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EXPORT DEVELOPMENT STRATEGIES : A Behavioral Approach

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Export activities are important for the economic well-being of a nation as well as a critical factor in the economic development process. Exports not only increase the demand for domestic production but are also a major source of foreign exchange to finance increased capital goods imported. In the long run, the balance of payments has to be maintained if a nation's wealth is to improve. Emphasia must be placed on the exploration of export development strategies in order to generate sufficient foreign currencies to compensate for the import bills. Otherwise, the consequences are likely to be the deterioration of economic growth and the decline of economic prosperity.

This article demonstrates the crucial factors determining the decision of a given firm to export, namely, the decision maker's awareness of export's contributions export risk perception, and the perception of export capability of the firm. It also delineates various factors which have significant effect upon these three principal determinants. Finally, recommended strategies are proposed to ensure favorable impact upon each of these influential factors.

Why Are Not Export Stimulating Programs Effective As Expected ?

Being concerned with the important role of exporting, many countries have recently undertaken export stimulation programs. In developing countries, export-led economic policy has been emphasized as a strategy for economic development. Much effort has been devoted by government to accelerate export expansion : export subsidies, export financing, insurance, tax incentives, etc. However, these measures have only had limited success. They have been applied without sufficient information or understanding of company export behavior. Governments

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have failed to analyze the nature of the export decision, the most influential determinants, and the productivity of different incentives and services. Lacking this information, export promotion efforts have had only limited success (Weil, 1978).

In the past, policy makers as well as researchers have tended to ignore "behavioral factors" in explaining international trade behavior. This ignorance stems from the tendency of conventional economic theory to ignore the behavioral dimensions of the firm, especially the role of the decision maker within the firm. Conventional economic theory assumes perfect rationality on the part of the decision maker (entrepreneur, firm). The firm will behave in a predictable way when confronted with specific environmental forces. It will act to optimize its position. When all the economic criteria required for exporting are met, firms will export. However, observations of a dynamic market suggest that firms faced with the same set of market and environmental conditions nevertheless react differently. This is due to the principle Simon calls "bounded rationality" (Simon, 1974).

Because of bounded rationality, firms will react differently even though they face the same set of market and environmental conditions. Some research has shown that although export stimuli play an important role forcing many firms to export, other firms in the same industry who are capable of exporting do not though they receive the same set of export stimuli (Simpson, 1973). This suggests the existence of the role decision maker's characteristics in influencing export decision making. Although structural and contextual characteristics influence the potential for entering foreign trade, the actual response depends on serveral characteristics of the decision maker.

Bearing in mind that nations do not export but companies do, in order to develop an effective export promotion program; governments need to understand the factors that influence export decisions and how these factors interact. Policy makers, in particular, have to understand the role of managerial motivation in export decisions as well as the problems that discourage or prevent them from entering or increasing their export operations.

Export Decision : An Innovation Adoption Process

In the literature on innovation adoption, the process of innovation has been defined in a variety of ways. One of the early definitions comes out of the field of economics where Schumpeter (1939) distinguished between innovation and invention. In his definition, invention described the creation of new knowledge while innovation described the practical use of that new knowledge. A more behavior-oriented view of innovation was offered by Zaltman, Duncan and Holbek (1973). They define innovation as any idea, practice or material artifact perceived to be new by the relevant unit of adoption. This view had been earlier defined by Rogers and Shoemaker (1971). According to Zaltman. et al. :

> An innovation is an idea, practice, or object perceived as new by an individual. It matters little, so far as human behavior is concerned, whether or not an idea is "objectively" new as measured by the lapse of time since its first discovery. It is the perceived or subjective newness of the idea for the individual that determines his reaction to it. If the idea seems new to the individual, it is an innovation. "New" in an innovative idea need not be simply new knowledge. An innovation might be known by an individual for some time (that is, he is aware of the idea), but he has not developed a favorable or unfavorable attitude toward it, nor has he adopted or rejected it. The "newness" aspect of an innovation may be expressed in knowledge, in attitude, or regarding a decision to use it.

If we accept this view of innovation, *then the export decision can be examined in the context of the innovation adoption process* (for an early hint of this, see Simmonds and Smith, 1968; Woo-Young Lee and Brasch, 1978). Although the export decision is not an "objectively" new idea, it is perceived as a new step by an organization considering it for the first time. The export decision process is the mental process through which an individual decision maker passes from knowing about this possible business strategy to deciding to adopt or reject it. The export decision process starts with the decision maker's exposure to the idea and *awareness* of its importance in terms of its contributions to the firm's business performance, then moves to the stage of *information search* in order to gain an understanding of how exporting functions. The firm then enters the *evaluation stage* that ultimately leads to a choice to *adopt or reject* the idea of initiating exporting.

Export Decision Process : A Theoretical Framework

Viewing the export decision process as an innovation adoption process provides insight into how exporting is initiated and developed. In this connection, the firm's export decision can be represented as shown in Figure 1.

