AN EMPIRICAL STUDY ON EXPORT ORIENTATION OF INDIAN SMALL AND MEDIUM ENTERPRISES

Ph.D. THESIS SUBMITTED IN FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF

DOCTOR OF PHILOSOPHY

SUBMITTED BY

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CERTIFICATE

Certified that the thesis entitled "AN EMPIRICAL STUDY ON EXPORT ORIENTATION OF INDIAN SMALL AND MEDIUM ENTERPRISES" which is being submitted by Mr. Ritam Garg, in fulfillment of the requirements for award of the Degree of Doctor of Philosophy in Management, Thapar University Patiala, is a record of candidate's own work, carried out by him under my supervision and guidance. The matter embodied in this thesis has not been submitted in part or full to any other University or Institute for the award of any degree.

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- Ritam Garg

ABSTRACT

An Empirical Study on Export Orientation of Indian Small and Medium Enterprises

Ritam Garg

Small and Medium size Enterprises (SMEs) despite having enormous potential and significance in the economy have not been able to harness the advantages of internationalisation and at the same time have fallen short in facing the challenges of globalised competition. Furthermore, evidence suggests that SMEs have been observed to face challenges in maintaining impactful internationalisation strategies and responding to market changes over time. One approach which has been actively pursued by internationally oriented players to address these challenges over the past few decades and is extensively highlighted in the literature is *exporting*. While this strategy as an initial step toward internationalisation may offer much potential, it also comes with certain issues. This study investigates the influential drivers of export-orientation in such internationally oriented small firms.

Blending the findings from the literature on internationalisation with insights from the work on exportation illuminates the problem. While the research on internationalisation directly discusses entry strategies and drivers of performance in such ventures, extrapolating the work on exportation further informs these aspects, and complements the same by bringing to light additional factors to consider. To shed further light upon these aspects, a two-phased, in-depth empirical investigation of the internationalisation strategies and the factors that influence the export-orientation of SMEs was conducted in the five most prominent and export driven clusters in the textile industry in India. Qualitative analysis was used to inductively generate theory, while quantitative analyses subsequently tested the resulting hypotheses.

Results of both analyses indicate that the management and firm characteristics influence the export-orientation of a firm. Furthermore, analyses show that the management of a firm with the presence of global networks, previous internationalisation experience and international knowledge transfer have been able to recognise and manage complexities associated with internationalisation and positively influence the export-orientation of the focal firm. R&D intensity does play a significant role in influencing the internationalisation of a firm, and has an impact on export-orientation. Export-orientation meanwhile is also positively influenced by both firm age and firm size. Moreover, the interpretive structural model (ISM) and the directed graph provide a hierarchal relationship among the perceived barriers to exporting and further strengthen the argument that a firm's management orientation toward internationalisation is a significant catalyst in firm's internationalisation decision. Overall, the findings enhance our understanding of internationalisation and export orientation in SMEs in the changing environments. A case was subsequently developed to highlight; how the management and firm characteristics help SMEs to survive in the volatile environments.

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CHAPTER 1: INTERNATIONALISATION BY EXPORTATION

The period from the 1950s onwards has seen the phenomenon of firm internationalisation acquiring significant attention (Saboniene, 2009). There has been a progressive upward trend in globalisation since the 1970s (Figure 1.1). Various other factors like, removal of trade barriers, or the ever increasing cross border trade among nations have motivated not only large but many small firms to actively engage themselves in international activities and make international operations as a core of their business strategy (Saboniene, 2009; Singh et al., 2010). Traditionally internationalisation has been associated with multinational corporations (MNCs). However, recent trends suggest, that the international market is increasingly overshadowed by the small and medium-sized enterprises (SMEs) as well. With the advent of globalisation, many SMEs can no longer survive in the protected domestic markets and have been required to follow their customers as they move into overseas markets in order to maintain their relative position in a supply chain network (Rodrigues and Child, 2012).

Intense competition in the domestic market and the globalisation of the economy encourage firms to explore various options of internationalisation and thus significantly contribute to the economic development of nations, industries and productivity (Korsakiene and Tvaronaviciene, 2012). Because of these inherent advantages of internationalisation, this phenomenon attracted significant attention of researchers in scientific literature and remains one of the most important research areas to this day (Korsakiene and Tvaronaviciene, 2012).

“Internationalisation is not only remedy to stay alive for many firms; it also provides high profit potential if managed properly. New markets, new customers, cheaper resources, cheaper factors of production, improved strength and competitiveness of firms are some of the benefits of internationalisation. Therefore internationalisation is an attractive strategic investment for all types of firms, small or big, private or public” (Atik, 2012, p.146).

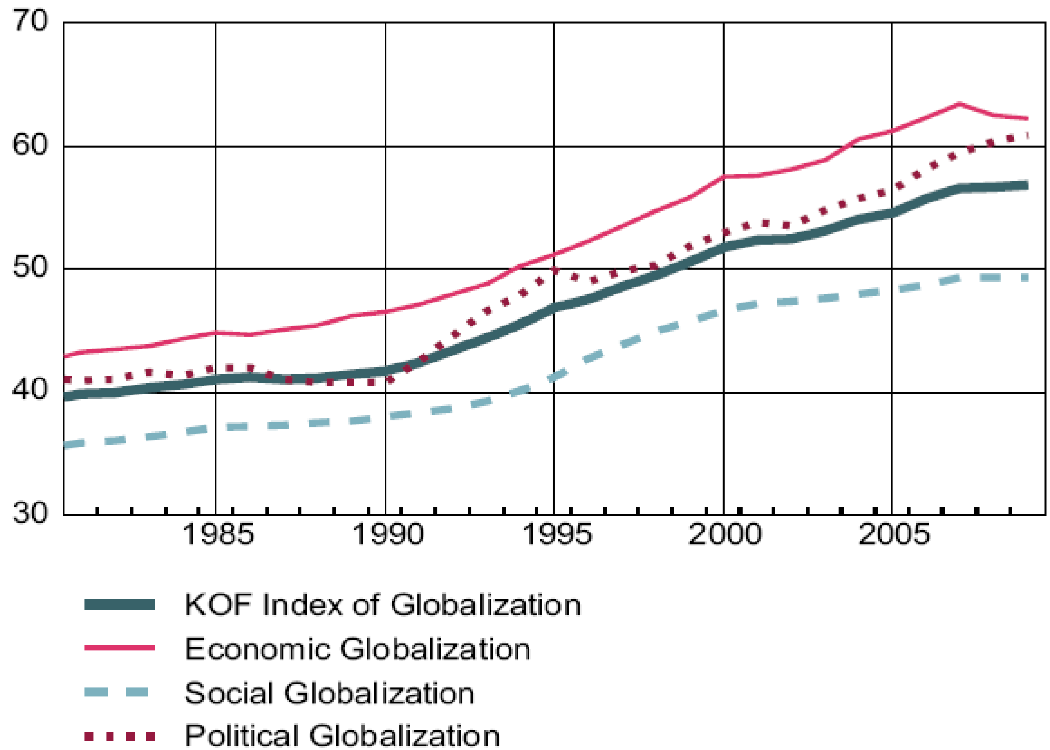

Figure 1.1 KOF Index of Globalisation Worldwide[1] (source: KOF, 2012)

The growing involvement of SMEs in the internationalisation is one of the most important aspects of the recent era of globalisation (Buckley et al., 1988, Buckley 1989). Small and medium enterprises (SMEs) are increasingly becoming involved in the international markets, and many countries, particularly emerging economies, have even implemented policies aimed at encouraging SMEs to increase their international activities to boost the overall economic growth. The internationalisation of small and medium enterprises has been one of the most researched topics in the internationalisation literature in the past few decades, producing an extensive body of work already in print (Kamakura et al., 2012). Many previous scholars have presented comprehensive reviews covering this important topic (see for example, Andersen 1993; Coviello and McAuley 1999; Leonidou and Katsikeas 1996; Westhead et al., 2001; Wright et al., 2007),

[1] The KOF Index of Globalisation measures the economic, social and political dimensions of globalisation. The KOF Index can be used to observe the change in globalisation in a large number of countries over a long period of time. The KOF Index of Globalisation 2012 is for 187 countries for the period 1970–2009 and comprises 23 variables (source: KOF, 2012).

thus highlighting the issues that have already been accomplished and identifying issues that require further attention (Kamakura et al., 2012).

SMEs are, however, relatively deficient in terms of having the required resources to support their internationalisation strategy (Rodrigues and Child, 2012). In order to make an effective internationalisation decision, the decision makers are required to make good estimates of many variables, like demand in the new market, exchange rates fluctuations, economic and political conditions of the potential market, rapidly evolving market dynamics etc. Estimating these variables becomes even harder for the small firms, since they do not have the necessary resources at their disposal as compared to the large firms (Zardini et al., 2013). Owing to the challenges and risks that are associated with getting involved in international activities; previous studies have reported that small firms opt for the first stage of internationalisation: **exporting** (Jones, 2001), a common entry mode (Campbell, 1996; Zahra et al., 1997) as their preferred mode of internationalisation.

This study therefore, examines the drivers of internationalisation in export oriented small firms. In particular, the work provides a deeper understanding of internationalisation behaviour within the holistic perspective of small firms in the context of emerging economy and their overall growth strategies. The study further examines the differences in the processes and pace of internationalisation of smaller firms with in the manufacturing sector in an emerging economy: India. The study focused on small firms because of their recognised importance in the overall economic growth, employment creation, innovative ability and wealth creation in many economies (Katsikeas et al., 1998). The study explores these aspects through a qualitative and quantitative empirical investigation of the export orientation drivers that affect the internationalising small and medium sized enterprises, in the five most prominent clusters of textile industry in India.

1.1 Internationalisation and SMEs

In response to increasing levels of globalisation (Ukpere, 2007), more and more firms, regardless of their size, search beyond their domestic markets, not just to expand but also to ensure their very survival (Descotes and Walliser, 2011). Traditional theories to internationalisation in which the firm gradually enters the foreign markets (Johanson and Vahlne, 1977, 1990) have long dominated research (Descotes and Walliser, 2011). Firm internationalisation has long been regarded as an incremental process, wherein firms gravitate towards "psychologically close" markets and increase commitment to international markets in a gradual, stepwise manner through a series of evolutionary "stages" (Belso-Martínez, 2006). However, the emergence of firms which internationalise during the early stages of their organisational life-cycle (Wright et al., 2007), often referred to as 'born-global firms' or 'international new ventures' (Autio et al., 2000; Oviatt and McDougall, 1994; Zahra et al., 2000), mostly in the last couple of decades, have questioned these traditional theories and encouraged literature in the field of internationalisation of small firms (Knight and Cavusgil, 1996, 2004; Oviatt and McDougall, 1994; Rennie, 1993). These firms pursue the ingenious process of discovering and exploiting opportunities outside the domestic market right from the incipient stage (McDougall and Oviatt, 2000; Madsen and Servais, 1997).

Recognizing the increasing role played by small and medium size enterprises (SME) in economic development and job creation (Naidoo and Urban, 2010, 2012), the past few decades have seen a growing interest in the study of international operations of small and medium size enterprises (Ruzzier et al., 2006; Lu and Beamish, 2006). However, most of the theories of international business have mainly been focused on the internationalisation of multinational enterprises. It was not until the publication of an article titled "Towards a theory of international new ventures" (Oviatt and McDougall, 1994) that scholars began addressing aspects of international business to explain the internationalisation of small and medium size enterprises or international entrepreneurship (Rutihinda, 2008). Other studies (Sharma, 2004 and Cerrato and Piva, 2007 etc.) have suggested that SME internationalisation may be influenced by location and have called for more research on the study of internationalisation from different national environments (Rutihinda, 2008). Early studies have also revealed, vast diversity among small firms with regard to patterns of internationalisation (Jones, 1999).

Internationalisation has been defined as “the process by which firms both increase their awareness of the direct and indirect influence of international transactions on their future, and establish and conduct transactions with firms in other countries” (Beamish, 1990), and “the process of increasing involvement in international markets” (Welch and Loustarinen, 1988). Internationalisation is one of the challenges that firms must undertake in order to survive in an increasingly global environment (Casillas et al., 2010). Internationalisation is a very complex strategy for all firms, however when unique characteristics of SMEs; such as inflexible structures, lack of strategic and financial resources, lack of managerial capabilities, lack of adequate information, and lack of adequate public support; are combined to the uncertainty and complexity of the internationalisation process, the international expansion becomes even much harder (Casillas et al., 2010; Ward, 1998).

Although the tendency to be risk-averse seems as a barrier for the small-firm internationalisation, there are also many motives for international involvement such as: market expansion, efficiency enhancement, strategic asset seeking, acquiring resources (Narula and Dunning, 2000), achieving economies of scale (Lu and Beamish, 2004), and reducing revenue fluctuation by spreading investment risk over different countries (Kim et al., 1993). There are different theories for the internationalisation process, like, internationalisation stage theory, transaction cost theory, eclectic paradigm theory, networks theory, knowledge based view and resource based theory (Asgari et al., 2010). One of the oldest models for internationalisation is the Uppsala Model, which says that the most important constraint is the lack of knowledge (Lemos et al., 2011). When the knowledge increases, the perceived uncertainty and risks diminish first, and then the international involvement and market commitment (the resources located in a market) increases (Atik, 2012). Therefore the Uppsala model talks about a step by step internationalisation process which starts with exports (Atik, 2012). Although this model has been criticized by many researchers, because this stepwise approach may not be suitable for each firm, there are others who propose this model especially for small and medium enterprises (Frynas and Mellahi, 2011).

Export is one of the simplest and most common approaches to enter the foreign markets, and is preferred mainly by small firms to increase their knowledge about foreign markets (Frynas and Mellahi, 2011). Other mentioned approaches for international involvement are licensing, franchising, joint ventures, and mergers and acquisitions (Atik, 2012). Even though existing literature points out to the fact that SMEs have gained importance in the trade of world economies, research examining the drivers of SME internationalisation is limited (Knight, 2000).

1.2 Exportation: Importance in the Economy

The 1990s saw comprehensive implementation of trade liberalisation and deregulation reforms, largely due to the mounting pressure from international financial institutions as preconditions for donor funding (Were et al., 2005). A major component of trade reforms was a policy shift from import-substitution to export-promotion strategy, and removal of tariff and nontariff barriers to trade. Trade liberalisation was undertaken as a measure of increasing trade openness, which would enhance enterprise efficiency and export growth, subsequently leading to growth in employment and economy. Trade through the export-led growth strategy is now envisaged as the strategy in many of the emerging economies (Were et al., 2005). The preliminary trade figures, released in UNCTADstat, show that global exports of manufactured goods amounted to 11.5 trillion dollars (around 63.6% of total exports) in 2011 (Figure 1.2).

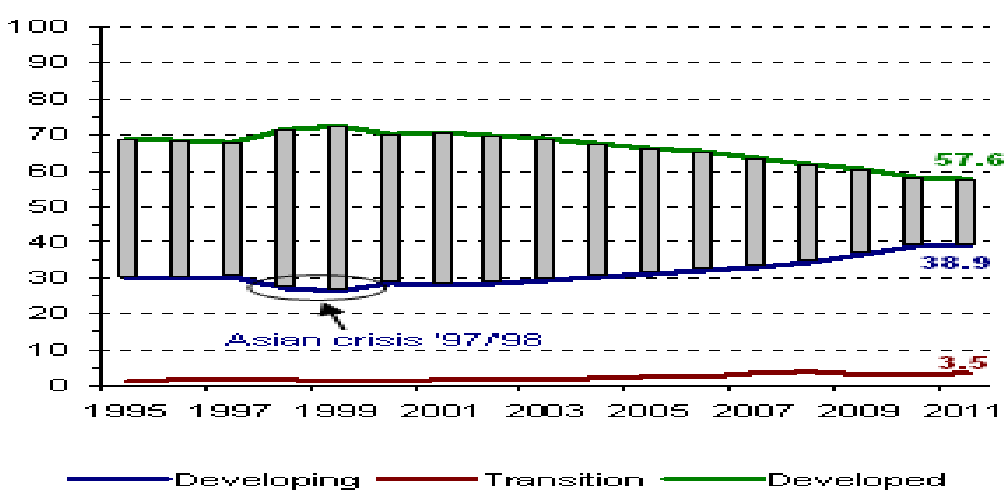

Figure 1.2 Global Exports Share of Manufactured Goods by Region, 1995-2011 *(percentage)* (source: UNCTAD secretariat calculations based on UNCTADstat)

Export plays an important role in a nation's economic prosperity. A country's ability to compete successfully in the world markets, ability to maintain a favourable balance of trade, and ability to control its external payment situation, reflects the economic strength and marginal competence of the nation (Shamsuddoha, 2009).

Additionally, exports enhance societal prosperity and help national industries to develop, improve productivity and create new jobs (Okpara, 2009). Exports enlarge consumers' accessibility to a diversity of goods and services, and improve the standard of living and quality of life (Lages and Montgomery, 2004). At the firm level, through market diversification, exportation provides an opportunity for firms to become less dependent on the domestic market. By reaching new customers in the international markets, a firm may also explore economies of scale and achieve lower production costs while producing more efficiently. Firms' may also use the international experience to become a stronger competitor at home. Moreover, by operating abroad, firms may learn from international competition to eventually explore new foreign markets and get involved in other international activities such as licensing, franchising, joint ventures or direct investment abroad (Okpara, 2009). Exportation may assume an important role within the firm as a means of reducing production costs, stabilizing cyclical demand, reaching new markets and gaining experience for other forms of internationalisation (Czinkota, 1994; Lages and Montgomery, 2004). It has also been argued that export market development is becoming more a matter of survival rather than a matter of choice for exporters (O'Cass and Julian, 2003).

Exportation correlates with economic development, for instance, successful exporting has been found to be responsible for Germany's economic miracle (Dauderstadt, 2012); also corporate prosperity and long term commercial viability of firms have been linked to export success (Katsikeas, 1994); furthermore, successful exporting has been described as the engine of economic growth (Zou et al., 1998); and growth in the GNP and in the economy have been found to derive their strength from successful exporting (Caros et al., 1996). As a result of many observable benefits derivable from engaging in exportation by firms, the number of export studies has continued and is continuing to increase. Over the years, studies in this area have been recognised as a genuine academic endeavour. The scope and diversity of such studies have since been sustained and is continuing (Cavusgil and Kirpalani, 1993; Covin, 1991; Czinkota and Johnston, 1983; Madsen, 1989).

There have been numerous studies published in the past few decades (Zou and Stan, 1998) on the determinants of export performance as well (see for example, Aaby and Slater, 1989; Bilkey, 1978; Chetty and Hamilton, 1993; Madsen, 1989). This large volume of publications is a strong testimony of the importance of the issue (Zou and Stan, 1998). Small firms face a strategic landscape (Francis and Collins-Dodd, 2000) in which rapidly changing markets and short product life cycles, combined with high product development costs and global competition, create turbulent business environments (Benkenstein and Bloch, 1993). Many small firms rely on export markets to achieve the rapid market expansion necessary to shorten the payback time on research and development costs. Firms also respond by establishing themselves in as many markets as possible before accelerating competitive pressures, close the opportunity window (Roberts and Senturia, 1996). Firms are driven to adapt, innovate, and adopt strategies, such as exporting, to survive (Francis and Collins-Dodd, 2000). Research in marketing, strategic management, and exporting suggests that a proactive export orientation contributes to export success (Francis and Collins-Dodd, 2000).

The trend of the last several decades towards increased integration of global markets, or globalisation (Ukpere, 2007), has meant that many firms are experiencing continuously increasing pressure to remain viable as their markets expand, and they begin competing with a larger number of firms. SMEs, in particular, are vulnerable to this pressure, since they tend to be disadvantaged relative to larger firms that generally have better access to funding and other resources. The ways, in which SMEs operate to remain economically viable, and contribute to economic performance, is of great interest to governments especially of emerging economies and developing countries, given the significant roles that they play in most economies. One way of doing so is through exportation; as it provides jobs, income, infrastructure, and improved production facilities (Freeman and Lawley, 2005). And, studies have consistently reported that SMEs demonstrate the operational flexibility to pursue export ventures (Morgan, 1997).

1.3 Fundamental Nature of Internationalisation

The phenomenon of globalisation puts pressure on small and medium sized firms (SMEs) to develop strategies for internationalisation (Gemser et al., 2004). Even though SMEs are expanding beyond borders (Lamb and Liesch, 2002) owing to the changing market dynamics, they are yet to be represented in the international arena as much as large firms are (Fujita 1998). In particular, limited resources (such as financial, managerial, information, etc.) seem to test the limits of SMEs to internationalise (Baird et al., 1994; Buckley, 1989; Burpitt and Rondinelli, 2000; Fujita, 1998). From the perspective of these challenges, the extant literature on internationalisation has overall enriched our understanding of the complexity surrounding the internationalisation process.

Underlying Theoretical Perspectives

Early extant theory on internationalisation reports that the process involves a series of incremental 'stages' whereby firms gradually become involved in exporting and other forms of international activities (Bell et al., 2004). In doing so, firms' commit greater resources to the foreign markets and target countries that are increasingly 'psychically' distant (Bilkey and Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Johanson and Vahlne, 1977). Although the number of stages varies, a fundamental assumption of literature on 'stage' models is that firms are well established in the domestic market before they initiate international involvement (Bell et al., 2004). Despite continued enthusiasm and support among many researchers for this notion of incremental 'stage' internationalisation (Leonidou and Katsikeas, 1996; Petersen and Pedersen, 1997), scholars have consistently criticised this view (see for example Bell, 1995; Buckley et al., 1979; Cannon and Willis, 1981; Reid, 1983; Turnbull, 1987). Furthermore, scholars have also questioned the applicability of 'stage' theory to internationalising service firms (Knight, 1999).

Emergence of smaller firms often led by their proactive owners or managers in the last couple of decades has seen the emergence of a new stream of research in internationalisation. These firms are often referred to as 'born-global firms', 'international new ventures', 'committed internationalists', and, internationally focused 'knowledge-intensive' firms (Bell, 1995; Bonaccorsi, 1992; Coviello, 1994; Jones, 1999; McDougall et al., 1994; Oviatt and McDougall, 1994), in the extant theory. A characteristic is that management adopts a global focus from the start and embarks on rapid and committed internationalisation (Bloodgood et al., 1996; Jolly et al., 1992).

Emergence of these firms can be explained by trends such as advances in information and communication technologies, the increasing role of niche markets, and the growth of global networks, which are greatly influencing and facilitating the development of mutually beneficial relationships with international partners (Knight and Cavusgil, 1996).

"Indeed, divergent empirical results have led many authors to seek alternative frameworks to the internationalisation process models. The internalisation/transaction cost paradigm represents a generally accepted model in the international business field, with substantial empirical support especially in respect of the foreign direct investment (FDI) decisions of multinational enterprises" (Bell et al., 2004, p.26). However, McDougall et al. (1994) found that in some international new ventures, entrepreneurs did not make internationalisation decisions on the basis of lowest cost locations; and neither did they attempt to internalise activities to the point where the benefits of further internalisation were outweighed by the costs (Bell et al., 2004).

Increasing interest has also been shown in network theory and internationalisation (Benito and Welch, 1994; Johanson and Mattsson, 1988; Johanson and Vahlne, 1992). Johanson and Vahlne (1990) reported that the evolution of internationalisation is based on managers' cognitive learning and competency development, which gradually increases through experience (Lemos et al., 2011). However, the cause and effect relationships are not yet totally clear. Indeed, it might be argued that networks provide mechanisms to overcome resource deficiencies, rather than being drivers of internationalisation *per se* (Bell et al., 2004).

Changing Paradigms

Recognition that internationalisation is affected by multiple influences has led to growing interest in contingency approaches (Bell et al., 2004). In the last couple of decades scholars have developed contingency frameworks in the international business and exporting fields (Kumar and Subramaniam, 1997; Yeoh and Jeong, 1995). In justifying this perspective, Kumar and Subramaniam (1997) argue that the existing literature has not devoted much attention to evaluating market selection and mode of entry decisions as interdependent decisions (Bell et al., 2004). Scholars have even suggested that the range of the firms' internationalisation decisions, incorporating product decisions, market choice and entry modes, are made in a holistic way (Luostarinen, 1979).

In a similar vein, scholars have also argued that excessive attention has been paid to the merits of competing theories and models rather than to their potential complementarities (Bell and Young, 1998; Coviello and McAuley, 1999 in Bell et al., 2004). The nature and pace of internationalisation is conditioned by product, industry and other external environmental variables, as well as by firm-specific factors (Bell and Young, 1998). Indeed, firm and industry specific influences merit further investigation as particular 'critical incidents' may impact on firms' overall business strategies and market focus. Firms may also experience 'epochs' of internationalisation, followed by periods of consolidation or retrenchment, or they may be involved in particular 'episodes' that lead to rapid international expansion or de-internationalisation (Crick, 2002; Oesterle, 1997; Pauwels and Matthyssens, 1999 in Bell et al., 2004). "These 'episodes' or 'epochs' may be triggered by environmental forces that impact on the strategies of domestic or overseas customers and other network partners, as well as those that directly influence the focal firm" (Bell et al., 2004, p.27).

Barriers to Exporting

According to Leonidou (2004, p.281), "export barriers are all those constraints that hinder a firm's ability to initiate, develop or sustain operations in overseas markets". Previous literature has classified export barriers into three broad categories, namely:

- Firm characteristics,
- Pattern of firms' internationalisation, and
- Managerial influences.

Export barriers are contextual in nature and their impact varies with the ownership of the firm, firm age, firm size, R&D intensity, and previous experience with exporting (Bennett, 1997; Katsikeas and Morgan, 1994; Leonidou, 2004; Peel and Eckart, 1996; Shaw and Darroch, 2004). Export barriers are also considered to be dynamic (Dean et al., 1998) as they demonstrate the progress and learning that follows as the firm's level of export involvement increases along the period of time (Bilkey, 1978; Dean et al., 1998; Kedia and Chhokar, 1986; Sharkey et al., 1989; Sullivan and Bauerschmidt, 1990; Sujrez-Ortega, 2003). Moreover, barriers are also influenced by managerial characteristics such as skills, knowledge, level of education, language proficiency, and behavioural elements including export orientation, decision-making style, suffering from unrealistic fears or managerial inertia (failure of management to act even when other barriers are not a problem) and self-attribution (Campbell, 1996; Da Silva and Da Rocha, 2001; Korth, 1991; Leonidou et al., 1998; Shoham and Albaum, 1995).

Therefore, while extant literature points to some important aspects likely to affect internationalisation of SMEs, it remains unclear which complexities other than the navigation of the barriers and handling of intangible knowledge assets are influential and whether they have positive or negative impacts, if and how export orientation plays a role, and how all these challenges can be effectively managed. Illuminating these aspects thus requires a deeper exploration of the nature of the challenges at hand in the process of internationalisation by the export-oriented firms, and an empirical linkage to how they are managed and what the outcome is.

1.4 Small and Medium Enterprises

Small and medium enterprises (SMEs) are playing an increasingly important role in the process of export-led industrialisation in the emerging economies. They are the biggest group in terms of the number of industrial units in most developing nations and are significant contributors to manufacturing output and employment generation (Wignaraja, 2003). Underlying these achievements are SME's widely held advantages in income growth, entrepreneurial training, creation of technological capabilities, greater flexibility to changing market circumstances, job creation and lower wage inequality and dispersion of industry away from urban areas and regional development (Berry, 1992; Liedholm and Mead, 1999; Little et al., 1987; Weeks, 2002).

SMEs on average account for 50% of GDP in high-income countries (Ayyagari et al., 2007), and in the OECD countries about 75% of the formal workforce are employed by SMEs (Beck et al., 2008b; Dietrich, 2010). On an average, SMEs account for close to 60 percent of employment in the manufacturing sector (Ayyagari et al., 2007). And, in 2008, SMEs on average were responsible for 57.9% of value added and accounted for 67.4% of employment in the EU-27 (EC, 2009). Moreover, between 2002 and 2008 employment at SMEs grew at an average of 1.9% per year (creating 9.4 m jobs in total), while employment at LSEs grew by only 0.8% per year (EC, 2009). Also, it is often argued that SMEs are more innovative than larger firms. In developed countries, SMEs commonly follow "niche strategies," using high product quality, flexibility, and responsiveness to customer needs as a means of competing with large-scale mass producers (see, for example Hallberg, 2000; Snodgrass and Biggs, 1996).

Although there is no generally accepted definition of a SME, the way they are defined depends on the stage of economic development and the broad policy purposes for which the definition is used. According to a World Bank study, there are said to be more than 60 definitions of small and medium industries used in 75 countries surveyed. The most commonly used definitions relate to either size of employment and/or quantum of capital investment /fixed assets. In India the general definition of a SME is based on the "Micro, Small and Medium Enterprises Development Act, 2006", which came into effect from October 2, 2006, which define SMEs on the basis of investments in plant and machinery (Figure 1.3).

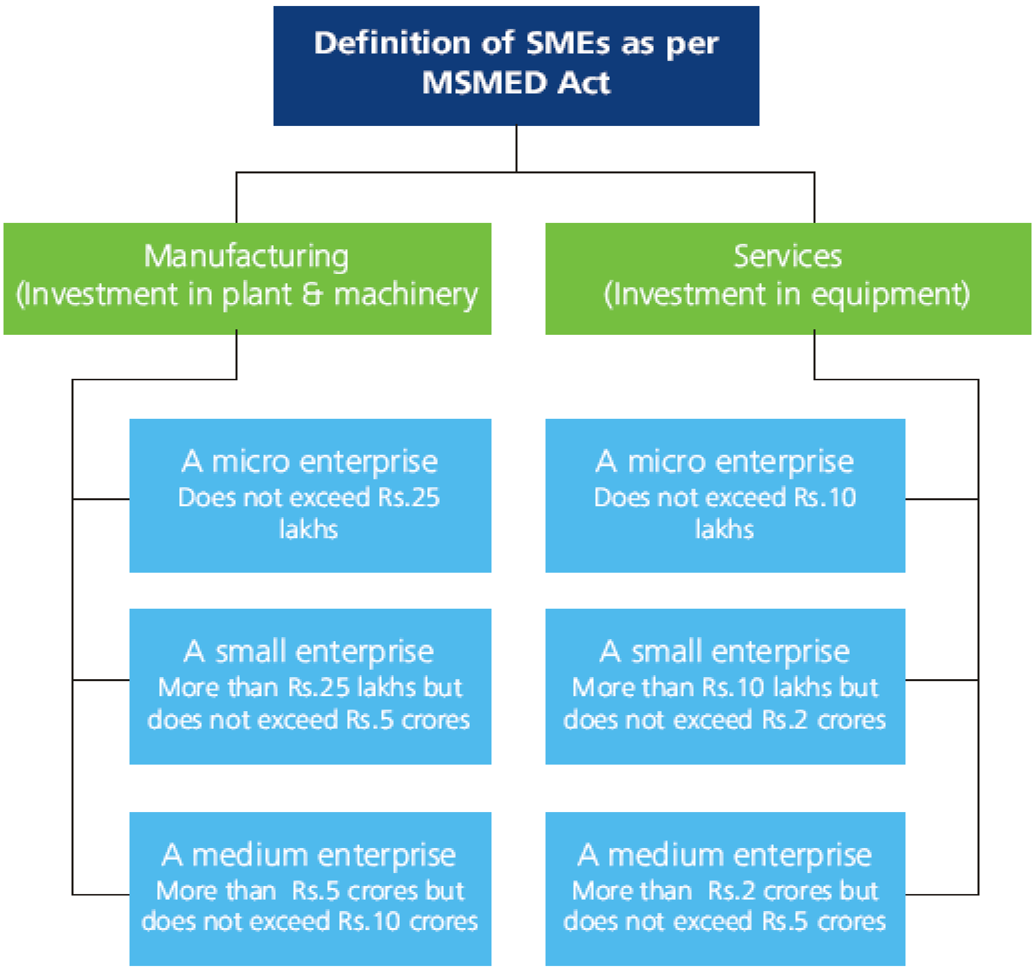

Figure 1.3 Definitions of SMEs as per MSMED Act 2006[2] (source: Adopted from Deloitte Touche Tohmatsu India Private Limited, 2009)

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[2] (One Lakh = 100, 000 (0.1 million); INR 25 lakh = INR 2.5 million; INR 2.5 million = US$50,000* (*INR 50=US$ 1)

SMEs in India

Small and Medium Enterprises (SMEs) play a vital role for the growth of Indian economy by contributing 45% of manufacturing output, and around 40% of exports, and is estimated to employ about 60 million people, creating almost 1.3 million jobs every year and produce more than 8000 quality products for the Indian and international markets (MSME, 2011). SME's Contribution towards GDP in 2011 was 17% which increased to 22% by 2012 (MSME, 2012). There are approximately 30 million MSME Units in India and 12 million persons are expected to join the workforce in the next 3 years. SMEs are the fountain head of several innovations in manufacturing and service sectors, the major link in the supply chain to corporate and the PSUs (MSME, 2012).

