

*Small and medium-sized enterprises' exporting: Home and host country motivators effect on first and successive export venture decisions*

Article

Published Version

Creative Commons: Attribution-No Derivative Works 4.0

Open access

Stouraitis, V. and Kyritsis, M. ORCID: <https://orcid.org/0000-0002-7151-1698> (2016) Small and medium-sized enterprises' exporting: Home and host country motivators effect on first and successive export venture decisions. *Management : Journal of Contemporary Management Issues*, 21 (1). pp. 97-115. ISSN 1846-3363 Available at <https://centaur.reading.ac.uk/81566/>

It is advisable to refer to the publisher's version if you intend to cite from the work. See [Guidance on citing](#).

Published version at: <https://hrcak.srce.hr/161355>

Publisher: University of Split

All outputs in CentAUR are protected by Intellectual Property Rights law, including copyright law. Copyright and IPR is retained by the creators or other copyright holders. Terms and conditions for use of this material are defined in the [End User Agreement](#).

[www.reading.ac.uk/centaur](http://www.reading.ac.uk/centaur)

**CentAUR**

Central Archive at the University of Reading

Reading's research outputs online

# SMALL AND MEDIUM-SIZED ENTERPRISES' EXPORTING: HOME AND HOST COUNTRY MOTIVATORS EFFECT ON FIRST AND SUCCESSIVE EXPORT VENTURE DECISIONS

*Vassilios Stouraitis*<sup>\*</sup>  
*Markos Kyritsis*<sup>\*\*</sup>

Received: 30. 11. 2015

Preliminary communication

Accepted: 30. 5. 2016

UDC 339.564:005.71-022.51/.55

*The aim of the paper is to investigate the internationalization (particularly exporting) of small and medium-sized enterprises (SMEs) taking a sample of United Kingdom (UK) SMEs for the use in economic policy, academia and management. It focuses on the critical first and less risky step towards internationalization and separates the motivators into home country and host country. The paper investigates 44 specific, high impact, pre-selected exporting motivators from the literature and tests their effect on the firm's initial export decision and latest (or sequential) export decision. Results show that the first exporting choice affects later exporting choices and both are mostly affected by home country-specific, internal, motivators as opposed to host country-specific reactive motivators. In addition regionalization shows an association as European Union membership of the UK showed a relationship to subsequent entry mode choice. The paper's results are of use to policy-makers and management.*

*Keywords:* SME, export, export motivation, background.

## 1. THEORETICAL BACKGROUND

Research in the area of entry-mode selection (including motivation for exporting) has mostly been theoretical and under researched (Anderson & Gatignon, 1986; Bower, 1986; Calof & Beamish, 1995; Dunning, 1988; Hennart, 1989; Hill et al., 1990; Leonidou et al., 2007; Root, 1987; Tan et al.,

---

<sup>\*</sup> Vassilios Stouraitis, PhD. Henley Business School, University of Reading, Greenlands, Henley-on-Thames, Oxfordshire, United Kingdom, Phone: +44 (0)1491 571 454, E-mail: vs\_gr@yahoo.com

<sup>\*\*</sup> Markos Kyritsis, PhD. School of Psychology and Clinical Language Sciences, University of Reading, United Kingdom, Phone: +44 (0)118 378 8523, E-mail: mkyritsis@hct.ac.ae

2007). The existing empirical research has mostly focused on the manufacturing sector (Clegg, 1990; Gatignon & Anderson, 1988; Trimeche, 2002) or entailed a mix of sectors and industries (Harrigan, 1981; Kogut & Singh, 1988). Research on the SME services sector has seen a rise in research albeit smaller (Agarwal & Ramaswami, 1992; Brouthers et al., 2003; Erramilli & Rao, 1993).

Regardless of the sector, up until today the entry mode and the pre-export motivation research conducted of large multinationals has been researched more extensively than those of the small and medium-sized firms (SMEs). Nevertheless, SMEs have been the fastest growing segment in international trade (Etemad & Wright, 1999) and should not avoid exporting due to the lack of knowledge or resources.

Work on the origin of the behavioural triggers of exporting (including location) is not as widespread as the work on the definition of the motivators per se (Tan et al., 2014), in addition as Beleska-Spasova and Glaister, (2009) and Cerrato and Piva (2015) point out, previous research on regionalization and exporting focused predominantly on the regional nature of large multinationals, as opposed to SMEs, while traditionally international trade in goods (and services) has been regarded as the principal channel for economic integration.

How can SMEs reduce market research costs by relying solely and proactively on home country and internal advantages and motivators? The findings of this paper reinforce and extend previous work on exporting and export promotion such as the work of Leonidou (2007) by assessing the impact of motivators on export choice from a regional perspective.

The paper focuses on the United Kingdom (UK) manufacturing sector as manufacturing (although declining in importance domestically) still represents 54% of UK exports, employs 2.6million people and the UK remains the world's 11<sup>th</sup> largest manufacturer. The European Union (EU) is the UK's main export destination along with the United States of America. According to the European Commission (2007), those who expanded abroad reported profit/sales ratios of 7.9% as opposed to 4.2% of those who did not.