FIGURE 1

EXPORT DECISION AS AN INNOVATION ADOPTION PROCESS

TRIGGERING CUES

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AWARENESS OF THE IMPORTANCE OF EXPORT TO THE FIRM

↓

MARKET KNOWLEDGE AND EXPORT INFORMATION SEARCH

↓

STAGE OF EVALUATION

↓

DECISION TO EXPORT

Substage I:Export's Triggering Cuas→Awereness of Export's Contri bution to the Firm

In the behavioral theory of the firm, business behavior begins with a felt need or drive toward a goal. The individual firm will be highly attentive to some triggering cues which indicate ways to satisfy the aroused drive.

This aroused drive is an important determinant of a firm's adoption of an innovation. One of the most salient aroused drives in the context of innovation adoption theory is "problem recognition of the firm." An illustration of problem recognition was provided by Zaltman, Duncan and Holbek (1973, p. 63) in that when a firm faces declining sales, for whatever reason, and the decision maker perceives a discrepancy between desired performance and actual performance (the "performance gap" asdescribed by Downs, 1966, p. 11), the firm is likely to become aware of the importance of finding new alternative courses of action (March and Simon, 1958, p. 192).

The drive to export can be aroused by either problem recognition or opportunities awareness. Previous export studies suggest that a depressed domestic market environment creates a problem that can lead the firm to turn to export (Pavord and Bogart, 1975 ; Simpson, 1973). Even though firms in the same industry face the same market environment, the extent to which this environment affects the firm's behavior depends on the *perception* of the decision makers. *As long as decision maker feels or thinks of the problems faced by the firm, he will reach in accordance with his perception.* It is this variation of "perception" that leads to different reactions among firms even though they face similar market conditions.

A second way in which the firm starts considering export is the decision maker's awareness of foreign market opportunities. The more favorable his perception of foreign opportunities, the more likely the decision maker will be stimulated to consider exporting as an attractive step. While adverse home market conditions play a major role in creating "export push," the perception of foreign market opportunities function as an "export pull."

Although problem recognition and opportunities awareness are important determinants of export behavior, these factors are not sufficient to determine the final decision to export. Rather, they affect the export decision indirectly by arousing the decision maker's awareness of the importance of export in terms of its contributions to the firm. Decision makers who have a more favorable perception of foreign opportunities will be more aware of export as a means of exploiting these opportunities. Similarly, decision markers who perceive problems facing their firm in the domestic market are more likley to be aware of potential solutions, such as export. March and Simon (1958) suggest that firms facing problems have to choose between *change* and *persistence*. They will be driven to search for solutions. Because foreign market entry is one possible solution, decision makers who possess an adverse perception of the home market are likely to be more aware of the potential contributions of export to the firm. Whether the export solution is attractive depends on the decision maker's expectation of potential contribution.

According to the model, the export decision process begins with the decision maker's awareness of export's potential importance to the firm which is activated by certain triggering cues. I am making an assumption about the innovative nature of an individual. My assumption, based on Duncan (1976, p. 6) is that people are essentially non-innovative. The underlying rationale is that innovation is a complex process. Duncan has developed a model of the factors in the individual's resistance to adoption. At the awareness of innovation, the major resistance factor is the individual's state of predisposition which may be against innovation.

In this article, the decision makers's attitude toward exporting in general (export orientation) is assumed to affect the decision maker's perception of the importance of export for his firm. My proposition is that *the decision maker will have higher expectations about the potential contributions of exporting for his firm if his predispositional state is more favorable*. The predispositional state will put the decision maker in a more receptive state of mind toward exporting and will make it likely that information regarding exporting activities is received more favorably, But, if his state of predisposition toward export is negative, he will form an unconsciousness bias against potential contributions of exporting.

Substage II : Awareness of Export's Contributions→Information Search

When awareness of the importanrce of exports is aroused, the firm's decision makers enter the stage of information search. Hassinger (1959) argues that knowledge-seeking must be initiated by the inividual and is not a passive activity. The amount of information sought depends on whether the person is facing limited problem solving or extensive problem solving. In the latter case, the person needs more information and must make more effort to access sources of information.

Export activity certainly fits into the latter category. The complex process of exporting compared to domestic marketing and the newness of this strategy to the firm make it necessary for a firm to engage in an extensive search for knowledge, especially "how to" knowledge. This "how to" knowledge consists of information necessary to use in innovation (exporting) properly. Export knowledge and information can be derived from two major sources : secondary sources of information and direct research. Even though export information is important, firms will vary in their depth of information search. According to consumer behavior theory, the extent to which firms seek information depends upon its perceived utility (Mills, Aronson and Robinson, 1959; Brock, Albert and Becker, 1970), which is the function of certainty and decision importance. Because exporting is a more complex activity with high uncertainty, the decision maker of a firm will normally seek more information. The major determinant of the extent to which a decision maker will pursue information is the degree of importance of exporting perceived by him. As suggested by Sternthal and Craig (1982, pp. 86-88), importance may be interpreted in economic terms and in terms of the psychological and physical risk associated with a wrong decision. Considering the case of exporting, exporting is a kind of business activity which is a major step in business expansion that affects the future profitability of a firm. The losses may be great. The cost in conducting the information search activities are also high. Therefore, the decision maker who intends to commit the firm's resources in information seeking should have a high favorable perception of the importance of exporting in terms of its contribution to the firm. *The degree of efforts and resources commitment greatly depends on the intensity of his expectation of export's contributions.* As suggested by Reid (1980b) in his study of Canadian manufacturing firms, decision makers in the firms that *were not interested* in exporting had a low awareness, searching, and usage of export information sources. According to Hassinger (1959), individuals will seldom expose themselves to messages or information about any innovation unless they first feel and realize that the innovation's importance to their firm. *Under condition of increasing expection of export's contributions, the decision maker will increasinly enter the information search process.*