Although, policies related with the overall development of the country have contributed to the liberalization of the economy in India, the question however remains: How can small firms increase their ability to successfully internationalise and report strong performance outcomes in a globally competitive market?

1.5 Research Question

Formally stated, practical observations, popular notions, and current state of the relevant theory highlighted the following problem: Indian SME sector, despite having enormous growth potential and significance in the economy, has not been able to harness the advantages of internationalisation and at the same time has fallen short in facing the challenges of globalised competition. Therefore, it is important to focus on the problems faced by Indian SMEs and come up with policy prescriptions and clear action plan for the continuous development of this sector. Which consequently lead the author to investigate the following research question: *What are the factors that influence the export-orientation of Indian Small and Medium size Enterprises (SMEs)?* In particular, there are a number of objectives of interest within this broad query.

- To investigate the drivers those affect the export orientation of SMEs.
- To study the role of knowledge as a resource toward export orientation.
- To study the role of R&D intensity and its impact on the export orientation of a focal firm.
- To study the impact of firm as well as management characteristics on the export orientation of a focal firm.
- To provide an understanding of perceived barriers to exporting from the home market perspective.
- To provide a comprehensive set of information to SME owners/managers to make better internationalization decisions.

It is important to note at the outset that the focus of this study is on the antecedent factors that affect the export orientation of Indian SMEs; which could predict the internationalisation process, patterns and performance outcomes of the SMEs in the context of an emerging economy. Also, since the emphasis is on internationalisation and export-oriented small firms, this study aims to address unexplored gaps in the literature by examining the factors contributing to the export orientation of SMEs in India.

1.6 Overview of the Dissertation

This study is an attempt to answer these questions. In Chapter 2, relevant literature has been extensively examined on internationalisation and export orientation, in order to assess the understanding and gaps in existing theory, and to identify the types of challenges inherent in internationalisation as a starting point. Based on this analysis, managerial and organisational complexity in integration as well as knowledge and resource uncertainty arise as the main factors to consider in the export oriented small firms. Furthermore, the literature reveals that the degree of management and firm's characteristics are the focal dimensions of export orientation and export propensity in these contexts, and that there are benefits and costs (may not be always monetary in nature) associated with higher levels of each.

Chapter 3 then describes the theory development efforts. Based on inductive reasoning from the review of the existing literature and the opinion of the experts of the field, I identify firm characteristics as well as management characteristics as two major inherent sources of complexity in internationalisation, and knowledge and resource uncertainty as two influential constituents of export orientation surrounding the exporting decision. The analysis suggests that each of these four components can have positive implications for the overall internationalisation process, and as such I construct sets of competing hypotheses based on these insights.

In Chapter 4, a detailed explanation of the in-depth, field research study is presented along with a quantitative, empirical analysis to test the hypotheses. I conducted the study in the five most export driven SME clusters of Textile Industry, in the five states of India, to understand in greater detail the challenges in export driven strategies and how to manage them. The study was designed to comprise two phases: exploratory, to inductively generate a theory followed by quantitative empirical analyses to deductively test the resulting hypotheses. The results indicate that the management of a firm with the presence of global networks, previous internationalisation experience and international knowledge transfer have been able to recognise and manage complexities associated with internationalisation and positively influence the export-orientation of the focal firm. R&D intensity does play a significant role in influencing the internationalisation of a firm, and has an impact on export orientation. Export orientation meanwhile is also positively influenced by both firm age and firm size.

Subsequently, I explore how the perceived export barriers affect the management's decision to export in Chapter 5. This chapter presents interpretive structural modelling (ISM) of barriers to SME internationalisation, from the home market perspective**.** Based on inductive reasoning from the data collected and opinions presented by the experts of the field, I identify management's attitude and perception toward barriers to export as a major inherent source of complexity in exporting, and firm characteristics and management characteristics as two influential constituents of exporting uncertainty surrounding the exporting decision. The analysis suggests that each of these factors can have positive or negative implications for overall exporting decision. The chapter examines the barriers using Interpretive Structural Modelling (ISM) affecting the internationalisation strategies of small firms especially from the context of emerging economies or the developing countries, such as India, for enhancing their overall performance. The analyses show that management's orientation to export is the biggest influencer to the overall decision process to internationalise.

The study concludes with the contributions of present work to theory and practice, and with future directions for research, presented in Chapter 6.

Appendix I include a structured questionnaire for this study, followed by semi-structured questions for the interviews in the Appendix II. Appendix III includes a case developed to highlight; how the management and firm characteristics help SMEs to survive in the volatile environments. Appendix IV covers the list of publications.

CHAPTER 2: RELATED LITERATURE ON INTERNATIONALISATION AND EXPORTATION

Internationalisation process encompasses the difficulties associated with international operations as well as the obstacles faced by the SMEs in implementing the internationalisation strategies. Studies about international activities of SMEs tend to concentrate on the internationalisation process (Alon et al., 2013; Barringer and Greening, 1998; Oviatt and McDougall, 1997; Wolff and Pett, 2000). These studies examine the characteristics, either firm or managerial, of SMEs that have decided to export; their motivation for international expansion; the differences between international and non-international firms; the countries SMEs have entered and the modes of entry they have implemented (Belso-Martinez, 2006; Mitchell and Canel, 2013; Zardini et al., 2013).

As such, blending the findings from the literature on internationalisation with insights from the work on exportation is valuable in illuminating the opportunities and challenges associated with these concepts. While the research on internationalisation directly discusses entry strategies and drivers of performance in such ventures, extrapolating the work on exportation further informs these aspects, and complements the same by bringing to light additional factors to consider.

This chapter broadly examines three streams of research which identify and elucidate the opportunities and challenges associated with internationalisation process, as well as how to manage them. The first stream includes internationalisation literature which point to conventional and incremental internationalisation processes. The second is an emergent body of internationalisation work, drawing largely upon the surge in rapidly internationalising firms. These two sets of literature are primarily rooted in the field of international and strategic management, drawing upon traditional stage theories and resource and knowledge based views, though some of the work stems from entrepreneurship theories on export orientation and export performance and perspectives from organizational behaviour.

Note: Two papers have been extracted from this chapter

The third stream of interest is the resource capabilities research on small and medium size enterprises (SMEs), which complements the expansion intensity of the internationalising firms, by detailing considerations not investigated by the earlier literature. These three sets of literature (Figure 2.1) also provide insights on the management characteristics that influence the internationalisation process. Collectively, they describe central elements of strategies employed to internationalise the focal firm, and explore the impact of each of these aspects on export performance.

The literature review highlights that managerial and organisational complexity in integration, as well as knowledge and resource uncertainty arise as the main factors to consider in export-oriented small firms. Furthermore, the literature reveals that the degree of management and firm's characteristics are the focal dimensions of export orientation and export propensity in these contexts, and that there are benefits and costs (may not always be monetary in nature) associated with higher levels of each.

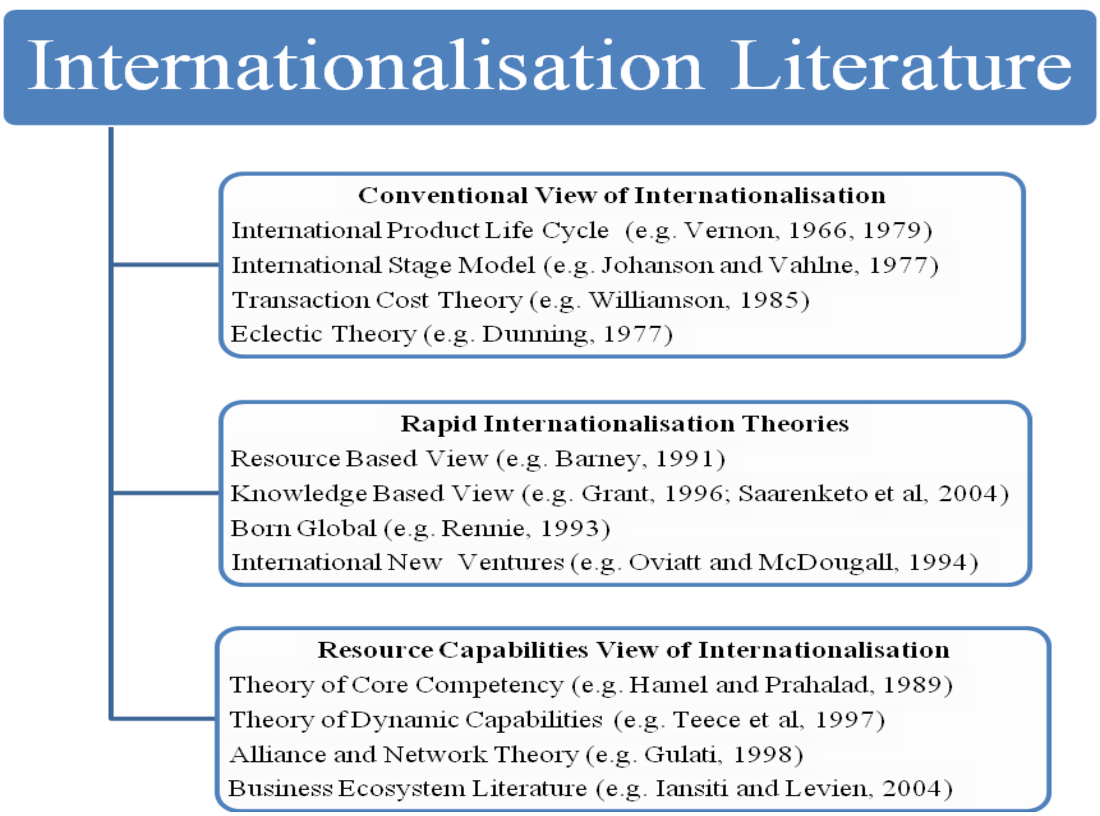

Figure 2.1 Theoretical Foundation (source: Developed for this study)

2.1 Conventional View of Internationalisation

This view draws its foundation from economic theory, organisation theory and marketing theory (Johanson and Vahlne, 1990). Several theories of internationalisation emerged in literature beginning with export literature as far back as the early 1960s and the stage models during the 1970s and 1980s (Cooper et al., 1994). These models posit that a firm expand its business beyond borders through gradual development and in distinct stages (Johanson and Vahlne, 1977).

International Product Life Cycle (IPLC)

One of the first theories of internationalisation process, international product life cycle theory developed by Vernon (1966, 1979), and his associates particularly Wells (1968), provided one of the best explanations of international trade patterns and postulated a four phase international trade cycle for most products (see Ayal, 1981). According to this theory, a firm gets involved in international operations based on the perception of advantages, such as, market size, innovation lead, R&D resources and well developed marketing information system (Ayal, 1981). The product life-cycle theory states that a firm begins by exporting its products and later undertakes foreign direct investment as a product moves through its life cycle in three stages: growth, maturity, and the decline. This theory further states that the product life cycle process which begins with innovation and export, turns into investment abroad, then continues as the firm's network of a subsidiaries expand globally.

Market Imperfections Theory

At about the same time that Vernon (1966, 1979) and Wells (1968) were developing the product life cycle theory, Hymer (1970) introduced the market imperfections theory. The market imperfections theory postulates that a firm's decision to invest overseas is explained as a strategy to capitalize on certain capabilities not shared by competitors in foreign countries (Hymer, 1970). Building on Hymer's work the internalisation theory was used to explain how multinational enterprises are created to overcome market imperfections (Rugman, 1981), and the eclectic framework was developed by Dunning (1981) to build upon the existing theory and incorporate the role of location advantage to determine the location of multinational enterprise. The competitive advantages of firms are explained by market imperfections for both products and factors of production. However, market imperfection theory does not explain why foreign production is considered the most desirable means of harnessing the firm's advantage (Morgan and Katsikeas, 1997)

Transaction Cost Theory

Another theory used as an explanation of internalisation of activities by multinational firms is the transaction cost theory. This theory posits that internationalisation results when a firm perceives a benefit after rational consideration of the transactions costs associated with the global exchange of goods between a domestic and foreign location (Williamson, 1985). Proponents of this theory have argued that the high cost of contracting relevant to prices, and a high cost of certainty with regards to transactions, justifies the coordination of economic activities across borders. The transaction cost theory can also explain pattern of globalisation through joint venture vs. wholly owned subsidiary (WOS). Here the focus is on trade off between internalisation of transaction cost and diseconomy of transaction cost. Dunning (1977, 1980, 1988) has also addressed this issue and has developed the international production theory based on an OLI framework, which is often seen as an extension of transaction cost approach.

Eclectic Paradigm (OLI, Ownership-Location-Internalisation)

According to the international production theory, the propensity of a firm to initiate foreign production will depend on the specific attractions of its home country compared with resource implications and advantages of locating in another country (Morgan and Katsikeas, 1997). Specifically, Dunning (1980) has argued that location-specific advantages are of considerable importance in explaining the nature and direction of FDI. The foundation of eclectic theory is a framework consisting of three firm factors which determine the structure of foreign direct investment (FDI). Dunning's eclectic theory framework proposes that the differences in firm performance are due to advantages attributable to ownership, location, and internalization, also referred to as the OLI framework (Dunning, 1977, 1988). The OLI paradigm is briefly described as follows:

O - Ownership Advantages: Firm specific factors including: technology, patent, process, name recognition, and other core competencies.

L – Location Advantages: Location specific factors. These are external to the firm including factor endowment, transportation cost, government regulation, and infrastructure factors.

I – Internalization: The determination as to whether foreign production advantages will be internalized or externalized. Cost advantage from vertical and horizontal integration, due to transaction cost caused by market failure

The criticism targeting the OLI paradigm refers mainly to the numerous variables considered, its limited importance in explaining various kinds of international production, and the fact that it may be too general a theory of a firms' foreign involvement (Dunning, 1988). Dunning addresses these criticisms in an extension of the OLI framework and admits that the eclectic paradigm has only limited power to explain or predict particular kinds of international production (Dunning, 1988).

International Stage Theory

International stage theory is perhaps the most widely accepted theory in existing literature to explain the process of internationalisation. This theory is also referred to as the "Uppsala Stage Model" or the "Scandinavian Model". The Uppsala model was initiated in the 1970s by Johanson and Wiedersheim-Paul (1975) and later extensively worked upon by Johanson and Vahlne (1977, 1990, 1992...). According to this theory, a firm moves through incremental and sequential stages of foreign involvement as a result of knowledge development and learning.

Internationalisation stages begin with exporting and proceed to the final stage as a result of accumulation of knowledge and increasing commitment to foreign direct investment. The

Uppsala model involves four sequential stages: (1) no regular export activities, (2) export via independent representatives (agents), (3) establishment of an international sales subsidiary, and (4) establishment of an international production subsidiary (Johanson and Vahlne, 1977, 1990). The authors have subsequently modified the theory to include: exporting, licensing, franchising, management contracts, joint ventures, and wholly owned subsidiaries (WOS). This model is shown in Figure 2.2.

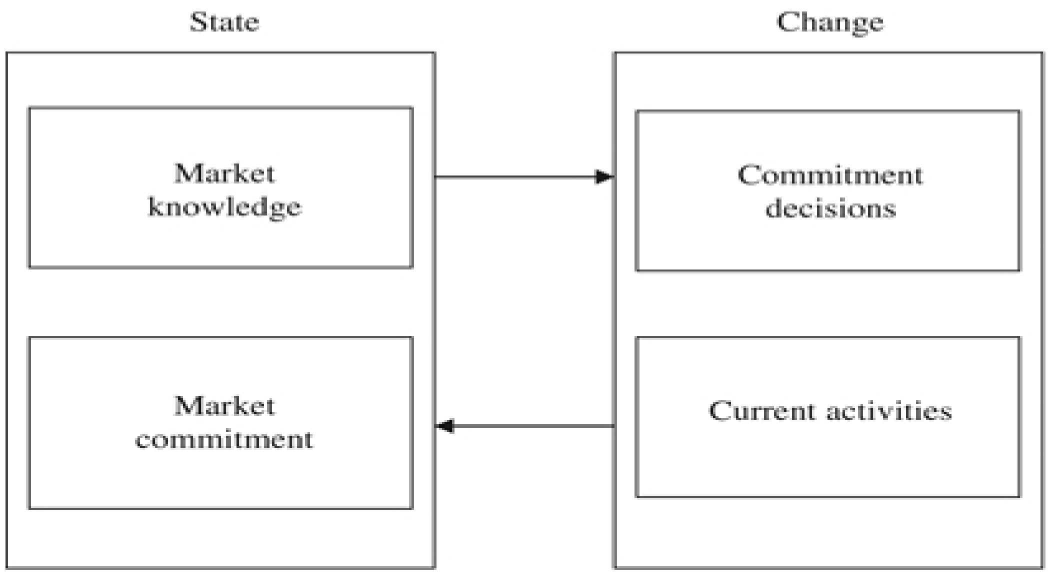

Figure 2.2 The Basic Mechanism of Internationalisation (source: Adopted from Johanson and Vahlne, 1977)

Due to limited resources and limited knowledge of markets overseas, firms initially engage in foreign operations via indirect methods (e.g., exporting agents, trading companies) to markets that are culturally and psychically close (Ellis and Pecotich, 1998; Kogut and Singh, 1988). As the firm becomes more involved in international business, it accumulates knowledge resulting in increasing commitments to foreign markets, gradually moving to psychically distant ones and switching to more direct export methods (e.g., overseas distributors, sales office). If knowledge can be transferred from one country to another, firms will perceive a shorter psychic distance to a new country than they previously saw. Market knowledge and commitment affect the allocations of current resources and the way decisions are performed (Kamakura et al., 2012). These in turn change market knowledge and commitment, leading to further international commitments, culminating with direct investments, which further enhance management knowledge, leading to stronger commitments to its current markets and further commitments to more distant markets

(Kamakura et al., 2012). The Uppsala model is a dynamic model where the outcome from one stage constitutes the inputs for the next stage; market knowledge and commitment affect the allocations of current resources and the way decisions are performed, which in turn change future market knowledge and commitment, leading to an increasing commitment of resources (Andersen, 1993).

In the same vein, few authors have used the behavioural theory of the firm (Aharoni, 1966; Cyert and March, 1963), suggesting that managers seek low-involvement modes (e.g., exporting) to enter into new markets, which helps to change their original perceptions and beliefs, which in turn leads to increased involvement with overseas activities, resulting in a similar evolutionary, stepwise process of internationalisation (Andersen, 1993; Barrett and Wilkinson, 1986; Cavusgil, 1984; Czinkota, 1982; Moon and Lee, 1990; Rao and Naidu, 1992).

Innovation-related Internationalisation

Extending the behavioural paradigm, innovation-related internationalisation literature emphasise on innovation (Andersen, 1993). Proponents of this stream of research posit that there exists stable periods in between the "stages" where firms consolidate and generate appropriate resources to respond to dynamic environmental forces which allow them to move to the next internationalisation stage (Morgan and Katsikeas, 1997). Innovation in this respect refers to the firms being innovative in regards to their current firm practice (Andersen, 1993; Bilkey and Tesar, 1977; Cavusgil, 1980). The models developed by previous scholars involve various stages and types of entry mode (Andersen, 1993; Bilkey and Tesar, 1977; Cavusgil, 1980). These models are closely associated with the Uppsala model (Andersen, 1993). Moreover, almost all the models barring the model proposed by Cavusgil (1980), focus on exporting as the mode of entry. Additionally, Cavusgil's (1980) model reports firm specific and management specific characteristics as the most influential factors for a firm's internationalisation process (Cavusgil, 1980).

The conventional models of internationalisation are often criticized for the lack of attention to managerial strategic choices, disregard for differences among firms (Bell, 1995) and being too deterministic, specifying one single path for all firms (Reid, 1983). Furthermore, these theories have not considered entrepreneurial motivations and behaviour or the different resource needs of smaller firms (Aaby and Slater, 1989; Chetty and Hamilton, 1993; Knight and Cavusgil, 2004; Shuman and Seegar, 1986). These theories are further challenged by evidence of rapid firm internationalisation, often termed as "born-globals" or "international new ventures", which do not follow sequential stages over time (Calof and Beamish, 1995; Knight et al., 2004).

Johanson and Vahlne (2003) posit agreeing that the old models of incremental internationalisation are no longer valid and most recently proposed the business network internationalisation process model (Johanson and Vahlne, 2009) that mainly introduces the concept of networks where partners develop and share knowledge during a trust building process driven by learning. Johanson and Vahlne reconcile the two approaches to internationalisation by stressing the role of knowledge or foreign market experience in contributing to firm internationalisation.

The next section details the rapid internationalisation theories that challenged the conventional view of sequential internationalisation.

2.2 Rapid Internationalisation Theories

Emergence of firms that internationalise right from the inception and avoid incremental stages in their internationalisation process (Rennie, 1993; Oviatt et al., 1994) gave rise to a body of research work pertaining to the rapid internationalisation models. These firms are often termed as "born globals" (Rennie, 1993), "international new ventures" (Oviatt and McDougall, 1994), "global start ups" (McDougall et al., 1994), "instant internationals" (Preece et al., 1999) etc. According to Rasmussen et al. (2007), these firms report at least 25 percent of foreign sales in their annual turnover and start to operate in the overseas markets within 3 years of inception. In addition to the 'born global' and 'international new venture' concepts, knowledge based view and resource based view are discussed in this section.

International New Venture View of Internationalisation

Oviatt and McDougall (1994, p.46) identify international new ventures "as business organisations that from inception, seeks to derive significant competitive advantage from the use of resources and the sales outputs in multiple countries". Furthermore, firms internationalise early and expand rapidly as a result of entrepreneurial influences of the venture's management team (McDougall and Oviatt, 1996). Similar to international stage theory, international new venture theory recognizes knowledge as a vital component in overseas expansion. The fact that both the stage theory and new venture theory acknowledge the important role of knowledge as a resource is a point of commonality between these two dominant theories (Antoncic and Hisrich, 2000). Foreign market knowledge is central to internationalisation process (Johanson and Vahlne, 1990), and international new venture theory incorporates managerial experiences as influencing the ability to recognise opportunities and accelerate internationalisation.

According to Oviatt and McDougall (1994), international new venture view identifies three issues, viz: 'how', refers to the coordination of value chain activities; 'where', refers to the number of countries involved; and 'when', which implies that age or timing of overseas' ventures are prominent for firm's internationalisation. Moreover, Antoncic and Hisrich (2000) posit that the timing and speed into overseas market entry are the distinct features between incremental and rapid internationalisation models. Furthermore, Zahra et al. (2005) suggest that, age at internationalisation is assumed to have important implications for firm's successful expansion, survival and performance. Yet another line of argument in support of international new venture is proposed by Hamel and Prahalad (1994) who suggest that firm's strength depends on its creativity and how it manipulates its way and resources in to an international arena.

International new venture firms internationalise rapidly by bypassing certain stages, which contradicts the traditional stage model of internationalisation, and they tend to deploy higher order entry modes. This theory is more applicable for fast growing technology firms (Autio et al., 2000) and knowledge-based SMEs (McEvily and Chakravarthy, 2002). These concepts also help to explain the nature of born global firms.

Born Globals

Studies have shown that entrepreneurs can choose to internationalise much faster and be global a short time after the firms' inception. These firms do not slowly build their way into international trade. On the contrary, they are born global (Knight and Cavusgil, 1996; Madsen and Servais, 1997). This born global phenomenon has also been frequently related with hybrid structures such as network partners, joint ventures, etc. (Andersson and Wictor, 2003; Bell et al., 2001; Madsen and Servais, 1997).

Born global firms have emerged due to the advances in the technology, which for one allows better access to overseas markets, as technology has sped up communication, transportation, production processes, and access to knowledge. The born global firms start internationalising from day one, sometimes circumventing domestic operations or concurrently with domestic operations (Bell and McNaughton, 2000; Loustarinen and Gabrielsson, 2004).

Madsen and Servais (1997) posit that successful born global firms depend on the experience, ambition and motivation of the owners/managers, corporate governance, structure of the firm, market internationalisation, technology and the environment. According to Gabrielsson and Al-Obaidi (2004), born global firms may have limited resources and experience in international business, they usually offer niche products targeted at global markets and possess entrepreneurial knowledge and intensive skills that enables them to offer value added products and services.

Resource-Based View of Internationalisation

A promising theory of internationalisation is the Resource-based Internationalisation frame-work (Ahokangas, 1998; Rutihinda, 1996) that builds on the resource-based view of the firm to incorporate strategic management aspects to the internationalisation processes.

The RBV addresses the relationship between a firm's internal characteristics and performance and its heterogeneity in relation to the resources and capabilities upon which it bases its strategy

(Wernerfelt, 1984). RBV claims that a small international firm can leverage resources by developing distinctive capabilities that allows it to gain competitive advantages (Barney, 1991). Bloodgood et al (1996) report, that the ability of a born-global firm to enter foreign markets is directly related to its accumulated tangible and intangible resources. Furthermore, Zahra et al. (2003) assert that the combination of tangible and intangible technological resources is positively associated with the speed and degree of the small firm internationalisation.

Of late, RBV has gained support as a result of the limitations of traditional stage theories (Barney, 1991). Stage models of internationalisation have been criticized for not explaining the accelerated internationalisation of smaller firms, such as knowledge-intensive SMEs. Evidence of small firms as being global at inception has resulted in the development of the “born-global” theory of the firm (Oviatt and McDougall, 1994; Knight and Cavusgil, 1996, 2004). In the same vein, Knight et al. (2004) posit that firms possess unique firm resources and capabilities which explain rapid internationalisation and the source of advantages gained by these firms. The RBV posits that firm heterogeneity and firm specific resources create a sustainable competitive advantage and that advantage creating resources that are valuable, rare, inimitable, and non-substitutable, referred to as the VRIN framework (Barney, 1991) and VRIO framework, with an addition of organisational resources (Alvarez and Busenitz, 2001; Barney et al., 2001).

Resources include three general categories: physical, human, and organisational resources. Physical resources include technology, plant, machinery, and raw materials. Human resources include training, experience, judgment, intelligence, relationships, and insight of individual managers and workers in a firm (Barney, 1991). Organisational resources include the firm’s reporting structure, planning processes, control and coordination systems, and information relations among workers within the firm, between firms, and its environment.

According to the RBV, entrepreneurial managers are heterogeneous resources, and habitual entrepreneurship encourages dynamic capabilities which create new resource configurations (Barney et al., 2001). Moreover, Barney (1991; 2001) stated that, Entrepreneurial alertness, entrepreneurial knowledge, and the ability to coordinate resources are resources in their own right. The entrepreneur's dynamic learning and resource configurations represent unique knowledge, cognitions, and learning, which enable value creation (Barney et al., 2001). The knowledge component of the RBV builds upon the key role of market knowledge held by the Uppsala model (Knight and Cavusgil, 2004).

Network Theory

If firm-specific resources such as managerial innovation, proactivity and risk taking (Oviatt and McDougall, 2000), global mind-set (Levy et al., 2007) and experience (Zahra et al., 2006) lead to a competitive advantage in international markets, then, network theory and analysis are fundamental to the understanding of rapid internationalisation (Coviello, 2006; Oviatt and McDougall, 1995). Networks facilitate resource mobilization and development and enable born-global firms to access overseas markets. A strong international business network has been one of the distinguishing attributes of born-global firms (Oviatt and McDougall, 1995). The network approach originates from Johanson and Mattsson (1988) who argued that a firm internationalises by considering its environment in relation to business networks and markets. A network is defined as an evolutionary process, where a firm first establishes its positions in new networks, and then, develops existing positions to increase its resource commitments. Next, it works to improve coordination between positions in different markets (Johanson and Mattsson, 1988). Coviello (2006) insists on the dynamic aspect of networks which must be understood from the inception of the born-global firms, than from the point at which they enter their first overseas market. Networks can be a new resource that a born-global firm acquires and internationalises (Coviello and Cox, 2006) to overcome resource constraints.

Knowledge-Based View of Internationalisation

The knowledge-based view, an extension of the RBV, is a popular theory used to explain internationalisation of knowledge-intensive firms in dynamic environments characterized by highly competitive knowledge-intensive industries (Saarenketo et al., 2004). The KBV posits that knowledge is a key factor contributing to firm internationalisation (Autio et al., 2000). The

KBV agrees with traditional stage theory (Autio et al., 2000) in that knowledge and learning are key factors contributing to firm internationalisation, and firms are repositories of knowledge (Saarenketo et al., 2004). In addition to acknowledging the central role of resources, the KBV also examines the process by which specific firm capabilities evolve and develop over time (Johanson and Vahlne, 1977). Previous empirical studies have confirmed that knowledge, an intangible firm resource, can create a competitive advantage on an international scale (Eisenhardt and Martin, 2000; Grant, 1996; Kogut and Zander, 1992; Teece and Pisano, 1994; Teece et al., 1997).

Researchers have attempted to explain how smaller firms overcome resource constraints (Shuman and Seeger, 1986) and new theories have been developed to address SMEs. A promising new body of internationalisation addresses this gap and is discussed next.

2.3 Exposition of Resource Capabilities for SMEs in the Emerging Markets

Emerging markets' small and medium sized enterprises (SMEs), despite having enormous growth potential and significance in the economy, have not been able to harness the advantages of internationalisation and subsequently fallen short in facing the challenges of globalised competition. This section highlights the acquisition and integration of external competencies in emerging markets' small and medium-sized enterprises (SMEs) that are involved in exporting or are in the process of internationalisation by reviewing and exploring the importance of the resource capabilities, building on the literature from resource based view (RBV), (core) competency, dynamic capabilities theory, and network and alliances literature and business eco-system literature and their significance in SME internationalisation, to provide conceptual clarity about the resource capabilities and their importance in providing the SMEs in the emerging economies, the competitive edge to sustain themselves in today's business environment.

Extant international business theory suggests that internationalising firms possess certain ownership advantages such as size, superior technology, unique products, or special managerial/marketing know-how (Chen and Chen, 1998). However, many firms with international activities are small and seemingly with few resources and capabilities, and conventional theory does not provide an adequate explanation for either their motivation or the mechanism of their internationalisation (Wright et al., 2007, Kamakura et al., 2012). Previous research suggests that born global firms create sustainable competitive advantages based on unique technologies and innovation, which they leverage worldwide (Oviatt and McDougall, 1994; Bell, 1995; Keeble et al., 1998; Rugman and Wright, 1999; Jones, 2001; Stray et al., 2001; Hashai and Almor, 2004; Knight and Cavusgil, 2004; Parayitam and Guru-Gharana, 2010).

The ability to create proprietary technologies and transform product and process innovations into business activities allows small firms to create competitive advantages that may support their internationalisation strategy and achieve growth (Kuuluvainen, 2012). Studies show that born global companies frequently have a superior capability to perform R&D activities (Manalova, 2003; Knight and Cavusgil, 2004). The resource based and dynamic capabilities perspectives also suggest that network partnerships are important to many small firms as they provide important social capital (Davidson and Honig, 2003). These partnerships may be especially important in the emerging markets as they enable firms with relatively weak internal resources to access complementary resources and capabilities within the wider network (Bruton et al., 2003). Redding (1996) portrays these firms as weak organisations linked by strong networks, suggesting that network-related factors should play an important role within the context of their internationalisation decisions and performance.

The resource based view of the firm focuses on the internal organisation of firms and factor market imperfections. Clark (2000) emphasises that this focus of resource based view toward a firm highlights the heterogeneity of firms, their varying degrees of specialisation, and the limited transferability of corporate resources. The strategy process then revolves around identification and exploitation of idiosyncratic resources and distinctive competencies. Resource based view also conceptualises firms as unique collections of resources and routines from which competitive advantages can be drawn when those are valuable, rare, inimitable and non-substitutable (e.g. Penrose, 1959; Wernerfelt, 1984; Barney, 1991). The logic of the resource based view has been taken further in the (core) competence approach to formulate strategies. This view, developed by

Prahalad and Hamel (1990), argues that unlike the physical assets of a firm, which diminish over time, the core competencies of a firm are enhanced as they are applied and used, and are the source of sustainable competitive advantage. These core competencies in turn lie behind firm's ability to bring together intangible resources (such as skills and technologies) enabling it to provide unique value to the customers.

More recently, the resource based view has been extended to the dynamic markets by the scholars. The logic is that the resource based view does not satisfactorily explain how and why certain firms sustain their competitive advantage in dynamic business environments. Teece *et al.* (1997) expanded the resource based view of the firm to explore the possibility of a theory of dynamic capabilities, which they define as 'the firm's ability to appropriately adapt, integrate, and reconfigure internal and external organisational skills, resources and functional competences' or in other words, intangible assets like knowledge, expertise, skills, and processes of learning take a precedence. Zollo and Winter (2002), on the other hand, have suggested that dynamic capability should be defined more specifically in terms of the generation and modification of firm's operational routines. Although dynamic capabilities as such are idiosyncratic to each firm due to path dependencies and firm-specific resource configurations as well as related to specific industrial settings, it is emphasised in the literature that their formation and articulation also depends on external relations (Peteraf, 1993; Coombs and Metcalfe, 1998). Furthermore, it is possible to identify fundamental capability patterns across a range of firms, which allows for drawing general conclusions (Eisenhardt and Martin, 2000).

