated in Figure 2. A positive orientation towards the benefits of exporting (BENEXP) is not significantly related to an actual interest in exporting. The managers of firms that are domestic-market-oriented (DOMOR) do not perceive the positive benefits of exporting. Instead, based on the qualitative comments provided by the respondents, these managers have made a decision to focus on the domestic market, with responses such as the following: "The domestic market is more profitable than the international market", "Domestic market is more risk-free", "We have limited knowledge about the international market" and "Interstate exporting is good for us". This finding is consistent with a very early study by Wiedersheim-Paul *et al.* (1978), where firms in Australia "exported" to other states within the country prior to exporting internationally. Therefore, export promotion agencies should communicate with SME owners about the potential opportunities available in international markets through seminars and other forums.

Transaction cost concerns (Williamson, 1987) may be at the forefront of reluctance to venture into foreign markets along with bounded rationality (March and Simon, 1958) in

Table 4 Construct measures		
Constructs	*Names*	*Labels*
DOMOR	NIEX	Our firm is not interested in exporting
$\alpha = 0.880$	DSUF	The domestic market is sufficient to meet our firms' sales aspirations
	ENOT	We do not think exporting is worthwhile for our firm
INTEXP	INTEX	We are interested in exploring foreign market opportunities
$\alpha = 0.909$	EXOS	Our firm is actively exploring the possibility of exporting
EXAGT	INDIN	Our firm exports via Indian-based intermediaries
$\alpha = 0.581$	TREXP	Our firm is exporting on an experimental basis
ESTEXP	DOSM	We export to many diverse overseas markets
$\alpha = 0.957$	ESTEX	Our firm is an established exporter
	ACTEX	We are actively involved in exporting
FLAN		Fluency in a foreign language
BENEXP	DMKT	Diversify its markets
$\alpha = 0.911$	UEXC	Use excess production capacity
Benefits of exporting ("To what extent do you disagree/agree with each of the following general statements? Exports (would) allow a firm to. . .")	RDOMD	Reduce the impact of a domestic economic downturn
	LIMHM	Overcome a limited home market
COMEXP	PLANE	Planning towards exporting
$\alpha = 0.956$	MCOM	Management commitment towards exporting
(Commitment to exports)	RCOM	Resource commitment towards exporting
(Cavusgil and Zou, 1994)		
CSTEXP	RAWM	Cost of raw materials
$\alpha = 0.769$	UTILI	Cost of utilities
Cost factors inhibiting exports	REGU	Compliance with export regulations
INTBAR	LOWEXPD	The low priority afforded to export market developments within the company
$\alpha = 0.749$	MKNOW	Management's lack of knowledge and experience in export matters
Internal barriers	LQUANT	The limited quantities of stocks for market expansion
OSBAR	INTREGU	The extensive legal and regulatory barriers in export markets
$\alpha = 0.678$		
	EXCVAR	Exchange rate variability
	FORBUS	Unfamiliar foreign business practices
	RELDIST	Problems in selecting a reliable foreign distributor
	RISKS	Risks involved in selling abroad
	MKTINFO	Inadequate/incorrect market information
COMPADV	NEWPRO	Constantly looking to develop new business, products/services
Competitive advantage	NEWTECH	By accumulating unique new technologies/know-how
$\alpha = 0.756$	INNOV	By protecting and strengthening our own technologies/know-how
	MODMGT	By keeping up to date/modernising management methods/processes

Source: Authors' own work

limited examination of alternatives. Efficiencies engendered in being a successful domestic market trader may make the perceived exchange risks of exporting unattractive.