Internationalizing SMEs not only conduct more R&D, but also produce more patented products. In international business research, it is generally suggested that there is a positive relationship between international involvement and firm performance (Hilmersson, 2014). Firstly, the paper examines export-stimuli from the first and the latest move perspective. Second, the paper

separates motivators in home and host for extra depth of analysis. Third, it examines a specific region and a country at the same time; i.e. the EU and UK.

In terms of export it is important for the UK SMEs to view the EU common market as a significant motivator due to the advantages it bestows to the SMEs; red tape and border bureaucracy has been significantly reduced, trade within the EU has risen by 30% since 1992 (European Commission, 2007). Nevertheless as Mulhern (1995) points out many of the developments of the EU common market are not necessarily favourable to SMEs, as policies are criticised as being ineffective for SMEs, leading to a debate on the influence of EU regulations on SME exporting and region. As D'Angelo et al. (2013) point out geographical scope has a clear impact on SME export performance.

The difference between *must* and *want* determines which category of motivators should in theory affect the firm and which should not; these motivators are situational (i.e. they act at one point in time) and generally consist of variables (reactive and proactive, home and host) such as unsolicited orders, size, excess capacity and common market membership (Driscoll, 1995; Kuada and Sørensen, 2000).

The nature of the stimulus also may determine the firm's choice to export or not and hence its survival and success; e.g. ill-prepared or weakly stimulated firms will be more likely to struggle. According to Leonidou et al. (2007) motivators can be separated into proactive/reactive and internal/external; internal being those that derive from within the firm and external from the environment.

This paper, focusing on the EU stimulus, classifies them into home country-specific and host country-specific depending on their derivation, in order to emphasize and test the power of the motivators arising from the foreign (host) market and the role they play. Not all home country variables are proactive, i.e. they do not all initiate from within the firm, such as domestic competition (Leonidou et al., 2007). The paper focuses on the home country and host country division as it is deemed important to view the effect from a country level perspective since we are talking about international expansion from one country to another. The 28 selected variables are presented in Table 1.

They all recur in the literature and are either deemed of very high and high impact by Leonidou et al. (2007) or are clearly host country-specific. The factors that encourage the growth of SMEs (including export) are still in need of more research (Bamiatzi & Kirchmaier, 2014). Motivational factors are

amongst the most important dimensions to export readiness (Segal et al., 2005). These motivators are situational, i.e. they act at one point in time (Driscoll, 1995; Kuada & Sørensen, 2000; Leonidou et al., 2007). The nature of the stimulus also determines the firm's internationalization path and hence its survival and success; e.g. ill-prepared or weakly stimulated firms will be more likely to struggle.

Table 1. Motivators classified

Motivator	Scale
Latest country entered was EU?	1-2
Firm's latest/first foreign market entry mode	1-5
<b>Firm level stimuli</b> - In-house research, Uniqueness of products, Excess capacity, Unsold inventories, Capability to develop products, , Extent of customization, Extent of new technology combinations, Extent of new in-house technology, Extent of R&D, Servicing products, Understanding of customers,  <b>External stimuli</b> - Economic stability UK, Economic stability HOST, Legal restrictions UK, Legal restrictions HOST, Legal incentives UK, Acceptability of firm's products UK, Acceptability of firm's products HOST, Market potential UK, competitor beginning to export, increased domestic competition, Impact of political stability UK, Impact of political stability HOST,  <b>Managerial stimuli</b> - Decision maker's knowledge of foreign markets, Quality of management	1-7

Seringhaus and Rosson (1989) divide export barriers into four large categories: motivational, informational, operational/resource-based, and knowledge. In this study home country motivators include the firm-specific (managerial knowledge) and the motivators from the environment in the firm's country of origin (political stability of the home country), whilst host country motivators include only those derived from the host country setting, such as political stability in the host country.

Examining motivators can explain to a great extent why some firms are engaged and prosper in international activities whilst others remain inactive (Bilkey, 1978). According to research, firms motivated by home pressures are less likely to engage in higher risk modes of entry due to their inertia, lack of know-how, and their being risk-averse, as shall be seen further on. Burpitt and Rondinelli (2000) found that the firms willing to invest more time in learning

are more likely to survive longer in exporting even when financial returns fade away; this bias towards incremental learning is very common amongst SMEs, particularly risk-averse. Leonidou (2004) divides exports barriers into internal and external. This paper focuses on the motivational barriers subdividing them into home country and host country. Similarly to many studies in export behaviour (Barkema & Drogendijk, 2007; Andersson et al., 2004) the study is not process based but contributes to the internationalisation process research using variance data with variance theory accessing present export choices at one point in time (e.g. Barkema & Drogendijk, 2007). The study uses a holistic manufacturing setting (e.g. Weaver & Pak, 1990; Hart & Tzokas, 1999; Kennon et al., 2015) at a specific point in time (the year of the first move abroad) to study the phenomenon of export motivation.