Teece et al. (1997) argue that dynamic capabilities are in fact organisational and strategic routines by which managers alter a firm's resource base and renew competencies in order to generate new sources of competitive advantage. Furthermore, organisational processes have three roles: coordination/integration, learning, and reconfiguration. First, effective coordination and integration of activities is important both inside the firm and with external sources. Second, learning has been conceptualised as an individual and organisational process, by which repetition and experimentation enables tasks to be performed better and quickly to identify new production opportunities. Accordingly, improvements in organisational processes also lead to the creation of new strategic capabilities (Argote, 1999). Third, the ability to sense the need to reconfigure firm's asset structure is particularly valuable in volatile environments (Augier and Teece, 2009). In order for an organisation to exhibit dynamic capabilities, however, it must properly adjust responsive actions and move to implement a new system effectively and efficiently. During this process the organisation receives and interprets messages about new markets, new technologies, and competitive threats (Teece, 1998).

Theory Development

In spite of a significant number of theoretical and conceptual contributions, empirical evidence of the nature of dynamic capabilities and their influence on firm performance is still relatively inadequate. Previous researchers have suggested the following problems: lack of consensus on a common definition (Henderson and Cockburn, 1994), potential tautology (Priem and Butler, 2001), difficulty to measure (Wernerfelt, 1984) and operational limitations (Williamson, 1999). On the other hand, Eisenhardt and Martin (2000), suggest that dynamic capabilities consist of many well-known processes that create, integrate, reconfigure and release resources and competences. In the following paragraphs a brief review of studies that have addressed those aspects of dynamic capabilities is presented.

Dynamic capabilities related to the integrating of dynamic capabilities are described as routines to develop products and make strategic decisions. Product development routines are considered as dynamic capabilities as managers combine their diverse skills and functional backgrounds to create new products and services (Helfat and Raubitschek, 2000). Brown and Eisenhardt (1997) examined continuous change in organisations in the context of multiple product innovation and found that firms successful in multiple product innovation exhibit the following characteristics:

- blending limited structure around responsibilities;
- prioritising with extensive communication;
- providing design freedom to create improvisation;
- relying on a wide variety of low cost measures to develop new products; and,

- linking present and future technologies together through step by step, time bound transition processes.

Strategic decision making is an integrating dynamic capability since it involves the pooling of business, functional, and personal expertise (e.g. Eisenhardt 1989; Olejnik and Swoboda, 2012; Welter et al., 2013). Researchers also suggest that integrative knowledge underlying dynamic capabilities can be a source of strategic advantage (Brusoni et al., 2001; Henderson and Cockburn 1994).

Another type of dynamic capability identified in the literature is creation of new resources, which includes knowledge creation routines as well as alliance and acquisition routines that bring new resources into the firm from external sources (Powell et al. 1996). McGrath et al. (1996) developed a framework that explains the creation and evolution of competences that are necessary for innovation. They point out that process counts, stressing the fact that team processes of learning and of developing proficiency shapes the economic outcome of an innovation attempt. Pisano (1994) observed significant differences in environments of firms, and concluded that approaches to learning are different in different environments. In yet another study, by Katzy et al. (2001) two streams of dynamic capabilities were identified, e.g. incubating and grafting. These were instituted to coordinate processes of creation of internal ventures and their integration in the existing set up.

Some other examples of dynamic capabilities that focus on reconfiguration are resource allocation routines (Burgelman 1994) and transfer processes, including routines for reproduction and brokering (Hargadon and Sutton 1997; Hansen 1999). Sull (1999) suggests that there are dynamic capabilities that release resources i.e. giving up a resource combination that no longer provides competitive advantage to the firm, which might prove to be crucial in firm’s ability to remain competitive.

Researchers have made significant efforts to deal with the problem of measurement difficulties as well by constructing measures of dynamic capabilities. Zott (2003) explored how the dynamic capabilities of firms may be linked to differential firm performance within an industry. Zott (2003) proposed three performance-relevant attributes of dynamic capabilities (timing, cost and learning of resource deployment) and developed appropriate measures. The study concluded that effects of timing, cost and learning significantly contribute to intra-industry differences in performance. In another study, Macher and Mowery (2009) examined the role of the R&D based organisation and information technology practices for problem solving and learning-based improvement in innovation in semiconductor manufacturing firms. Their results indicated that allocation of human resources to problem-solving activities and the use of information technology in the manufacturing facility determine (semiconductor) manufacturers' problem-solving abilities and subsequently their performance.

Resource Capabilities Approach

It has been observed that under the light of the definition put forth by Teece et al. (1997) of dynamic capabilities, the research has put more emphasis on a firm's ability to integrate, build and reconfigure its internal competencies. However, there is not enough evidence in the literature on the dynamic capabilities employed to integrate, build and reconfigure external competencies. Extant strategic management theory highlights that firms use alliances as a medium for acquiring external competencies, technology innovation and enhancing core business activities (e.g. Mitchell and Canel, 2013). However, so far only few studies have been conducted that analyse practices and processes that firms employ to codify and disseminate knowledge of managing alliances. A study by Kale et al. (2002), discussed the concept of 'alliance capability' that would rest upon 'how effectively the firm is able to capture, share and disseminate the alliance management know-how associated with prior experience'. They reported that firms that create a dedicated alliance capability realise greater success with alliances. Their research explicitly addresses managerial practices strategically employed to build the capability of a firm to enter and manage alliances, and, suggests that deploying dynamic capabilities to manage strategic alliances is beneficial for overall firm performance. This study theorises the potential of acquisition and integration of external competencies in emerging market's small and medium-sized enterprises (SMEs) that are involved in exporting or are in the process of internationalisation. A topical review of the relevant literature on alliances and networks suggests that there is a growing number of research on networks, which addresses the concept of social networks and considers embeddedness an important factor in defining the alliance opportunities and other forms of inter-firm partnerships a firm might build (Gulati, 1998). Furthermore, developing such partnerships can provide the firms with opportunities to acquire new skills and improve existing ones (Terziovski, 2010; Thorgren et al., 2012), the necessary intelligence that might lead to internationalisation (Senik et al., 2011), and achieve different organisational goals, and overcome inherent challenges such as lack of resources (O'Dwyer et al., 2011). However, emerging markets' SMEs typically lack relevant embeddedness in international social networks of firms, and rely on social contacts of their owners/managers, which may not always be sufficient for the establishment of appropriate partnerships with other firms and might prove to be an impediment to their competitiveness. Similarly, Boeker (1989) argues that SMEs lack status in the international arena, which is especially true for SMEs from the developing countries (Podolny, 1994). All of these factors clubbed together may further affect the chances of potential partnerships with more established firms, who have already built competencies relevant for acquiring and integration, needed by SMEs in the emerging markets.

One of the alternate ways for smaller firms to gain access to external competencies was put forth by Iansiti and Levien (2004a, 2004b). They drew on analogies from the field of biology, and innovatively treated business networks as ecosystems, and suggested that there are three types of firms in a business ecosystem: keystones, dominators and niche players. According to the authors, the bulk of an ecosystem is composed of niche players, and since, on average, SMEs account for approximately 50% of GDP and 60% of employment in national economies (OECD, 2004), and 25% to 35% of world manufactured exports (Schreyer, 1996; Hall, 2002; Sakai, 2002), it would be proper to term SMEs as niche players. On the other hand, a keystone player would be a firm that occupies the centre of asset-sharing relationships, employs keystone strategy and by doing so improves the performance of an ecosystem, which is assessed by measuring ecosystem's health on three dimensions: productivity, robustness and niche creation. Keystone strategy is aimed at enabling other firms in the ecosystem to create value, and sharing that value with the ecosystem.

For Example, The Tirupur Exporter's Association, in Tirupur, one of the SME clusters in the southern state of Tamil Nadu in India, through the setting up of a special purpose vehicle called G-Tech Info Solutions, adopted Wipro's next generation enterprise resource planning (ERP) solution for all manufacturing units in the clusters. Exporters in Tirupur's $2-billion plus knitwear industry now share a common software platform on pay-as-you-go basis, as they seek to bring down operational costs and compete effectively with rivals from countries like Bangladesh and China. Among India's industrial hubs, this was the first time that small exporters joined hands to create a common technology platform. The cloud solution, based on Microsoft Dynamics ERP platform helped to improve the efficiency of over 4,000 small units in Tirupur (Tirupur partners, Microsoft & Wipro for cloud connect, 2011). By integrating such a set of solutions in their own organisational processes, SMEs can gain access to external competencies that would otherwise be hard to attain.

Drawing on an analogy with notion of alliance capability (Kale et al., 2002) which suggests that a firm's critical resources may be embedded in inter-firm resources and routines, and by integrating the set of solutions as discussed before, in their own organizational processes, SMEs can get access to external competencies that would otherwise be hard to attain.

2.4 Extant Theory on Exportation

Scholars of the field have identified various factors that may motivate the firm's export decision. These include internal (firm level) motivational factors such as excess capacity, desire to extend seasonal sales, unique organizational resources, products, services and/or opportunities to leverage technological advantage (Orser et al., 2007). External motivational factors may include reductions in export barriers, declining lifespan of goods and services, increased market pressure due to the presence of multinationals, saturated or declining domestic markets, the need to diversify risk, and capitalizing on export stimulation measures (Baggchi-Sen, 1999; Miesenbock, 1988; Pope, 2002). The increasing homogenization of markets, the international nature of human capital, speed, efficiency and decreasing cost of communication and transportation also act as catalysts that increasingly enable even the smallest of firms to export (Orser et al., 2007). Other studies have also identified numerous advantages of export that can help the SMEs to achieve sustainable growth, increased sales and profits, less dependence on the domestic markets, overcoming seasonal fluctuations, optimal utilisation of production capacity, improved productivity, enhanced competitiveness, knowledge of foreign markets and creation of employment (Berry et al., 2001; Levy et al., 1999) among others.

Underlying internal and market dynamics is the owner's growth intention (Morris et al., 2006), the ambition held by the owner/ manager that shapes a firm's strategy (Davidsson and Honig, 2003). For example, studies indicate that not all small-business owners/managers are interested in international growth; however, growth-oriented owner/managers are more likely to develop a substantial presence in the international arena (Orser, 2007). Exporting, an important means of achieving growth, is not without internal challenges (these can include costs of market entry and pressure on cash flows, lack of knowledge about customs, duties, border information) and external barriers (differences in culture, product and technical standards and language) (Beamish and Munro, 1986b; Orser et al., 2004, 2007; Miesenbock, 1988). The conceptual model presented in Figure 2.3 shows relationship between management characteristics and its impact on export orientation and export performance. The first half of the model conceptualizes the multifaceted relationship between the management characteristics and the extension of dynamic capabilities and in the form of alliance capabilities with firm related factors affecting the export orientation. This model forms the backdrop of this section, focusing mainly on the importance and impact of capabilities of a firm (such as knowledge, skills, expertise and networks etc.) to facilitate a sound internationalisation strategy. The other half demonstrates the indirect impact of management characteristics on the firms' export performance.

The following sections summaries the factors that affect export and discuses the relevant theory.

Motivation to Export

Export motivation refers to the firm's motives for entering export markets (Lukas et al., 2007). These can mean having a positive attitude towards export markets and an acknowledgment that export markets provide the firm with opportunities that should be seized. Alternatively, it could mean that the export market is not appreciated in its own right, but as a means to escape domestic problems (Lukas et al., 2007). A proactive approach to export markets is associated with management who concentrates on systematic analysis and develops detailed strategic plans to maximize a firm's competitive position (Katsikeas, 1996).

Planning oriented organizations spend time in analysing threats and opportunities and matching the skills of the organization to their markets (Wood and Robertson 1997). They are more likely to have sound reasons for entering a specific market, perhaps choosing only one or two regions to market their services, relying heavily upon their own primary market research (Francis and Collins-Dodd 2000).

Figure 2.3 A Conceptual Model of Firms' Export Orientation and Export Performance (source: Adapted from: Garg and De, 2012)

Management Perception to Export

The management perception is considered to be an important factor for a firm to consider exporting or expanding export activities. Managers' favourable attitude towards the foreign market environment normally encourages them to consider exporting as an activity with attractive growth potential for the firm. Perceptions relate to managers' levels of awareness, previous internationalisation experience, access to global networks, and knowledge about international market opportunities and threats, attractiveness of export, obstacles, competitive position, risks and returns (Schlegelmilch, 1986).

It is very important to understand the complexities of the foreign market environment before a firm plans to internationalise. Because of the complexity of the international business environment and the comparative scarcity of resources, small and medium sized enterprises (SMEs) often find themselves in a very difficult position if they do decide to compete internationally (Ramaswami and Yang, 1989; Seringhaus and Botschen, 1991). The uncertainties of the exporting environment, lack of knowledge about foreign markets, and the overwhelming nature of exporting processes combine together to dissuade the small firms from exporting (Seringhaus and Rosson, 1990). Silverman et al. (2002) found that firms without export experience have a wide range of information needs in order to overcome perceived external barriers.

A major thrust for export development and success is the need to develop the capability required to manage exporting problems (Yang et al., 1992). Yet another stream of scholars (Wiedesheim-Paul et al., 1978) proposed that pre-export activities, particularly the level of a firm's activity in information gathering, are a prerequisite in determining the likelihood of a firm to export. As a result, firms must increase their ability to gather information so that they can react appropriately to environmental changes and adopt proactive strategies for the international market. Hence, SMEs should emphasize on acquiring and developing their knowledge base related to prospective markets. This would allow the managers to integrate, reconfigure and adapt the processes according to the environment, and help the managers to overcome the barriers and develop positive perceptions towards exporting (Garg and De, 2012).

Exporting Knowledge

Exporting knowledge is the knowledge possessed by the manager/owner about how to market the firm’s product(s) and service(s) in a foreign market (Seringhaus, 1993). There are two types of exporting knowledge which have a critical bearing on a firm’s exporting success: knowledge of exporting procedures and knowledge of the foreign market (Wang and Olsen, 2002).

Knowledge of exporting procedures enables the firm to deal effectively with procedures such as financing, logistics, red-tape, and payment anomalies. Knowledge of foreign market includes understanding of the socio-cultural environment, infrastructure, and buyer behaviour of that market. Both objective and experiential knowledge are needed for overseas expansion of a firm (Johanson and Vahlne, 1977). Objective market knowledge can be “taught” (Johanson and Vahlne, 1977) or “obtained from secondary or primary sources” (Seringhaus, 1986). On the other hand, experiential knowledge “can only be learned through personal experience” (Johanson and Vahlne, 1977) and “must be personally acquired through direct market or customer contact” (Seringhaus, 1986). Johanson and Vahlne (1977) argue that experiential knowledge is critical to provide the framework for perceiving and formulating opportunities. Experiential knowledge enables managers to recognize export opportunities, to evaluate them, to adopt the appropriate export behaviour, and to achieve their export objectives. With experience and learning, the firm develops competencies to become a committed and regular exporter (Johanson et al., 1976). Wang and Olsen (2002) also suggest that the firm’s export-related knowledge and expertise positively affect export orientation. It can be deducted from the preceding discussion that expertise, skills and knowledge is an apparent factor in competing in foreign markets.

Export Orientation

Export orientation is defined as a general willingness by management to export or not by devoting adequate financial, managerial and human resources to export related activities (Aaby and Slater, 1989). Export orientation is majorly affected by the attitude of the owner/manager of the small firm; their ability to take risks and sail in uncharted waters. The attitudinal component correspond to the cognitive and affective elements of attitude and has been referred to in other studies under such labels as favourability of management's expectations, perceived attractiveness, or management's perception of the benefits and risks associated with exporting (see for example Aaby and Slater, 1989; Cavusgil and Nevin, 1981).

A large export development budget and a specialized export management staff have been seen as critical to successful business performance in foreign markets (Cavusgil and Zou, 1994). Previous studies have also suggested that management should increase its commitment to exporting by investing greater resources in export management and enhancing the firm's competence to increase its exporting efforts. The "management element" is crucial in carrying out the tasks associated with exporting (like, documentation and budgeting, etc) (Cavusgil and Naor, 1987). Therefore, top management's reluctance to allocate sufficient resources for exporting, especially those related to building the exporting infrastructure, is a significant deterrent to exporting. By building on their capabilities, firms can increase their potential by allocating required resources to gather necessary information, planning, and establishing global networks to facilitate the achievement of their export objectives.

Alliance Capability and Export Orientation

There are a growing number of researches on networks, which talks about concept of social networks and considers embeddedness an important factor in defining the alliance opportunities and other forms of inter-firm partnerships a firm might build (Gulati, 1998). Emerging market SMEs typically lack relevant embeddedness in international social networks of firms, and rely on social contacts of its owners/managers, which may not be sufficient for establishment of appropriate partnerships with other firms and might prove to be an impediment to its competitiveness. Boeker (1989) said that SMEs lack status in the international arena, which is especially true for SMEs in the emerging economies and is an important element, in uncertain and volatile environments (Podolny, 1994).

These factors clubbed together may further affect the chances of potential partnerships with more established firms, who have already built competencies relevant for acquiring and integration by emerging market SMEs. Kale et al. (2002) emphasized on the previous experience of managers/owners to manage the alliance capability. They reported that firms that create a dedicated alliance capability realize greater success with alliances. Their research explicitly addresses managerial practices strategically employed to build capability of a firm to enter and manage alliances, and suggests that deploying these capabilities would be beneficial to manage strategic alliances for overall firm performance.

Exporting Knowledge and Management Perception to Export

The theoretical explanation for the relationship between ongoing export stimuli and the level of export development rests with the issue of uncertainty and the ways in which firms cope with it (Erramilli, 1991). Reid (1984) suggested that one of the main obstacles to exporting is the lack of knowledge and information gaps, which discourages small firms from pursuing exporting. Previous researchers, have therefore, stressed a lot on the acquisition of knowledge through experience from business operations in a specific overseas market as the primary means of reducing uncertainty and as a result become a driving force in the internationalisation of the firm (Johanson and Vahlne, 1977).

Those firms with a high degree of international exposure are generally more able to manage and overcome potential barriers to exporting. Scholars have also argued that the more experienced the firms were in exporting to a foreign market, the more positive the attitude they would have toward that market. The resource-based theory also proposes that objective and experiential knowledge/skills are intangible firm capabilities that create sustainable competitive advantage for the firm and help them perform better than their competitors (Hamel and Prahalad, 1994).

Exporting Knowledge and Export Orientation

Internationalisation stage theory (Johanson and Vahlne, 1977) focuses on firms' step by step acquisition, integration and use of knowledge about foreign markets, to get involved with that market. According to the theorists, lack of knowledge and resources is an important obstacle to internationalisation; however, it can be reduced through learning, thus shifting incremental decision-making toward further internationalisation (Johanson and Vahlne, 1977). This indicates a direct relation between a firm's knowledge acquisition and increasing commitment to international operations. Resource-based theory posits that capabilities as organisational processes combine and transform available firm resources into deployable value offerings for (export) markets toward achieving competitive advantage (Morgan et al., 2004). Export knowledge as a valuable resource input (preferably a dimension of the human resources) to the complementary capabilities and can assist a firm leverage its product and other marketing capabilities for the foreign market (Morgan et al., 2004), and consequently contribute to better performance experience and increased export commitment (Lages and Montgomery, 2004). This suggests that the better the tacit and experiential knowledge about an export market, the more the firm can leverage its other resources and capabilities for better performance and the stronger is the commitment to the markets.

Exporting Knowledge and Internationalisation Strategy

The growth of small business exports may be fairly important with increased internationalisation. Scholars have recognized exporting as the first stage of internationalisation of small firms (Jones, 2001). Scholars like Karadeniz and Gocer (2007) have also emphasized that export strategy is the main foreign market entry mode used by small business in their internationalisation efforts. Traditionally, the internationalisation strategy has been defined in terms of prospective market selection and product strategy (Cooper and Kleinschmidt, 1985). Contemporary strategy focuses not only on product strategy but also on integrated marketing activities, that is, product, price, promotion and distribution (Cavusgil and Zou, 1994). However, internationalisation strategy in this context relates to the strategies covering – identification of prospective clients/customers, developing strategies for competing in new markets (cost leadership, marketing and service differentiation etc.), developing capabilities to collect necessary information, and so forth. A firm's physical resources (manufacturing facilities), experiential resources (knowledge, skills, networks) and its capabilities (expertise) combine together to create competitive advantage (Hamel and Prahalad, 1994). McKee and Varadarajan (1995) argue that competitive advantage is the foundation of strategy, and intangible assets like skills and knowledge become the essence of that competitive advantage. Lack of these assets makes exporting more risky (Sullivan and Bauerschmdt, 1989).

Improved export knowledge significantly reduces the perceived barriers and complexity of exporting and helps the management to implement proactive internationalisation strategies. Morgan et al. (2004) reported a positive impact of available resources (knowledge, skills and physical) on export venture competitive strategy. Therefore, knowledge may help a firm select its prospective markets for exports and formulate and implement its proactive internationalisation strategies more effectively (Cavusgil and Zou, 1994).

Management Perception to Export and Internationalisation Strategy

Effective exporting requires development of comprehensive internationalisation strategies that take into consideration differences in the international market environment (Jain, 1989). According to many scholars, managers' perceived level of risks about the export market environment as well as perceived benefits of exporting significantly affect their exporting decisions. Managers who perceive the export market environment unfavourably tend to avoid any involvement in exporting and in developing proactive internationalisation strategies (Axinn, 1988). Those who perceive the export environment favourably tend to acquire information to make proactive internationalisation strategies and logical market entry decisions. Moreover, Axinn (1988) suggested that managers' positive perceptions of the relative advantages of exporting are important for formulating the internationalisation strategy. Previous studies have also revealed that decision makers who have positive perceptions of the foreign market environment (cost, profit, risk etc) invariably takes a more positive view on foreign operations and adhere to more export planning (Johanson and Nonaka, 1983).

Export Orientation and Firms' Internationalisation Strategy

Many researchers assert that interest and commitment among the top management levels is a critical determinant in carrying out the export functions (Benito and Welch, 1997). A favourable orientation, deliberate interest, and the willingness to devote adequate resources to exporting have been emphasized in the past. The willingness of the top management to commit resources to the formulation and implementation of internationalisation strategies is an important component needed to produce an aggressive internationalisation strategy (Lim et al., 1993). When the top management is committed to exporting, they cautiously plan the market entry based on their firms' capabilities and allocate sufficient managerial and financial resources to enhance the overall outcome. With proper planning and resource allocation, uncertainty can be reduced and internationalisation strategies can be implemented effectively (Aaby and Slater, 1989).

Export Orientation and Firms' Export Performance

Filatotchev et al. (2009) refer to export orientation as the export propensity (that is, export/ no export decision) and it depends on the knowledge of the owners/managers, experiences gained abroad, and knowledge transferred from abroad. The authors also suggest that the export orientation is an indicator of firms' strategic intent (Hamel and Prahalad, 1989; Filatotchev et al., 2001). Firms' initial exporting attempts could be in the form of small consignments, perhaps samples, and this attempt may fail. Subsequently, the export performance would reflect the degree of success of a firms' internationalisation strategy, as its strategic intent is exposed to global market forces (Filatotchev et al., 2009). Based on their comprehensive review, Filatotchev et al. (2009) concluded that export orientation is a key determinant of performance, regardless of performance dimensions. High export propensity allows a firm to aggressively go after the export market opportunities and pursue effective export strategies that improve export performance (Koh, 1991). This intent drives the management to commit resources in making proactive internationalisation strategies, which has also been seen as critical to successful business performance in foreign markets, particularly during the early stages of internationalisation (Cavusgil and Zou, 1994).

Internationalisation Strategy and Firms' Export Performance

Internationalisation strategy is the means by which a firm responds to international market forces to meet its strategic objectives. The export literature increasingly reflects the importance of strategy on export success (Aulakh et al., 2000; Cavusgil and Zou, 1994). Previous studies suggest that export performance is determined by internationalisation strategies and managements' capability to implement the strategies as a whole (Aaby and Slater, 1989; Cooper and Kleinschmidt, 1985; Cavusgil and Zou, 1994). A detailed review of the determinants of export performance revealed that general internationalisation strategy has received significant research attention but reported mixed results (Filatotchev et al., 2009). There is a need for the owners/managers of small firms to design a complete strategic mix for success in a selected target market (Leonidou et al., 2002). Therefore, the focus should be on internationalisation strategy as a whole rather than any specific element of it.

2.5 Export Orientation and Performance

Drawing on the extant theory from the internationalisation stages model, international entrepreneurship literature, underlying theories of entrepreneurship, growth of the firm, and the argumentation provided in the previous sections, this section examines the factors that influence the small and medium sized firms' (SMEs) orientation to export and export-performance. In accordance with the existing literature, this theoretical part consists of numerous determinants or categories of determinants that may impact export orientation of SMEs and subsequently their performance. It is important to note that the positive, negative or non-existent impact of each determinant has not been always clearly established in the available literature. One explanation for such an inconsistency could be because each research had different sample, for example; firm size, sector, industry, country, setting etc. This section aims to identify the most specific determinants of export orientation in order for the author to adapt the most appropriate determinant to the chosen SMEs for this research.

International Entrepreneurship Orientation

According to Schumpeter (1934), an entrepreneur is someone who proactively realises the potential of existing resources and is strong enough to overcome everyday habits and inertia to create something new. Furthermore, Schumpeter identifies five types of innovation, viz: product, process, supply, organisational and market; and it can be argued that entering a new market is a kind of innovation, since entrepreneurs sort of break their habit of serving the domestic market exclusively and foray into the international arena, and they do so by being innovative in regards to their current firm practice. This argument finds its support in previous studies, which reported exporting as a firm level innovation (Andersen, 1993; Bilkey and Tesar, 1977; Cavusgil, 1980).

In the same vein as the international entrepreneurship literature, these studies are mainly concerned with individual decision-makers in SMEs covering different stages from pre-exporters to mature exporters, which may include firms that have no export ambitions, firms that are planning to export, passive exporters, active exporters, exporters with strong and weak sales abroad etc. (Bilkey and Tesar, 1977; Cavusgil, 1980). This line of argument was further enhanced by Yeoh and Jeong (1995), who reported that, some exporters tend to be active, proactive, and aggressive in their pursuit of opportunities in the overseas markets, other exporters tend to be reactive, passive, and conservative.

International entrepreneurial orientation is an important component for a firm’s success (Wang, 2008). It has been identified as a process used by entrepreneurs to decide on entering a potential new market and support other business activities (Kropp et al., 2006). According to Miller (1983), entrepreneurial orientation is conceptualised by three components, viz: innovativeness, risk-taking, and proactiveness, to comprise a basic uni-dimensional strategic orientation. Furthermore, Limpkin and Dess (1996) have identified couple of additional dimensions of entrepreneurial orientation, such as autonomy and competitive aggressiveness. These studies, suggest that exporting firms can be differentiated in terms of their strategic entrepreneurial position. Extant theory also reports a strong support for entrepreneurial orientation and the exporting success (Lee and Yang, 1991). And, moreover empirical research by Knight and Cavusgil (2004) suggests that international entrepreneurship orientation may have a positive impact on performance in international markets.

Characteristics of entrepreneurial orientation, viz: innovation, risk-taking and proactiveness, help the entrepreneurs to anticipate and decide on potential markets to enter, which may positively influence their firm's performance. Therefore, entrepreneurs need to develop a vision and determine ways to combine previously unidentified components to capitalise on the perceived business opportunity (Schumpeter, 1954).

Knowledge about Foreign Markets

Penrose (1959) reported the role of knowledge as a critical resource for firm growth. The knowledge related with the external world reduces the risks, uncertainties, and costs associated with firm expansion into new markets (Eriksson et al., 1997; 2000; Forsgren, 2002; Johanson and Vahlne 1977; Penrose, 1959). Exporting or internationalizing firms need to increase their knowledge regarding the business (clients, competitors) and institutional environments (cultural norms, legislation, informal business practices) of their foreign target markets (Boehe, 2009).

Johanson and Vahlne (1977) distinguished between objective and experiential knowledge with regards to foreign market knowledge. They also reported (1990) that the evolution of internationalisation is based on managers' cognitive learning and competency development, which gradually increases through experience (Lemos et al., 2011). While objective knowledge is easily accessible by means of clear communication, the experiential knowledge has to be acquired by operating in the targeted foreign markets. Furthermore, an increase in experiential knowledge enables firms to perceive new market opportunities overseas and to make a stronger commitment to target foreign markets (Johanson and Vahlne, 1977). Stronger commitment, in turn, increases market knowledge, provided the business environment in that particular market is stable.

Thus, gaining foreign market knowledge and increasing commitment constitutes an incremental, self-reinforcing process explaining firm's growth abroad (Boehe, 2009). Experiential knowledge may also be acquired as a result of previous international experience of the entrepreneurs (Boehe, 2009). Due to dynamic revolution in the ICT over the past few decades, knowledge about foreign markets may be acquired today by means of Internet communication (e-mail, Web-based research, online business networks, or even virtual worlds with business presence), provided the exporter has knowledge of foreign languages (Boehe, 2009). Moreover, many SME executives participate in international fairs and shows, and regularly visit the potential markets which enables them to increase their foreign business and market knowledge without a permanent physical presence overseas. Increased foreign market knowledge is likely to enhance awareness of export opportunities, which the firm may exploit by scaling up current exports or by setting short- to medium-term export goals; conversely, the lack of such knowledge may curb present or future exports (Boehe, 2009).

Influence of the Environment

Export success of a firm depends to a large extent on the environment related factors (Holzmuller and Stottinger, 1996). Dynamism and Hostility are the two dimensions that are commonly used with regards to the influence of the environment in export oriented or internationalising firms' performance (Lumpkin and Dess, 2001; Wiklund and Shepherd, 2005; Zahra and Garvis, 2000). As for the dynamism of the environment, the most usual argument is that the influence of export orientation on performance becomes more intense when the firm acts in a dynamic environment. In this type of environment, firms that behave more proactively and aggressively will achieve better performance (Lumpkin and Dess, 2001). In the case of hostility, many studies have argued that export constitutes a good alternative for small and medium enterprises when they face hostile environments (Covin and Slevin, 1989; Miller and Friesen, 1983; Miller, 1983). Additionally, Lumpkin and Dess (2005) identified three more dimensions viz: munificence, complexity and industry characteristics that influence the environment. Firms' need to be alert and adaptive to the changes in the environment in order to be able to survive and sustain long term growth. Previous studies report that dynamic environments have a positive impact on firm's export orientation as compared to static environments (Dess et al., 1997; Zahra, 1993).

Industry Environment

According to Wilkinson and Brouthers (2006), their exists multiple export barriers such as legal, financial, political or trade related barriers which are associated to the structure of the industry and make the access to the market more difficult for new exporters. The presence of entry barriers impacts on the export performance of a firm negatively as it is all the more difficult to reach a market when barriers are numerous. Another characteristic of the industry that must be considered in the explanation of the performance of the export oriented firms' is its concentration (Zhao and Zou, 2002). An increased concentration of an industry has a significant and negative impact on export performance: the more the company acts in a concentrated industry, the less the company will be prone to improve its export performance (Zhao and Zou, 2002). Furthermore, previous studies have also reported positive link between the location of the firm and networks and the export performance of the firms (Belso-martinez, 2006). Moreover, SMEs that belong to a dynamic cluster, where there exist such traits as innovation, high concentration of suppliers, appropriate public structures (education, financial support, research, etc.) have shown improved export performance (Aylward, 2004). One such example in India can be found at the 'Tirupur Cluster' in the south of India, which is much more successful in exports that the other Indian clusters.

Government Related Factors

According to Wright et al. (2007), one of the major challenges in formulating a government policy is the provision of support for SMEs that are in the process of internationalisation. It has long been argued that government incentives, and schemes specifically designed keeping in mind the interest of the SMEs can greatly provide the necessary support and push toward internationalisation. However, it is not always the case, and most of the time government trade policy, international standards and regulations impose great challenges for realizing the internationalisation ambitions of SMEs (Suarez-Ortega and Alamo-Vera, 2005). Various government related factors such as, export policy, regulations, incentives etc. also affect the internationalisation process of SMEs (Mitgwe, 2006). Additionally, factors like, taxes (especially in a country like India, where every state has its own state tax and excise duty), interest rates, labour laws, and the bureaucratic red tape also impacts the firm's choice to internationalise (Boter and Lundstrom, 2005).