The firm size is also a major characteristic that determines the firm's commitment to information search activities. In innovation adoption studies, numerous emirical findings have documented a positive relationship between firm size and the adoption decision (Aiken and Hage, 1971; Becker and Stafford, 1976; Corwin, 1972; Hage and Aiken, 1967, etc.). However, while the firm's size is often regarded by export researchers as a critical structural determinant in the export activity of an enterprise, the evidence to support the effect of any specific or group size criterion on export behavior is conflicting (Reid, 1981a). This is not surprising. Size might not directly influence the export decision; rather, it might have an indirect influence through its impact on other mediating variables. As suggested by Mohr (1969, pp. 12-24) simply large size does not necessarily lead to the adoption of innovation. It is necessary to consider the interaction between the vairables concerning perception and motivation and firm size in predicting innovation.

Because a large firm normally has larger resources, especially those uncommitted resources called by Thompson (1969) "slack resources," it will be in a better position to allocate these slack resources to new programs compared to smaller sized firms. On the other hand, when slack resources do not exist and most of the organizational resources are employed in carrying on existing programs, which is more likely the case with smaller-sized firms, the amount of resources allocated to information search activities will be very limited. Therefore, *size of firm is expected to affect the degree of the firm's commitment to knowledge and information search.*

In addition, since engaging in export information is the kind of commitment whose feasibilty and pay-off are uncertain and require a large amount of resources that a firm has to finance internally, a firm which has large resources is presumably better able to undertake this commitment than smaller-sized firms.

Substage III : Stage of Evaluation

The next stage of export decision is the stage of evaluation. Here, the decision maker will develop an evaluation based on his perceptions, beliefs and tendencies to the idea of exporting in certain ways.

As suggested by Thompson (1969), organizational decision makers operate under norms or rationatity and base their decisions on some belief that any action taken by the organization will yield the expected outcome. Thus, the probability of success will be the major determining factor of the tendency to take an action or not. From the perspective of export decisions, two determining factors are proposed. The are : 1) the decision maker's perception of export risks which are inherent in exporting relative to domestic operation; 2) the extent to which the decision maker believes that the firm possesses the necessary capabilities for successful exporting.

Export sales are frequently perceived by business as being far more risky and complex than domestic sales. There have been several definitions of risk. We will use the concept of risk offered by Yair Aharon (1966). Risk is the chance of injury, damage, or loss, compared with some previous standard. The perception of risk is a subjective one which stems from uncertainty and this uncertainty is affected by ignorance. Ignorance may prevail because of the lack of information or knowledge. From the perspective of the export decision, this perceived risk is understandable because the profitability of doing business in countries with different languages, different legal systems, fluctuating currency values, and so forth, is difficult to assess. The far greater risk in exporting is the use of an ineffective approach to foreign markets, which will either limit the future sales potential, create dependence on wrong partners or even prevent the product from being introduced appropriately into the foreign market. Therefore, although export marketing stimulates a decision maker's expectation of its potential contribution, It also creates perceived risks due to uncertainty and ignorance of foreign market knowledge.

In the meantime, the tendency to export is also dependent on the extent to which the decision maker perceives that the firm possesses enough capability to ensure a high probability of success. The cost and complexity inherent in export activities are relatively high. It requires much managerial skills and financial resources to export successfully than doing business at home. Thus, the decision maker's choice of whether or not to export largely depends on his own belief of the capabilities possessed by his firm. Unless he is confident, the tendency to export will be limited. Therefore, the decision maker's perception of the potential export's risks and his belief in the firm's capabilities will play an important role in this stage. This perception is, in fact, the result of the decision maker's learning process. The process of learning has been discussed by various organizational theorists such as Cyert and March (1963), March and Olsen (1976), Argyris and Schoen (1978). It is the process concerning the formulation and change of the decision maker's perception of the world, which is affected by his own internal characteristics, beliefs, and the information he has gained and accumulated through time.

Several major factors that influence the decision maker's perception of the capability of the exporting firm include internal sources of influence, firm's characteristics, and the influence of other exporting firms' business performance. I will now consider each of these.

I. Internal Sources of Influence

This source comprises the characteristics of the decision maker that are expected to have significant impact on this stage. These include the decision maker's knowledge of foreign market and export procedures and his state of predisposition toward exporting.