The stimulation effort is generally based on reactive factors and this may lead the firm into problematic export paths, the effort should be based on proactive (initiated strategically by the firm) factors (e.g. strengths, excessive capacity, identifying foreign market opportunities) as each opportunity is examined carefully to ensure that it conforms to the company's goals for profits, sales and its overall strategic export plans (Leonidou et al., 2007). Following the home/host and reactive/proactive dynamics, the paper uses the resource-based view to assess the home based and internal motivators affecting the firm and the Uppsala reactive model to explain the "pull" forces deriving from the home country such as an unsolicited order. Following the Uppsala model perspective of incremental learning and experiential knowledge (Bilkey & Tesar, 1977; Cavusgil, 1980; Johanson & Vahlne, 1990; 1977) and Barney's (1991) Resource-based view of internal competences as inhibitors of exporting; for example the phenomenon of Born Global firms (Armario et al., 2008; McDougall & Oviatt, 2000; Rialp et al., 2005; Terziovski, 2010), the paper will test the hypothesis that proactive (home country-specific) motivators are more prone to lead to risk-loving expansion further away from the home market in sequential entry mode choices, than reactive (host country-specific) motivators which should affect initial choice (Leonidou et al., 2007; Reid, 1981). It is stipulated that the first exporting move of an SME is reactive and risk-averse, hence instigated by the host country "pull" effect while further , sequential moves or restarting exporting are instigated by home country, strategic, and internal motivators.

Exporting is the first, and least risky, step into internationalization. As Jones (2001) states the initial entry mode choice will be export related due to the lack of experience and risk adverseness, thus linked more to host country motivations reactively. Several empirical studies have examined the impact of export related activities (Gray, 1997; Leonidou & Katsikeas, 1996; Trimeche,

2002). Most of the empirical research viewed the firm's involvement in international operations as an evolutionary and sequential process, based on the fundamental assumption that export activity develops from a series of incremental decisions.

Theoretical development has been based largely on the "Uppsala Internationalization Model" (Johansson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975), suggesting that firms move through stages as they progress from being non-exporters to being actively involved in export markets (Andersen, 1992, provides a review of the internationalization models in the literature). Although most SMEs seem to be reactive in their first export move, the Uppsala model has been challenged as lacking in explanatory power and testability (Andersen, 1993), as being overly simplified, and as being out of date and inaccurate due to the new "Born Global" phenomenon (Rialp et al., 2005). As Leonidou et al. (2007) state, the literature till now has been non-programmatic (with duplication of work), fragmented, inconsistent, and approached only partially specific motivators while neglecting other critical ones and finally did not offer an analysis of the importance of each stimulus to exporting.

## **2. HYPOTHESES AND ANALYSIS**

Many firms establish their first business contacts by reacting to an initiative, or establishing contacts in trade fairs for example. By acting rapidly, i.e. following a proactive home country motivator, they can realize new opportunities that open with changes in the network, initiatives by existing partners or new entrants to the network. Capabilities must be built with a long-term perspective, particularly if we take into account SMEs' size disadvantage in terms of survival rates (Agarwal & Audretsch, 2001), and include country-specific expertise as well as the establishing and maintenance of networks and routines (Eisenhardt & Martin, 2000).

Obstacles can be overcome if detected in time and if the SME can understand which motivators affect its export process enabling the SME to design a better strategy to overcome the perils of international markets and foreign exposure, particularly outside of the EU common market (Baird et al., 1994; Namiki, 1988). The paper aims to test whether host country motivators reactively are less powerful in promoting risk-loving behaviour and influence the firm in its initial decision as opposed to home motivators such as strengths and internal factors, such as experience, which influence the subsequent choice



to export once again (Cavusgil & Nevin, 1981). The hypotheses are represented in Figure 1.

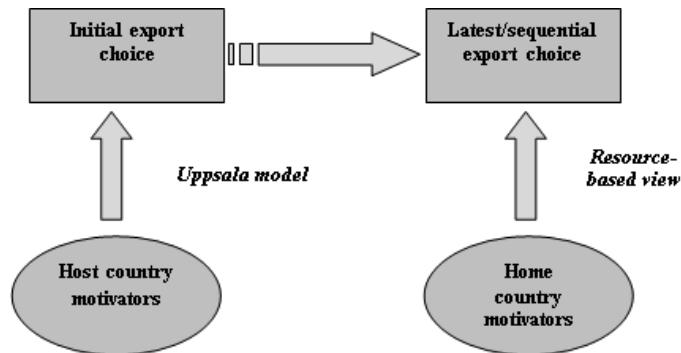


Figure 1. Theoretical framework

The paper tests the following hypotheses:

- H1. *Host country motivators are positively associated with the firm's first export choice.*
- H2. *Home country motivators are positively associated with the firm's latest export choice.*

### 3. METHODOLOGY

#### 3.1. Participants

The adopted definition of a SME is the 2003 EU SME, as demonstrated by criteria in Table 2.

Table 2. EU SME definition criteria

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Source: European Commission.