Availability of Resources

The quantity and type of resources, assets, capabilities, routines, and knowledge controlled by a firm become an essential factor that can explain a firm's growth (Barney, 1991). Also, the configuration of these resources existing at a given time affects the perceptions of managers and the speed of growth (Wernerfelt, 1984). Moreover, firm growth is a result of the existence of idle resources, those not used by the firm (Penrose, 1959). These resources exist primarily because it is almost impossible to acquire them in the exact amount needed, given their complexity (Moreno and Casillas, 2008). Borch et al. (1999) in their research have reported a positive relationship among various types of resources, entrepreneurial and strategic behaviour and the firm's results. And, Wiklund and Shepherd (2005) have specifically introduced access to financial resources as an important element that can impact the relation between export orientation and outcomes. Previous studies have confirmed that entrepreneurial behaviour requires the consumption of large quantities of resources (Covin and Slevin, 1991), so having access to these resources should facilitate the use of strategies derived from entrepreneurial behaviour (Wiklund and Shepherd, 2005). In addition, the availability of resources will increase the likelihood that said strategies will be put into practice in better conditions (Moreno and Casillas, 2008). That is, the success of a certain strategy will also depend on the amount of unused resources available to the organisation (Covin and Slevin, 1991). Based on these argumentations, it can be summarized that the availability of resources will moderate the relations between export orientation and growth.

Firm Specific Factors

Previous studies have consistently reported the importance of firm specific factors for the successful outcome of an international venture (Bell et al., 2007; Jones and Coviello, 2005). These factors include firm characteristics viz: size of the firm, age of the firm, R&D intensity, firm's orientation, knowledge and planning, and management characteristics viz: commitment, personnel factors, and perceptions toward internationalisation among others. A brief description of these factors is provided in the following sections.

Characteristic of the Firm

The components related with the firm's characteristics are briefly examined below.

Firm Size

Firm size is perhaps one of the most studied factors that relates to internationalisation of a firm (Karadeniz and Gocer, 2007). The Stage theory of internationalisation assumes that small firms internationalize stepwise (Bilkey and Tesar, 1977; Reid, 1983). The majority of small firms faces severe resource (financial, technological, and personnel) constraints. By growing larger, firms will be able to commit greater resources to international activities and gradually increase their international sales.

Firm Age

Firm age is another factor that has been studied in terms of internationalisation (Karadeniz and Gocer, 2007). The Uppsala model suggests that firms will gradually increase their foreign market commitments as they gain knowledge and experience in the foreign markets (Johanson and

Vahlne, 1977, 1990). It takes time for firms to know about the foreign market culture, languages, and distribution system. The gradual acquisition of knowledge reduces the perceived risk of operating in foreign markets and can motivate international expansion of the firms. Hence, the age of a firm becomes an important factor in explaining the internationalisation of small firms.

R&D Intensity

According to Schumpeter (1934), innovation is the only source of pure profit. From the resource-based perspective (Barney, 1991; Peteraf, 1993; Wernerfelt, 1984), R&D activity may develop new capabilities that the firm can leverage across different national markets (Autio et al., 2000). Product and process innovations may help firms not only to improve their competitiveness at home, but also to take advantage of opportunities presented by international markets (Eriksson et al., 1997). Aulakh et al. (2000) provide a theoretical framework whereby export performance is explained by distinct strategy factors linked to product development and diversification. Investment in R&D may help small firms to develop their capabilities to sell mainly innovative, self-developed, technology-based products (Acs et al., 1997; Almor and Hashai, 2004; Bell, 1995; Bloodgood et al., 1996; Coviello and Munro, 1997; Knight and Cavusgil, 2004; Oviatt and McDougall, 1994; Rennie, 1993; Rugman and Wright, 1999).

Networks (Foreign and Domestic)

A number of previous studies suggest that firms' networks may also have an important bearing on internationalisation decisions by reducing information asymmetries and providing the firm with important knowledge and resources. Such network-related factors may not only provide the resources for firms in the early stages of internationalisation, but also stipulate how that process is effected (Coviello and Munro, 1997; Johannson and Mattson, 1987). Furthermore, this knowledge and these resources are particularly useful for firms entering from emerging markets, such as India, where there are few market institutions facilitating internationalisation, as opposed to more mature, developed economies. Chen and Chen (1998) defined strategic linkages as business alliances that access complementary, firm-specific capabilities and thus enhance competitiveness. In the entirely different context, McAdam and McAdam (2006) also found that entrepreneurial networks were central to the implementation of growth and exporting strategies in SMEs. Johanson and Mattson have investigated the relationship between the network approach, internalization and the internationalisation process of the firm (Johanson and Mattson 1988). They offered a matrix describing the different stages in the development of the firm and market environment (Table 2.1).

Degree of Internationalisation of the market (the production net)			
Degree of Internationalisation of the firm		Low	High
	Low	The Early Starter	The Late Starter
	High	The Lonely International	The International Among Others

Table 2.1 Internationalisation and the network model (source: Adopted from Johanson and Mattson, 1988)

Knowledge

Extant theory provides a substantial body of research that examines the role of accumulated knowledge and experience in the context of internationalisation, including the processes of acquiring knowledge of foreign market conditions (Erramilli, 1991), trial-and-error in the implementation of entry modes (Vermeulen and Barkema, 2001), and coordination of knowledge transfer in cross-border activities (Szulanski, 1996). Aaby and Slater (1989) identify export knowledge as a critically important factor that can influence export performance. The repeated exposure to situational uncertainty associated with the process of internationalisation compels the small firm to expand both its set of organizing processes and its awareness of the cause-effect relationships among these processes. In doing so, the firm has to develop a deeper understanding of its list of responses to external environment (Zahra et al., 2000). Therefore, internationalisation not only presents growth opportunities for the entrepreneurial firm but also creates a need to develop organizational knowledge and other dimensions of these capabilities.

Export Planning

Previous studies have found export planning to be an important and reliable determinant of export performance (Zou and Stan, 1998). Furthermore, scholars have argued that systematic export planning is very important for international operations (Aaby and Slater, 1989).

Export Performance

Generally export performance is the result of a firm's action in international markets (Shoham, 1996, Navarro et al., 2010; Papadopoulos and Martin-Martin, 2010). Research into export performance has grown considerably during the past few decades (Sousa et al., 2008; Wheeler et al., 2008). However, there is still no universally accepted definition of export performance (Cavusgil and Zou, 1994).

Export performance is regarded as one of the key indicators of the success of a firm's operations. Sousa (2004) has identified fifty dimensions of export performance measure and most researchers have accepted the multidimensionality of export performance, but there is still a disagreement about which indicators should be used to measure it. Lumpkin and Dess (1996) have identified several performance measures including sales growth, market share, profitability, overall performance, and stakeholder satisfaction, similarly, Filatotchev et al. (2009) posit that export performance can be measured either by the share of exports in total sales or the perception of senior managers in terms of export sales, market share and market growth. Traditionally researchers have also used return on investment (ROI), return on equity (ROE), return on asset (ROA) as performance measures, however, these measures may not be appropriate or adequate for entrepreneurial SMEs (Kropp and Zolin, 2008).

Most of the previous researchers have unanimously considered two different dimensions; economic (objective) and strategic (subjective). Scholars have argued that they are complementary in nature and have suggested using both in an interrelated way in order to provide a more comprehensive picture of export performance (Stoian et al., 2011). Soleberg and

Olsson (2010) suggest that in order to provide for a reliable assessment, different export performance dimensions should be used for recording the firm's export performance.

Characteristic of the Management

Management characteristics have been found to have a correlation with exporting. Previous scholars posit that skills of the personnel involved in managing the firm (owners/managers/decision-makers/founders) influence the export performance (Kammath et al., 1987; Kaynak and Kuan, 1993; Koh, 1991). Extant theory also suggests that both export intensity and sales growth are influenced by the training of managers in international business and their previous exporting experience or managerial experience abroad (Da Rocha et al., 1990; Das, 1994; De Luz, 1993; Koh, 1991; Madsen, 1989; Suarez-Ortega and Alamo-Vera, 2005), foreign language proficiency (Bilkey and Tesar, 1977; Suarez-Ortega and Alamo-Vera, 2005), and level of education (Suarez-Ortega and Alamo-Vera, 2005).

Management's international vision and international orientation are also important influencers of a firm's international involvement (Aaby and Slater, 1989; Zou and Stan, 1998). Management characteristic toward exporting are further influenced by the management's attitude toward exporting barriers (Donthu and Kim, 1993) (*chapter 5 of this study presents an interpretive structural model and the hierarchical relationship between the perceived barriers to exports from the home market perspective*). Donthu and Kim (1993) posit that firms that perceive fewer risks and barriers to exporting usually have a positive attitude toward exporting and is reflected in their export performance. Number of studies has also considered management's commitment as a predictor of export performance (Beamish et al., 1993; Cavusgil and Zou, 1994; Wiedersheim-Paul et al., 1978). Previous studies have further reported that managerial attitude toward exporting in general, influences the overall export performance of the firm (Bilkey and Tesar, 1977; Czinkota and Tesar, 1982).

Export Strategy

The previous studies of small and medium enterprises' (SMEs) export activities have identified not only key differences between exporters and non-exporters, but also identified strategic differences in exporters' behaviours after launching international sales (Cieslik et al., 2010). Johansson (2009) and Alvarez (2007) reported that some firms export on the permanent basis and some on temporary basis. Yang et al. (1992) posit that firms' with temporary export perceive greater barriers to exporting than those who permanently export; consequently this limits their export knowledge base.

The positive effects of exporting most often benefit permanent exporters that place a significant portion of their sales on international markets (Alvarez, 2004). These studies provide a significant contribution toward designing effective export strategies. It is through the setting up of an appropriate export strategy that a company will be able to improve its export performance. This export strategy includes multiple facets on which the manager can act. Previous studies have reported different success strategies viz: Marketing strategy (Leonidou et al., 2002), Cooperative strategy (Beamish et al., 1993; Lages and Lages, 2005), Product adoption strategy (Cavusgil and Zou, 1994; Leonidou et al., 2002), Niche market strategy (Zucchella and Palamara, 2007), Geographical diversification or concentration strategy (Cooper and Kleinschmidt, 1985), Environment-strategy "fit" (Ray and Chakrabarti, 2006) among others.

However, the adoption of any of these strategies would depend on the available resources and the type of product (Porter, 1980). The export orientation (i.e. export/no export decision) and export performance of the firms also depends on the knowledge of founders, such as general experiences gained abroad as well as specific internationalisation experience and knowledge transferred from abroad (Filatotchev et al., 2009).

2.6 Scenario for the Indian SMEs across the border

Small scale sector has remained high on the agenda of all political parties, intelligentsia and policy makers since Independence as a legacy of Gandhian philosophy. The special thrust to this sector has been with the multiple objectives of employment generation, regional dispersal of industries and as a seedbed for Entrepreneurship (UNIDO, 1999). The Small Scale Industry today constitutes a very important segment of the Indian economy. This sector has emerged as a dynamic and vibrant sector of the economy. Small and Medium Enterprises (SMEs) play a vital role for the growth of Indian economy by contributing 45% of manufacturing output, and around 40% of exports, and is estimated to employ about 60 million people, creating almost 1.3 million jobs every year and produce more than 8000 quality products for the Indian and international markets (MSME, 2011). SME's Contribution towards GDP in 2011 was 17% which increased to 22% by 2012 (MSME, 2012). There are approximately 30 million MSME Units in India and 12 million persons are expected to join the workforce in the next 3 years. SMEs are the fountain head of several innovations in manufacturing and service sectors, the major link in the supply chain to corporate and the PSUs (MSME, 2012).

However, in the ever changing volatile business environment an international presence has become a major strategic requirement for many companies. Market globalisation means that any business may face new competitors, without necessarily being geographically near to them (Fierro et al., 2009). However, not all companies can assume the challenge of successfully expanding their activity (Fierro et al., 2009). Previous literature indicates as in Fierro et al. (2009) that adequate resources (e.g. quantity and quality) act as drivers for international expansion (Kalantaridis, 2004; Leonidou, 2004). Moreover, aspects related to the philosophy of the management team and to the learning capacity of the company are factors to be taken into account (Dhanaraj and Beamish, 2003). This is especially the case for SMEs whose resources are fewer than those in bigger firms and whose managers' training is not always adequate.

According to the experts, success of the internationalisation process depends on having more business acumen than is needed to manage a domestic enterprise. Managers not only deal with traditional business functions and values, but also have to have an understanding of work from a global perspective. This adds politics, culture, monetary variables, time and distance to the equation of internationalisation. An important aspect of doing business in another country is the ability of the businesses to accept, adapt and work within the culture, customs, beliefs and attitudes of that country (Patni, 2007).

International entry requires not only knowledge of international business, but also country-specific expertise. I believe that the Indian SMEs community suffers greatly from a lack of knowledge of foreign markets within which they are attempting to do business in various parts of the world. The other limitations that the owners/managers of SMEs face in India are the lack of know-how and do-how to internationalise their operations. These issues assume even greater importance when viewed from the context of the changing nature of modern international business relationships (Swift and Lawrence, 2003).

2.7 Significance of the Study

Small and medium size enterprises (SMEs) have been facing great challenges in the era of globalization, privatization and liberalisation. Transformation of the world into a *global village*[3] has led to unification of markets, and the products of one country have started to invade the markets of other countries which was unthinkable till some time back. In such a scenario, SME sector faces an uphill task to remain in the business as SMEs have to provide the highest quality of products that too at the lowest possible prices (MSME, 2009). Although, M/o MSME has been providing support to the Indian SME sector by way of giving them exposure to the international market; foreign technology; exchange of business delegations and sharing of experiences, etc. the knowledge of the process of internationalisation remains elusive to most of the SME owners/managers in India.

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[3] Global Village, a phrase, coined by the media expert Marshall McLuhan in his book '*The Gutenberg Galaxy: The Making of Typographic Man'* (1962), to describe the phenomenon of world been contracted into a village by technology.

This research study has two bigger aims: firstly, to provide a knowledge base to the managers/owners of Indian SMEs, about the process of internationalisation and the challenges associated with exportation and the barriers that affect the same. By having access to proper knowledge and background, it would be comparatively easier and straight forward for the SME owners/managers, who are looking forward to expand their business beyond borders for the first time, to make a calculated decision regarding the internationalisation process.

And successful internationalisation would lead to the successful realisation of three E's:
Entrepreneurship – By assembling resources and knowledge, potential entrepreneurs can transform their ideas to successful business with international operations.
Employment – A successful enterprise would need employees to run it smoothly, hence creating more employment opportunities.
Economy – A successful business with international operations would generate revenues in foreign currency thereby building the country's foreign reserves and thus contributing to the economic stability of the country.

Secondly this research study aims to address unexplored gaps in literature among the disciplines of marketing, international management, strategic management, and entrepreneurship by examining the factors contributing to the internationalisation of SMEs in India. Specifically, this study extends the above literature streams by empirically testing the relationships among export orientation, human capital, knowledge and resource capability, firm internationalisation, and performance of SMEs from the context of an emerging economy.

Traditionally, extant body of literature on internationalisation has examined firm internationalisation from two main perspectives. First, the stage theory of internationalisation (Johanson and Vahlne, 1977) and second, the rapid internationalisation model adopted by "born-global" firms (Rennie, 1993). Even though existing literature points out to the fact that SMEs have gained significant importance in the trade of world economies, research body examining the drivers of SME internationalisation is still limited (Knight, 2000). Furthermore, Knight (2000) posits that there is a need for multiple approaches to explain the process of internationalisation.

Previous studies have reported that export oriented behaviour positively affects a firm's performance in many contexts and has potential to offer contributions to internationalisation theory (Oviatt and McDougall, 2005; Zahra et al., 2005); however, the lack of research examining export orientation in emerging economies is remarkably bleak, with India being the focus of only one study (with emphasis specifically on entrepreneurship and not export-orientation *per se*)over the period of 1990 through 2006 (Bruton et al., 2008), and only few others after that.

In response to the above gaps, findings of this study contribute to the emerging and promising area of research that examines the effect of export orientation on firm internationalisation to achieve academic advancements (Mathews and Zander, 2007). Specifically, this study seeks to examine the antecedent factors affecting the export orientation of small and medium size enterprises (SMEs) in the context of an emerging economy, especially India.

In the next chapter, based on inductive reasoning from the review of the existing literature and the opinion of the experts of the field, I identify firm characteristics as well as management characteristics as two major inherent sources of complexity in internationalisation, and knowledge and resource uncertainty as two influential constituents of export-orientation surrounding the exporting decision. The analysis suggests that each of these four components can have positive implications for the overall internationalisation process, and as such I construct sets of competing hypotheses based on these insights. Chapters 4 then include the details of field research study for conducting an in-depth investigation of the challenges discussed in this chapter, along with the qualitative and quantitative analyses of the influencing factors that affect the export orientation of small and medium size enterprises (SMEs), while Chapter 5 presents an interpretive structural model (ISM) and hierarchal relationship of perceived export barriers by the SMEs.

CHAPTER 3: THEORY DEVELOPMENT

3.1 Focus of the Study

The purpose of the study is to examine the relationships among a small and medium size enterprise's export orientation, firm characteristics, and management characteristics. The theoretical framework in Figure 3.1 is the result of an extensive and exhaustive literature review in the internationalisation areas. To summarize, first, entrepreneurial and international business literature has noted the potential benefit of examining the influence of an export- orientation on internationalisation. Second, firm characteristics have been established as an important antecedent of an export orientation. Third, prior knowledge and skills of a small firm's management is recognised as the source of overcoming perceived exporting barriers which satisfy the firm's needs when expanding into new international markets. Thus, a framework which integrates these insights will now be developed.

The proposed theoretical framework will then be tested using a multiple regression analysis to assess the fit of the model to data from survey responses of small and medium size enterprises (SMEs) located in the 5 textile clusters in India. The model consists of six exogenous variables, R&D intensity, size of the firm, age of the firm, global networks, previous knowledge about exporting and international knowledge transfer, and one endogenous variable, export orientation.

3.2 Theoretical Framework

Based on the review of the relevant literature, which build on insights from the opinions and feedback from the experts on internationalisation and export-orientation, we can thus characterize export-orientation contexts using the following constructs: (1) *firm characteristics*, comprising Research and Development (R&D) intensity, size of the firm and the age of the firm; (2) *management characteristics*, including presence of global networks, previous knowledge about the internationalisation processes and international knowledge transfer; and, (3) *export-orientation*, in terms of a firm's decision to export or get involved in the overseas activities.

Each of the complexities and uncertainties affects export-orientation of the firms; however, by providing value creation mechanisms the associated challenges can be overcome. Figure 3.1 summarizes this theoretical framework. The next sections examine the impact of each of the variables on export orientation in detail, by drawing upon further literature.

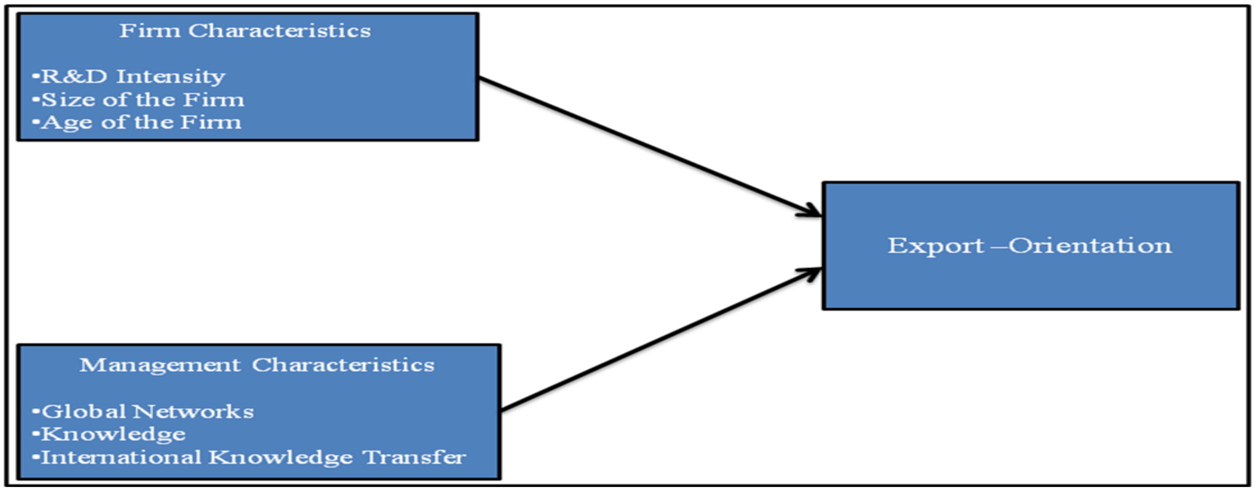

Figure 3.1 Theoretical Framework: Firm and Management Characteristics affect Export-orientation (source: Developed for this study).

3.3 Contribution

The model posits that management characteristics and firm characteristics of a small and a medium size enterprise (SME) will positively influence a firm's degree of internationalisation, by influencing the export-orientation of the focal firm, which in turn, will positively affect the decisions related with the overseas involvement.

The proposed theoretical framework is anticipated to provide several contributions to literature and addresses the call for the development of an integrated, multidisciplinary approach to understanding small firm internationalisation (McDougall and Oviatt, 2000; Venkataramanaiah and Parashar, 2007) from an emerging economies' context. This study empirically tests newly hypothesized, cross-disciplinary relationships to provide insight into factors influencing export-orientation of internationalising SMEs in an emerging economy. Specifically, key advancements contributed by this study include:

- Validation of a multidisciplinary framework of export-orientation that integrates and extends the fields of: marketing/international marketing, entrepreneurship, management, strategy, and international business,
- Confirmation of the positive effect of an export orientation on SME internationalisation,
- Recognition of management characteristics and firm characteristics as key drivers of export orientation and thus internationalisation,
- Examination of the effect of intangible assets on the export-orientation/internationalisation in SMEs,
- Insight into factors contributing to SMEs export-orientation and subsequently internationalisation from the context of an emerging economy, India, and
- Development of Interpretive Structural Model on the export barriers, from the home market perspective.

3.4 Hypotheses Development

Building on the theoretical perspectives mentioned in the review of literature, I propose an integrated theoretical framework that explains the first stage of internationalisation of small firms: exporting (Jones, 2001) from the context of an emerging economy, such as India. This study focuses on SMEs in the Textile Industry in the five most prominent clusters in India. It is expected that the export-orientation and subsequently internationalisation process of these firms is driven by their management's ability to perceive the export barriers positively so as to be involved in exporting, along with firm's innovation strategy, supported by investment in R&D and their global networks. However, the export orientation (i.e. export/no export decision) of these firms also depends on the knowledge of owners/managers, such as general experiences gained abroad as well as specific internationalisation experience and knowledge transferred from abroad. Additionally, firm's size and age are also expected to impact on the overall internationalisation decision of a firm.

Although the empirical focus is on a single setting in a single country, the successful outcome of this study could lead the way for similar research in other sectors in India, and can be extended to other emerging economies. Therefore a number of testable hypotheses are developed based on this premise. This part of the thesis is an appropriate place to highlight that, during this hypotheses development and other sections, export orientation may be interpreted as an indicator of strategic intent (Hamel and Prahalad, 1989; Filatotchev et al., 2001, 2009), since initial exports may be small sample consignments, and the initial exporting attempts of firms may fail (Filatotchev et al., 2009). Subsequent to the initial decision to export, subsequent internationalisation strategies may reflect the outcome, or degree of success, of an initial decision to export, as strategic intent is exposed to global market forces.

Hypothesis Related to R&D Intensity

There has been a long tradition in the resource-based literature of recognising the importance of resource asymmetries in explaining firm-level heterogeneity in economic performance (Barney, 1991), including in export markets (Kaleka, 2002). A firm may achieve superior performance by building or otherwise acquiring certain endowments of resources (Foss, 1997). Based on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences, stable and long lasting (Barney, 1991), are potential causes of performance differences (Ibeh, 2004). This broad view of resources, thus, accommodates such related terms as capabilities and competencies, which are largely seen as more dynamic, knowledge/process-based aspects of resources (Foss, 1997).

From the resource-based view (RBV) (Barney, 1991; Peteraf, 1993; Wernerfelt, 1984), R&D activity may develop new capabilities that the firm can leverage across different national markets (Autio et al., 2000). Product and process innovations may help firms not only to improve their competitiveness at home, but also to take advantage of opportunities presented by overseas markets (Eriksson et al., 1997). Aulakh et al., (2000) provide a theoretical framework whereby exporting is explained by distinct strategy factors linked to product development and diversification. Building on this framework, I suggest that export orientation may be dependent on wider strategic options (Mone et al., 1998) that include past R&D activities. Investment in R&D may help small firms to develop their capabilities to sell mainly innovative, self-developed, technology-based products (Acs et al., 1997; Almor and Hashai, 2004; Bell, 1995; Bloodgood et al., 1996; Coviello and Munro, 1997; Knight and Cavusgil, 2004; Oviatt and McDougall, 1994; Rennie, 1993; Rugman and Wright, 1999).

Therefore, based on these considerations, I hypothesize:

Hypothesis 1. *R&D intensity is positively associated with Export orientation of SMEs.*

Hypothesis Related to Global Networks and Exporting

Networks are defined usually as "sets of connected exchange relationships" (Cook and Emerson, 1978). The connectedness of firms to other firms forms the core of the business network approach. Through the firm's commitment through technological, market as well as e.g. financial ties with other so-called market actors (e.g. firms and departments of firms at the market or supply-side, financial institutions, and legal actors) firms gradually extend their network connectedness. These business networks are extended also across national borders and become internationalised (Tornroos, 2002).

A number of studies grounded in agency research and institutional theory develop this analysis further by suggesting that firms' networks may also have an important impact on internationalisation decisions by reducing information asymmetries and providing the focal firm with important knowledge and resources (Filatotchev et al., 2009. Such network-related factors may not only provide the resources for firms in the early stages of internationalisation, but also prescribe how that process is effected (Coviello and Munro, 1997; Johannson and Mattson, 1987).

Furthermore, this knowledge and these resources are particularly useful for firms entering from emerging markets, such as India, where there are few market institutions facilitating internationalisation, as opposed to more mature, developed economies (Filatotchev et al., 2009). Chen and Chen (1998) defined strategic linkages as business alliances that access complementary, firm-specific capabilities and thus enhance competitiveness. The Actors-Activities-Resources (ARA) model is used in order to explain how these factors play together through business networks and form a situation where it is profitable - and secure - for firms to co-operate and together use the diverse skills and knowledge, positions etc. for the overall gains (Tornroos, 2002). Also indirect links of some network partners can be utilised by members of the business networks (indirect connectedness). In the entirely different context, McAdam and McAdam (2006) found that entrepreneurial networks were central to the implementation of growth and exporting strategies in SMEs.

Thus, these observations lead to the prediction:

Hypothesis 2. *Presence of global networks is positively associated with the Export orientation of SMEs*.

Hypothesis Related to Owner/Manager's knowledge and exporting

Extant theory provides evidence of the fact that firms whose top managers are internationally experienced, having spent part of their lives studying or working in a foreign country, are generally less affected by international business-related uncertainties (Simmonds and Smith, 1968; Wiedersheim-Paul et al., 1978). In the same vein, entrepreneurship research suggests that foreign-born decision makers (i.e. immigrants or children of immigrants) are likely to be more entrepreneurial than the indigenous population (Morris and Lewis, 1995). Previous work experience is considered to be an important characteristic associated with top managers of better performing firms in the exporting and entrepreneurship literature (Ibeh, 2004). There is, indeed, growing evidence that having top managers with internationally-spread contact networks (including links with foreign-based ethnic networks) could be an important export success factor (Carson et al., 1995).

Learning theorists have developed a substantial body of research that examines the role of accumulated knowledge and experience in the context of internationalisation, including the processes of acquiring knowledge of foreign market conditions (Erramilli, 1991), trial-and-error in the implementation of entry modes (Mitchell et al., 1994; Vermeulen and Barkema, 2001), and coordination of knowledge transfer in cross-border activities (Szulanski, 1996; Zahra et al., 2000). In many new and small firms, owners are a key resource (Filatotchev et al., 2009). They can accumulate human capital and social capital, leading to industry and management know-how, in both domestic and international markets (Brush et al., 2002). According to Miller (1983), experiences may shape the perception of the managers toward the international opportunities. And these perceptions enable owners/managers to process business opportunities, to cope with fast changing external environments and to make appropriate strategic responses (Huff, 1990). For example, previous experiences (Reuber and Fischer, 1997), resources (Bloodgood et al., 1996), capabilities, knowledge and learning mobilized by an owner/manager may lead to the creation, discovery and exploitation of opportunities in overseas markets (Jones and Coviello, 2005; Madhok, 1997). Some owners/managers exposed to foreign markets may, as a result, develop an international orientation that makes them positively pre-disposed to internationalisation (Filatotchev et al., 2009).

Previous experience adds to individuals' specific human capital by providing valuable 'episodic knowledge' (Filatotchev et al., 2009). Episodic knowledge such as managerial experience, enhanced reputation, access to finance institutions and broader social and business networks (Wright et al., 1997; Shane and Khurana 2003) can be leveraged to identify and exploit overseas opportunities. In the Indian context, SMEs that have been established or managed by owners/managers who have had international exposure arguably have higher knowledge potential and absorptive capacity relevant to internationalisation compared to firms established and managed by local entrepreneurs. Prior episodic knowledge can enable the management to transfer the relationships and processes of technological entrepreneurship to a new institutional context and build partnerships with distant customers (Saxenian, 2006). From the knowledge based view (KBV) of the firm, the past business experiences of decision-makers represents an important organisational resource that may underpin the firm's internationalisation strategy (Inkpen and Tsang 2005; Reid, 1981), thus positively affecting indigenous firms' export orientation. Former employees of MNCs who become leaders of the SME may also maintain collaborative links with MNCs that facilitate internationalisation (Tan, 2006).

Thus, these observations indicate that we could also observe:

Hypothesis 3*. Presence of an owner/manager with an Internationalisation experience is positively associated with the Export orientation of SMEs*.

Hypothesis Related to International knowledge transfer and exporting

Drawing on the argumentation provided for previous hypothesis, we can also assume that the movement of specialist engineers and technologists between firms within the same sector typically involves the transfer of the skills, experience and knowledge acquired in one job to subsequent assignments (Filatotchev et al., 2009; Inkpen and Wang, 2006; Saxenian, 1994; Tan, 2006). As discussed in the previous section, owners/managers with previous international experience and exposure bring expertise relating to international markets and the internationalisation process. They may also transfer knowledge about products, technology and access to finance from advanced economies in which they were previously embedded (Hagedoorn, 2006). For example, the owners/managers may have received venture capital finance for a business in the developed economy, where they previously worked, and thus may have developed transferable expertise in accessing such funding in their home country (Saxenian, 2006). Such knowledge may be particularly relevant in an emerging economy like India.

Therefore, we could also expect to see:

Hypothesis 4*. Knowledge transfer from abroad is positively associated with the Export orientation of SMEs*.

Hypothesis Related to Firm Size

Firm size is perhaps one of the most studied variables that relates to internationalisation of a firm (Karadeniz and Gocer, 2007). The Stage theory of internationalisation assumes that small firms internationalise stepwise (Bilkey and Tesar, 1977; Reid, 1983). The majority of small firms faces severe resource (financial, technological, and personnel) constraints. By growing larger, firms will be able to commit greater resources to international activities and gradually increase their international sales. Extant theory reports significant results with smaller firms perceiving more export barriers than larger firms (for example, Leonidou, 1995a). Larger firms, given their superior resources and economies of scale, can deal with export barriers more effectively than smaller firms (Katsikeas and Morgan, 1994). Ghauri and Kumar (1989) in their study empirically verified that smaller firms consider barriers to export as more significant than larger firms. In the same vein, Katsikeas and Morgan (1994) found that smaller firms perceived more export barriers than larger firms. Furthermore, Gomes-Casseres (1997) found that firm size had an effect upon the importance of relational linkages, and extant theory suggests that such linkages are rather more important in the FDI location decision for small firms.

Based on these arguments, I propose the following hypothesis:

Hypothesis 5. *The size of the firm is positively related to the Export orientation of the SMEs.*

Hypothesis Related to Firm Age

Firm age is yet another variable that has been studied a lot in terms of internationalisation (Karadeniz and Gocer, 2007). The Uppsala model suggests that firms will gradually increase their foreign market commitments as they gain knowledge and experience in the foreign markets (Johanson and Vahlne, 1977, 1990). It takes time for firms to know about the foreign market culture, languages, and distribution system. The gradual acquisition of knowledge reduces the perceived risk of operating in foreign markets and can motivate international expansion of the firms. Hence, the age of a firm may be an important factor in explaining the internationalisation of small firms.

Thus, we could also observe:

Hypothesis 6. *The age of the firm is positively related to the Export orientation of the SMEs.*

3.5 Insights from the Exploratory Research

Inductive analysis of the literature portrayed in this chapter has uncovered mechanisms that suggest the impact of firm characteristics as well as management characteristics on the export-orientation of internationalising small and medium size enterprises (SMEs). Firm related characteristics; R&D intensity, size of the firm, and age of the firm and management characteristics; global networking, previous internationalisation knowledge and international knowledge transfer all bring internationalisation opportunities only if the associated challenges can be overcome. The next chapters will present empirical tests to determine the net effects and highlight the analysis carried after the data was collected as a result of a field study following the theory development.