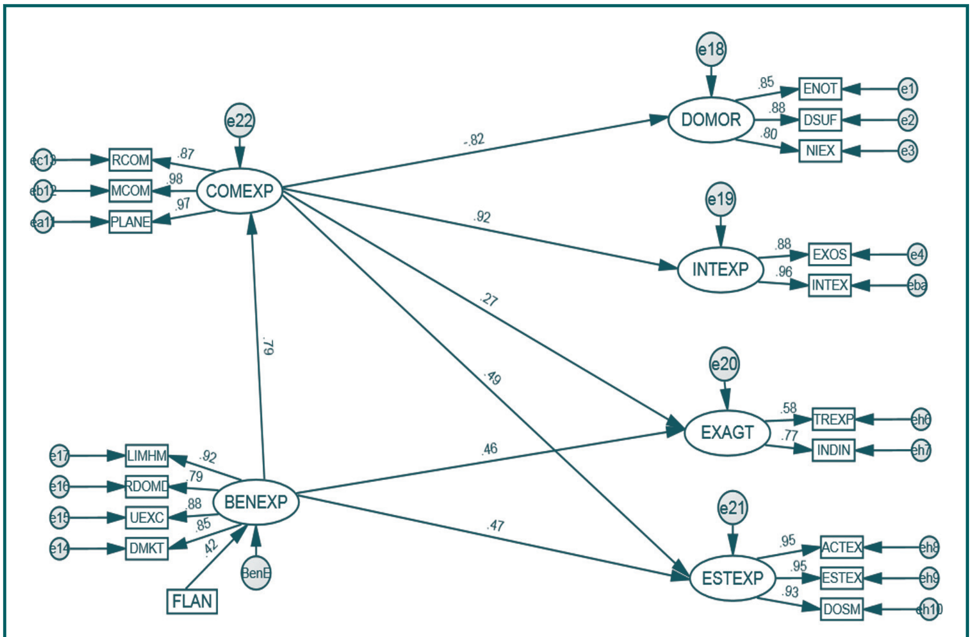
However, firms that are non-exporters but are interested in exporting (INTEXP) are seen to be committed to going international and plan and commit resources towards exporting (see Figure 1 for this section). They have yet to see the benefits of exporting; that is, BENEXP → INTEXP is not significant. This was inconsistent with the prediction for H2. Perhaps they perceive that exporting is beneficial for others but not so much for them. For these firms, it could be plausible for export promotion agencies to encourage them to commence exporting via an agent (EXAGT), as many firms have done within Kerala, rather than growing their exports organically. The firms exporting via an agent are in their infancy in their internationalisation. The results of this study indicate that the use of agents enables firms to commence exporting with limited investments in building up their exporting skills. Managers see the benefits of exporting via domestic intermediaries; BENEXP → EXAGT is positive, as predicted by the proposed model.

Table 5 AA inter-item correlation matrix

	1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*	*18*	*Mean*	*SD*
1. NIEX	1.00																		2.40	1.08
2. DSUF	0.73	1.00																	2.32	1.22
3. ENOT	0.68	0.73	1.00																2.44	1.11
4. NTEXP	−0.69	−0.77	−0.78	1.00															3.71	1.51
5. EXOS	−0.76	−0.80	−0.74	0.84	1.00														3.56	1.29
6. INDIN	−0.23	−0.19	−0.29	0.40	0.39	1.00													2.10	1.09
7. TREXP	−0.25	−0.32	−0.27	0.40	0.36	0.45	1.00												1.82	0.72
8. DOSM	−0.36	−0.54	−0.58	0.67	0.66	0.51	0.38	1.00											2.95	1.43
9. ESTEX	−0.43	−0.57	−0.62	0.69	0.66	0.55	0.39	0.88	1.00										2.93	1.67
10. ACTEX	−0.38	−0.56	−0.60	0.69	0.65	0.55	0.39	0.89	0.91	1.00									3.06	1.41
11. DMKT	−0.37	−0.43	−0.53	0.61	0.56	0.41	0.27	0.67	0.68	0.65	1.00								4.57	0.52
12. UEXC	−0.41	−0.47	−0.56	0.63	0.60	0.44	0.33	0.68	0.69	0.65	0.82	1.00							4.52	0.57
13. RDOMD	−0.38	−0.50	−0.57	0.61	0.61	0.45	0.34	0.67	0.70	0.67	0.56	0.72	1.00						4.45	0.67
14. LIMHM	−0.40	−0.51	−0.57	0.67	0.64	0.49	0.35	0.76	0.78	0.75	0.79	0.80	0.73	1.00					4.51	0.51
15. PLANE	−0.61	−0.71	−0.72	0.87	0.80	0.47	0.35	0.77	0.77	0.78	0.59	0.62	0.62	0.69	1.00				3.66	1.47
16. MCOM	−0.56	−0.68	−0.69	0.85	0.76	0.48	0.37	0.79	0.81	0.80	0.63	0.65	0.66	0.72	0.95	1.00			3.49	1.59
17. RCOM	−0.46	−0.58	−0.60	0.73	0.65	0.49	0.36	0.81	0.85	0.84	0.64	0.65	0.64	0.71	0.82	0.87	1.00		3.10	1.33
18. FLAN	−0.20	−0.29	−0.29	0.35	0.33	0.23	0.22	0.40	0.40	0.37	0.39	0.34	0.33	0.37	0.37	0.37	0.34	1.00	1.49	0.50