Surveys conducted on SMEs are known for not being as feasible as their large firm counterparts, due to the small response rates, and, as noted by William and Dennis (2003), SME surveys are generally harder to administer (Jobber & O'Reilly, 1998; William & Dennis, 2003). Created from probability (representative) sampling, questionnaires with Likert-type scales were sent out in the period from 2010 to 2011 to all the independent SMEs working within manufacturing in the UK which have been singled out from the databases. The SMEs had to be independent (i.e. not subsidiaries) in order for them to be able to make their own choices and select their own strategies, along with being responsible for utilising their own resources. The establishment of the firms in the sample dates back to the period from 1920 to 2004, with the majority of firms having registered with companies house (and hence established) between 1981 and 2004.

As mentioned before, any firm established 5 years or less before its first international move is defined within the literature as a born global (Rialp et al., 2005). The majority (84) of the respondents were exporters, as expected (Jones, 2001), with the rest in other entry modes, as shown in Table 3.

*Table 3. Entry modes classified*

<b>Latest international entry mode</b>	<b>Frequency</b>
<b>Exporting</b>	84
<b>Franchising</b>	4
<b>Joint-Venture</b>	7
<b>Wholly owned subsidiary</b>	6
<b>TOTAL</b>	<b>101</b>

The non-respondents were analyzed and were all refusals and not ineligible. Following the methodology, a sample of 648 independent internationalizing SMEs were singled out from the total number of independent UK manufacturing SMEs in the EXPERIAN database which was the sampling frame. EXPERIAN Marketing Services is a global provider of integrated consumer insight, data quality and cross-channel marketing (Experian, 2015).

This study has achieved a good response rate of approximately 15% (103) by following up the survey phase and using prenotification (Leonidou, 1995; Jobber, 1986). As Greer, Chuchinprakarn and Seshadri (2000) state, the content of the study is the most important element to achieving a higher response rate and that is why the study was also accompanied by a reference letter from the

UK Forum of Private Business. A total of 105 questionnaires were returned from a total of 648 questionnaires sent out, out of which 103 were complete and 2 were not, i.e. they had more than 30% of their data missing. This translates into an overall response rate of 16.2%, and response rate of 15.9% complete questionnaires. Of the 103 respondents, including missing data, the majority were medium-sized firms, as shown in Table 4.

*Table 4. Size of respondents*

No. of employees	No. of firms
10-49	60%
50-249	40%

### 3.2 Methods

In detail, out of a total of 648 independent firms singled out, all were surveyed along with 42 more receiving a second round of surveying (to fill in missing data) according to time constraints. Reliability analysis using Cronbach alpha showed  $\alpha = 0.83$ , thus the questionnaire has internal consistency and is reliable within the acceptable limits. Spearman's rho was used to explore the relationships between (all) the independent variables and (both) the dependent variables.

Our null hypothesis is that there is no relationship between export choice and the motivators. We used correlation testing in order to provide the preliminary evidence to support our alternative hypothesis, i.e. that there is a relationship between export choice (first or latest) and the motivators. The firm's last and first entry mode choice, in order to determine who are the exporters in the population and who exported as initial international market entry mode, are ordinal variables with 1= exporting, 2= licensing 3=franchising, 4= joint-venture and 5 = Foreign Direct Investment and all the scales in Table 1 are derived from the literature (e.g. Leonidou et al, 2007).

A priori power analysis reveals that for a two-tailed t-test, a medium effect size  $d = 0.5$ , a significance level of  $\alpha = 0.05$ , and a power  $(1-\beta)$  of 0.7, the required sample size is 100, which makes the sample size of 103 adequate. The following 9 out of the 28 motivators examined showed significant results as presented in Table 5.

Table 5. Correlations

Variable	Dependent variable: First entry mode choice	Dependent variable: Latest entry mode choice
Increased domestic competition ( <i>Home</i> )	(rs = -0.2, p = 0.05)	-
Market potential UK ( <i>Home</i> )	(rs = 0.3, p < 0.01)	-
Market potential Host ( <i>Host</i> )	(rs = 0.2, p = 0.02)	-
Uniqueness ( <i>Home</i> )	(rs = 0.3, p = 0.01)	-
Size as weakness ( <i>Home</i> )	(rs = -0.2, p = 0.02)	-
First entry mode ( <i>Home</i> )	-	(rs = 0.3, p < 0.05)
Competitor beginning to export ( <i>Home</i> )	-	(rs = 0.2, p = 0.05)
Government policy ( <i>Home</i> )	-	(rs = 0.2, p = 0.05)
UK's EU membership ( <i>Home</i> )	-	(rs = 0.2, p = 0.05)

#### 4. DISCUSSION

As related to hypothesis H1, several factors need to be discussed.

##### 4.1. Increased domestic competition

The variable shows a modest negative relationship (rs = -0.2, p = 0.05) with first entry mode choice showing that as domestic competition increases, the SME will opt for lower commitment modes of entry. This could be due to the risk awareness of companies who reactively internationalize due to increased domestic competition, while those who proactively exit even though domestic competition is low may show a preference for higher commitment modes. Management under hostile and benign environments is critical for strategy and many times calls for exporting and internationalization (Covin & Slevin, 1989).