CHAPTER 4: DESIGN OF RESEARCH

In order to examine the complexity and uncertainty challenges surrounding internationalisation and export-orientation in sufficient depth, I conducted a twenty four month, multi-method field research study, to perform a thorough analysis of the factors influencing the overall export-orientation of the SMEs. This chapter describes the overall research design, empirical contexts, sample, and data collection procedures and the results of the analyses; including a discussion of the measures and analytical techniques used, and a discussion of the findings.

The study was designed to comprise two phases: exploratory, qualitative analysis by exhaustively reviewing the relevant theory and intensive discussions with the field experts to inductively generate a theory followed by quantitative empirical analyses to deductively test the resulting hypotheses. Comprehensive qualitative and quantitative data were collected from the SMEs of five clusters in India in the textile industry, resulting in a sample of 243 responses for analysis. Subsequently an Interpretative Structural Model was developed from a sub set of responses to provide better understanding of export barriers from the home market perspective.

4.1 Research Design

Extant theory suggests that two types of challenges are present in internationalisation strategies: management complexity, due to managerial incompatibilities, and firm level characteristics, stemming from technical and market unpredictability. However, while it is apparent that each of these factors provide value creation opportunities but comes with inherent challenges, it is unclear what the underlying mechanisms are, how they impact a firm's internationalisation process, and how they can be managed, because these aspects remain largely unexplored from the perspective of emerging economies.

Illuminating these aspects requires an in-depth examination of the nature of the challenges at hand in the export-oriented SMEs, and the processes involved. Consequently, I conducted a two-phased, multi-method field research project, to perform a thorough analysis of the factors influencing the overall export orientation of the SMEs (Figure 4.1).

In the first stage, I conducted exploratory field research by formulating the constructs based on the literature review and the feedback and opinions from the panel of experts and subsequently a pilot survey, conducted on 50 SMEs based at the SME cluster of Ludhiana, in the northern state of Punjab in India. The resulting observations inductively yield new insights on the precise nature of the complexity and influencing factors, the internationalisation mechanisms associated with them, and the impact of the challenges. These insights allowed me to synthesise the constructs and hypotheses for the effects of each factor on the export orientation of internationally driven SMEs.

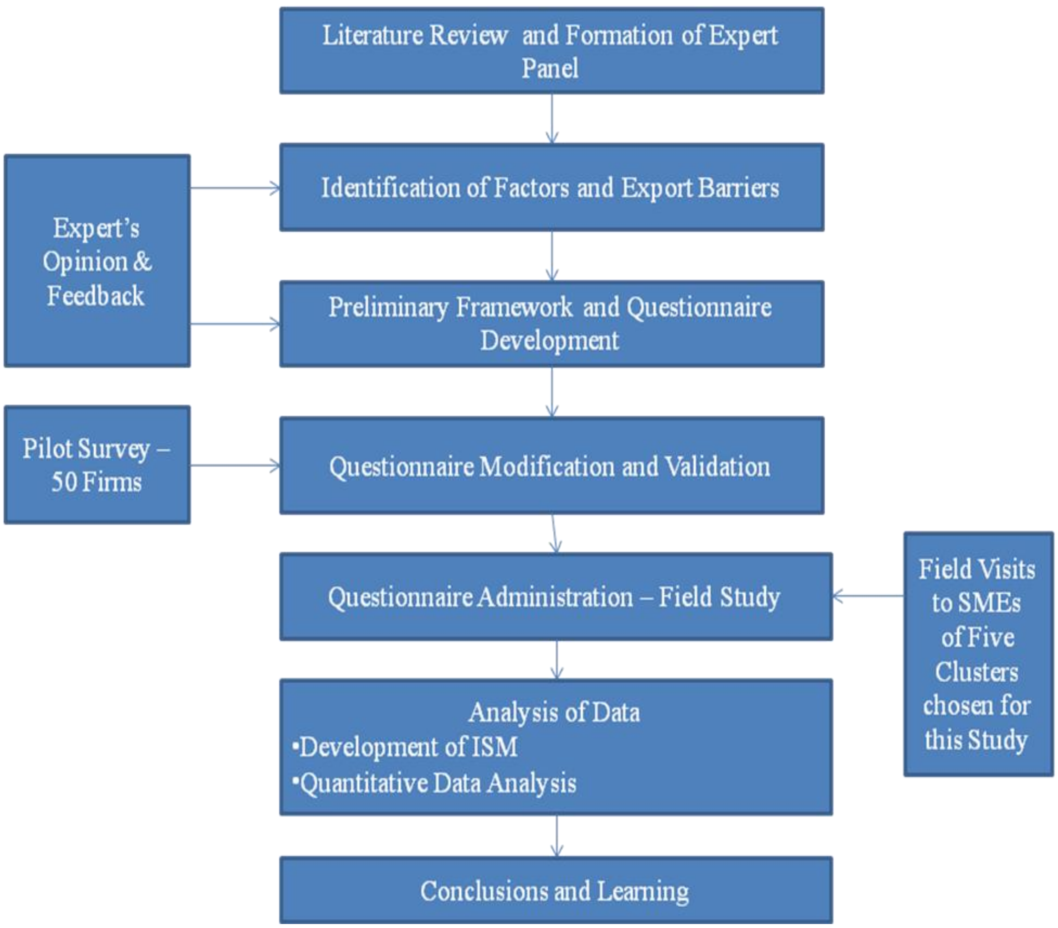

Figure 4.1 Research Design (source: Developed for this study)

Preliminary interview sessions with the experts were designed in a semi-structured format as is apt for inductive exploratory research (Merriam, 2002; Yin, 1984). Since the targeted experts were based in India, I personally visited them and conducted the interviews. I took the help of interview guide (Flick, 2002) to design the questions, which is important for qualitative interviewing as it lists a set of open ended questions on specific topics (Bryman and Bell, 2011). The interview questions were designed for simplicity and the experts had no difficulty in answering them as they were pretty straightforward. For example:

- Why do SMEs internationalise?
- What are the common modes of entry in the overseas markets for the SMEs?
- Which markets SMEs see as the potential market to expand?
- What are the perceived barriers to internationalisation and exporting in particular?
- How do SMEs get access to information about overseas opportunities?
- In your opinion, what are the influencing factors for the export-oriented, internationalising small firms?

The experts were selected on the basis of their expertise about SMEs and the international development in India. Table 4.1 summarises the expert's profile. The Experts were from four categories: Academics (4), Government Agency (2), Research Institutes (2), Business Houses (3), and included Dean, Associate Professors, Assistant Professor, owners/managers, and other senior level employees. All are active in one or more of the following areas: SME development, Entrepreneurship development, Strategic Management, International Business, Global Business Environment, Small Industries, Decision making and research and development. The experts all had in excess of 5 years, and in some cases up to 45 years of relevant work experience, which reflects the quality of the participating experts.

Category	Positions	Functions	Affiliations	Work Experience (in years)
Academics (4 Experts)	Dean Associate Professor (2) Assistant Professor	International Business and Strategic Management SME Studies	Reputed Universities and Institutes in India	10 – 30 years
Government Agency (2 Experts)	Director Deputy Director	SME and Entrepreneurship Development	M/o MSME, GOI	5 – 20 years
Research Institutes (2 Experts)	Director Executive	SME Development for Competency	CII	10 – 35 years
Business Houses (3 Experts)	Founder/CEO (2) Chairman	Strategy Making Day to day operations Market Scanning	Owners/ Top manager's of SMEs	10 – 45 years

Table 4.1 Experts' Profile[4]

The pilot survey carried in conjunction with the interview with the panel of experts contained questions related to the firm's involvement in the internationalisation process. The questionnaire started by asking about the background of the firm and the first time it went (if) international. Followed by, the motives or the reasons for the firm to internationalise. Subsequently, whether the management is aware about the overseas opportunities and the internationalisation process of the firm. The questionnaire also contained questions related to the firm factors, external factors and management characteristics that influence the internationalisation process. The questionnaire ended with asking about the respondent's profile including education, international exposure and experience and foreign language proficiency along with the goal and vision of the firm.

[4] M/o MSME – Ministry of Micro Small and Medium Size Enterprises

GOI – Government of India

CII – Confederation of Indian Industry, Avantha centre for Competitiveness for SMEs

Thereafter, in the second stage, I engaged in field research that was more systematic. The responses from the pilot survey helped in formalising and validating the final questionnaire, which was then administered in the field. I developed measures for each of the constructs, and collected data on them from 243 firms. Using this data, I tested the hypotheses with quantitative analyses and demonstrated the effects of each of the influencing factor on export-orientation.

Qualitative and Quantitative Method

This research design enabled me to capitalize on the complementary strengths of qualitative research and quantitative empirical analysis. This part of the thesis is an appropriate place to highlight why I chose to base the thesis on both quantitative and qualitative data and methods. The basic rationale for using both quantitative and qualitative methods in the thesis is in line with Flyvbjerg's (2007) point about the relationship between research problem, data and methodology: "Good social science is problem-driven and not methodology-driven in the sense that it employs those methods that for a given problematic best help answer the research question at hand. More often than not, a combination of qualitative and quantitative methods will do the best task" (Flyvbjerg, 2007, p.26-27).

According to Flyvbjerg (2007), quantitative methods are essential e.g. where the aim is to understand the degree to which certain phenomena are present in a given group or how they vary across cases. This rationale for using quantitative methods is identical to this project's use of data from a survey among firms located in the SME clusters in India. The survey data may be used to analyze the factors influencing the export-orientation of small and medium size enterprises (SMEs) as well as a range of other characteristics related with the firm and the management in Indian SMEs. The survey data may therefore present the broader landscape into which the grounded theory is situated. But for the understanding of dynamic, firm internal processes, quantitative methods and survey data are of little use whereas qualitative methods and data contain nuances and a richness that can help us to see points and causal relations that we are often unable to pick up in quantitative analytical models (Jensen, 2009). Sturgeon (2000) makes a similar point and a strong argument for the use of thorough qualitative analysis as a means to understand linkages and processes in global production networks, i.e. a broad category of studies which also includes this research project. Sturgeon's (2000) point below shows that the best approach is not to replace quantitative methods and data, but to make the two types of methodologies complement each other since they have their respective strengths and weaknesses: "What is clear is that that macro-level statistics, while they can help us to gain a rough idea about the volume and location of economic activity, provide no insight into the nature of value chain and production network linkages. We must instead rely on the painstaking collection of qualitative field data, which, when used in combination with quantitative data on trade and investment, can begin to reveal an emerging set of global-scale economic patterns" (Sturgeon, 2000).

Furthermore, qualitative research is highly effective in uncovering the salient variables involved in a complex phenomenon (Glaser and Strauss, 1967), especially where the context is thought to strongly influence the factors involved (Yin, 1984). It is useful in unravelling causal mechanisms of variables thought to explain a certain phenomenon. It enabled me to closely examine the phenomenon, understand the intricacies of the complexity and challenges and their impact on export-orientation, and to capture details of the internationalisation process. Moreover, quantitative statistical methods allowed me to provide compelling evidence for the factors. The result is a grounded, more complete, and predictive theory of export-orientation.

4.2 Empirical Contexts

The textile industry was chosen which epitomize the nature of manufacturing environment and constitute a large fraction of export oriented businesses, first, because it is particularly relevant to India's economic development, and has been recognised as one of the pillars of the Indian economy. It provides direct employment to 35 million people (Texcon'12, 2012). Indian Textile and Apparel industry is the second largest manufacturer in the world, and has an estimated export value of around US$ 34 billion and domestic consumption of around US$ 57 billion. The sector contributes to around 6% to the country's GDP (Texcon'12, 2012). The domestic apparel market is expected to grow at a CAGR of 15% in the next five years (Texcon'12, 2012). India is the 2nd largest producer and exporter of cotton and yarn (Textile Times, 2010) and contributes to around 12% of world’s textile fibres and yarn production, including jute (NMCC, 2010). Second, small and medium size enterprises (SMEs) were chosen because they play a vital role for the growth of the Indian economy. This sector employs an estimated 60 million people spread over 26 million enterprises (MSME, 2012). It is estimated that in terms of value, SME sector accounts for about 45% of the manufacturing output and around 40% of the total export of the country and contributes to around 8% of the national GDP (MSME, 2012). SMEs are the major link in the supply chain to large firms and MNEs. Third, the textile industry was selected because it is a dynamic and internationally aligned industry and because it has enormous growth potential and significance in the economy. Moreover, this industry allows for managerial discretion which emanate from the less restrained environmental conditions, other than e.g. the energy or retail industry in India (Friedmann et al., 2013).

There are several reasons why this sector provides highly suitable setting for the study. According to Toyne et al. (1984) and Dickerson (1995), traditionally firms in the textile complex follow the sequential development stages, from ‘the embryonic stage’, ‘early export of apparel’, ‘more advanced production of fabric and apparel’, ‘the golden age’, ‘full maturity’, to ‘significant decline’ allowing the industry to be studied at different stages to understand the overall dynamics. However, evidence from the sector suggests that there are firms that have bypassed the so called “stages” and are involved in overseas activities right from the day one and have established themselves as dedicated ‘export houses’, reinforcing the “born global” model (Oviatt and McDougall, 1994; Rennie, 1993).

At the same time, the fast pace and uncertain nature of the market, with high fluctuations in the demand in the last few years, in Europe, for example, due to the sovereign debt crisis, resulting in relatively short product cycles, has made SMEs in this sector to deploy innovative internationalisation strategies to survive. Additionally, textile industry is a moderately technology intensive sector, where technology plays an important role in different areas of apparel manufacturing, viz: Pattern making, grading, marker making, spreading, cutting, fusing, sewing and post sewing (pressing and finishing) operations. It needs modern machines for specific jobs, which are easy to operate, and give better flexibility and enhance productivity while assuring consistent product quality.

These arguments highlight the complex nature of the markets and the sector. There is no 'one size fits all' strategy as evident from the argumentation above. The industry doesn't conform to one specific internationalisation strategy and exhibits an amalgamation of different strategies mentioned in the relevant literature. Moreover, the sector also emphasises highly on the important role played by the management, due to the volatile and dynamic international environment, affecting the internationalisation decision. Evidence from the sector also supports the line of argumentation put forth by the scholars of resource based view, knowledge based view and dynamic capabilities. Firms engage in innovative practices, to overcome their resource constraints and acquire knowledge about the market and other market forces affecting their businesses. In light of these points, textile industry provides an ideal setting to study the various factors that influence a firm's decision to internationalise.

From a methodological point of view, these contexts are ideal because while they are on the whole marked by high velocity, high complexity, and high unpredictability, within this industry, there has been much variance in complexity and uncertainty across the different firms. For example, a well established and a larger firm is relatively in a comfortable position to absorb the after effects of the fluctuating demand than a newer firm, highlighting the age and the size related variables associated with the internationalisation process. Also, for instance, if the top management of the focal firm has previous exporting experience or has previous international exposure and knows about the market, then they may perceive the exporting barriers positively and decide to engage in international activities to expand the firm's operations. Moreover, this sector covers both firm related and management related characteristics and therefore enhances our understanding of the complexities involved, since these are the two basic categories of factors that affect the export-orientation of a firm.

A final strength in examining the theory in these settings is that the ever changing market conditions facilitates the observation of the strategies employed by small firms to internationalise, the motivating factors, and perhaps most importantly, it allows a relatively fair assessment of the factors that influence the export-orientation of SMEs. Globalised competition, niche product portfolio, financial performance and benefits of internationalisation were conscious targets of players in this industry.

4.3 Features and Description of the Industrial Clusters

With the launching of the cluster development programme in India by the UNIDO in 1997, promoting clusters as a strategy to enhance the competitiveness and to participate in the global value chain became one of the widely acknowledged strategies in India. The surge of various cluster schemes can be observed since 2000 onwards. Numerous Government and quasi-government documents have acknowledged cluster development as the most important initiative to improve the performance of the MSMEs in the country (Das, 2008). Cluster formation has been considered important for MSME development in India. A cluster may be defined as a local agglomeration of enterprises (mainly SMEs, but often also including some large enterprises), which are producing and selling a range of related and complementary products and services.
Generally, SME clusters can be categorized in terms of:
Whether it is located in the rural, semi-urban or urban areas (villages/ towns/ cities/ metros)

- Whether it is an induced cluster (due to the initiative of the government) or a natural cluster (which has come up due to the private entrepreneurs).
- Whether it is a traditional (art and craft), traditional consumer goods or modern SSI.
- Whether it is a resource-based, market based or infrastructure based.
- Industry group: machinery and parts except electrical, cotton textiles, chemical and chemical products, metal products, hosiery and garments, food products, non-metallic mineral products, electrical machinery and parts, wool, silk and synthetic fibre textiles, transport equipment and parts, etc.
- Phase of development--'Initial phase', 'Growth phase', 'Maturity phase' and 'Extinction phase'.

The close proximity of raw material suppliers, equipment suppliers, component producers, sub-contractors and final goods producers, together with a combination of both intense rivalry among firms and cooperation in producers' associations drive the whole cluster forward (Ghatak, 2009).

Due to the paucity of time and distance constraint, only induced and prominent natural clusters were indentified for this study and the firms were chosen from these clusters in the Indian states of Punjab (Ludhiana), Karnataka (Bengaluru), Tamil Nadu (Tirupur), Gujarat (Ahmadabad and Surat) and Delhi-National Capital Region (NCR). According to UNIDO (2005), there are around 400 industrial clusters and more than 3,000 rural and artisan clusters in India. The clusters are based on important industry groups: machinery and parts manufacture (15 per cent); textile (11 per cent) and chemical industry (10 per cent). In terms of regional spread of clusters, the highest concentration is in Western India (42 per cent), followed by Northern India (38 per cent), Southern India (11 per cent) and Eastern India (9 per cent). The concentration of clusters in western and northern India can be attributed to the fact that these areas are rich in entrepreneurial talent and are industrially well developed. Moreover, they are agriculturally developed; and they provide a rich market base for the consumption of goods produced in the small SSI sector (Venkataramanaiah and Parashar, 2007). The only cluster of the textile industry which could not be covered in this study because of paucity of data is West Bengal in the Eastern part of the country. However, this is the weakest developed cluster (Ministry of Commerce and Industry, 2009).

Manufacturing practices for exports are highly influenced by product type, raw material, volume and value. In India, textile manufacturing methods change from cluster to cluster. This is mainly due to the fact that each cluster has developed specialisation in certain products (Bheda, 2003). The broad features of Indian textile export industry during the 1970s and 1980s were as follows: Northern region (Delhi) was known for fashion apparel with a lot of hand work, small order quantity, complex styles, and light weight fabrics with innovative prints. Ludhiana specialised in woollen knitwear. Western region (Gujarat), with the advantage of mill made fabrics did a fair mix of fashion apparel and basic shirts. Southern region (Bengaluru) was mainly known for basic products in yarn dyed power loom fabrics with high volume orders. Tirupur specialised in high volume, low cost basic cotton knit products (Bheda, 2003). The textile manufacturing industry has undergone a huge change post liberalisation of the Indian economy in the 1990s. Apart from the already existing players adding substantial dedicated production capacity for the leading apparel buyers, textile manufacturing industry saw a surge of new breed of businesses opening up catering to exporting exclusively, managed by proactive entrepreneurs. In addition, technological advances also changed the Indian textile industry. For example, Delhi added formal men's wear and knitwear to its product portfolio. Bengaluru moved up the value chain by developing capacity in winter jackets, skiwear etc. And, Tirupur became the hub for branded apparel for the international market.

4.4 Description of the Sample

The biggest impediment for collecting the data was a serious lack of adequate and structured information about Indian SMEs, which made the estimation of the number of textile manufacturing units in India a herculean task. This is mainly due to the fact that the manufacturers in exports and domestic textile industry are not registered with any national association or body (Bheda, 2003). Due to the unavailability of any formal directory or a consistent database about Indian SMEs, I relied on individually collected addresses.

Firms were randomly selected firms in the above named regional clusters. A total of 314 firms were approached, of which 260 agreed to participate. After careful examination of the responses only 243 were found to be appropriate for this study, accounting for an effective rate of *77.38* percent. Although the response rate, *per se,* is not a great measurement of survey quality (Groves, 1989), the most widely used measure of the quality of such surveys is response rate (Biemer and Lyberg 2003). And, for a survey to be construed as "good," it must attain a high response rate of 70 percent or over (Babbie, 2007; Groves, 2006). The respondents for this study were the founders or owners with the designation of Chairman, CEO or President. They were all personally visited to administer the questionnaire. The questionnaire for the data collection was accompanied with a cover letter explaining the purpose of the study, along with authors' credentials authorized by the Dean and Head of a nationally reputed university's business school

(Thapar University, India) that endorsed the study. Respondents were given ample amount of time to fill the survey while I was available to clarify doubts and queries.

This purposeful selection strategy has some key strengths: First, the resulting sample is highly representative of the population of all export oriented firms. Second, since this sample comprises a fairly large number of export oriented firms, it provides sufficient observations to permit quantitative analysis, while at the same time being manageable to collect detailed data in order to illuminate the opportunities and challenges at a deeper level than previous studies have been able to do. Third, direct interaction with the top individuals responsible for day to day decision making ensures that this study captures all the details and nuances surrounding export-orientation and internationalisation. This ensures that a complete picture of the challenges at hand could be established.

Figure 4.2 summarizes some characteristics of the export-oriented firms captured in the sample. It can be seen that the proportion of the small firms studied is roughly similar to the micro firms. An important point to note here is that in India, SMEs are characterised as micro, small and medium enterprises, however, for wider understanding the term SME has been used throughout. Both the small and micro firms are well represented, with an exception of medium sized firms. The reason being, first, most of the SMEs are unregistered, hence it is very difficult to distinguish between firms, second, since they are not defined on the basis of their annual turnover, most of the firms, even though generate handsome revenues are reluctant to share all the information, thus making it a difficult task for the information seekers. Most of the firms are within the regional clusters, but located a fair distance away from the cities, which is interesting given that these firms emphasized that they prefer geographical proximity with the transport hubs located (usually) in the cities (for example, railway stations, bus stations and airports).

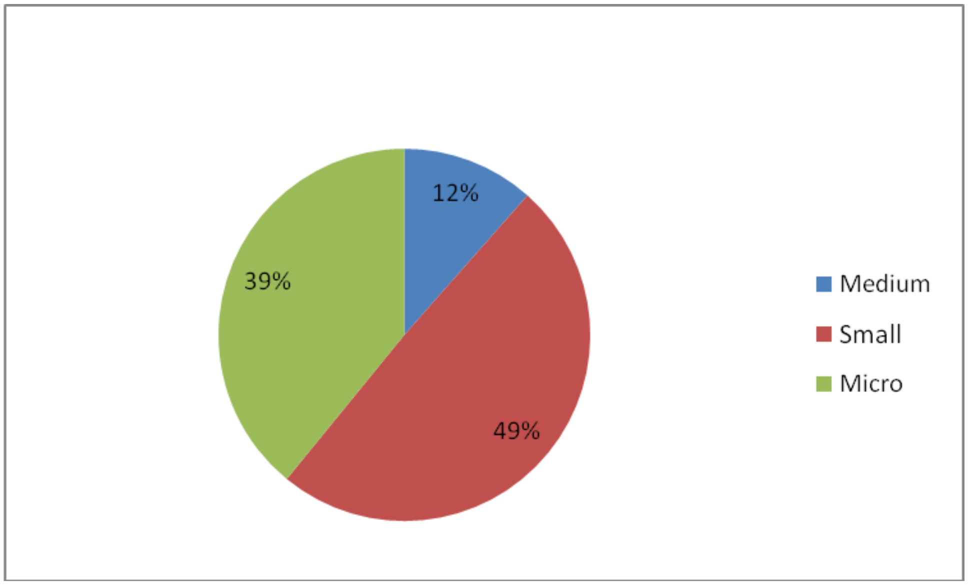

Figure 4.2 Characteristic of the Sample (source: Developed for this study)

4.5 Data Collection

For this study, primary data was collected through questionnaires and personal visits to the experts and the SME owners and managers. Secondary data was collected from external sources such as journals, newspapers, reviews, research articles, etc.

A survey research method was used to collect the primary data from the SMEs in the chosen clusters. The survey was conducted during October 2011 – September 2013. A survey methodology was considered appropriate as relevant published data did not capture the specific variables of interest in the context of an emerging economy, in this case, India. Final data for this study was obtained from 243 firms that reported international involvement. The underlying interest of this study was to observe the decisions made by the managers/owners of these firms at the time of formulating their internationalisation strategy. Hence, the respondents for this study were upper level managers, founders or the owners, with the designation of Chairman, CEO or President who were usually involved in formulating international market entry strategies. The purpose of these interviews was to seek information on various aspects of inetrnationalisation and the factors that influence the export orientation. Detailed data collection is shown in Figure 4.3.

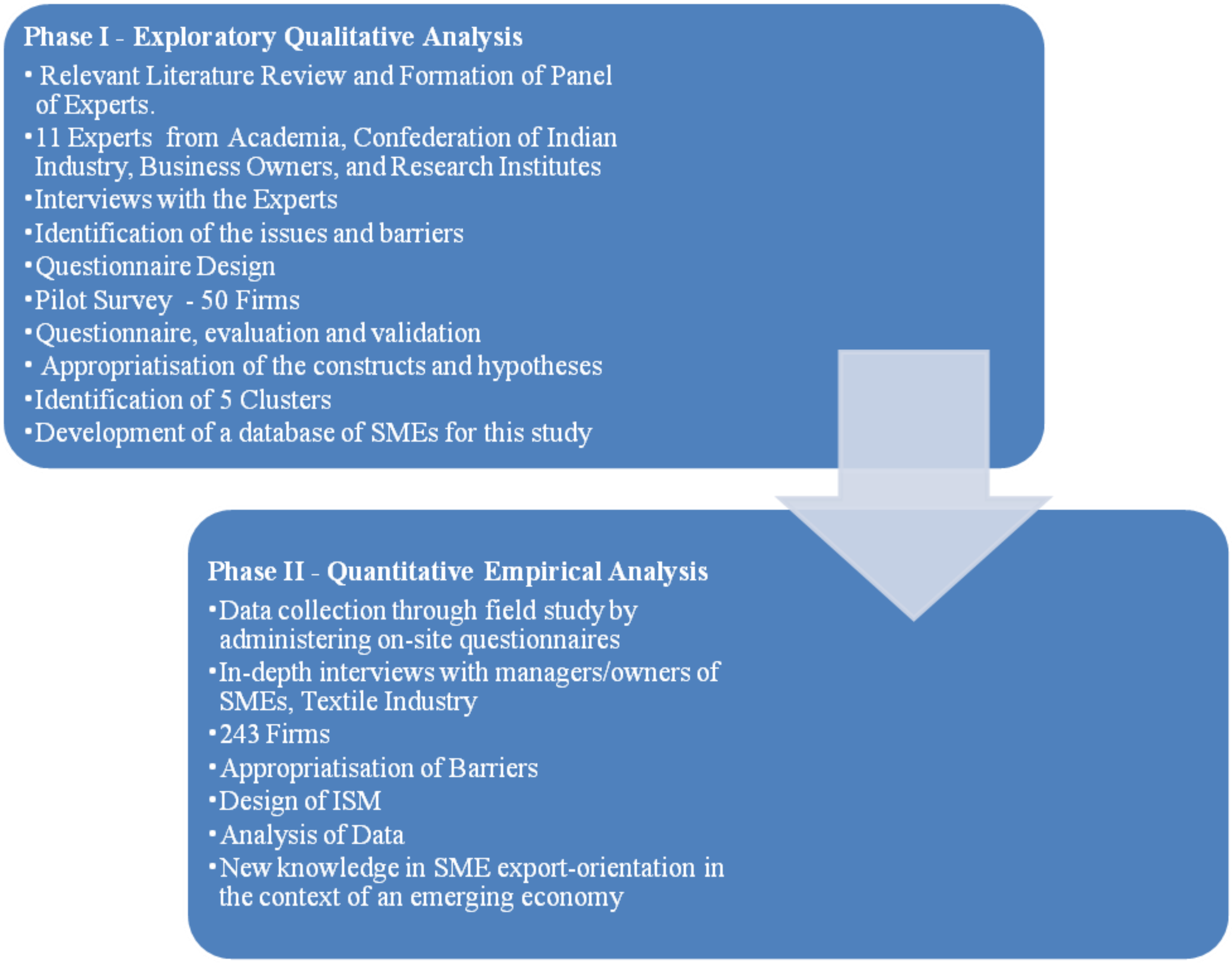

Figure 4.3 Two Phase Data Collection (Source: Developed for this study)

Both qualitative and quantitative data were collected to cover the objectives, challenges, internationalisation processes, environmental contexts, and market entry strategies of each firm in the sample. Given the nature of the study and in order to capture the intricate details of the internationalisation process, I utilized multiple sources in order to ensure accurate, reliable, and complete information: reports from various organisations associated with SMEs in India, viz: Small Industries Development Organisation (SIDO), Small Scale Industries Board (SSIB), National Small Industries Corporation Ltd. (NSIC), Confederation of Indian Industry (CII), Federation of Indian Chamber of Commerce and Industry (FICCI), PHD Chamber of Commerce and Industry (PHDCCI), Associated Chamber of Commerce and Industry of India (ASSOCHAM), Federation of Indian Exporters Organisation (FIEO), World Association for

Small and Medium Enterprises (WASME), Federation of Associations of Small Industries of India (FASII), Consortium of Women Entrepreneurs of India (CWEI), Laghu Udyog Bharti (LUB), Indian Council of Small Industries (ICSI), Indian Institute of Entrepreneurship (IIE), National Institute of Small-Industry Extension Training (NISIET), National Institute for Entrepreneurship and Small Business Development (NIESBUD), Small Entrepreneurs Promotion and Training Institute (SEPTI), Small Industries Development Bank of India (SIDBI) etc., as well as interviews with key individuals involved in the formulation of strategies. Due to the nature of the data, I spent much time on site at the firms, both to collect data by perusing internal company documents (excluding the financial statements) and conduct interviews, as well as to gain trust from the firm's owners/managers in order to elicit open and honest responses.

I began by creating a database of all the textile clusters in India using primarily public sources (for example, UNIDO, 1999; MSME foundation; and Cluster observatory, Department of Science and Technology, GOI etc.). These sources provided a macro-level understanding of the motivations and objectives, basic challenges, target characteristics, market contexts, and general sense of performance of small and medium size enterprises (SMEs). This data provided me with sufficient background to focus my efforts, when pursuing firms and interviewing individuals, and to spot and question any obvious discrepancies.

In embarking on the interviews, I set up a few initial conversations, which served as exploratory discussions to refine my question set and approach. Thereafter, my interview structure was standard. Since I wanted to gather information on pre-defined constructs but at the same time wanted to learn unique details surrounding internationalisation process, I designed my interview in two parts.

Where I was looking for quantitative data, I utilized a fixed question-fixed response format, while where I was seeking qualitative but quantifiable data; I used a fixed question-open response format, to allow for qualitative richness and simultaneously sufficient structure for quantification of the responses. I found that even the qualitative responses converged naturally into a set of limited responses.

While the interviews varied in length depending on how pre-occupied or busy the managers/ owners of the SMEs were, each interview generally lasted between one and five hours. In total, 260 interviews were conducted. In order for there to be maximum time spent on the set of questions where I was seeking descriptions, I sent the interview questions to the identified owners/managers in advance. Generally, they were prepared with the information I sought, so that the conversation focused on the intricacies of day to day operations. I recorded all the interviews so that I could revisit the discussions for clarification, and transcribed the most insightful conversations. If I spotted any inconsistencies during the conversation, I asked clarifying questions during the interview itself. Or, subsequently followed up with phone calls or in-person discussions to clarify any discrepancies. To counter any subjectivity, fading memory and retroactive justification biases in the interviews, and to check for potential non-response bias, I used the procedure suggested by Armstrong and Overton (1977); systematic differences between late and early respondents were not found.

As shown in Figure 4.4, approximately 20% of total number of firms from each stratum were selected through a judgment sampling method from select industrial clusters (ranging between 16% to 23 % of total number of firms) based on their export orientation. It is useful where some subgroups are small and a proportionate sample might include only one or two representatives of a particular subgroup. Groups may vary and not represent the percentage of the any particular group within the larger population of SMEs in India.