Export Knowledge. The decision to enter a foreign market is strongly influenced by the existing stock of foreign market knowledge and other export related information.

In entering a foreign market, uncertainty is generally greater than the case of domestic business operations. As suggested by Duncan (1972), perceived risk due to uncertainty is caused by a) the lack of information on environmental factors associated with any given decision situation, b) the lack of knowledge concerning decision outcomes and their impact on the organization, and c) the ability of individuals to assign probabilities concerning the effect of certain factors on the performance of organizational decision units. Within this context, perceived risk due to uncertainty inherent in exporting to foreign markets must be higher than domestic operations due to the inexperience in foreign business practices, and inadequacy of market and environmental knowledge. Inadequate knowledge will increase the decision maker's perception of export risks. It is the accessibility to foreign market and export-related knowledge which makes it possible for a firm to extend its action in foreign markets because market knowledge will perform as a risk reducing factor. However, decision makers deal with the problem of information searching in a variety of ways, At one extreme, managers may choose to avoid risk and hence avoid the information acquisition altogether. At the other extreme, managers may seek to acquire information in order to reduce uncertainty so that risk can be reduced. Hence, when comparing firms that have different levels of commitments to export information search activities, firms with a higher degree of commitment will have more chance to realize the export's feasibility and know better how to engage in effective export activity. The more resources and efforts committed to information searching activities, the more knowledge we expect the firm will gain. *Accordingly, it is reasonable to predict that this acquired knowledge, in turn, will lead to the reduction of the decision maker's perception of export risks. In the meantime, more acquired knowledge will reinforce the perception of the firm's capability to export.*

State of Predisposition or General Attitude Toward Exporting. Although adequate knowledge of the foreign market and export knowledge would seem to be important considerations for foreign entry, a favorable attitude toward exporting is a prerequisite for going into international markets.

A behavioral theory of the firm introduced by Cyert and March (1963) suggest that expectations be seen as the result of drawing inference from available information. *Because information about the consequence of specific course of actions in an organization is frequently hard to obtain and of uncertain reliability, both conscious and unconscious bias in managerial perceptions are introduced. Perceptions are apparently influenced by some feeling of a priori preferences.*

Bearing this notion in mind, it is reasonable to expect that decision makers with different predispositions toward exporting will have differences in their perception of export's risk. *The more a prior favorable the attitude toward export the lower the export's risks will be perceived.*

II. Firm's Characteristics

According to Reid (1980a), the adoption of exporting as a mode of foreign entry by a firm requires the satisfaction of at least four conditions. These are : 1) availability of sufficient information; 2) the existence of a favorable attitude toward exporting; 3) the availability of the foreign entry possibility; and 4) the possession of the economic means to pursue exporting as a means of entry. The last two items are, in fact, greatly determined by the size of firm becanse it implies resources and financial strength which can be used to achieve these requirements.

As suggested earlier, the decision to export is the product of the interaction between the firm's and the decision maker's characteristics. Although size might not directly determine the export decision, as previously argued, its interaction with the decision maker's perception does. *Larger size will increase the perception of the firm's capability to export because it provides either the immediate availability of financial resources or suggests that the necessary means can be acquired if needed once the firm starts exporting.*

In addition to the size of the firm, another firm's characteristic which is expected to play an important role at this stage is the decision maker's perception of the extent to which the firm has a comparative advantage in a foreign market stemming from the uniqueness of the product, price or cost advantage, technology, etc. Past studies have shown that management initiates exporting because of its confidence in one or more of these advantages, However, in the view of this study, comparative advantages are not by themselves sufficient to initiate export as suggested in traditional trade theory. They are important in the sense that they have indirect influence upon its export decision through other mediating variables which, in this case, are the decision maker's perception of risks and his perception of the firm's capability to export that finally determine the export decision.

The decision maker's perception of a highly competitive advantage of the firm in the foreign markets is likely to enhance his belief of the firm's capability to export successfully. At the same time, a higher competitive edge over competitors in foreign markets also implies that export's success and profitability should be gained easier and more certainly. The threats of business losses are reduced, thus reducing the perceived export risks.

III. The Influence of Other Exporting Firms' Business Performance

The third source of influence affecting this stage of evaluation comes out of the notion suggested by Duncan (1976, pp. 7-8). To him, the key sources of resistance to innovation adoption is the individual's illusion of his own impotence or lack of confidence in adopting the innovation. Accordingly, the individual will look for reinforcement by observing others.

In most studies of innovation adoption, a significantly positive relationship between the probability of adoption and the proportion of firms that have already adopted has always been found. The reason is that the latter variable serves as a proxy for favorable information that leads to less perceived risks and favorable expectations about contributions. As the proportion of adoptions increase, information and experience related to this innovation will be channelled to the decision maker who is interested in adopting the innovation, thus decreasing his perception of potential risk and increasing his expectation of the innovation's contributions.

According to Becker and Whisler (1967), "Where others have innovated, the followers have much smaller cost of search. Related to this difference is the reduced risk to late adopters where the innovators have demonstrated the possibility of a new idea." This demonstration may be viewed in two ways, as suggested by Rogers (1972, p. 194), namely, "use demonstration," which consists of showing how the innovation is employed and "result demonstration," which shows the benefits of adopting a particular innovation.