##### 4.2. The UK market potential

The variable shows a modest positive relationship (rs = 0.3, p = 0.01) with the first entry mode choice. Market potential in the home country, i.e. customer spending power, demand and competition, denotes the level to which the firm's local market provides the opportunity for immediate or sustainable profits; the

same can apply to foreign markets. This relationship shows that there is a potential link between higher potential in the local market and higher entry mode choices in foreign markets. This may be explained by the fact that higher entry modes require higher levels of investment, risk and assets, which may be provided by a local market with high potential as opposed to reactive lower entry modes (Johansson & Vahlne, 1977;1990).

### **4.3. The host market potential**

This variable shows a modest positive relationship ( $r_s = 0.2$ ,  $p = 0.02$ ) with first entry mode choice. Market potential in the host country was seen as most significant host country attribute leading to international ventures. Host Market potential is a typical instigator and acts as an instigator for a proactive firm with international expansion and exporting in mind, or even for proactive ex-internationalisers and born again globals to be able to undertake exporting and undertake it with a high level of investment. As Covin and Slevin (1989) point out hostile environments require entrepreneurial strategy while benign and more familiar environments require a more conservative, risk-averse, strategy for survival.

### **4.4. Uniqueness**

This variable shows a modest positive relationship with first entry mode choice ( $r_s = 0.3$ ,  $p = 0.01$ ). Uniqueness refers to the uniqueness of the firm's products; i.e. to what extent they can be imitated, to what extent they can be recreated or transferred to another market and how fast they can be replicated (Barney, 1991). Uniqueness is a source of competitive advantage for the firm and it is thus a home country motivator. According to Todtling and Kaufmann (2001), SMEs innovate in different ways than larger firms, as they command fewer resources, will have less R&D and face more uncertainties and barriers to innovation than larger enterprises.

### **4.5. Size as weakness**

This variable examines to what extent size is seen as a weakness by the SME and thus how it affects entry mode choice. It seems there is a modest negative relationship with the first entry mode choice ( $r_s = -0.2$ ,  $p = 0.02$ ) as logically size is seen as being critical and the more a manager sees being small as a weakness, the lower will be the investment in international markets. As Calof (1993) shows firm size is positively associated with the number of markets a firm reaches out to. As Fiegenbaum and Kamani (1991) state, SMEs

may see size as a burden, yet size allows for output flexibility and the ability to reshape a strategy and adapt faster. The size of the firm is one of the main barriers that the firm can encounter (Calof, 1993).

#### **4.6. SME international experience**

This home country variable showed a modest positive relationship with first entry mode choice ( $r_s = 0.2$ ,  $p = 0.03$ ). The manager can have international experience with any firm, or with an SME and it is a critical motivator for the firm, as it can help it overcome a variety of obstacles including costs and legal obstacles through experience and ingenuity (Knight, 2000; Reuber & Fischer, 1997). It is not coincidental that of our sample of internationalizing SMEs almost all managers had 10 years or more of international experience with an SME or with any kind of firm. As Reuber and Fischer (1997) point out internationally experienced management teams have a greater propensity to develop foreign strategic partners and to delay less in obtaining foreign sales after start-up.

Characteristics that have been found to predict propensity for exporting include: the extent to which the manager had engaged in foreign travel; the number of languages spoken by the manager; and whether the top decision maker was born abroad, lived abroad or worked abroad (Meisenbock, 1988; Reid, 1981). Finally, Ghoshal (1987) has argued that organizations that internationalize reactively earlier and obtain foreign sales faster are likely to develop fewer routines and resources which make it difficult for them to move out of domestic markets.

As related to hypothesis H2, the following factors are discussed.

#### **4.7. First entry mode**

This variable shows a modest positive relationship with the SME's latest entry mode choice ( $r_s = 0.3$   $p = 0.01$ ). The first move tends to be exporting and is very critical to the firm along with the initial pre-export phase (Jones, 2001; Wiedersheim-Paul et al., 1978) It seems that the initial entry mode choice affects the choice of further subsequent moves for many SMEs; this may be due to experiences gained (positive or negative), networks built in specific countries (Rangan, 2000), lack of qualified employees, lack of managerial skills, and potential risk-averse attitude towards foreign markets (Johnansson and Vahlne, 1997; 1990) and a slower rate of incremental learning.

#### **4.8. Competitor beginning to export**

A direct competitor beginning to export is a clear host country variable leading the firm to internationalize just to maintain market share, and stay in the game. It would rarely (unless the competitor decides to expand far) lead to expanding further away. This variable shows a modest positive relationship ( $r_s = 0.2$ ,  $p = 0.05$ ) with latest and subsequent entry mode choice as SMEs reactively follow competitor's moves into foreign markets, possibly due to the effect of government policy (also related) or a saturated domestic market.

#### **4.9. Government policy**

As government policy is (mostly) considered a barrier (Leonidou, 2004), it is expected, unless beneficial, to lead to exploring foreign markets. The variable shows a modest positive relationship with latest entry mode choice ( $r_s = 0.2$ ,  $p = 0.05$ ). Government policy can determine the final entry mode that the firm selects and can force the firm to change or stop its plans for expansion. Government policy could be a subsidy towards SMEs or a training program, or could be the opposite, for example heavy taxation.