Source: Authors' own work

Figure 2 The final model



Notes: COMEXP = planning to export; BENEXP = believe exporting beneficial; DOMOR = domestic market; INTEXP = interested in exports; EXAGT = exporting using intermediaries; ESTEXP = export to multiple markets
Source: Authors' own work

As anticipated for established exporters, BENEXP →ESTEXP is positive, and these firms see exporting as a means to diversify their markets, using excess production capacity, reducing the impact of a domestic economic downturn and overcoming their limited home market. It is important to note that virtually all the firms agreed that the number one factor in gaining market success in both domestic and international markets was the "quality of the product".

Managerial commitment mediates the perception of factors benefiting and inhibiting a firm's export behaviour. Hypothesis 3 is partially supported; BENEXP →COMEXP shows a significant relationship between export benefits and managerial commitment. In addition, as anticipated, COMEXP → DOMOR, COMEXP → INTEXP, COMEXP → EXAGT and COMEXP → EXPEST are significant and consistent with the anticipated direction of significance. However, none of the factors inhibiting exports were found to be significant. Clarifying these results, the mean values of the responses to key inhibiting factors are shown in Table 6.

There was universal agreement on inhibiting factors such as the cost of "domestic transport", "international shipping", "raw materials", "public utilities", "domestic government charges", "financing new plant capacity", "employing managers with export skills/experience" and "export documentation and procedures". Surprisingly, labour cost in India was deemed to be high, possibly due to local labour shortages from large number of Kerala residents working abroad in the Gulf states. Firms saw "compliance with stringent export regulations" as a significant barrier compared to other firms. Both non-exporters and exporters using an agent might think that applying for an export licence could be cumbersome. Export promotion agencies could assist in overcoming this issue.

H4. Perceptions of factors aiding exports positively impact a firm's export behaviour was not supported.

The key success factor appears to be the "quality of the products", irrespective of the market being targeted (domestic versus international). It indicates that higher standards are required to achieve international success (see Table 7). For example, it appears that firms interested in exporting have a higher perception of the quality of the product with a mean of 4.82, which is significantly higher than 4.60 for firms exporting via an agent. Similar trends are exhibited for quality of packaging. Therefore, relevant quality assurance agencies could assist these manufacturers in meeting international standards by facilitating ISO accreditation.

Hypothesis 5: *Perceptions of factors inhibiting exports negatively impact a firm's export behaviour* was not supported. As discussed above, all firms perceived a number of negative factors for market expansion. However, inhibiting or "complexity" factors such as the cost of labour, domestic transport and other inputs were not identified as important. Even risks from selling abroad and in selecting a reliable foreign distributor were not seen as significant. There are a number of explanations for these results. While Indian managers perceive labour, transport and other factors to be costly in India, in international markets, India has a competitive advantage in these factors. Partnering with export agents within Kerala would be additionally beneficial.