From the perspective of the export decision, it is predicted that observation of the performances of other firms which export will provide the same effects as mentioned above through its impacts on both the perception of export risks and the expectation of export's contribution to the firm. *If other firm's performances after engaging in exporting are perceived by the decision maker to be favorable, the perceived gains which the firm would realize if it exports will increase while the perception of potential risks will decrease. On the other hand, if other firms' performances are unfavorable, such information will lead to the opposite perception.*

Substage IV : Export Decisions

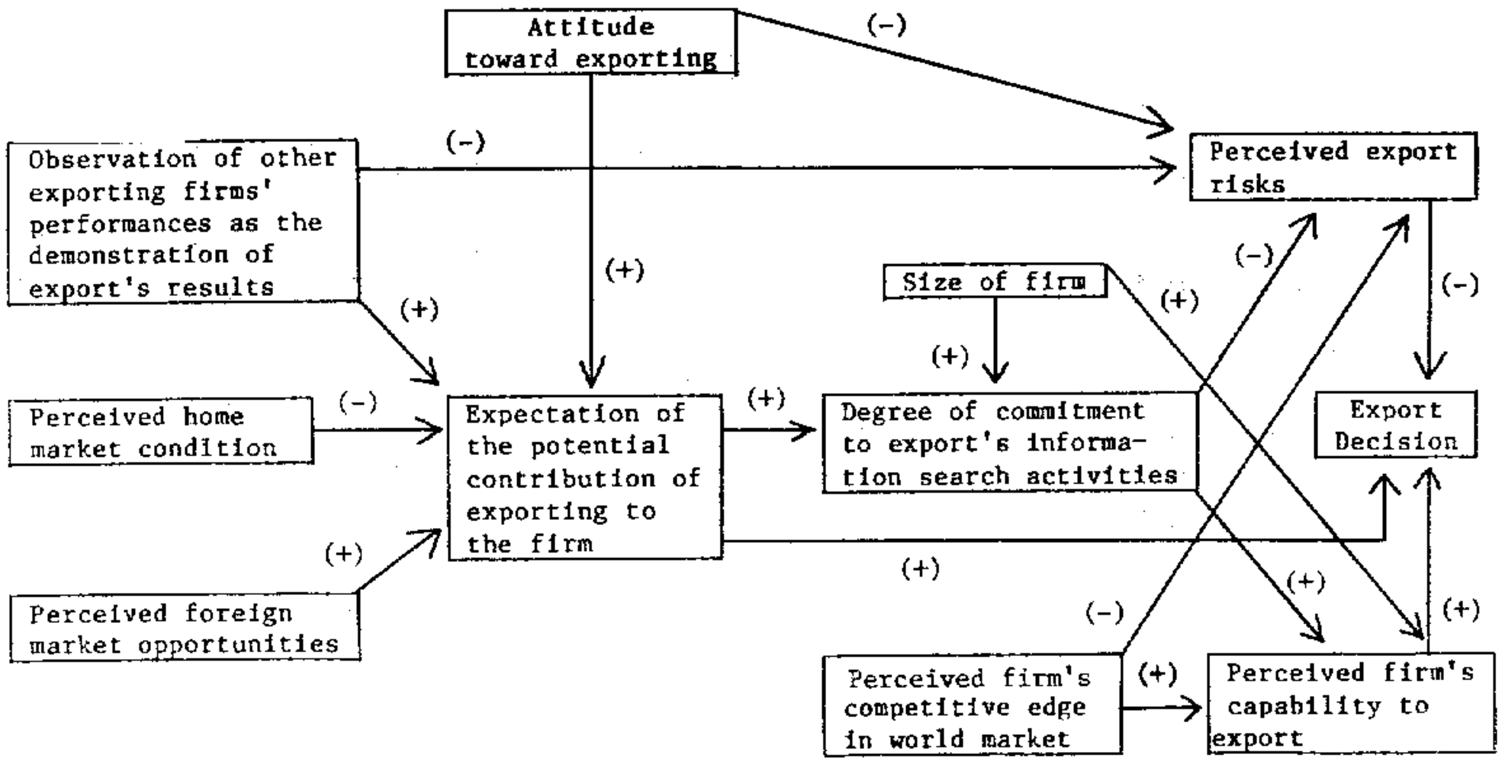
Irrespective of the types of factors that lead to the creation of export stimuli, the decision to export is determined by three major determinants. *These are : the decision maker's expectations of export's contributions to the firm, export risk perception and the decision maker's perception of the firm's capability to export.*

In the behavioral theory of the firm, a business decision is seen as a function of an action-outcome relationship. This involves the managerial expectation of what will be gained if an action is taken and to what extent risks are involved. Within the context of the export decision, *if the decision maker perceives export risks to be very high, he may stop considering exporting or be unwilling to commit the substantial resources to exporting. The decision is also contingent upon his expectation of export's contribution to his firm. If it is favorable, risk perception may be offset. If he expects the potential contributions to be great to his firm, he will be willing to export his product to foreign markets.*