#### **4.10. UK's EU membership**

This variable shows a modest positive relationship with latest entry mode choice ( $r_s = 0.2$ ,  $p = 0.05$ ), as the EU common market and membership of the UK provide a platform for many reactive managers to venture abroad. The variable is a home country one but is directly linked to the EU common market which in term exerts a "pull" effect on UK SMEs due to the fall in red tape and barriers to exporting. If the host motivators come from a non-EU country their power, as is shown, is strong enough to lure the firm that accepts them into internationalizing outside of the EU overcoming psychic distance at times in a much more rapid manner than that suggested by Johansson and Vahne (1977) in their work on gradual expansion.

### **5. CONCLUSION**

The variables and motivators examined for the first and the latest export choice were the same as listed above, yet the ones that showed a relationship were different for the first and the last entry mode choice. This indicates that managers and the SMEs view the first and subsequent moves differently and are instigated by different motivators. These findings suggest a need for deeper examination of the associations between managers' perceptions of risks

involved with exporting, their attitudes towards the environment and their resources. In addition, almost all of the motivators, except market potential of the host country, were home country variables (i.e. linked to innovative behaviour and proactive behavior) which calls for further investigation particularly for hypothesis 1. This can be seen by the positive relationship between the first and the latest entry mode choices, hinting that SMEs' subsequent choices may be directly affected by their initial first entry mode choice but that initial choice is not necessarily motivated only by reactive (host country) stimuli and incremental learning. This also calls for further investigation.

Boosting and encouraging the international activities of SMEs is of vital importance for managers and policy itself (Knight, 2000; Luostarinen & Welch, 1990). In addition, investigating the determinants of initial export choice can encourage reactive managers to become proactive as they are more aware of the potential of their resources, the significance of the pressures they receive and the modes of entry that are feasible for them at that point in time increasing their options and motivation. Policy makers, while drafting policy, should seek to encourage, inform, and boost SME international activity for current exporters and non-exporters. The paper has demonstrated the significance of managers' perceptions of the dynamics between home country motivators and host country, government policy, legal restrictions, economic stability and EU membership to SME exporting and how it can shape results in the case of SMEs and their choice.

## REFERENCES

1. Agarwal, S., Ramaswami S. (1992). Choice of foreign market entry mode: impact of ownership, location and internalization factors. *Journal of International Business Studies*, 23 (1), 1-27.
2. Andersen O. (1993). On the internationalization process of firms: A critical analysis. *Journal of International Business Studies*, 24(2), 209-231.
3. Anderson, E., Gatignon, H. (1986). Modes of foreign entry: A transaction costs analysis propositions. *Journal of International Business Studies*, 17(3), 1-26.
4. Andersson, S., Gabrielsson, J., Wictor, I. (2004). International activities in small firms: examining factors influencing the internationalization export growth of small firms. *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration*, 21 (1), 22-34.



5. Armario, J., Ruiz D., Armario, E. (2008). Market orientation internationalization in small and medium-sized enterprises. *Journal of Small Business Management*, 46 (4), 485-511.
6. Baird, I., Lyles, M., Orris, J. (1994). The choice of international strategies by small businesses. *Journal of Small Business Management*, 32 (1), 48-59.
7. Barkema, H. G., Drogendijk, R. (2007). Internationalising in small, incremental or larger steps? *Journal of International Business Studies*, 38(7), 1132-1148.
8. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17, 99-120.
9. Beleska-Spasova, E., Glaister, K.W. (2009). The geography of British exports: Country-level versus firm-level evidence, *European Management Journal*, 27 (5), 295-304.
10. Bilkey, W Tesar G. (1977). The export behaviour of smaller sized Wisconsin firms. *Journal of International Business Studies*, 8 (1), 93-98.
11. Bilkey W. (1978). An attempted integration of the literature on the export behaviour of firms. *Journal of International Business Studies*, 9 (1), 33-46.
12. Bower, J. (1986). Managing the resource allocation process. Boston: Harvard Business School.
13. Brouthers K., Brouthers L., Werner S. (2003). Transaction cost enhanced entry mode choices firm performance. *Strategic Management Journal*, 24, 1239-1248.
14. Burpitt, W. J., Rondinelli, D.A. (2000). Small firms' motivations for exporting: To earn and learn? *Journal of Small Business Management*, 38 (4), 1-14.
15. Calof, J. (1993). The Impact of Size on Internationalisation. *Journal of Small Business Management*. October. 60-69.
16. Calof J. Beamish P. (1995). Adapting to foreign markets: explaining internationalization. *International Business Review*, 4 (2), 115-131.
17. Cavusgil, S. T. Nevin, J. R., (1981). Internal Determinants of Export Marketing Behaviour: An Empirical Investigation. *Journal of Marketing Research*, 18, 14-119.
18. Cerrato, D., Piva, M. (2015), The effect of global orientation on the performance of international new ventures: evidence from Italy, *Management International Review*, 55 (6), 857-883.
19. Clegg, S. (1990), Modern organizations: organizational studies in the postmodern world, Sage publications Ltd.
20. D'Angelo, A., Majocchi, A., Zucchella, A., Buck, T. (2013), Geographical pathways for SME internationalization: insights from an Italian sample, *International Marketing Review*, 30 (2), 80-105.