Table 6 Perceived factors inhibiting exports

	1. DOMOR	*2. INTEXP*	*3. EXAGT*	*4. ESTEXP*	*F*	*Sig.*	*
a. Labour in India	3.94	4.19	3.93	4.14	3.692	0.012	2 and 3
b. Domestic transport	4.59	4.52	4.46	4.25	2.522	0.058	
c. International shipping/airfreight	4.60	4.66	4.68	4.63	0.235	0.872	
e. Raw materials	4.36	4.60	4.58	4.32	2.016	0.112	
f. Public utilities (i.e. fuel, communications, waste disposal, etc.)	4.41	4.54	4.67	4.32	2.747	0.043	
g. Domestic government charges	4.23	4.27	4.33	4.35	0.759	0.518	
h. Insurance associated with exports	3.11	3.29	3.27	3.28	0.368	0.776	
i. Compliance with stringent export regulations (i.e. packaging and labelling)	4.03	4.58	4.32	4.11	5.166	0.002	1 and 2 2 and 4
j. Financing new plant capacity	4.23	4.11	4.19	4.11	0.743	0.527	
k. Employing managers with export skills/experience	4.04	4.25	4.38	4.25	2.076	0.103	
l. Export documentation and procedures	4.76	4.86	4.73	4.86	1.691	0.169	

Notes: *Significant differences between stages; legend: DOMOR = domestic market. INTEXP = interested in exports. EXAGT = exporting using intermediaries. ESTEXP = export to multiple markets
Source: Authors' own work

Table 7 Perceived factors aiding exports

	1. DOMOR	2. INTEXP	3. EXAGT	4. ESTEXP	F	Sig.	*
The product's price	4.13	4.15	3.98	4.40	10.076	0.000	4 and 1, 2, 3
The perceived high quality of our products	4.76	4.82	4.60	4.72	2.816	0.039	2 and 3
Quality packaging	4.49	4.71	4.44	4.53	3.375	0.019	2 and 3
Our innovative production skills	4.20	4.38	4.42	4.37	2.717	0.045	1 and 3
Our well-established network of distributors	4.44	4.41	4.29	4.30	1.233	0.289	
The extensive range of products we produce	3.41	3.87	3.38	3.82	5.358	0.001	1 and 2, 4 2 and 1, 3
Our brand identity	4.60	4.65	4.53	4.53	0.752	0.522	
Our long-term relationship with our business partners	4.87	4.79	4.54	4.63	5.019	0.002	1 and 3 2 and 3
Our ability to embrace new business ideas/management methods	4.50	4.61	4.65	4.70	1.354	0.257	

Source: Authors' own work

Conclusions

Theoretical contribution

A unique contribution of this study is in examining pre-export perceptions of decision makers (Johanson and Vahlne, 1977). We incorporated concepts (dependent variables) from Lekvall and Wahlbin's (1973) DOI studies, particularly in the inclusion of the key internationalisation stage of Trial(ability) which we badged as "Export via an agent". Given the dearth of studies from emerging markets – especially India – this study provides insights into the internationalisation of manufacturing SMEs. First, by refining and applying the DOI model to export behaviour, this study provides a useful framework for testing the internationalisation of SMEs both in India and in other emerging markets. Second, it provides insights into SMEs' pre-export behaviour, extending recent work of Shih *et al.* (2023).

An existing research gap in DOI dynamics is the unanswered question towards firms that would benefit from exports, but why are they not interested? We found that the attributes of the leader were not significant contributors, other than their generalised desire to export. The qualitative responses indicated that a status quo orientation was dominant when domestic business was acceptable, leading to a transaction cost conclusion. Some firms remained in the domestic market but not due to lack of resources as found in previous studies. Instead, it was the attractiveness of the local market. These domestic-oriented firms remained in the Indian market based on perceived greater profitability and links with established customers. The findings of this study reinforce the crucial role played by managerial commitment in the adopter role, both attitudinal and behavioural, in directly influencing a firm's export behaviour. Furthermore, we identified a mediating role played by "managerial commitment. The perceptions of benefits of exports are driven by managerial characteristics, contrary to findings from other studies going back to the Reid (1981) study.

We see a possible transaction cost explanation for the reluctance to enter foreign markets when the home market is paying off well. It is only when the principal manager is receptive to exports that an interest in exports moves towards action, either to use an agent or to go to export adoption by the firm.