The export decision is also determined by the capabiltiy of the firm to export as perceived by the decision maker. Mansfield (1968) has suggested two important factors that govern the decision to adopt an innovation. These are the rate of reduction of risk due to the uncertainty regarding the innovation's performance and the capability of the firm to try out the innovation. The decision maker must

FIGURE 2

EXPORT DECISION: An INNOVATION ADOPTION PROCESS



+ = Positive relationship

– = Negative relationship

perceive some capability within the organization for utilizing the innovation (Zaltman, Duncan, Holbek, 1973, p. 64). *From the perspective of the export decision, the capability of the firm to cope with the extent of the commitment required to try out the innovation is in fact the decision maker's perception of the firm's capability to carry out exporting.*

In summary, this article is an attempt to explore those potential determining factors which explain the export decision of the firm. The exporting decision is viewed from the perspective of innovation adoption theory. All the proposed causal relationships supported by theoretical explanations are then summarized as shown in Figure 2 below.

Strategic Recommendations

A country's government is in some measure responsible for the general economic health of a nation. It can directly and indirectly influence firms' business objectives. Given the role exports can play in constituting the wealth of a nation, export development is certainly an aspect of economic development to which responsible governments must pay attention. The state should intervene in foreign trade, not aim to raise barriers to imports but to encourage and promote a nation's exports.

Strategic attempts to encourage firms to export can be considered in the context of "creating social change" theory. Within this context, government can be perceived as the "change agency" whose primary mission is to advance a social change (stimulating firms to export or export more). Meanwhile, business firms can be viewed as "change targets" which are designated by the government as the targets of change efforts (Kotler, 1972). Kaufman (1972) has suggested one approach to generating change. Firstly, attempts must be made to provide the change agent with certain guidelines and strategies which will increase a change target's probability of changing. These guidelines can be obtained from what Kaufman calls a "micro-behavioral" approach, aimed at understanding the change target's internal characteristics and uncovering those causal linkages between them.

The theoretical relationships reported in this article help reveal the internal characteristics of business companies ("change targets"), and the expected causal linkages that determine the firms' decision to export. Based on the theoretical notions of this article and the processes described in social change theory, several guidelines and strategies to encourage firms to export can be recommended.

Recommended Strategies to Encourage Firms to Export

This article has demonstrated the important roles of the decision maker's awareness of export's contributions, export risk perception, and the perception of export capability of the firm, in determining the decision of a given firm to export. It also delineates various factors that have significantly influential effects upon these three determinants. *Export promotional programs thus should be developed to ensure favorable impact upon each of these influential factors.* To accomplish this task, some recomended strategies are as follows.

(a) Strategies Aimed at Raising Awareness of Export Benefits

Lacking awareness of the importance of exporting suggests that without more emphasis on informing company's decision makers about the potential benefits of exporting, any measures to increase exports are unlikely to succeed. This article has indicated that the expectation of export's contributions to the firm is determined by the favorableness of the decision maker's perception of foreign market opportunities, his general attitude toward exporting, and the impact of other exporting firms' performance as a demonstration of export's results. To raise the awareness of export's contributions, strategies must be aimed at favorably influencing these factors.

Persuasive messages must be developed and communicated to decision makers of firms with the purpose of demonstrating the tangible benefits a firm will gain from exploiting foreign market opportunities. Information regarding such aspects as potential profitability, foreign market needs, and market size should be disseminated to potential exporting firms in order to improve the image of foreign market opportunities. Information could be channelled to target firms either directly through government agencies or indirectly through industrial or trade associations, Encouraging business firms to participate in trade fairs or trade conferences is another good way to familiarize business firms with the opportunities present in world markets. Government agencies might serve as intermediaries, especially in the initial stage of introducing novice companies to the export business in searching for export orders for business firms.

Since one of the most important factor affecting the decision maker's perception of the benefits derivable from exporting is the decision maker's own observation of the performance of other exporting firms. It suggests that potential exporters would be best persuaded to venture into foreign markets by demonstrating the benefits actually gained by exporting firms to those non-exporters. Government agencies should ask for cooperation from successful exporters to participate with non-exporters in government-sponsored conferences, so that these exporting firms can share their experiences and clarify how exports contribute to their success. Seminars or miniconferences should also be conducted frequently by using case studies of successful exporters. Especially impressive and compelling might be case studies of small successful exporting firms to persuade non-exporters with potential benefits a firm can gain if it exports.

Having a negative attitude toward exporting is also another barrier obstructing the decision maker's awareness of export's importance. Further research is necessary to learn what leads to this negative attitude toward exporting. However, according to consumer behavior theory, an unfavorable attitude results from negative thoughts in the human mind that have been activated through some triggering stimuli. Therefore, to elicit a favorable attitude toward exporting among decision makers, positively persuasive messages of exporting must be communicated. Any messages that could possibly activate negative thoughts must be kept to a minimum while the positive messages should be salient and vivid enough to be easily memorized and retrieved. When messages are developed, the messages should include all the advantages and benefits possibly obtainable from exporting and allow the respondents to select those attributes they deemed important. Key attributes must be identified clearly to prevent the problem of the limited human capacity in the process of message formulation.