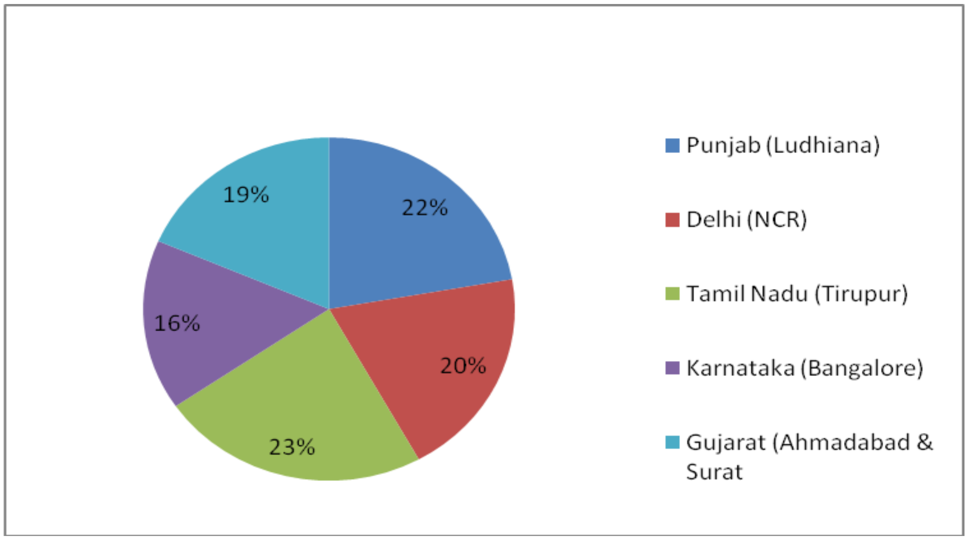

Figure 4.4 Description of the Sample (source: Developed for this study)

In the exploratory research phase, I gathered detailed data and descriptions on 5 clusters and the internationally active small firms, to be able to construct a database for subsequent field study. For the confirmatory phase, I then collected data on specific measures. I then entered the data into a SPSS data file in order to evaluate data normality, missing data, and to conduct a preliminary review of item correlations of the survey scales. Since the survey was supposed to be anonymous in nature, coding of survey responses did not record the respondent's firm or other identifying information.

The survey questionnaire developed for this research study utilizes scale items which have all been empirically tested in prior research and reported as possessing strong reliability and validity of measures. A copy of the survey questionnaire is provided in Appendix I. A list of the variables used in the survey questionnaire and the supporting literature are provided in Table 4.2. The selected variables were obtained from established empirical studies in management, marketing, and international business literature. The scales for these variables are supported in literature as being psychometrically sound. The survey questionnaire was developed, evaluated and validated by the experts as well as from the outcome of the pilot survey, before the main field study was conducted.

Although there are multiple languages spoken in India, English enjoys the status of subsidiary official language but is the most important language for national, political, and commercial communication (CIA, 2012). Since the study targets businesses in India, the survey was prepared in the English language.

Variables used in the Study	Literature
Export-orientation	Boehe, 2009; Borbas, 2008; Clercq et al., 2008; Filatotchev et al., 2009; Francis and Collins-Dodd, 2000; Mengistae and Pattillo, 2004; Nguyen et al., 2006; Okpara, 2009; Orser et al., 2007; Ortiz et al., 2012; Zou and Stan, 1998
R&D intensity	Acs et al., 1997; Almor and Hashai, 2004; Aulakh et al., 2000; Autio et al., 2000; Bell, 1995; Bloodgood et al., 1996; Coviello and Munro, 1997; Eriksson et al., 1997; Knight and Cavusgil, 2004; Mone et al., 1998; Oviatt and McDougall, 1994; Rugman and Wright, 1999

Global networks	Coviello and Munro, 1997; Chen and Chen, 1998; Gomes-Casseres, 2003; Tornroos, 2002; Johannson and Mattson, 1987; McAdam and McAdam, 2006
Entrepreneurs' knowledge	Bloodgood et al., 1996; Brush et al., 2002 ; Erramilli, 1991; Huff, 1990; Jones and Coviello, 2005; Madhok, 1997; Mitchell et al., 1994; Saxenian, 2006; Shane and Khurana 2003; Szulanski, 1996; Vermeulen and Barkema, 2001; Wright et al., 1997; Zahra et al., 2000
International knowledge transfer	Hagedoorn, 2006; Inkpen and Wang, 2006; Saxenian, 1994; Tan, 2006
Firm size	Bilkey and Tesar, 1977; Karadeniz and Gocer, 2007; Reid, 1983
Firm Age	Autio et al., 2000; Johanson and Vahlne, 1977, 1990; Karadeniz and Gocer, 2007

Table 4.2 Variables used in the Survey and relevant Literature

4.6 Summary of the Field Research Project

Preceding sections describe how in order to examine the impact on performance, underlying mechanisms, and management strategies associated with internationalisation as well as factors influencing the export-orientation of firms, I conducted a two-phased, multi-method field research project over twenty four months, to perform a thorough analysis of the factors that influence the export-orientation of SMEs in the textile industry from the context of an emerging economy. Comprehensive qualitative and quantitative data on 243 firms were collected from extant theory, experts of the field and personally administered questionnaires and interviews with the owners/managers of the firms.

In the next sections, I utilize the outcome of the exploratory, qualitative phase of this study to test the inductively generated hypotheses relating each of the main influencers to export-orientation using quantitative analyses.

4.7 Measurement Instrument

The development of the measurement instrument, a standardised questionnaire (Appendix I), started with a thorough review of the related literature. To test the first version of the questionnaire, a pilot survey of 50 firms was undertaken. I visited the firms on-site and met with the person responsible for the day to day decision making of the firm, with designations like Founder, Chairman, CEO, and MD etc. From this pilot study, some changes in the questionnaire were made and accordingly validated. The validity of the questionnaire was also further assured in line with Fowler (2002) by formulating the questions and statements clearly, as well as approaching the most experienced person concerned as mentioned previously to fill in the questionnaires. Since, all the respondents held the key position in their respective firm, reflecting on their role and expertise to influence the firm's decision making to further strengthen the reliability of the findings. Only one respondent answered for each firm, reflecting a key-informant approach, which is also a very common approach due to resource constraints. And even though scholars like Podsakoff and colleagues (Podsakoff et al., 2003) have criticized the single respondent survey due to the risk of rater effects, scholars like Katsikeas (1994) have shown no significant error in relation to a single respondent. The final version was then used for the detailed field study conducted during the second phase of the study.

The questionnaire covers two parts: (1) general information of the firm, for example, number of employees and year the firm was established along with questions pertaining to the background of the respondent (12 questions/statements); and (2) questions specifically pertaining to the internationalisation (8 questions/statements answered on a 7-point bipolar Likert scale from "strong disagreement" to "strong agreement" (Cavusgil and Zou, 1994)). The use of the Likert scale is suitable when measuring attitude or perceptions of respondents (Fowler, 2002), and use of 4 to 8 point scales is usually recommended (Neuman, 2000). With regard to the perceptual measures, these are seen as preferable in comparison to objective data (Pehrsson, 2006) when studying relationships and processes. The final version of the questionnaire consisted of theoretical constructs that had been operationalise into 3 to 7 indicators, as it was suggested by Hair et al. (2005) to avoid single measures of constructs. Six key concepts in the export orientation of SMEs: R&D intensity, previous internationalisation experience, international knowledge transfer, firm age, firm size and presence of global networks are mainly studied in this thesis.

4.8 Measures

The following measures were utilized to operationalise the theoretical dependent and independent constructs, and to control for any other effects (Table 4.3).

	Variable	Operationalisation
Dependent	Export orientation	Despite the sheer size of the Indian domestic market, exporting has been quite common among the Indian SMEs for decades, for several reasons, such as the low cost of production, high quality standards, availability of skilled labor, access to latest technology, and the ability of most of the owners and managers to speak English, a common business language. However, the overall scenario is not as encouraging and many of the SMEs that are considering to internationalize their operations face huge obstacles and more often than not chose to not to pursue the internationalization opportunity. Therefore, I decided to consider not only firms currently exporting but also those intending to export within the next few years. This was in line with Wiedersheim-Paul et al (1978) who also focused on pre-export behavior. Export orientation of SMEs was measured by previously validated and established scale by Sandberg (2012), using questions, for example, "We consider overseas activities as a strategic necessity" and "We actively search for foreign customers", measured on a 7-point Likert Scale from '1' strongly disagree to '7' strongly agree. *All the factors loaded onto one factor with Eigen value 2.87 and cumulative variance as 59%. Coefficient alpha reliability was, α= .764.*
Independent	R&D intensity	R&D intensity was measured on a 7-point Likert scale developed by Radulovich (2008), using questions like "Our product(s) are highly innovative" and "Our products(s) offer unique benefits to the customer, not offered by competitors". *Eigen value was 2.70 and*

		cumulative variance as 51.2%. Coefficient alpha reliability was, α= .791.
	Presence of Global networks	This variable was measured by previously validated and established scale by Filatotchev et al. (2009), using questions, for example, "contacts maintained with people in foreign markets" and "membership of different associations", measured on a 7-point Likert scale focusing on the degree of importance. *Eigen value was 2.87 and cumulative variance was 74.2%. Coefficient alpha reliability was, α= .829.*
	Previous internationalization experience	Previous internationalization experience was measured on a 7-point Likert scale by asking questions, such as, "Knowledge of how to export" and "Supplying to foreign customers" using previously validated and established scale by Sandberg (2012). *All the factors loaded onto one factor with Eigen value 1.84 and cumulative variance as 60.9%.Coefficient alpha reliability was, α= .856.*
	International knowledge transfer	International knowledge transfer was also measured by using previously established and validated scale by Filatotchev et al. (2009), using 7-point Likert scale asking firms to evaluate the importance of the knowledge obtained abroad. Questions used were, for example, "New market knowledge" and "Co-operating with other firms such as agents or distributors". *Eigen value was 1.63and cumulative variance was 69.5%. Coefficient alpha reliability was, α= .818.*
	Firm size	The size of the respondents' firm is defined by the number of employees (Rao and Naidu, 1992)
	Firm age	Firm age is defined as the number of years the firm had been in existence.
Control	Since all the small firms covered in this study belonged to one industry, i.e. Textile industry, control for industry specific effects were not needed (Filatotchev et al., 2009).	

Table 4.3 Measures and Controls

The data was analysed to assess the psychometric properties of the instrument assessing factors influencing export orientation as presence of global networks', previous internationalisation experience, international knowledge transfer, R&D intensity, firm size and firm age; the primary concern being the interpretability of the factors.

All items loaded appropriately and no cross loadings above 0.2 were identified with only factor loadings of above 0.5 accepted. Each scale was reviewed using factor analysis to establish that were unidimensional. The final reliabilities for all scales were greater than the acceptable limits as identified by Anderson and Coughlan (1987) and Nunnally and Bernstein (1994) for social science research, $\alpha > 0.60$ and $\alpha > 0.70$ respectively. A test of reliability for the factors resulted in Cronbach's alpha of 0.764, 0.791, 0.829, 0.856 and 0.818 respectively for "export orientation", "R&D intensity", "presence of global networks", "previous internationalisation experience", and "international knowledge transfer". Cronbach's alpha of 0.764 and 0.791 for export orientation and R&D intensity suggest modest reliability. Though it is acceptable as explained previously, more statements relating to the construct would considerably improve the scale's reliability. As such, the measure was judged adequate to examine the hypothesised relationships.

4.9 Analyses

Based on the extensive review of the literature, six independent variables and one dependent variable have been identified. As per the objective of the research, influence of each of the independent variable on export orientation has to be measured. To establish this causal relationship, multiple regression analysis is identified as all the variables are measured in metric data.

Linearity Assumption

Linearity is one the most essential assumption of multiple regression analysis. If the dependent variable and independent variables are non linear, then it is not possible to accept the results of multiple regression analysis. Linearity is primarily identified with the help of Correlation Matrix (Table 4.4).

Hypothesis	Independent Variable	Pearson's		Correlation
H1	R&D intensity	Pearson's Correlation		.237**
		Sig (two-tailed)		0.000
		N	243	
H2	Presence of global networks	Pearson's Correlation		.225**
		Sig (two-tailed)		0.000
		N	243	
H3	Previous internationalization experience	Pearson's Correlation		.252**
		Sig (two-tailed)		0.000
		N	243	
H4	International knowledge transfer	Pearson's Correlation		.247**
		Sig (two-tailed)		0.000
		N	243	
H5	Firm size	Pearson's Correlation		.242**
		Sig (two-tailed)		0.000
		N	243	
H6	Firm age	Pearson's Correlation		.202**
		Sig (two-tailed)		0.000
		N	243	

**. Correlation is significant at the 0.01 level (two-tailed)

Table 4.4 Correlation Matrix

From the Correlation Matrix in Table 4.4, it is visible that all the correlations are significant and hence linearity between the set of variables is present. The Correlation test values for all independent are less than 0.01 (from the above table) and hence all of the above mentioned six hypotheses are accepted.

Multicollinearity Assumption

In order to validate the results of multiple regression analysis, the absence of Multicollinearity has to be verified. To test the absence of multicollinearity in multiple regression is performed by taking each independent variable every time as dependent variable and other independent variables as independent variables. The VIF which is inverse of Tolerance cannot be more than 3.

Variables	Tolerance	VIF
R&D intensity	0.596	1.67
Presence of global networks	0.837	1.19
Previous internationalization experience	0.547	1.82
International knowledge transfer	0.624	1.60
Firm size	0.552	1.81
Firm age	0.605	1.65

Table 4.5 Variance inflation factors and Tolerance values

It can be observed from the Table 4.5 that, all the values of VIF are less than the threshold limit of three (Hair et al., 2005). And, as none of the VIF value is more than three, absence of multicollinearity is verified.

Check for common method bias

Collecting data from single respondents representing the top level of management in a firm can be inconvenient (Simsek et al., 2010) and subject to bias. To reduce this effect, recommendations by Podsakoff and colleagues (Podsakoff et al., 2003) were taken into consideration. Items measuring the same construct as well as items for the dependent and independent variables in the questionnaire were separated. Though the questionnaire was administered personally, the data has been treated as highly confidential so that it cannot be traced back. The questionnaire was designed in such a style that no sensitive data had to be explicitly mentioned, to prevent responses that would present the respondent or company in a critical situation. This was done, for example, by not asking for financial indicators, but by relying on subjective perception. The questionnaire was kept short to avoid transient mood states such as boredom or fatigue, thus preventing respondents from reducing their cognitive effort to answer the questions accurately (Lindell and Whitney, 2001).

Afterwards statistical measures were applied to address the common method variance problem, and a Harman's one-factor test on all self-reported scales was conducted (Podsakoff et al., 2003). An exploratory factor analysis yielded four factors with eigenvalues greater than 1.0 that accounted for 63.95% of the variance. Since several factors, as opposed to one single factor, were identified and, while this does not exclude the possibility of common method variance, it does suggest that common method variance is not of great concern and is thus unlikely to confound the interpretation of the results.

Regression Analysis

Once the linearity and the absence of multicollinearity and check for common method bias are verified, regression analysis is performed. The purpose of the study is to find the relation between the variables identified as a result of the first phase of the study. There is one dependent variable namely, Export orientation and six independent variables viz. presence of global networks, previous internationalisation experience, international knowledge transfer, R&D

intensity, firm size and firm age. The step wise method of multiple regression is performed by using SPSS package of version 19 and the Table 4.6 is obtained. In the stepwise method, all the six independent variables are added to the analysis. With the inclusion of all independent variable, the prediction capacity (R Square) of the Model has increased from 44.2% to 69.6%. It means 69.6% of total variance of Export orientation explained by these six independent variables. With the inclusion of each independent variable, the prediction capacity (R Square) has increased by considerable percentage and hence the inclusion of each independent variable is justified. Adjusted R Square value has also continuously increased which is also an indicator for the justification of inclusion of all independent variables.

Variables	B	Β	Standard Error	T	Significance of t
Previous internationalisation experience	0.304	0.295	0.048	6.31	0.000
Presence of global networks	0.239	0.172	0.06	3.971	0.000
International knowledge transfer	0.149	0.157	0.046	3.257	0.000
R&D intensity	0.144	0.126	0.051	2.825	0.002
Firm size	0.142	0.155	0.04	3.534	0.000
Firm age	0.126	0.128	0.046	2.708	0.001

Notes: $R^2 = 0.696$, Adjusted $R^2=0.693$; S.E. of Regression= .486; DW=1.61

F-statistics=117.06; Significance (F- statistics) $p< .001$

Table 4.6 Regression Results for Determinants of Export Orientation

The prime objective of this analysis has been to examine through multiple regression the relationship between export orientation and a set of predictor variables that included R&D intensity, presence of global networks', previous internationalisation experience, international knowledge transfer, firm size and firm age. Results summarized in Table 4.6 provide that R^2 =

0.696 and adjusted R^2 = 0.693 which is significant at 0.1 percent level. Durbin Watson statistic (1.61) has also been examined to test whether adjacent residuals are correlated is also found to be satisfactory. The results indicate that all the predictor variable previous internationalisation experience (p= 0.000), presence of global networks (p = 0.000), international knowledge transfer (p =0.000), R&D intensity (p = 0.002), Firm size (p = 0.000), and Firm age (p = 0.001*)* yield significant results. Further, standardized β = 0.295 for previous internationalisation experience, β = 0.172 for presence of global networks, and β = 0.157 also provide that these predictor variables have most significant impact on export orientation. Similarly, high t value for previous internationalisation experience (t = 6.310), presence of global networks (t = 3.971), and international knowledge transfer (t = 3.257) provide that predictor variables have significant impact on criterion variables. It is important to mention here that step wise multiple regression has been applied and all the variables are considered together when these values are computed and deleting any one variable from the independent variable can affect the level of significance for other dependent variable. Based on the results of the analyses, following interpretations can be made:

No	Hypothesis	Decision
1	R&D intensity is positively associated with the Export orientation of SMEs.	Accepted
2	Presence of global networks is positively associated with the Export orientation of SMEs.	Accepted
3	Presence of an owner/manager with an Internationalization experience is positively associated with the Export orientation of SMEs.	Accepted
4	Knowledge transfer from abroad is positively associated with the Export orientation of SMEs.	Accepted
5	The size of the firm is positively related to the Export orientation of the SMEs.	Accepted
6	The age of the firm is positively related to the Export orientation of the SMEs.	Accepted

Table 4.7 Summary of Hypotheses Testing

Hence, according to the Table 4.7:

Hypothesis 1. *Export orientation of SMEs is positively associated with R&D intensity*. R&D intensity measurement demonstrated a positive and significant relationship with export orientation in the pearson correlation analysis (0.237, $p<0.01$). R&D variable in the regression model also showed a significant relationship to the export orientation of the firms. Therefore, hypothesis 1 has been accepted.

Hypothesis 2. *Export orientation of SMEs is positively associated with the presence of global networks*. Presence of global networks is also positively correlated with export orientation (0.225, $p<0.01$), and showed significant relationship with export orientation in the regression model, thus, hypothesis 2 is also accepted.

Hypothesis 3. *Export orientation of SMEs is positively associated with presence of an owner/manager with previous internationalization experience.* Previous internationalization experience measurement demonstrated a positive and significant relationship with export orientation in the pearson correlation analysis (0.252, $p<0.01$), and showed significant relationship with export orientation in the regression model, hence, this hypothesis has also been accepted.

Hypothesis 4. *Export orientation of SMEs is positively associated with knowledge transfer from abroad.* This variable is also positively correlated with export orientation (0.247, $p<0.01$). Furthermore, this variable showed a significant relationship with the dependent variable when entered in the regression model. Therefore, hypothesis 4 has been accepted.

Hypothesis 5. *The size of the firm is positively related to the Export orientation of the SMEs.* The size of the firms demonstrated a significant and positive relationship with export orientation in the Pearson correlation analysis (0.242, $p<0.01$). The size of the firms entered into the regression models; it also showed a significant positive relationship to the export orientation of the firms. Strong support for H5 was found.

Hypothesis 6. *The age of the firm is positively related to the Export orientation of the SMEs.* The age of the firms was positively correlated with export orientation (0.202, $p< 0.01$). The age of the firms entered into the regression model and also showed a significant positive relationship to the export orientation of the firms. Thus, strong support for this hypothesis was found.

Finally, the results indicate the Export Orientation is associated with a set of independent variables viz. presence of global networks, previous internationalisation experience, international knowledge transfer, R&D intensity, firm size and firm age. This causal relationship is validated by applying multiple regression analysis and it is found that all the independent variables are having collective predicting capacity of 69.6% in the variance of the dependent variable; Export Orientation. Hence it can be reported that the Export orientation is positively influenced by presence of global networks, previous internationalisation experience, international knowledge transfer, R&D intensity, firm size and firm age. These results are consistent with the previous studies highlighted in the review of literature.

This part of the thesis is an appropriate place to highlight one of the concerns related with this research. Even though the results are in conjunction with the previous studies on export orientation, one of the surprises was in the form of one of the hypothesis R&D intensity, which influences the export orientation. Traditionally, it is believed that textile industry in India is not a high technology industry *per se*, so the presumption was that perhaps the hypothesis related with R&D intensity identified through the review of related literature won't hold true in the present study. However, the results contradict the popular belief that technology and R&D doesn't matter in the Indian textile industry. The reason could be the changing paradigms of the industry and the changing nature of the consumers. For example, all the respondents of this study highlighted the fact that they have to cater to the unique designs and patterns as specified by their clients to tackle the competition head on, and hence they invest considerably on the machines that can produce those designs with unique specifications. Constantly changing demands and fashion styles have allowed the firms to rethink their R&D policies to offer unique product and quality range. Also, until the 1980s, firms used low-capacity domestic knitting machines with capacities in the range of 50-60 kg a day. Post liberalisation era saw an influx of orders from abroad and hence the industry had to migrate to imported machines that have a capacity of up to 300 kg a day. A decent size unit generally has 10-12 imported machines with an investment of over INR 2 crore[5] (knitting machines costs between INR 10 lakh and INR 1 crore per machine). Additionally, technology also plays an important role in different areas of apparel manufacturing, viz: Pattern making, grading, marker making, spreading, cutting, fusing, sewing and post sewing (pressing and finishing) operations. It needs modern machines for specific jobs, which are easy to operate, and give better flexibility and enhance productivity while assuring consistent product quality.

Another area that has allowed the manufacturers to migrate to high end technologies is one of the pollution control policies related with the dyeing and bleaching waste discharge; the high end technologies enables the units to achieve zero pollution discharge. All the factors discussed in this section reflect on the importance of R&D in the export orientation and success of firm's international business.

4.10 Conclusions from the Empirical Analysis of Influencing Factors

The empirical analyses in the previous sections report that all the six: presence of global networks', previous internationalisation experience, international knowledge transfer, R&D intensity, firm size and firm age positively influence the Export Orientation of firms. The next chapter explores specifically the export barriers from the home market perspective and presents an interpretive structural model (ISM) to enhance our understanding of these perceived barriers to exporting. Chapter 6 then ends with conclusions and learnings of this study.

[5] INR 1 crore = US$ 186,748; INR 1 = US$ 0.0186748 (source: http://www.xe.com/ucc/convert/?Amount=1&From=INR&To=USD (accessed on 28th October 2013)

CHAPTER 5: INTERPRETIVE STRUCTURAL MODELLING (ISM) OF BARRIERS TO SME INTERNATIONALISATION: A HOME MARKET PERSPECTIVE

Firms, irrespective of their size, have increasingly expanded beyond borders to improve their competitiveness (Young et al., 1989). And, in the past few decades internationalisation of small firms has emerged as one of the most studied and researched streams in the business literature. Internationalisation in general and exporting in particular; the first stage of internationalisation (Jones, 2001), can enhance a firm's capability, and make it much more flexible for taking business risks (Young et al., 1989). And, operating in the foreign markets would also allow the firms to become stronger players in their home market (Lages and Montgomery, 2004). Ironically, that also means that smaller firms would have to compete with increasing number of new players popping up across the globe continuously, and to overcome the hurdles that are constantly hindering their path to internationalise.

SMEs are of great importance to the expansion of export earnings in emerging economies. However, a number of factors affect the SMEs to participate in the global affairs. The conditions in the home and the potential market country, the skill-set and the competencies of the employees, and the owner/manager's orientation to exports greatly influence the success of SMEs in the foreign markets (Kazem and Van der Heijden, 2006). Extant theory suggests (see Cateora and Graham, 2007) that dramatic changes are taking place globally, such as, optimisation of technologies, removal of trade barriers, formation of multinational market regions and free trade areas, and the regional economic blocks among others. However, smaller firms in the emerging economies have not been able to harness the true potential of these transformations, and have been ineffective in overcoming the barriers that make their path to internationalisation difficult (Julien and Ramangalahy, 2003; Knight, 2000). Also, Carrier (1999) suggested that many of these firms are sceptical about their ability to succeed internationally.

Note: One paper has been extracted from this chapter

The intent of this section, therefore, is to investigate the barriers using Interpretive Structural Modelling (ISM) affecting the internationalisation strategies of small firms from the context of emerging economies or the developing countries, such as India, for enhancing the overall understanding about the internationalisation barriers from the home market perspective. ISM is an interactive learning tool that can be used for identifying relationship among specific items which define a problem or an issue (Sage, 1977; Warfield, 1974). The opinions from the group of experts along with the sub set of the responses (25% of the total sample size of 243), using a semi structured questionnaire that was administered along with the survey questionnaire to are used in developing the relationship matrix, which is being later used for the development of the ISM model. The barriers have been identified theoretically from the works of the scholars who have explored the barriers to SME internationalisation in the past and the discussion from the experts and are presented in Table 5.1. Different scholars have referred to different terminologies to address these barriers; however, for this essay the barriers are being represented by the generic themes.

The next section would present an overview of the extant theory and the barriers thus identified. Subsequent sections would then narrate the process of building the ISM model, and the chapter would then close with a general discussion about the obtained model and its significance, followed by the concluding remarks.

5.1 Theoretical Background

Exporting is considered to be one of the widely practiced entry mode strategy for the SMEs because it requires low degree of risk, less amount of resources and allows the firms to expand and compete in the new and foreign markets. Many SMEs, however, are still sceptical of exporting because they believe that their lack of resources and expertise are not suited to undertake such a task (Carrier, 1999; Young et al., 1989). Previous studies have identified that exporting tends to be one of the most commonly used methods in the early stages of firms' internationalisation strategies (Burgel and Murray, 2000; Jones, 2001). Therefore, in order to effectively motivate firms, particularly SMEs, to enter foreign markets, it is necessary not only to understand the factors stimulating SMEs to export (Leonidou, 2004) but also the barriers they face to successfully enter and operate sustainably and efficiently in foreign markets (Leonidou, 2004; Morgan and Katsikeas, 1998).

Export barriers are all those constraints that hinder a firm's ability to initiate, develop, or sustain operations in the overseas markets (Leonidou, 2004). They can be defined as the attitudinal, structural, operational and other constraints that hinder a firm's ability to initiate, develop or sustain international operations (Koksal and Kettaneh, 2011). Barriers, which impede an organisation to start internationalising their processes, have been identified by various authors who have researched and written directly about this issue (e.g. Braaksma and Hessels, 2007; Hamill and Gregory, 1997; Hessels, Overweel and Prince, 2005; Hessels and Tiggeloove, 2009; Ibeh and Young, 2001; Keng and Jiuan, 1989; Leonidou, 2004; Sujrez-Ortega, 2003; Tesfom and Lutz, 2006; Vivekanandan and Rajendran, 2006 etc.). In addition, several firm-level surveys investigating barriers to SME internationalisation have also been undertaken by the organisations in OECD, APEC and other economies (OECD, 2009).

All of these studies have unanimously acknowledged that small firms in the emerging economies continue to face several problems, as they try to increase their market share, improve their overall performance or develop operations. Hence, for these firms, barriers to internationalisation have an inhibitive effect (Morgan, 1997) since they severely limit the strategic choices available to a particular firm. Not only do these recurring obstacles adversely affect performance, they often influence the owners or the managers to re evaluate their overall decision to internationalise (Benito and Welch, 1997; Morgan and Katsikeas, 1998). Crick et al. (1998) posit that export barriers are a reason that hinder firm's capability to enter a potential market for exports and that is why some firms may discontinue exporting or not internationalise to begin with. And, more recently a detailed study by Kneller and Pisu (2011) extended the barrier research to include changes in consumers' preferences, the presence of middlemen and agent representatives, import tariffs, problems finding a trustworthy distributor in the target country, exchange rate fluctuations, risk of losing money in the foreign market, and quality and safety standards as potential export barriers to firms.

Extant theory also reports the extent and the importance of the export barriers from the point of view of problems faced by the exporters; comparison between exporting and non-exporting firms and the firms that are de-internationalising (e.g. Burton and Schlegelmilch, 1987; Da Silva and Da Rocha, 2001; Dean et al., 2000; Katsikeas and Morgan, 1994; Kedia and Chhokar, 1986; Leonidou, 1995b; Leonidou, 2004; Pinho and Martins, 2010; Rabino, 1980; Sharkey, Lim and Kim, 1989; Shoham and Albaum, 1995 etc.). Most notable is a comprehensive review of relevant empirical studies presented by Leonidou (1995a). Even though there exists a vast body of literature on export barriers, scholars have recognised that there is still a dearth of studies, which have explored the main export related problems of SMEs in the emerging economies and the developing countries, where the SMEs are the main drivers of the economy.

It is important to achieve a better understanding of export barriers, since these barriers waste the resource of firms and threaten the efficiency and effectiveness of a firm's operations, something SMEs operating in emerging economies can seldom afford. In order to ensure a better understanding of barriers faced by the SMEs in the emerging economies, this chapter focuses on a number of home market barriers, which might act as major drivers to improve the overall internationalisation process. Hence, based on the discussion with the experts and the review of the relevant literature, this essay identifies nine barriers related to home market internationalisation barriers as shown in Table 5.1, which outlines the barriers identified and the authors involved.

Barrier Number	Barrier Description	Author (s)
1	Manager's Orientation	Allison, 1971; Ibeh and Young, 2001; Kazem and Van der Heijden, 2006
2	Internal Resource Constraints	Bilkey, 1978; Sujrez-Ortega, 2003
3	Operational and Organizational Problems	Hamill & Gregory, 1997
4	Insufficient knowledge and skills	Hessels et al., 2005; Suh et al., 2008; Vivekanandan and Rajendran, 2006
5	Government Policies	OECD, 2005; Stansfield and Grant, 2003
6	Infrastructure	OECD, 2005; World Bank, 2009

7	Intense Competition	Leonidou, 1995a; Sharkey et al., 1989
8	Lack of network to enter potential market	Coviello and Munro, 1997; Kneller and Pisu, 2007; Lindqvist, 1991
9	Payment and currency risks	Braaksma and Hessels, 2007; Leonidou, 2004; Young et al., 1989

Table 5.1 Internationalisation Barriers

The barriers presented above are discussed briefly in the following sub-sections.

Manager's Orientation

Manager's orientation has been identified as a crucial factor to influence a firm's choice to be involved in the international activities. The orientation of the owner or a manager of a firm has been found to have a substantial relationship with a firm's overall performance and its competitiveness in the domestic as well as the overseas markets (Ibeh, 2004; Kickul and Gundry, 2002). Previous scholars have found that firms with high export propensity are more innovative and proactive and are highly adaptive to build up their system to initiate exporting and get involved in the internationalisation process (Ibeh and Young, 2001). Scholars have further suggested that there is a strong correlation between the owner/manager degree of orientation toward exports and the firm's export performance (Kazem and Van der Heijden, 2006). Extant theory also reveals that the proactive firms are the ones that are likely to get involved in international activities as compared to the non proactive and traditionalist firms (Wood and Robertson, 1997).

Internal Resource Constraints

Sujrez-Ortega (2003), in his study on the Spanish small and medium sized enterprises introduced lack of resources as one of the main barriers to internationalisation. Initiating involvement in the overseas markets requires the existence of a certain amount of resources, making resource constraints, such as, financial resources, skilled personnel, and production capacity, another barrier to internationalisation, especially for small and medium-sized firms (Bilkey, 1978). Firms with greater resources at their disposal can respond better than their competitors in dealing with business problems and are likely to have a competitive edge in the overseas markets (Pett and Wolff, 2000). This implies that the firms with limited resources perceive internationalisation as a risky activity and often shy away from initiating the international activities.

Operational and Organisational Problems

Hamill and Gregory (1997) identified operational and organisational barriers such as mundane paperwork, delays in the payment, lack of knowledge of foreign markets, restricted experience of internationalisation and dependence on traditional intermediaries as one of the biggest impediments to international activities. Small firms often tend to shy away from internationalisation owing to these factors that requires the firms to commit their valuable resources to otherwise considered time consuming and tedious tasks.

Insufficient knowledge and skills

The results of the study conducted by OECD (2009) summarises lack of requisite managerial knowledge and necessary skills needed for internationalisation as critical constraints to SME internationalisation. The most significant motives for SMEs to undertake international partnerships are to gain access to knowledge and technology, to be able to offer a wider range of goods and services and to achieve access to new markets to sell their goods (Hessels and Tiggeloove, 2009). SMEs' stock of knowledge resources and quest to leverage knowledge assets residing in external factors also seem to respectively push and pull them into international markets (OECD, 2009). Internationally active SMEs have to deal with different problems, the most significant being the high cost of the internationalisation process, legislation and regulation, cultural and language differences and insufficient knowledge and skills within the business itself (Hessels et al., 2005). Additionally, inadequate knowledge of overseas market emerged as the most cited internationalisation barrier by the responding firms in the study conducted by OECD

(2009), suggesting that information gaps remain a critical challenge to SMEs even in the current era of extensive information availability (OECD, 2009).