21. Driscoll, A. (1995). Foreign market entry methods: a mode choice framework. London: Routledge.
22. Dunning, John. (1988). *Explaining International Production*. London: Unwin Hyman.
23. Eisenhardt K., Martin J. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, 21 (10-11), 1105-1121.
24. Erramilli, M. K., Rao, C. (1993). Service firms' international entry mode choice: A modified transaction-cost analysis approach. *Journal of Marketing*, 57, 19-38.
25. Etemad H., Wright R. (1999). Internationalization of SMEs: Management responses to changing environment. *Journal of International Marketing*, 7 (4), 4-10.
26. European Commission, (2007). <http://www.eubusiness.com/topics/sme/eu-single-market-guide/> (accessed March 25,2015)
27. European Commission (2015). *User guide to the SME definition*, Luxembourg.
28. Experian (2015). *Experian Marketing Services*. <http://www.experian.co.uk> (accessed 27 April 2015).
29. Fiegenbaum, A., Kamani, A. (1991). Output Flexibility: A Competitive Advantage for Small Firms. *Strategic Management Journal*, 12, 101-115.
30. Gatignon H. Anderson E. (1988). The multinational corporation's degree of control over foreign subsidiaries: An empirical test of a transaction cost explanation. *Journal of Law, Economics, and Organization*, 305-336.
31. Ghoshal, S. (1987). Global Strategy: An Organizing Framework. *Strategic Management Journal*, 8 (5), 425-440.
32. Greer, T., Chuchinprakarn, N. Seshadri, S. (2000). Likelihood of participating in mail survey research: Business respondents' perspectives. *Industrial Marketing Management*, 29, 97-109.
33. Gray, J. (1997). Profiling managers to improve export promotion targeting. *Journal of International Business Studies*, 28 (1), 387-420.
34. Harrigan, K. R. (1981). Deterrents to divestiture. *Academy of Management Journal*, 24 (2), 306-323.
35. Hart, S., Tzokas, N. (1999). The impact of marketing research activity on SME export performance: evidence from the UK. *Journal of Small Business Management*, 37 (2), 63.
36. Hennart, J. (1989). Can the "New forms of investment" substitute for the "Old forms"? A transaction costs perspective. *Journal of International Business Studies*, 20 (2), 211-234.
37. Hill, C. W., Hwang, P., Kim, W. C. (1990). An eclectic theory of the choice of international entry mode. *Strategic Management Journal*, 11, 117-128.

38. Hilmersson M. (2014). Small and medium-sized enterprise internationalisation strategy and performance in times of market turbulence. *International Small Business Journal*, 32 (4), 386-400.
39. Jobber, D. (1986). Improving response rates in industrial mail surveys, *Industrial Marketing Management*, 15 (3), 183-195.
40. Jobber, D. O'Reilly, D. (1998). Industrial mail surveys: A methodological update. *Industrial Marketing Management*, 27, 95-107.
41. Johanson, J., Vahlne, J. (1977). The internationalisation process of the firm - A model of knowledge development increasing foreign market commitment. *Journal of International Business Studies*, 8, 23-32.
42. Johanson, J., Vahlne, J. (1990). The mechanism of internationalisation. *International Marketing Review*, 7 (4), 11-24.
43. Johanson, J Wiedersheim-Paul F. (1975). The internationalisation of the firm - four Swedish cases. *Journal of Management Studies*, (October), 305-322.
44. Jones, M. (2001). First steps in internationalisation: Concepts and evidence from a sample of small high-technology firms, *Journal of International Management*, 7, 191-210.
45. Kennon, D., Schutte, C. S., Lutters, E. (2015). An alternative view to assessing antifragility in an organisation: A case study in a manufacturing SME. *CIRP Annals-Manufacturing Technology*, 64 (1), 177-180.
46. Kogut, B., Singh H. (1988). The effect of national culture on the choice of entry mode. *Journal of International Business Studies*, 19 (3), 411.
47. Knight, G. (2000). Entrepreneurship and Marketing Strategy: The SME under Globalisation. *Journal of International Marketing*, 8 (2), 12-32.
48. Kuada, J., Sorensen J. (2000). *Internationalisation of companies from developing countries*, New York: International Business Press.
49. Leonidou, L. (1995), Export stimulation research: Review, evaluation integration. *International Business Review*, 4 (2), 133-156.
50. Leonidou L. (2004). An analysis of the barriers hindering small business export development. *Journal of Small Business Management*, 24 (3), 279-302.
51. Leonidou, L., Katsikeas, C. (1996). The export development process: An integrative review of empirical models. *Journal of International Business Studies*, 27 (3), 517-551.
52. Leonidou, L., Katsikeas C. S., Palihawadana D., Spyropoulou S. A. (2007). An analytical review of the factors stimulating smaller firms to export: Implications for policy-makers. *International Marketing Review*, 24 (6), 735-770.
53. Luostarinen, R., Welch L. (1990). *International Business Operations*, Helsinki: Kyriiri Oy.