Research in consumer behavior suggest that the more the source of a message is perceived as being credible, the greater the degree of discrepancy that can exist between a person's present belief position and content of a message (Sternthal, Dholaki and Leavitt, 1978). As people place greater confidence in a trustworthy source, they are more receptive to the message even though it deviates from their own position. Conversely, there is a marked reduction in willingness to accept the message when the credibility of a source is lower. Unfortunately, business firms' perception of the trustworthiness of governmental agencies' assistance in export activities has been found to be low. The government's image as a trustworthy and knowledgeable source for export assistance must be rebuilt before it can perform as a credible change agency.

(b) Increasing the Degree of Firm's Commitment to Export-Related Information Search

To raise a firm's commitment to information search, those factors which influence the degree of commitment must be determined. This article has suggested that the level of the decision maker's expectation of the benefits to be gained from exporting, and size of firm are two major influencing factors. In addition to what has already been suggested to improve the decision-maker's expectation of exporting, there remain some things that might be done by the government in modifying those current laws or regulations which discourage firms from exporting. For example, exporting might be made more profitable and hence more attractive by introducing tax legislation aimed at reducing corporate tax on exports, offering substantial tax benefits to firms that export. Special provisions might also be made for small or medium sized firms for a longer time period as an incentive to export.

Another important determinant of the degree of firm's commitment to export information search is "size." It has been expected that the larger a firm, the greater the amount of financial and other resources available for information search activities. Therefore smaller sized firms need more help from governmental agencies to provide them with the necessary information about exporting.

However, this lack of information might not only be due to the scarcity of a firm's resources for searching activities but a lack of knowledge of how and where information can be obtained. Thus, change agencies like governments must perform not only a role as a center for information gathering but also serve as a channel to ensure that the necessary information reaches the firms in private sectors.

At present, these roles are more or less carried on by the Ministry of Commerce. However, no serious effort has been made to formulate a national center to fulfill these functions. The functions performed by this governmental agency certainly cannot be compared to the governmental institutions of other highly developed countries such as Japan and other export-led countries in terms of the depth and extensiveness of market and export operation information.

An alternative to expanded governmental intervention which nonetheless furthers the dissemination of export-related information is to establish an independent but government sponsored organization in charge of information gathering and dissemination. JETRO of Japan, a semiautonomous organization under the supervision of governmental authorities, is a good model. This organization functions as a national center of market information for Japanese business firms. Its main function is largely informational and includes such activities as publishing periodicals and monographs on foreign trade, collecting international market intelligence, collecting and disseminating current worldwide market data, sponsoring market research, and organizing trade fairs and seminars. It locates its officials overseas in countries throughout the world with officers specially trained in handling market information. Perhaps most significant of all is that fact that at the request of business firms or trade organizations, JETRO helps pay the cost of market research. Such a policy of underwriting research costs is extremely beneficial to smaller sized firms that otherwise cannot afford the cost of information search activities (Walker and Schoenfeld, 1980, pp. 55-56).

Furthermore, business firms should be encouraged to make greater usage of other information sources such as trade associations, export agents, industrial associations, and commercial banks. The government should do more to support these organizations, and encourage non-exporters as well as exporters to take advantage of them.

(c) Raising the Perception of Export Capability and Reducing Perceived Risks

This article has suggested that two key determinants of a firm's decision to export, in addition to an expectation of export contributions, is the decision maker's perception of the export capability of his firm and his perception of the risks of exporting.

The perception of risks is an especially strong barrier inhibiting ã firm's willingness to consider engaging in exporting. According to the theoretical notion of this article the degree to which exporting is perceived as risky is related to a decision-maker's attitude toward exporting, the results of other exporting firms, the degree of information search activities, and the decision makers's perception of his firm's competitive edge in the world markets. Therefore, those strategies previously mentioned that aim at encouraging favorable attitudes, providing export-related information and demonstrating other export firms' successful performances help reduce the degree of risk perceived by the decision maker of a firm. However, the problem of how to raise a firm's competitive edge in foreign markets -- a factor which affects the perceived export capability and export risk -- needs to be discussed. The government's ability to improve the competitive edge of a firm not only helps reduce the degree of export risks perceived by the decision-maker but also raises his confidence in his firm's capability to export successfully. Several strategies are recommended here as a means to improve the firm's competitive edge in world markets.

One alternative is to provide such financial assistance as export subsidies. Governments of other countries have long directly or indirectly subsidized their business firms' export activities.

Financial assistance is needed in greater volume and for longer time periods to raise the firms' comparative advantage. Commercial banks are also another source that should be encouraged to finance business firms that need financial credit to export, especially smaller firms. Small firms that want to export would benefit greatly if the government would encourage banks to help finance export activities of small regional firms by channelling financial supports to these banks, they would be more capable of providing low interest financing to the firms for longer periods of time. A non-profit facility that is able to provide the smaller-scale financing required by small business firms should also be established.