Government Policies

The international market literature suggests that more often it's the home market environment that triggers the firms to get involved with international opportunities. When the home market is saturated or the competition is too intense, firms would seek to grow by looking for opportunities beyond their home market borders. The process to internationalisation involves not only the SMEs seeking to internationalise but also the local governments, and other supporting institutions. In order for the whole system to function efficiently, national governments need to empower supporting bodies and state governments to facilitate the overall growth prospects of the SMEs. However, that is not always the case, as was pointed out by the respondents involved with this study. For example, in a country like India, there is lack of clarity as far as the government policies for exporting are concerned. In addition, exporters have to pay different kinds of taxes not only levied by the state but also by the central government, and have to go through a lengthy bureaucratic procedure involving numerous forms to be filled and flied and taxes to be paid. As a result, many of the firms choose not to internationalise to avoid the perceived stress associated with the whole process.

Infrastructure

Barriers related with home market perspective originate mostly from inadequate physical infrastructure, corruption and high transportation costs which impacts adversely on any firms' export competitiveness. This is especially true for most of the emerging markets; for example, Indian exporters' competitiveness is severely disadvantaged by an ineffective supply chain system. The inefficiency of the Indian inland transportation system is attributed to poor road conditions, unavailability of all-weather road connectivity, frequent strikes, rising fuel costs, and numerous interstate tax checkpoints (World Bank, 2009). With regard to poor infrastructure, services such as electricity, telecommunications, roads, and bridges play a critical role in a country's development and are directly and indirectly linked to export success (Okpara and Koumbiadis, 2011).

Intense Competition

Competition whether domestic or foreign plays a considerable role in a firm's decision to enter a potential market. Intense competition may have an adverse impact on the overall export competitiveness of a small firm involved in the international activities. Sharkey et al. (1989), identified competition from local firms as one of the export obstacles that distinguishes between marginal exporters and active exporters. Also, Leonidou (1995a) suggested that intense competition from either domestic or foreign firms was the strongest barrier to internationalisation activities.

Lack of network to enter a Potential Market

Previous scholars posit that if the firm is faced with increase in demand, new customers and dynamic markets, successful internationalisation would require the firm to leverage the resources of other organisations (Hara and Kanai, 1994). Studies have also highlighted the impact and importance of networks for small firms' international activities (Bell, 1995; Coviello and Munro, 1997). The pace and pattern of international market growth and the choice of entry mode for a small firm are influenced by their relationships with their partners (Lindqvist, 1991). Coviello and Munro (1997) suggest that integrating the models of incremental internationalisation with the network perspective would enhance the understanding of the internationalisation process for small firms. The same authors posit that the internationalisation activity appears to be largely driven by existing network relationships, often with major partners guiding foreign market selection and providing the mechanism for market entry (Coviello and Munro, 1997). Extant theory on alliances and networks suggests that there are a growing number of researches on networks, which talks about concept of social networks and considers embeddedness an important factor in defining the alliance opportunities and other forms of inter-firm partnerships a firm, might build (Gulati, 1998). Emerging market's SMEs typically lack relevant embeddedness in international social networks of firms, and rely on social contacts of its owners/managers, which may not always be sufficient to establish appropriate partnerships with other firms and might prove to be an impediment to its competitiveness. Boeker (1989) argue that SMEs lack status in the international arena, which is especially true for SMEs from the developing countries and is an important element, in uncertain and volatile environments (Podolny, 1994).

Payment and currency risks

Braaksma and Hessels (2007) in their study on internationally active Dutch SMEs named payment and currency risks as being one of the biggest bottlenecks to internationalisation. Slow payment or risk of non payment by overseas clients and frequent currency fluctuations in the international markets is yet another barrier that discourages the SMEs to internationalise their operations. Lack of immediate contact with the clients overseas, and the tendency of many clients to seek more credit facilities, increases the possibility of slower payments (Leonidou, 2004).

The next sections would build the ISM model and obtain a relationship among the barriers discussed previously, followed by the general discussion of the essay and the concluding remarks.

5.2 ISM Methodology and the Model Development

ISM is an advanced interactive planning methodology that allows developing a structure that helps to impose order and direction on the complexity of relationships among elements in a set (Sage, 1997). The structure is obtained by answering questions. The elements to be structured (barriers etc.) are defined by the experts at the beginning of the ISM session. The experts also establish a contextual relationship between elements (e.g. aggravates, enhances etc.) with respect to which pairs of elements would be examined. The structural self-interaction matrix is then developed from this information (Ricardo et al., 2005). The matrix is then checked by developing a reachability matrix for transitivity; a basic assumption in ISM which states that if element A is related to B, and B to C, then A is related to C. The reachability matrix is then partitioned in different levels. Based on the relationship a directed graph is drawn and the transitive links are removed. The resultant graph is then converted to an ISM model by replacing element nodes with the statements, and the model is reviewed for conceptual inconsistencies and the necessary modifications are made accordingly. ISM methodology can be judiciously applied for getting better insight into the system under consideration. The methodology is interpretive since the judgement of the group decides whether and how the variables are related (Ravi and Ravishankar, 2005).

Structural Self-Interaction Matrix (SSIM)

Group of experts[6], from the industry and the academia were consulted in identifying the nature of contextual relationships among the barriers shown in Table 5.1. ISM methodology suggests the use of expert opinions based on various techniques, for example, brainstorming etc. in developing the contextual relationship between the elements (Ravi and Ravishankar, 2005).

Based on their inputs and applying the standard rules, the SSIM is developed, as shown in Table 2. For analysing the barriers in developing SSIM, the following four symbols have been used to denote the direction of relationship between barriers (i and j) (Warfield, 1974).

V – Barrier i will help achieve j
A – Barrier j will be achieved with the help of i
X – Barriers i and j will help achieve each other
O – Barriers i and j are unrelated

[6] Please refer to Table 4.1 in chapter 4 for the Expert's profile

Barrier Number	Barrier Description	Barrier Number							
		9	8	7	6	5	4	3	2
1	Manager's Orientation	V	V	V	V	V	V	V	V
2	Internal Resource Constraints	V	V	V	V	V	A	A	
3	Operational and Organisational Problems	V	V	V	V	V	X		
4	Insufficient knowledge and skills	V	V	V	V	V			
5	Government Policies	V	V	V	V				
6	Infrastructure	V	V	V					
7	Intense Competition	O	V						
8	Lack of network to enter potential market	A							
9	Payment and currency risks	X							

Table 5.2 Structural Self-Interaction Matrix

Reachability Matrix

As per the ISM methodology and the standard rules used therein; the SSIM is converted into a binary matrix, called the reachability matrix as shown in Table 5.3 by substituting V, A, X and O by binary codes 1 and 0 as per the given case. According to the ISM methodology the substitution of 1 and 0 is done according to the following rules:

- If the ‘i,j’ entry in the SSIM is V, it becomes 1 in the reachability matrix and the ‘j,i’ entry becomes 0;
- If the ‘i,j’ entry in the SSIM is A, it becomes 0 in the reachability matrix and the ‘j,i’ entry becomes 1;
- If the ‘i,j’ entry in the SSIM is X, it becomes 1 in the reachability matrix and the ‘j,i’ entry becomes 1; and
- If the ‘i,j’ entry in the SSIM is O, it becomes 0 in the reachability matrix and the ‘j,i’ entry becomes 0 as well.

Since, there is no transitivity in this case; hence this matrix will be used for further calculations. Table 5.3, also shows the driving and dependence power of each barrier. The driving power of each barrier is the total number of barriers (including itself), which it may help achieve. Dependence is the total number of barriers (including itself), which may help in achieving it.

Barrier Number	Barrier Description	Barrier Number									Driving Power
		1	2	3	4	5	6	7	8	9	
1	Manager's Orientation	1	1	1	1	1	1	1	1	1	9
2	Internal Resource Constraints	0	1	0	0	1	1	1	1	1	6
3	Operational and Organisational Problems	0	1	1	1	1	1	1	1	1	8
4	Insufficient knowledge and skills	0	1	1	1	1	1	1	1	1	8
5	Government Policies	0	0	0	0	1	1	1	1	1	5
6	Infrastructure	0	0	0	0	0	1	1	1	1	4
7	Intense Competition	0	0	0	0	0	0	1	1	0	2
8	Lack of network to enter potential market	0	0	0	0	0	0	0	1	0	1
9	Payment and currency risks	0	0	0	0	0	0	0	1	1	2
	Dependence Power	1	4	3	3	5	6	7	9	7	

Table 5.3 Initial Reachability Matrix

5.3 Level Partitions and Level of Barriers

From the reachability matrix, the reachability and antecedent set for each barrier is obtained (Warfield, 1974). The reachability set consists of the element itself and the other elements which it may help achieve; whereas the antecedent set consists of the element itself and the other elements which may help in achieving it. Thereafter, the intersection of these sets is derived for all the barriers. The barriers for which the reachability and the intersection sets are the same occupy the top level of the ISM hierarchy. The top level element of the hierarchy would not help achieve any other element above its own level. Once the top level element is identified, as shown in Table 5.4, it is separated from the other elements. Then the same process is repeated to find out the elements in the next level. This process is continued until the level of each element is found, which acts as the revised and the final reachability matrix (the iteration tables are presented in the following sections). These levels consequently help in building the directed graph and the final model.

Modelling of the Barriers to Internationalisation: Partition of Reachability Matrix & Iteration Tables

The barriers, along with their reachability set, antecedent set, intersection set and the levels are shown in the following tables. The identified levels help in building the directed graph and the final ISM model.

Barrier Number	Reachability Set	Antecedent Set	Intersection	Level
1	1,2,3,4,5,6,7,8,9	1	1	
2	2,5,6,7,8,9	1,2,3,4	2	
3	2,3,4,5,6,7,8,9	1,3,4	3,4	
4	2,3,4,5,6,7,8,9	1,3,4	3,4	
5	5,6,7,8,9	1,2,3,4,5	5	
6	6,7,8,9	1,2,3,4,5,6	6	
7	7,8	1,2,3,4,5,6,7	7	
8	8	1,2,3,4,5,6,7,8,9	8	**I**
9	8,9	1,2,3,4,5,6,9	9	

Table 5.4 First iteration

Barrier Number	Reachability Set	Antecedent Set	Intersection	Level
1	1,2,3,4,5,6,7,9	1	1	
2	2,5,6,7,9	1,2,3,4	2	
3	2,3,4,5,6,7,9	1,3,4	3,4	
4	2,3,4,5,6,7,9	1,3,4	3,4	
5	5,6,7,9	1,2,3,4,5	5	
6	6,7,9	1,2,3,4,5,6	6	
7	7	1,2,3,4,5,6,7	7	**II**
9	9	1,2,3,4,5,6,9	9	**II**

Table 5.5 Second iteration

Barrier Number	Reachability Set	Antecedent Set	Intersection	Level
1	1,2,3,4,5,6	1	1	
2	2,5,6	1,2,3,4	2	
3	2,3,4,5,6	1,3,4	3,4	

4	2,3,4,5,6	1,3,4	3,4	
5	5,6	1,2,3,4,5	5	
6	6	1,2,3,4,5,6	6	**III**

Table 5.6 Third iteration

Barrier Number	Reachability Set	Antecedent Set	Intersection	Level
1	1,2,3,4,5	1	1	
2	2,5	1,2,3,4	2	
3	2,3,4,5	1,3,4	3,4	
4	2,3,4,5	1,3,4	3,4	
5	5	1,2,3,4,5	5	**IV**

Table 5.7 Fourth iteration

Barrier Number	Reachability Set	Antecedent Set	Intersection	Level
1	1,2,3,4	1	1	
2	2	1,2,3,4	2	**V**
3	2,3,4	1,3,4	3,4	
4	2,3,4	1,3,4	3,4	

Table 5.8 Fifth iteration

Barrier Number	Reachability Set	Antecedent Set	Intersection	Level
1	1,3,4	1	1	
3	3,4	1,3,4	3,4	**VI**
4	3,4	1,3,4	3,4	**VI**

Table 5.9 Sixth iteration

Barrier Number	Reachability Set	Antecedent Set	Intersection	Level
1	1	1	1	**VII**

Table 5.10 Seventh iteration

On the basis of the above iterations, a revised reachability matrix is developed along with all the levels and is presented in Table 5.11.

Barrier Number	Barrier Description	Barrier Number									Driving Power	Rank
		1	2	3	4	5	6	7	8	9		
1	Manager's Orientation	1	1	1	1	1	1	1	1	1	9	**VII**
2	Internal Resource Constraints	0	1	0	0	1	1	1	1	1	6	**V**
3	Operational and Organisational Problems	0	1	1	1	1	1	1	1	1	8	**VI**
4	Insufficient knowledge and skills	0	1	1	1	1	1	1	1	1	8	**VI**
5	Government Policies	0	0	0	0	1	1	1	1	1	5	**IV**
6	Infrastructure	0	0	0	0	0	1	1	1	1	4	**III**
7	Intense Competition	0	0	0	0	0	0	1	1	0	2	**II**
8	Lack of network to enter potential market	0	0	0	0	0	0	0	1	0	1	**I**
9	Payment and currency risks	0	0	0	0	0	0	0	1	1	2	**II**
	Dependence Power	1	4	3	3	5	6	7	9	7		

Table 5.11 Revised Reachability Matrix

5.4 Classification of Barriers

Once the final reachability matrix is obtained, a directed graph is then drawn. Based on the driving and the dependence power, the barriers have been classified into four categories; viz: Autonomous, Dependence, Linkage and Independent (Mandal and Deshmukh, 1994). These four categories are represented in the four quadrants that are obtained by drawing average driving and the dependence line, shown in Figure 5.1. The first quadrant shows the first cluster of the barriers, these are autonomous barriers with weak driving and dependence power, and are relatively disconnected from the system. For this essay there are no autonomous barriers. The second quadrant shows the second cluster of barriers, these are dependent variables. These barriers have weak driving power but strong dependence. The third quadrant represents the linkage variables, with strong driving and dependence power. And, quadrant four shows the fourth cluster of barriers known as independent variables. These barriers have strong driving power but weak dependence.

It can be observed from the revised reachability matrix that Barrier 1 has a driving power of 9 and a dependence power of 1, and hence is positioned at a place with driving power of 9 and dependence power of 1 as shown in Figure 5.1. Similarly, other barriers are positioned corresponding to their respective driving and dependence power and a final directed graph is obtained.

Figure 5.1 shows the clustering of barriers based on MIC-MAC analysis. The analysis suggests that ‘manager’s orientation’, ‘operational and organisational problems’, ‘insufficient knowledge and skills’, and ‘internal resource constraints’ are the independent barriers with high driving power; whereas, ‘government policies’, ‘infrastructure’, ‘intense competition’, ‘payment and currency risks’, and ‘lack of network to enter a potential market’ are the dependent barriers with high dependence power.

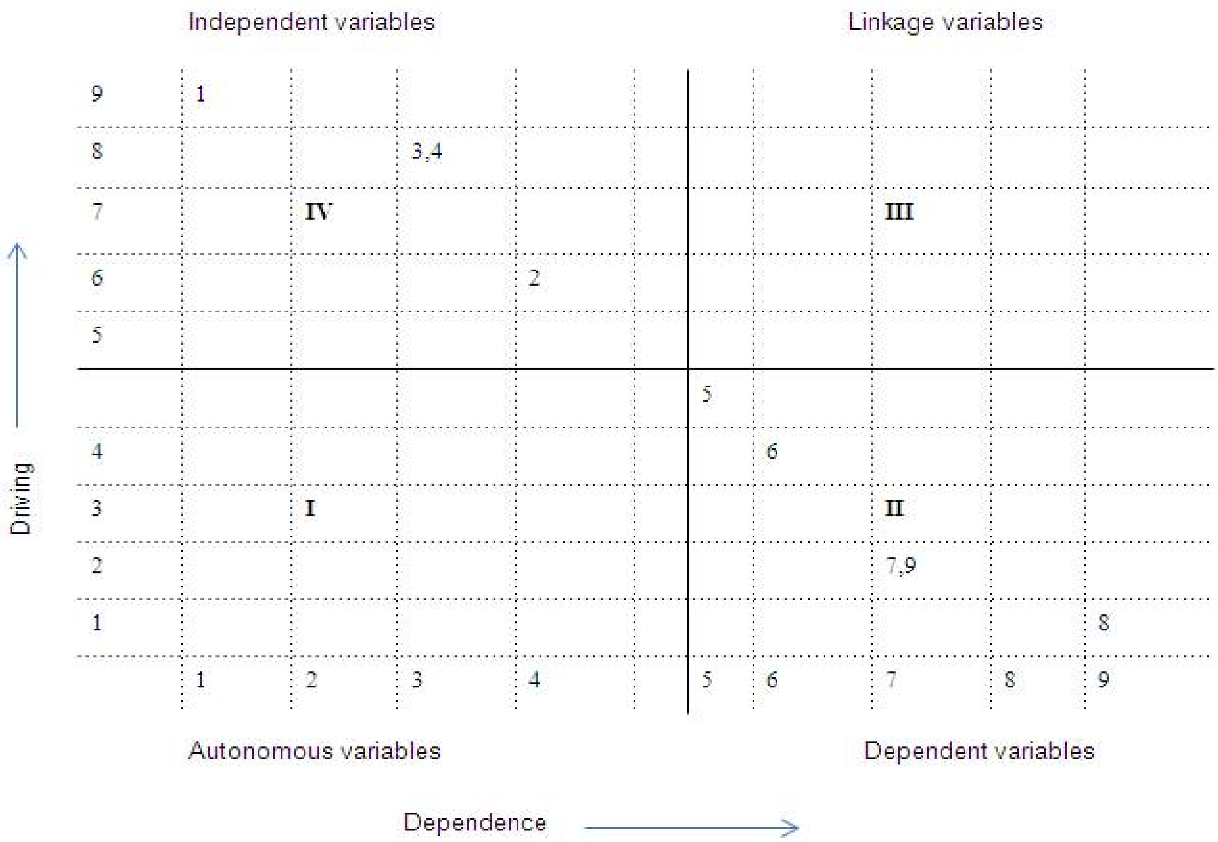

Figure 5.1 Modelling of Barriers (source: Developed for this study)

5.5 Formation of ISM Model

First the structural self interaction model is developed, following which a reachability matrix is obtained. Subsequently, following the iterations, levels of the barriers are identified to develop the directed graph or a digraph, as is most commonly called in the ISM terminology. This digraph is then converted into the ISM based model as shown in Figure 5.2.

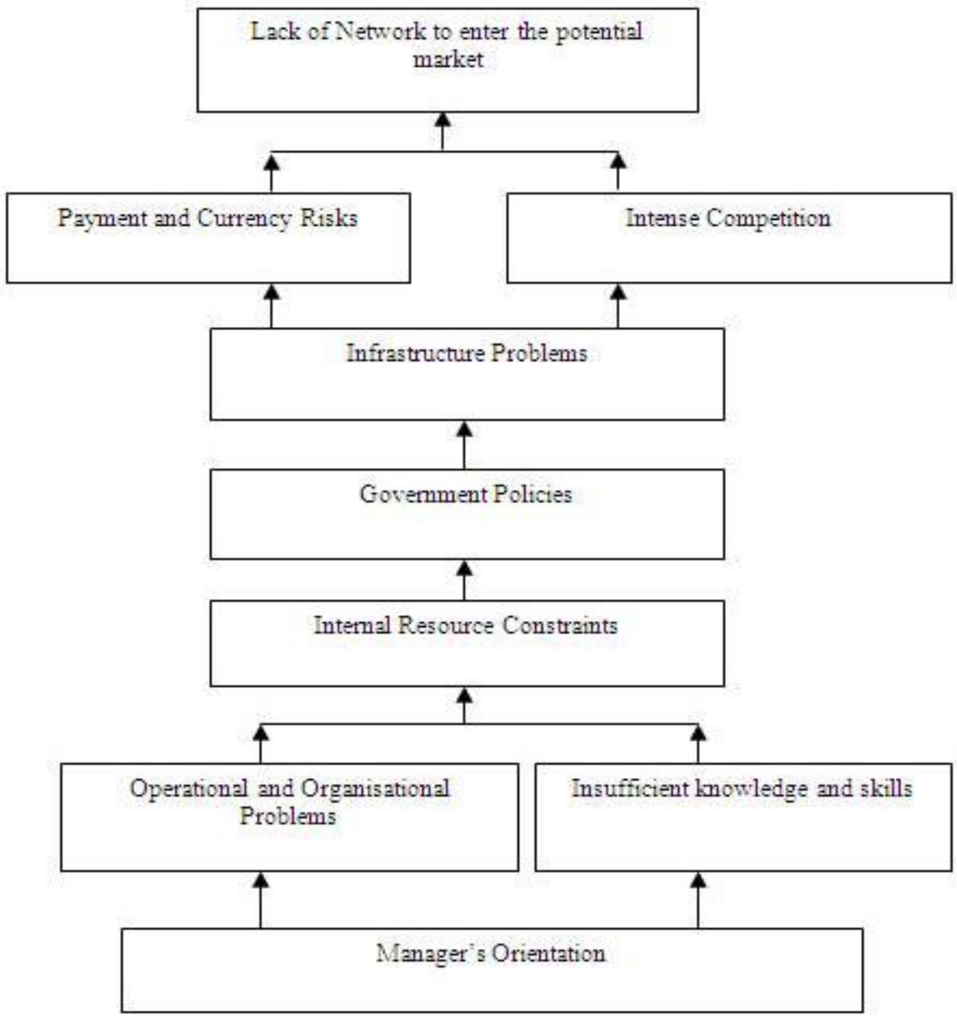

Figure 5.2 The ISM Model (source: Developed for this study)

5.6 Discussion

Based on the review of the relevant literature and the brainstorming sessions with the experts of the field, nine home market barriers related to internationalisation in the context of emerging economies are identified. Interactions, suggestions and recommendations of the experts helped in developing ISM for these barriers. The ISM model illustrates that manager's orientation toward the barriers to export is a critical deciding factor in their willingness for the internationalisation endeavours. Consequently, insufficient knowledge and the skills, operational and organisational problems including paperwork, restricted experience of international activities etc. (Hamill and Gregory, 1997), followed by the internal resource constraints i.e. resources needed in order for the firm to be able to commence export activity (Sujrez-Ortega, 2003) significantly hamper the export activity of a firm. The model also suggest that lack of favourable government policies, lack of infrastructure, for example, poor transport facilities etc. (Leonidou, 1995a), intense competition, payment and currency risks and the lack of network to enter a potential market have remained critical constraints to SME internationalisation.

These findings are very important for the personnel involved with the smaller firms, be it the owners/managers, industry professionals, policy and decision makers and researchers to help build a competent SME fit for internationalisation. This essay gives an insight into the home market barriers to internationalisation for emerging economies and hierarchy of relationship among them. The developed ISM reflects upon the barriers that are essentially endogenous as they showcase the limitations of a small firm in regard to the key resources and capabilities that they need to internationalise, and hence need to be addressed promptly to motivate smaller firms to enter the foreign markets.

Concluding Remarks

Small firms in the emerging economies and the developing countries have difficulty competing successfully in the international environment. This chapter has highlighted that small businesses' decision to enter a foreign market is not a smooth ride and is more often riddled with barriers.

This is an issue of great significance in the internationalisation process, since the ways these barriers are perceived by the SMEs often determine the course of their international business strategies. The ISM model indicates that the manager's (or owner's) orientation to internationalisation has a huge influence on a firm's decision to indulge in the international activities. The success of the SMEs very much depend on its management's orientation toward international activities, favourable home market conditions, and established networks in the foreign markets. Different implications can be derived from this essay; with regard to the policy makers, certain policy measures should be taken into account, for example, creating the right framework conditions and implementing initiatives specifically keeping in mind the SMEs.

The analyses in this chapter show that the management characteristics and firm characteristics do affect the internationalisation process of a small firm and can to an extent be managed to improve the overall perception regarding barriers associated with exportation by employing aligned organisational integration, process adoption, and knowledge sharing during the assimilation process. Based on the experts' opinions and the ISM model, this study identified six factors that influence the export-orientation of Indian SMEs. The next chapter concludes this thesis with a recapitulation of the findings and a discussion of contributions as well as ideas for future research.

CHAPTER 6: CONCLUSIONS AND LEARNINGS

In conclusion, this chapter summarizes the findings of this research work and discusses the study's limitations and implications for management. It highlights the contributions this work makes to theory and practice, and closes with future research directions and a note on the next development stages of SMEs in the emerging economies.

6.1 Summary and Conclusions of the Research

Scholars have noted that internationalising firms face challenges in maintaining impactful internationalisation strategies and responding to market changes over time. One approach which has been actively pursued by internationally oriented players to address these challenges over the past few decades and is extensively highlighted in the literature is *exporting*. While this strategy as an initial step toward internationalisation may offer much potential, it also comes with certain issues. This study investigates the influential drivers of export-orientation in such internationally oriented small firms.

Blending the findings from the literature on internationalisation with insights from the work on exportation illuminates the problem. While the research on internationalisation directly discusses entry strategies and drivers of performance in such ventures, extrapolating the work on exportation further informs these aspects, and complements the same by bringing to light additional factors to consider. To shed further light upon these aspects, I conducted a two-phased, in-depth empirical investigation of the internationalisation strategies and the factors that influence the export-orientation of SMEs in the five most prominent and export driven clusters in the textile industry in India. Qualitative analysis was used to inductively generate theory, while quantitative analyses subsequently tested the resulting hypotheses.

The literature and exploratory field research indicate that the key operational challenges affecting export-orientation of internationalising SMEs are the management and firm related characteristics surrounding them. The literature review highlights that managerial and organisational complexity in integration, as well as knowledge and resource uncertainty arise as the main factors to consider in export-oriented small firms. Furthermore, the literature reveals that the degree of management and firm's characteristics are the focal dimensions of export orientation and export propensity in these contexts, and that there are benefits and costs (may not always be monetary in nature) associated with higher levels of each.

Results of the qualitative analyses indicate that firms are able to recognize, focus on, and manage complexities associated with internationalisation, but that they have underestimated the effect of knowledge and resources in the internationalisation process. Results of both analyses indicate that the management and firm characteristics influence the export-orientation of a firm. Furthermore, analyses show that the management of a firm with the presence of global networks, previous internationalisation experience and international knowledge transfer have been able to recognise and manage complexities associated with export orientation and positively influence the internationalisation of the focal firm. R&D intensity does play a significant role in influencing the internationalisation of a firm, and has an impact on export-orientation. Export-orientation meanwhile is positively influenced by both firm age and firm size. Moreover, the interpretive structural model (ISM) and the directed graph provide a hierarchal relationship among the perceived barriers to exporting and further strengthens the argument that a firm's management orientation toward internationalisation is a significant catalyst in firm's internationalisation decision.

These findings provide strong evidence to support popular notions surrounding internationalisation strategies for SMEs based in the emerging economies. In line with the general belief, both management and firm characteristics have been the primary challenge, and greatly influence the export-orientation of small firms, thus affecting their decision to internationalise via exporting; first step to internationalisation. To the extent that these factors can be managed, this requires a contingent approach, not one standard model, which many firms have tried to implement. Overall, the findings enhance our understanding of internationalisation and export-orientation in SMEs in the changing environments.

6.2 Limitations of the Study

Despite the significance of the results, this study naturally comes with some limitations. The most apparent of these is the generalizability of the findings. The sample comprised firms from only one industry, and even though these were ample and representative in many ways of the population activity at the time, the applicability of the results to other sectors is not proven.

A related limitation is that the majority of the samples are from the five most prominent export oriented clusters that have substantially outperformed other clusters in other states and regions of the country, introducing a potential regional and success bias. It is likely that if even such successful clusters experience so much difficulty in internationalisation, the general population will have struggled even more and performed worse, even if no such result was found in this sample. Unfortunately, this study does not allow conclusive inferences in this regard.

A final concern is that the results are based on data collected only in the five clusters and from the selected SMEs through questionnaires and personal visits, and the use of multiple sources mitigates the problem of missing out important elements to a large extent, but inaccuracies cannot be ruled out completely.

6.3 Contributions to Literature

Despite its limitations, this study on export-orientation and internationalisation based strategies in the industries such as Textile Industry, makes several contributions to the literature, at theoretical and methodological levels. For one, it fills a major gap in existing internationalisation literature, the understanding of factors that affect the export-orientation of small firms, especially in the emerging economies. This area has largely been neglected by current theorists in the field, whose primary focus has been the internationalisation of SMEs in the developed and western economies.

By taking into account managerial characteristics and firm characteristics fundamental to internationalisation and combining them with traditional export orientation concerns, this work provides insight into the challenges and strategies associated with export based internationalisation strategies. The impact of knowledge and resource integrative complexity is demonstrated, providing evidence that can help resolve the inconclusive findings in past studies on internationalisation. The influence of firm age and firm size on export orientation is highlighted, variables whose effect on firm's internationalisation decision have been regularly considered in internationalisation literature in the past.

Overall, this work clarifies the relationship of presence of global networks, previous internationalisation experience, international knowledge transfer, R&D intensity, and firm size and firm age, all of which are critical operational factors that were previously largely unexplored in the context of small firms in the emerging economies. It highlights the micro-level mechanisms underlying the observed effects. An implicit related conceptual contribution of this work is the notion of classifying the internationalisation challenges at hand into two sets of variables, those which render the internationalisation more complex and those which capture dynamics of uncertainty surrounding the export orientation.

This research further provides a deeper examination of the exporting barriers as perceived by the owners and managers of the export-oriented internationalising SMEs. Fundamentally, this study provides a clear linkage between the inherent barriers from the home market perspective, with the help of interpretive structural modelling (ISM), shedding light upon causal mechanisms at the micro-level. The work is the first, to the best of my knowledge, to embrace a comprehensive ISM approach to link and provide a hierarchical relationship among the barriers to exporting. These findings are very important for the personnel involved with the smaller firms, be it the owners/managers, industry professionals, policy and decision makers and researchers to help build a competent SME fit for internationalisation. This study gives an insight into the home market barriers to internationalisation for emerging economies and hierarchy of relationship among them. The developed ISM reflects upon the barriers that are essentially endogenous as they showcase the limitations of a small firm in regard to the key resources and capabilities that they need to internationalise, and hence need to be addressed promptly to motivate smaller firms to enter the foreign markets.

Besides for theoretical contributions, this study also provides methodological insights. Fundamentally, the work provides an example of how such research can combine the depth of qualitative analysis with the quantitative analytical power of sufficiently large sample sizes. Much of the past work on internationalisation has considered large sample size, macro-level quantitative analysis, or small sample size, case-based qualitative argumentation at micro levels. Also, this study is one of the few to provide operational measures of small firms' internationalisation literature. This work introduces a way to empirically operationalise the study of internationalisation strategies and empirically tests newly hypothesized, cross-disciplinary relationships to provide insight into factors influencing export-orientation of internationalising SMEs in an emerging economy.

6.4 Implications for Management

From the owners/managers of SMEs perspective, the following six factors of importance have emerged for export orientation in order to facilitate the internationalization process. These are:

1. R&D intensity
2. Presence of Global Networks,
3. Previous Internationalization Experience
4. International Knowledge Transfer
5. Size of the focal firm
6. Age of the focal firm

- The results highlight that firm characteristics and management characteristics positively influence the export orientation of SMEs.

- R&D intensity does positively influence internationalization of SMEs and has a positive impact on export orientation.

- Results also highlight the importance of knowledge to positively influence the export orientation; be it previous internationalization experience or international knowledge transfer from abroad, as they help the owners/managers to better manage the complexities associated with the internationalization process.

- The ISM model illustrates that manager's orientation toward the barriers to export is a critical deciding factor in their willingness for the internationalization endeavours.

Recommendations

Based on the results of this study it can be concluded that insufficient knowledge and the skills, operational and organizational problems including paperwork, restricted experience of international activities etc. (Hamill and Gregory, 1997), followed by the internal resource constraints i.e. resources needed in order for the firm to be able to commence export activity (Sujrez-Ortega, 2003) significantly hamper the export orientation of a firm. The results also suggest that lack of favourable government policies, lack of infrastructure, for example, poor transport facilities etc. (Leonidou, 1995a), intense competition, payment and currency risks and the lack of network to enter a potential market have remained critical constraints to SME internationalization. Hence:

- Policy makers should take into account specific policy measures, for example, creating the right framework conditions and implementing initiatives specifically keeping in mind the SMEs. And, also be eradicating the unnecessary paperwork to speed up the whole process would enable the SMEs to perform better.

- Proper training facilities should be put in place to educate the SME owners about the opportunities and skill development programs to enhance their overall capabilities.