Our findings are at odds with some prior studies. For example, one of the Leonidou and Katsikeas studies (1996) found that being born overseas, having family overseas or living overseas facilitated an international orientation in managers. However, this was not a barrier for the decision makers in this study if they possessed relevant language skills, generally English. Established exporters (ESTEXP) were able to diversify their markets and use excess production capacity. In addition, to be competitive in international markets, the most important factor was the “quality of the product”. Therefore, quality recognition in the external environment facilitates export success.

Contribution to practice

This study adds to DOI in practice in identifying hindrances to export initiation. It is the first research to do so. Recent work had added the pre-export orientations in a DOI context as to why firms might want to start exporting. Our study also looked at firms that do not want to export. The export hindrances measures were not significant detractors. We found that remaining in the domestic market was mostly a matter of risk mitigation when the business outcomes were currently satisfactory. The findings of this study have implications for SME managers, export promotion agencies and policymakers in emerging countries. Based on the results, a simple questionnaire to gauge the export orientation of firm managers could be developed and used in strategy formation. The firms in our sample are not rapid internationalisers, taking on average 19 years to target their first international market. This is a long time; export promotion agencies could play a role in reducing this time frame while maintaining key success factors such as product specialisation, emphasis upon quality and ISO-type manufacturing credentials.

One option is to establish a strong market presence in the home state and then “export” to adjoining states. Several of our findings point towards the value of using an agent to make the entrance into exporting. Such a strategy will aid in overcoming bureaucratic restrictions, including the need for an export licence and the navigation of customs clearance procedures. In-house export expertise would then follow. Such an approach can be adopted by other Indian as well as SMEs in other large markets. Based on the findings of our study, export agency vendors should be mindful of the orientations of the key decision maker who plays the adopter role in the DOI model.

A variety of inhibiting costs are associated with exporting. These include facilities, experienced personnel, insurance and transportation. None of these was significant in the export strategy selections. Policymakers could be reassured that concerns on these elements were not instrumental in this sample of manufacturing firms. Half of the Kerala firms participating in our study were domestic only. Therefore, while encouraging exports to the Middle East, government agencies could help SMEs find other lucrative markets for exporting, such as UK, Australia and USA. For example, the UAE Ministry of Economy (2023) initiated a national strategy (Refass *et al.*, 2023) to identify and engage with SMEs that manufacture competitive products for export. The goal was to assist with foreign market access. To them, this is a low-investment and high-impact opportunity. The government targeted expertise and support relating to the country’s top 10 export destination countries. Included in the arsenal of tools available is legal advice on international business relations, sector-specific information on key foreign industries and a listing of current contacts. Similar value creation dynamics could be enhanced by intervention strategies focused on entering lesser tapped markets in Europe, the Americas, ASEAN and those countries within the South Asian Association for Regional Cooperation.

Limitations and directions for future research

There are several limitations to this study, including the lack of generalisability of the findings. Our study focused on a single state and examined manufacturing SMEs within that state. While this is an advantage in providing a degree of experimental control in holding the socio-economic environment constant, it has limited generalisability. Therefore, studies should be extended into other states, industries and service firms within India and other emerging markets. Our findings of a transaction cost influence in export initiation may be different across managerial cultures. Leach-López *et al.* (2019) found that management control systems between four cultures showed cultural convergence on several Hofestede dimensions. Future research could look at cultural comparisons of managerial orientations towards exporting by studying SMEs from more than one emerging market. Due to the lack of overall significant main effects using the constructs of our study, other behavioural and psychosocial measures of managers are recommended for future study. The study of firms of the same category could yield different results; for example, information technology firms may adopt a rapid internationalisation strategy compared to the manufacturing firms we have examined. Also, our analysis is based on a cross-section of firms and therefore is unable to determine causality. Longitudinal study would be an additional contribution to research and practice.

Note

1. For the purposes of this paper, the term SMEs (as opposed to MSMEs) has been adopted and includes micro enterprises to facilitate international comparisons.

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