Recommended Strategies to Encourage Export Expansion Among Current Exporting Firms

All the strategies recommended for stimulating firms to start exporting can be applied to encourage current exporters to expand their export sales. However, in the case of current exporters, more emphasis must be put on those areas actually perceived as highly important by exporters, not only from the policy makers' point of view. Greater efforts should be devoted to help alleviate current problems that exporters are facing.

However, in regard to export strategies, exporters should not totally rely on assistance from the public sector. They themselves have to re-evaluate and develop more effective marketing strategies for foreign markets in the future.

For exporting firms that have just started exporting, the most important objective is to establish initial market positions in targeted countries. After having selected market niches in a given country, exporters should not simply export their domestic products to those markets. Market information and feasibility studies should be conducted, either by the company itself or by outsiders. Such initial marketing survey studies can then serve as a data base for formulating appropriate entering strategies.

In the past, many exporters have frequently ignored the importance of market research. With only a superficial knowledge of market conditions, the degree of competition and customer preferences in foreign markets, they frequently have failed to establish firm market positions overseas. Frequently they have exported tastes wholesale to foreign customers without major modification. More emphasis must be placed on market research so that products can by modified in terms of their functions, utility offerings, and other product characteristics, all areas still ignored by current exporters. Quality and customer services should also be stressed to build up customer loyalty.

Given the entry barriers facing them in foreign markets, exporters should concentrate their efforts on specific market regions rather than trying to blanket all markets. Beginning by focusing on specific distributors and dealers, they can gradually roll-out their market penetration from this market base.

Pricing strategies in the early stage of exporting must be set to fit their broader business and marketing strategies. Market share maximization pricing is recommended as it allows exporters to drive cost down through economies of scale as well as learning curve effect and thus enhances profitablility and competitiveness in the long run. Price should be used to build sales volume, to attain a substantial market share over a number of year rather than more immediate goals of short-run profitability. Government financial assistance can play an important role in helping exporters accomplish this task. Promotion to help establish product awareness in foreign markets should not be ignored. Promotional efforts could be carried out as a joint promotional program with local distributors to reduce a company's financial burdens.

However, the real challenge encountered by exporters is how to expand their sales or market shares in foreign markets. Exporters need to move from initial market bases to larger market segments. To do so, initial strategies previously used need to be revised for purposes of market expansion. Exporters might begin by gradually adding new product items or product lines to their export rosters to reach an increasingly broader market segment of the total market. If they confine themselves to a few products, they can hardly expect to expand their export sales overseas. In addition to market sequencing continuous product improvement in terms of product offerings, quality and reliability must receive greater emphasis. As these product policies are implemented, they increase the likelihood of a company's products appealing to a wider array of customer needs, preferences and tastes, and thus the expansion of a company's share of a foreign market.

Once foreign market shares start expanding, distributional channels need to be modified to handle the increasing marketing tasks. Exporters frequently rely heavily on foreign independent distributors, trading companies, local export companies, and other such intermediaries to perform all their marketing tasks. This is a reasonable approach in the initial stage of exporting to overcoming entry and distribution problems. However, once an export position has been established, firms must begin to replace their current reliance on foreign distributors with their own overseas sales organization or distribution network. In this way, exporters will be able to gain their own mangerial experience, and thus be better able to strengthen their marketing efforts in foreign markets through directly controlling local marketing functions.

With the discussion and arguments above, it is therefore my view that a firm's export expansion be done as a process of market/country sequencing, with each expansion from one market to another market and from one country to another undertaken on a step by step basis. Initially, a firm should concentrate its export sales in a few countries. Companies may find it preferable to focus on countries either geographically close or culturally similar to Thailand, so that marketing efforts and resources can be least diverted from the domestic market. Once market positions are well established in these initial countries, a firm will find it easier to expand to farther-away countries, as it can benefit from its earlier experiences.

In summary, the inclusion of an export promotional policy in the national policy must be a top priority. This article has indicated the major determinants of a firm's decision to export and suggested the factors that in turn influence these export determinants. Strategies thus should be formulated to influence favorably those influential factors that encourage firms to export. (Ways should also be sought to alleviate those problems Thai exporters currently face, in order to facilitate their export operations.)

The government should enlarge its capacity as a change agency in identifying those industries that have strong potential export opportunities and encourage domestic firms in these industries to export. Information regarding export-related activities and marketing strategies should be disseminated efficiently. Subsidies and loans should be provided to assist those firms with high potential that need financial assistance. Tax incentives and administrative guidance should be increased, while regulations serving to discourage firms from exporting should be eliminated or kept to a minimum. A strong relationship and close cooperation between government and business firms must be established to facilitate and enhance the effectiveness of policy implementation.

Without a strong relationship between government and business, the opportunities inherent in both the domestic and foreign markets cannot be realized. Given the potential for expansion present in foreign markets, the national development of export trade is crucial if the economy is to maintain itself in the world market.

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