- Proper program should be introduced to improve the overall perception regarding barriers associated with exportation by employing aligned organisational integration, process adoption, and knowledge sharing during the assimilation process.

- Managers/ Owners of the SMEs should proactively participate in the global programs to build networks and facilitate the exchange of knowledge.

- Managers/Owners should spend in their firms' R&D activities to enhance their overall competency.

- Both the Policy makers and SME organizations should work together to create platforms to improve the institutional framework for the betterment of the whole sector, including better infrastructure and other supporting facilities.

6.5 Future Research Directions

While this study makes several contributions, there is a plenty of scope for future work to further explore these ideas. An important task would be to carry out similar investigations on other technology based and non-technology based industries, to examine the validity of the factors influencing the export orientation.

In addition, while this study treats each of the issues independently, it would be interesting to examine the relationships between them and their joint effects. In particular, the implications of the simultaneous existence of multiple issues for suitable internationalisation strategies would provide an important contribution. This would clarify the tradeoffs between variables as well, not just within them.

A further extension of the work would be to examine in greater detail the relationship between export-orientation and overall performance of the smaller firms in the emerging economies like India. In particular, it would be interesting and useful to study if certain challenges and strategies directly impact financial performance, while others do so indirectly. Moreover, another aspect of interest would be to compare behavioural aspects of the management with actual performance. This could be done by studying the cultural and functional background of the top management involved in the decision making and whether that impacts the strategic decisions and overall outcome of the firm.

Besides these extensions to the existing work, a study comparing export orientation and export performance of multiple industries from emerging economy and a developed economy would be of great interest. Such an investigation can uncover the differences between the numerous challenges that the managers and owners of small firms face. Modes of internationalisation they embark upon, and how the inherent challenges affect performance, and under which circumstances one strategy may be preferable over the other.

A case was developed and presented at a national conference, following the completion of this thesis, to highlight, how a firm can leverage the advantages of internationalisation to survive in today's volatile business environment by optimizing the firm and management characteristics in maintaining good relations with their clients and partners, and by providing innovative products to meet the needs of the market, and is presented in Appendix III. An extension of this case in the form of a large sample in multiple sectors could deliver new insights into the practices that the smaller firms adopt to survive in the emerging economies to stay ahead of the competition.

6.6 Export-orientation of SMEs

No one is immune to the slump – be it a garment exporter or a logistics company, a hotel or a movie hall. The anatomy of a SME cluster is such that all its entities are connected – a cluster business that involves knitting units, dyeing and bleaching units, garment making, embroidery, compacting and calendaring units, all supported by ancillary units that help get the final garment ready for shipment. A slight delay in promised delivery schedules in this chain can break the back of any business, reducing it to penury. Buyers usually set a delivery schedule of 120 days for an exporter. If a small exporter fails to deliver on time, his/her entire investment can be wiped out. And such cases are quite common in India, as the field trips for this study suggested.

This study indicates that internationalisation by exportation is an arduous task, requiring the management and exploitation of integrative complexity as well as knowledge and resources uncertainty. The findings suggest that small firms have learned how to handle and take advantage of internationalisation, while they have not been able to fully cope with the challenges associated with it. The results point to how management and firm related characteristics be designed to approach these challenges and improve the overall outcome of the firm involved in overseas activities or is planning to do so.

With these findings, this research contributes to our understanding of internationalisation, export orientation, management and firm characteristics. Export orientation offer an important mechanism by which small firms can continuously adjust to evolving conditions, especially in rapidly changing environments, provided the inherent challenges associated with them can be overcome.

6.7 What's next for Indian SMEs?

The word *Mittelstand* has no exact equivalent in Indian languages but has a clear enough meaning: as the euro crisis eats away at the confidence and success of firms' in Europe, emulating Germany's small and medium sized, mostly family owned business is seen as the way to boost growth, jobs and exports (Economist, 2012). By sticking to their niches and improving efficiency, the German firms have prospered in specialised markets, earning good margins which finance more innovation and produce a virtuous circle (Economist, 2012). German firms emphasise more on the optimisation of their existing firm and management characteristics. German firms also pay more attention to their supply chains, taking managers from their suppliers on trade trips to China, for example. By emulating some of the German management practices, I believe that Indian SMEs would be able to shift the weight of history and governing traditions easily.

Textile exports from India to the US slumped to 10.6% in the year (2012) up to July to $1.94 billion, according to data released by the Office of Textiles and Apparel, US. While textile exports from China and Bangladesh, the major competitors to Indian textile firms, were almost flat, exports from Vietnam clocked a 9% growth. Tirupur, the country's hub of garment exports, has shipped garments worth around INR 6,000 crore[7] in the first six months of the fiscal year 2012, which is almost the same compared to the year 2011. Tirupur generally exports garments worth nearly INR 12,500 crore and industry officials say the figure has remained almost stagnant in last three years (Ghosal and Sally, 2012).

The domestic apparel sector is at crossroads. The industry which has been leading the textile exports from the country for decades has been undergoing a difficult phase for the past couple of years. On both exports and domestic fronts, the industry is facing multiple issues. And the latest among them is a sharp rise in cotton yarn prices in the past few months. On the domestic front, the apparel industry has been under pressure as demand fell 20 percent due to low consumer spending over the past two years. Moreover, input costs particularly labour costs went up by more than 30 percent in line with the rise in inflation. The only respite came in the form of recent budget (2013-2014), where the government of India has offered zero percent excise duty on readymade garments. Besides, the government also offered continuation of Technology Upgradation Fund Scheme (TUFS) during the 12th plan and strengthening of the apparel sector by boosting apparel parks and the processing sector.

In the wake of facing tough competition from countries like Vietnam and Bangladesh in US and European markets and multiple issues domestically, Indian textile exporters have started venturing into non-traditional markets like Russia, Mexico, South Africa, Australia and West Asia.

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[7] INR 1 crore = US$ 186,748; INR 1 = US$ 0.0186748 (source: http://www.xe.com/ucc/convert/?Amount=1&From=INR&To=USD (accessed on 28th October 2013)

Indian exporters have been visiting Japan, Russia, Israel, South Africa, Norway, Sweden and Denmark in the past few months. However it is not easy to penetrate these markets but there are positive signs. The Indian government had set a target of $18 billion for textile exports during the current financial year 2013, but given the global scenario, the target seems quite hard to achieve as European markets are yet to recover from a recession (Ghosal and Sally, 2012).

Ludhiana-based ready-made garment exporter “Gupta Textiles”, used for the case developed subsequent to this study, reported that merchandise for high-street markets has a reasonably good demand compared to garments manufactured for masses. According to the MD of the firm, they have already received orders for next year and the orders are coming at a reasonable pace. Evidence from the industry suggests that exporters based in the Ludhiana cluster are finding West Asia and Russia to be strong markets. Whereas the exporters based in Gujarat, dealing in polyester, viscose and cotton blends are finding the South American market attractive.

In the wake of slump in the demands in the traditional export markets of India, there is a need for the Indian SMEs to reduce dependence on traditional markets like the US and Europe for exports, and at the same time they should align the organisational integration, process adoption, and knowledge sharing during the assimilation process, to increase productivity and reduce cost to remain competitive.

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Appendix I - Questionnaire

Title of the Study: An Empirical Study on the Export Orientation of Indian Small and Medium Enterprises

Objective: The purpose of this study is to extend export orientation literature into the international setting by empirically testing the data collected through this survey from the SMEs in an emerging economy. This study will empirically examine the relationships among the presence of global networks, previous international experience, international knowledge transfer, R&D intensity, firm size and firm age with the export orientation. Thus, providing several contributions to research by empirically testing cross-disciplinary, hypothesized relationships in an integrative internationalisation framework. The valued response/opinion would help the researcher to streamline the issues faced by the SMEs in the export process and put together a conceptual framework that could be translated into a successful business process.

The information being collected is purely for research and academic purpose and shall be kept confidential

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Questions:

General Questions:

1. Name of your firm:
2. How old is your firms (in years since founding)?
3. Number of employees:
4. Education (please check all that apply)? _____Graduate____PostGraduate
   _____Others (please specify)___________________________
5. Number of years spent Abroad (if any) for studies:
6. Years of experience in current industry:
7. Years of International business experience (if any):
8. How actively you look for export market information?

   _____frequently____sometimes____rarely____never

9. How often do you attend international fairs and export seminars

   _____frequently____sometimes____rarely____never

10. Please indicate what international market entry strategies your company has used or is currently using or is planning to use? **(Please check all that apply.)**

    _____ Exporting ___ Licensing ___ Franchising ___ Joint Venture ____ Wholly Owned Subsidiary

11. Is your management interested in exporting?

_____Yes _____No

12. Approximately, what is the percentage of revenue generated through exports?

___ %

FUNCTIONAL QUESTIONS:

Selection of 7 would indicate strong agreement, and 1 would mean strong disagreement

1. The following statements pertain to the internationalisation process of your firm. Review each of the following statements and circle the number that approximates your response.

We initiate actions to which other organisations respond	1	2	3	4	5	6	7
We consider overseas activities as a strategic necessity.	1	2	3	4	5	6	7
We have a strong proclivity or tendency for high-risk projects.	1	2	3	4	5	6	7
We are bold in our efforts to maximize the probability of exploiting opportunities	1	2	3	4	5	6	7
We consider new export markets to enter.	1	2	3	4	5	6	7
We actively search for foreign customers.	1	2	3	4	5	6	7
We consider a great potential in further international expansion.	1	2	3	4	5	6	7

2. The following statements pertain to the intellectual capital of your firm. To what extent do you agree with the following items describing your organisation's intellectual capital?

Our employees are highly skilled.	1	2	3	4	5	6	7
Our employees are experienced in exporting.	1	2	3	4	5	6	7
Our employees are creative and bright.	1	2	3	4	5	6	7
Our employees are experts in their particular jobs and functions.	1	2	3	4	5	6	7

3. The following statements pertain to the advantages of your firm's R&D intensity. To what extent do the following statements describe the product(s) offered by your firm?

Our products(s) offer unique benefits to the customer, not offered by competitors.	1	2	3	4	5	6	7
Our product(s) provide higher quality than the competitors.	1	2	3	4	5	6	7
Our product(s) are highly innovative.	1	2	3	4	5	6	7

4. The following statements pertain to the exporting.

Export market knowledge.	1	2	3	4	5	6	7
Availability of export finance.	1	2	3	4	5	6	7

Knowledge of how to export.	1	2	3	4	5	6	7
Size of the firm; both in manpower and capacity.	1	2	3	4	5	6	7
Whether the firm is old or new.	1	2	3	4	5	6	7
Co-operating with other firms such as agents or distributors.	1	2	3	4	5	6	7
Acquiring other firms and/or employing experienced personnel.	1	2	3	4	5	6	7
Adapting products and services to meet the needs and wants of foreign customers.	1	2	3	4	5	6	7

5. The following statements pertain to the importance of global networks for the exports.

Networks established in foreign markets.	1	2	3	4	5	6	7
Contacts maintained with people in foreign markets.	1	2	3	4	5	6	7
Membership of different associations abroad.	1	2	3	4	5	6	7

6. The following statements pertain to the knowledge transfer and its importance to export orientation.

New business ideas and opportunities.	1	2	3	4	5	6	7
New Market knowledge.	1	2	3	4	5	6	7
Supplying to foreign customers.	1	2	3	4	5	6	7

7. The following statements pertain to the performance of your firm relative to competitors. Please rate your firm on the following items. Selecting a 1 means your firm's performance is much worse than competitors' performance. Selecting a 7 indicates your firm's performance is much better than competitors' performance.

Please compare your firm over the past 3 years relative to your two most important competitors on the following criteria:

Return on Investment (ROI)	1	2	3	4	5	6	7
Return on assets (ROA)	1	2	3	4	5	6	7

8. The following statements pertain to your intention of exporting.

R&D intensity	1	2	3	4	5	6	7
Presence of global networks	1	2	3	4	5	6	7
Previous international experience	1	2	3	4	5	6	7
Knowledge transfer from abroad	1	2	3	4	5	6	7

Thank you for your time in completing this survey.

Appendix II - Interview questions

(Questions not covered in the structured questionnaire to get an insight into the essence of the export activities).

1. What are the most important aspects of your firm's history? Why?

2. What does your business model look like?

3. Who are your target customers?

5. What kind of strengths and weaknesses does your firm have?

7. What would you consider to be your competitive advantage?

8. How much do you export in relation to your total sales volume?

9. In which export markets are you present?

11. When did you start exporting to these markets?

12. How did you become aware of the opportunities to export to these markets?

14. How did you get information about the export markets?

17. What kind of contacts did you establish to learn about the export markets?

18. Did you get any assistance in establishing those contacts?

19. Which barriers did you perceive as a hindrance to your exporting strategy?

20. What helped you to overcome these perceptions?

21. Which were the primary driving forces for your decision to start exporting?

22. What sort of support did you receive from the government and other supporting bodies?

24. What are the factors that would compel you to de-internationalise your operations?

25. How often does your firm find itself in a fix due to payment and other issues involved with exporting?

26. Do you think that the management's functional background and previous experience is important for the overall internationalisation decision?

Appendix III

Indian SME's critical success factors: A case study of an export oriented textile manufacturing firm

Summary

The economic growth of India during the past few years, after a period of de-growth during 2007-2009 has been impressive. The SMEs have made the significant contribution to this brilliant economic growth. However, the SMEs are now in a critical stage of their development. The business environment in global markets is very volatile, dynamic and competitive both in price and in product advantages. Manufacturers in the developed nations, viz. Germany etc., provide high-quality products at reasonably low prices, while other developing country's manufacturers are challenging Indian SMEs, viz. Vietnam, Bangladesh etc., seriously by producing the similar products at a lesser cost. These recent developments have forced Indian SMEs to optimise the firm and management characteristics to enhance their ability to survive and improve the overall performance. India would have to move away from its reactive, low-cost-based manufacturing strategy that relies primarily on cheap labour, in order to be globally competitive. Small firms would have to develop a new competitive edge based primarily on optimising the networks and technology of the firm. A case study of XYZ Textiles[8], a SME involved in exporting of apparels, based in the textile cluster of Ludhiana, India, will provide the model characteristics.

Introduction

The textile industry was chosen, first, because it is particularly relevant to India's economic development, and has been recognised as one of the pillars of the Indian economy. It provides direct employment to 35 million people (Texcon'12, 2012). Indian Textile and Apparel industry is the second largest manufacturer in the world, and has an estimated export value of around US$ 34 billion and domestic consumption of around US$ 57 billion. The sector contributes to around 6% to the country's GDP (Texcon'12, 2012). The domestic apparel market is expected to grow at a CAGR of 15% in the next five years (Texcon'12, 2012). India is the 2nd largest producer and exporter of cotton and yarn (Textile Times, 2010) and contributes to around 12% of world's textile fibres and yarn production, including jute (NMCC, 2010). Second, small and medium size enterprises (SMEs) were chosen because they play a vital role for the growth of the Indian economy. This sector employs an estimated 60 million people spread over 26 million enterprises (MSME, 2011). It is estimated that in terms of value, SME sector accounts for about 45% of the manufacturing output and around 40% of the total export of the country and contributes to around 8% of the national GDP (MSME, 2011). SMEs are the major link in the supply chain to large firms and MNEs. Third, the textile industry was selected because it is a dynamic and internationally aligned industry and because it has enormous growth potential and significance in the economy. Moreover, this

[8] To maintain confidentiality, the actual company name has been disguised. Fictitious name is used for the firm in focus. Any resemblance of the disguised name to the names of any actual companies is purely coincidental

industry allows for managerial discretion which emanate from the less restrained environmental conditions, other than e.g. the energy or retail industry in India.

The objectives of this case were to examine how presence of networks and investment in technology was successfully optimised by the XYZ Textiles; and to investigate the critical success factors of the industry. The results show that the firm emphasizes the internationalisation focus in three dimensions:
1) Knowledge of potential clients and the market;
2) Healthy relationships with the stakeholders; and
3) Achieving client satisfaction.

Results further highlighted five critical success factors:
1) Leadership;
2) Cooperation between marketing and production departments;
3) Optimisation of modern production technology;
4) Employee training programs; and
5) Employee morale and incentive programs.

Theoretical background

The economic achievement of India during the last few years has been remarkable. Small and Medium Enterprises (SMEs) play a vital role for the growth of Indian economy by contributing 45% of manufacturing output, and around 40% of exports, and is estimated to employ about 60 million people, creating almost 1.3 million jobs every year and produce more than 8000 quality products for the Indian and international markets (MSME, 2011). SME's Contribution towards GDP in 2011 was 17% which is expected to increase to 22% by 2012 (MSME, 2011). There are approximately 30 million MSME Units in India and 12 million persons are expected to join the workforce in the next 3 years. SMEs are the fountain head of several innovations in manufacturing and service sectors, the major link in the supply chain to corporates and the PSUs (MSME, 2011).

SMEs are the major link in the supply chain to big corporations and the PSUs. In India, small firms are characterised as Micro Small and Medium Sized Enterprises (MSMEs); however, for the wider understanding I have used the term SMEs in this study.

Roles of SMEs in India can be summarised as follows:
- Generation of employment and income distribution.
- Suppliers of raw materials, parts and components of products and services to related businesses both in India and abroad.
- Contributory factor in competitive environment.
- Incubation hub for new entrepreneurs and newly recruited workforce.
- Source of innovation.

Considering the structure of Indian exports, it is evident that large organisations still play a dominant role and SMEs act in a supporting role. The value of exports was US$ 25.4 billion (last quarter of 2011), a 10.1 percent increase from the previous year. Indian exports are estimated to touch the target of US$ 300 billion in 2012. However, in case of the textile exports in particular, the industry was hit because cotton yarn goods exports slowed, due to export curbs as a result of demand slowdown in EU; India's key market.

Even though SMEs play a supporting role, their contribution in the Indian economy cannot be ignored, and in the light of above arguments, there is a need for strong measures and policy prescriptions to keep the Indian SMEs globally competitive. However, the Indian SMEs are now in a critical stage of their development. The business environment in global markets is very turbulent, reflecting intense competition both in price and in product advantages. Manufacturers in the developed nations provide high-quality products at reasonably low prices, while other developing country's manufacturers are challenging Indian SMEs seriously by producing the similar products at a lesser cost. These recent developments force Indian SMEs to consider relationships and networks to enhance their performances. India must move away from its reactive, low-cost-based manufacturing strategy that relies primarily on cheap labour. Indian firms must develop a new competitive edge based on relationships with their stakeholders.

A case study of Indian SMEs in the apparel segment and subsequently the XYZ Textiles; involved in exporting was chosen to provide the model characteristic.
XYZ Textiles was established in 1949 and it has grown from a small shop to four highly reputed textile manufacturing firms. It is located in Ludhiana, in the northern state of Punjab, in one of the prominent textile clusters of India. The firm is fully family owned with senior most family member as its President. Core products of the firm are different kind of jackets, knitted fabrics like Interlock, Jaquard, Mesh Polyster, Stripes and Fleece. There are two types of machines that the firm has installed in large numbers at its facilities. The machines are as follows:

1. Interlock circular knitting machines; and
2. Single Jersey circular knitting machines.

XYZ Textiles with an experience of 60 years in the business provide high standard of quality and service to its clients. Since, textile clusters were originally formed to cater to the needs of the global markets; the firms involved were indulged in exporting right from the beginning. However, XYZ Textiles chose to establish itself as one of the dominant domestic providers, with only 10% of the revenues being generated from the overseas sales.

The firm's business model significantly changed when the firm's current MD with a Master's from UK and two years of subsequent work experience abroad, returned to take over the family business. His experience as a 'Merchandise manager' at one of the leading ready wear providers in UK helped him to forge meaningful alliances and networks, thus facilitating him to secure orders from them. Since the firm was in business for substantially long time and had a relatively large workforce, XYZ textile was able to absorb the costs associated with the implementation of new technologies in the form of new machines and the demand for the new orders. Gradually, firm began to move from being a predominantly domestic player to an export house. Now, firm's administration keeps itself abreast with the latest information and policies with the help of India's Export Promotion Council and AEPC (apparel export promotion council). The firm's top management's proactive approach and the previous international experience helped the firm to expand its market size. Additionally, active participation and joining trade fairs in Europe and USA and most recently Latin Americas also boosted the firm's internationalisation efforts. At the beginning, the firm could get only small volumes order from the clients. Gradually, the size and the amount of purchasing orders grew larger.

XYZ's major clients are now based in Europe (generating 70% of total sale) and their major requirement being good quality of the product. Additionally, timely order shipments with the standard quality checks in place, were couple of other requirements.

The firm's main policy concentrates on the client, partners and the market. The Top Management team continuously meets with the stakeholders to ensure robust relationships and also to receive suggestions and feedback. Furthermore, the management regularly communicates with them via electronic mail and tele-conferencing to provide rapid response to their needs and queries as and when required.

Vision of XYZ Textiles

The vision is to be recognized as a leader in apparel manufacturing through the most capable people and technology, with Quality and Client satisfaction being the core of the business. Client satisfaction leads to success and prosperity. This stems the general belief that good relationships with clients and partners will create opportunities to exceed expectations and help develop higher level of performance.

Objectives

The objectives of this case were to examine how firm and management characteristics were optimally utilised for the success of the firm; and to investigate the critical success factors of the firm.

To obtain detail about the practices that were implemented at the whole firm, comprehensive data was gathered by directly interviewing the manager and owners in the firm. The direct interviews provided a good opportunity to get to know the manager's opinion and views on different business models and strategies and the impact on business performance. Not only the senior managers but also the owners were interviewed to provide the complete picture of the model.
The data were analyzed to provide good practices and critical success factors.

Results of the study

Client and Market Focus

The firm follows their vision by concentrating on the need and wants of their clients and learning more about the market. They maintain good relationships with their clients. And, the following activities are considered as good practices.

1. Knowledge of the Clients and the Markets

One of the major factors that help the firm to formulate effective business strategies is the knowledge about their clients and market. They can respond in time to the need of their clients by accurately targeting their clients and their needs. The following activities help in the process:

1.1 Target client setting

Products of the firm are mostly exported to European nations. Clients in those markets regard these products to be of good quality and cost effective. The firm sets their target clients as high purchasing power group. This group likes quality product, well designed and with good craftsmanship, and made of good quality materials. Their main target clients are in Europe with some percentage going to USA. Management team will study about the clients' requirements with respect to the capacity and economies of scale. They will carefully study about the culture of these countries. Sources of information are mostly from these clients themselves. Details of clients' needs and requirements are different from country to country. For example, Germany product specifications are different from that of France or USA. Unlike US clients, Europeans clients continuously change the product requirements since fashion in Europe changes faster than in USA.

The study also revealed some of the factors that affect the selection of client group, viz:

Geographical factors: region, population size, population density, climate and geography.

Demographical factors: age, gender, family size, marital status, income, occupation, religion, education, ethnic, nationality, and social group.

Client buying behaviour: usage rate, brand loyalty, attitude toward product, reaction toward marketing mix.

External environments: laws and regulations, economic situation, financial institutions.

1.2 Learning from target client

XYZ Textiles focuses on their client satisfaction and keeps good relationship with them. Listening to clients' suggestions, opinions, and complains are their prime activities. They will have a follow-up call to their clients to enquire about their feedbacks. Client analysis will be carried out to understand the expectation, need and perception of clients with regard to the product and service of the firm. The results of analysis will be made known and understood to all the personnel within the firm. Moreover, the firm will develop their strategies for building up long term relationship with the clients.

The following are the steps that they use to handle the information from clients' suggestions, opinions and complain.

1) Gathering all information.
2) Prioritizing according to the important issue.
3) Analyzing causes of problem.
4) Providing ways and means for solving problems.
5) Implementing according to the selected alternative.

6) Writing report informing the client and the firm manager.

The information gathering from clients' helps the firm to prioritize factors affecting buying decision of their clients. Domestic clients' buying decision is generally affected by 1) price 2) time of delivery 3) quality 4) design and 5) service. However, buying decision of foreign clients will be affected by 1) design 2) price 3) production potentials 4) quality 5) time of delivery and 6) service.

2. Healthy Client Relationship

Building steady and meaningful relations with the clients is the main policy of the firm. They regularly interact and meet with clients. Also, there is a culture of treating the clients as partners and not merely as customers.

Both the firm and the client will share information and technical know-how in terms of production techniques and marketing information.

Every person concerned is ready with a pre-set guideline when they meet with their clients. They follow the following guidelines:

- Preparing sales kit which includes catalogue, firm profile, and price list and detail description of the products.
- Studying the background of the clients and preparing to answer any questions regarding the products.
- Studying code of conduct, and culture of the country that the client represents.

These practices have helped the firm to establish long term and meaningful contracts with their prospective clients. And, it has been observed that the client also appreciates the homework and preparation done by the firm's representative. This is evident from the fact that XYZ has been getting large orders at the regular intervals despite the market slowdown in the West.

3. Achieving Client Satisfaction

The firm pays a lot of attention to make sure that the clients are satisfied with their product and conduct. Both client acquisition and client retention strategies are the main factors that make them receive support from their client. The following have emerged as their key strategies.

3.1 Product

The firm updates their catalogue of products every few months, according to the changing trends and requirements of both the markets and the clients. They add more value by optimum utilization of resources and by spending substantially in their R&D. Every year new products, designs, material are introduced to make the firm's profile look better.

3.2 Price

Firm sets a competitive price for their products. They study the price movement in the markets both domestic and foreign. They give discount to their regular clients in order to increase their sales volume.

3.3 Distribution Channel

XYZ Textiles sells their products directly to their clients by attending different trade fairs for example in Italy, Germany, UK and Spain and also by participating in domestic fairs and conferences organised by organisations, such as, FICCI, CII, ASSOCHAM and M/o MSME etc.. Internet is another means for the firm to present their products via the firm's web site. They have a permanent showroom at their India office. Clients can place their order by using mail order or they can order directly at firm's office.

3.4 Time of Delivery

Time is an important factor for the delivery of products. Ludhiana is on the main train line of the country linking it with major cities like Delhi and Mumbai. And, Ludhiana itself has an Airport that facilitates the speedy delivery of urgent orders. Marketing department plans together with the client to consider the demand in the coming period which helps the firm to produce and ship the products in time.

3.5 Process of Client Complaints

Responding to client complaints is the major concern of the firm. They have set a system that makes sure that complaints are dealt with as soon as possible. They never ignore clients' suggestions, opinions or feedback. Clients will receive the response within 2-3 working days from the time that the complaint has been placed. And, a viable and feasible solution is sought to end the grievance.

3.6 Client Satisfaction Evaluation

The improvement of product quality can be realised through the evaluation of client satisfaction level. The evaluation is carried out by interviewing the regular and the new clients.

Critical Success Factors

Several critical success factors have been identified in this study. They are as follows:

1. Leadership

President and the senior management of the firm have a clear vision and possess good leadership qualities which results in team cohesiveness. They work with their employees and show them how serious they are with regards to service to the clients. They will repeatedly hold meeting and training programs to keep the employees motivated and committed.

2. Cooperation between Marketing and Production Departments

There are regular meetings between the marketing and the production departments. Production plan will be synchronised with the marketing plan. They can deliver their products on time, solve client's problem faster and provide the products according to client's need.

3. Optimisation of Modern Production Technology
They always study about new production technology and invest in modern machine in order to produce high quality products and at the same time create high productivity. The firm always improves their production process and reduces non value added activities out of the process. Every personnel works as a team in controlling production cost.

4. Employee Training Programs
There are several in-house training programs organised for different departments. Salespersons will learn about types of machine, tools and production techniques to allow them to communicate properly with their clients. Moreover, staff will be sent to attend seminars and training programs organised by educational institutes and government institutes. They hire experts in specific area to train their production personnel about how to use correct method of production. Recently, the firm organised a six-sigma green belt training program for its employees.

5. Employee Morale and Incentive Programs
The management makes sure that the employees have the optimum working conditions. Lighting of the working areas, air ventilators, dust reduction techniques are employed to help protect employee's health condition. And, firm also has a tradition to reward the performance in the form of; Employee of the month or incentives such as partial school fees for the kids.

Concluding Remarks

There are several difficulties that the firm has to face, for example, increasing costs, market slowdown, Government policies, and increasing competition. Additionally, poor infrastructure, lack of skilled labour and high price for cotton, which is the main raw material for the products that the firm makes, results in increasing production costs. Management has been working with other manufacturers in the cluster to come up with an alternative to this problem that is affecting the whole industry. Additionally, they are also devising the plans to cut the costs by using the labour and material effectively.

In the recent years, global economy has been subjected to financial recessions resulting in the collapse of many European economies, which has affected the India's exports as a whole. Since Europe is India's primary export market, the brunt of this situation is felt more by the smaller firms such as the firm under study in this essay in terms of the orders that they receive. On the other hand, lack of infrastructure, and controversial Government policies, such as one involving cotton exports has also hit the SME sector hard.

Increasingly Indian SMEs face competition from foreign countries such as Vietnam, China that possess several comparative advantages. Indian SMEs have to move away from its reactive, low-cost-based manufacturing strategy that relies on cheap labour. Indian firms must develop a new competitive edge based on relationships and networks.

In conclusion, XYZ Textiles provides the model that reflects consumer needs coupled with technology development. In the case of client needs, they present innovative and flexible products with high quality, useful value and consistent services. The firm utilizes data and information gathering from clients to produce high quality products to meet client requirements. Partnership between firm and their clients exists because they trust each other. Additionally, XYZ textiles make sure that they have the latest technological tools to provide them with the competitive advantage. The point to note here is that, since XYZ is an established and a bigger firm in terms of the number of employees, they are much more capable to absorb the fluctuations in the demand due to the volatility of the markets. And, since their senior management, has had previous international experience and have built a strong network of partners not only domestically but also globally, it helps them to perceive the barriers associated with the internationalisation process positively, reflecting on their approach to continuously monitor the environment and accordingly integrate the appropriate solutions in their inetrnationalisation process. The synthesis between the firm and the management characteristics is the model that creates value for the firm.

Limitations

This study was conducted only in one of the clusters and in one firm, involved in the textile manufacturing; hence it'd be too early to generalize the outcome of this essay; since firms operating in different regions of India operate in different dynamics. Furthermore, due to the reluctance of the firm to share their books with me; I had no way of finding out if the firm made any significant improvement in the profits and the productivity post implementation of this strategy.

Appendix IV – Publications

Articles in peer-reviewed Journals:

Garg, R. and De, K.K. (2014). An Exposition of Resource Capabilities for SMEs in the Emerging Markets. *South African Journal of Economic and Management Sciences, (forthcoming, Vol. 17)*.

Garg, R. (2013). Barriers to SME Internationalisation: A case of India. *Prastuti- Journal of Management & Research*, 2(1), 69-77.

Garg, R. and De, K. (2012). Impact of Dynamic Capabilities on the Export-orientation and Export-performance of SMEs in the Emerging Markets: A Conceptual Model. *African Journal of Business Management,* 6(29), 8464 – 8474.

Presentations in refereed conferences

Friedmann, C.B., Garg, R. and Holtbrugge, D. (2013). CEO's Cultural and Demographic Attributes and Organisational Performance of Indian SMEs: An Upper Echelon Approach. Proceedings of the Academy of International Business-India Annual Conference, International Business: The Emerging Economies Context, 15-17 April, 2013, IIM-Bangalore, Bengaluru, India. (CD-ROM).

Garg, R., and Friedmann, C.B. (2012). Does CEO Personal Cultural Orientation Matter in Managerial Decision Making? Paper presented at the 3rd EIASM Workshop on Top Management Teams & Business Strategy Research: Top Management Teams in Family and Entrepreneurial Companies, 25-26 June, 2012, University of Bocconi, Milan, Italy.

Garg, R. and De, K.K. (2012). Indian SMEs Critical Success Factors: A Case Study of an Export Oriented Textile Manufacturing Company. Changing Perspectives and Paradigms in Business and Behavioural Sciences (CPPBBS-2012) Proceedings, 27-28 April, 2012, Thapar University, Patiala, India. 182-188.

Garg, R. and De, K.K. (2011). A Study on the Export-Orientation of Indian MSMEs. Proceedings of the International Conference on Management of MSMEs, MSMECON-11, 19-20 August, 2011, IMT Nagpur, Nagpur, India. (CD-ROM).

Garg, R. and Friedmann, C.B. (2011). Does Cultural Diversity in Top Management Teams Lead to a Better Firm Performance? Research Design for a study on Composition and Performance of Indian firms. Paper presented at the 2nd EISAM Workshop on Top Management Teams & Business Strategy Research, 30 March-1 April, 2011, Galatasaray University, Istanbul, Turkey.

Garg, R. and De, K.K. (2009). An Exploratory Study on the Influence of Culture on the Internationalisation of Indian SMEs. Paper presented at the Academy of International Business-India Annual Regional Conference and UNCTAD, Global Economic Crisis; Challenges and Opportunities, 17-19 December, 2009, New Delhi, India.