54. McDougall, P. P., Oviatt, B. M. (2000). International entrepreneurship: the intersection of two research paths. *Academy of Management Journal*, 43, 902-908.
55. Miesenbock, K.J. (1988). Small Businesses and Exporting: A literature review. *International Small Business Journal*, 6 (2), 42-61.
56. Mulhern, A. (1995). The SME sector in Europe: A broad perspective. *Journal of Small Business Management*, 33 (3), 83.
57. Namiki, N. (1988). Export strategy for small business. *Journal for Small Business Management*, 26 (2), 32-37.
58. Rangan, S. (2000). *Explaining tranquility in the midst of turbulence: U.S. multinationals' intrafirm trade, 1966-1997*. Bureau of Labour Statistics conference (BLS Working Paper 336).
59. Reid, S. (1983). Firm internationalisation, transaction costs and strategic choice. *International Marketing Review*, 2, 44-56.
60. Reuber, A. R., Fischer, E. (1997). The influence of the management team's international experience on the internationalization behavior of SMEs. *Journal of International Business Studies*, 28 (4), 807-825.
61. Rialp, A., Rialp, J. Knight, G. A. (2005). The phenomenon of early internationalizing firms: what do we know after a decade (1993–2003) of scientific inquiry? *International Business Review*, 14 (2), 147-166.
62. Root, F R. (1987). *Foreign market entry strategies*. New York: AMACOM.
63. Segal, G., Borgia, D., Schoenfeld, J., (2005) The motivation to become an entrepreneur, *International Journal of Entrepreneurial Behavior and Research*, 11 (1), 42 – 57.
64. Seringhaus, F., Rosson P. (1989), *Government Export Promotion: a Global Perspective*, Routledge, London.
65. Tan, A., Brewer, P., Liesch, P. (2007). Before the first export decision: Internationalisation readiness in the pre-export phase. *International Business Review*, 16, 294-309.
66. Tan, A., Brewer, P., Liesch, P. (2014). Causes of rigidity in SMEs' export commencement decision. *40th Annual Conference of the European International Business Academy (EIBA): The Future of Global Organizing*. Stockholm: Uppsala University.
67. Terziowski, M. (2010). Innovation practice its performance implications in small and medium enterprises (SMEs) in the manufacturing sector: a resource-based view. *Strategic Management Journal*, 31 (8), 892-902.
68. Todtling, F., Kaufmann, A. (2001). The role of the region for innovation activities of SMEs. *European Urban and Regional Studies*, 8, 203–215.

69. Trimeche, M. (2002). Variables Affecting the Firm's Export Performance: Exploring the Japanese Managerial Perceptions. *Journal of International Marketing Research*, 28 (1), 3-24.
70. Weaver, K. M., Pak, J. M. (1990). Export behaviour attitudes of small-medium-sized Korean manufacturing firms. *International Small Business Journal*, 8 (4), 59-70.
71. Wiedersheim-Paul, F., Olson H. C., Welch L. S. (1978). Pre-Export activity: The first step in internationalisation. *Journal of International Business Studies*, 9, 47-58.
72. William, J. D., Jr. (2003). Raising response rates in mail surveys of small business owners: results of an experiment. *Journal of Small Business Management*, 41 (3), 278-295.

**IZVOZ MALIH I SREDNJIH PODUZEĆA:  
UČINCI ČIMBENIKA MOTIVACIJE ZEMLJE PODRIJETLA I  
ZEMLJE IZVOZA NA INICIJALNE I DALJNJE ODLUKE O IZVOZU**

**Sažetak**

Cilj rada je istražiti internacionalizaciju (posebno praksu izvoza) malih i srednjih poduzeća na uzorku malih i srednjih poduzeća u Velikoj Britaniji, kao doprinos ekonomskoj politici, akademskoj raspravi i menadžmentu. Rad se usmjerava na prvi, najrizičniji korak, kao i sljedeće aktivnosti u internacionalizaciji te analizira motivacijske čimbenike internacionalizacije, kroz podjelu na povezanost sa zemljom podrijetla i zemljom izvora. Rad istražuje 44 specifična, visoko utjecajna i prethodno u literaturi analizirana motivacijska čimbenika, koji djeluju na izvozne aktivnosti i testira njihov utjecaj na inicijalnu odluku o izvoznom poduhvatu. Rezultati pokazuju da prva odluka o izvozu utječe na iduću, a obje su pod većinskim utjecajem nacionalnih, internih i specifičnih motivacijskih elemenata, nasuprot onima koji se odnose na državu u koju se izvozi. Regionalizacija također pokazuje kako je članstvo UK u Europskoj uniji utjecalo na izbor načina izvoza. Rezultati ovog rada od koristi su donositeljima ekonomskih politika i menadžerima.

