

Study Regarding the Influencing Factors of the Romanian Small and Medium-Sized Enterprises' Internationalisation Process

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Abstract. *In the framework of the globalised and more and more integrated markets, there are accentuating new rules in the competition game. Hence, in general, internationalisation is becoming an inevitable stage in the strategic evolution of the small and medium-sized enterprises (SMEs), and implicitly for those from the Romanian economy. The internationalisation process is analysed from the perspective of the factors which initiate and/or potentiate it. The empirical study takes in consideration, on one hand, the identification, from a multitude of factors existing in the international business literature, of the antecedents which influence directly the internationalisation process of the SMEs in Romania, and, on the other hand, the determination of factors with the highest impact on export performance of these enterprises.*

Keywords: controllable factors; internationalisation process; small and medium-sized enterprises; experience in foreign markets; export performance.

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1. Introduction

In the present times and contemporary world, the contributions of the small and medium-sized enterprises (SME) regarding global exports are highly significant. Although a noteworthy number of them, mainly those originating from the less developed countries, are in the impossibility to perform on international markets. In these conditions, the present paper aims to identify and classify the controllable factors, with direct influence upon export performance and implicitly upon the internationalisation process of the Romanian SMEs. The out carried demarche intends to assure a better understanding of the export behaviour of these enterprises in order to improve their performance on the foreign markets.

2. Literature review

In the contemporary economic environment, the most remarkable trends are represented by the internationalisation and the globalisation of businesses. In these conditions, the internationalisation process of SMEs, perceived exclusively as the commercial type external expansion toward different foreign markets, is differentiated by the time factor. For Global Border type SMEs appears an early internationalisation compared to their inception moment. The entrepreneur/manager, conditioned by his competencies, innovative level and inclination toward risk taking, must combine resources, to assure for the enterprise a competitive advantage, while the organisational structure is adapted to the existing business environment. The other SMEs are differentiated through the time needed to start their international activities (McNaughton, 2000, pp. 100, 110) and by the speed of their international development (Jones, 1999, p. 16), depending on the knowledge gained from foreign market experiences. In both situations, the internationalisation process requires the mobilisation of a set of resources and competencies, in the circumstances in which entering new foreign markets impose for SMEs to be innovative in order to generate performance in time. In these conditions, if we refer exclusively to the factors which determines SMEs to export and implicitly to perform on foreign markets, the factors can be linked, on one hand, to the characteristics of the managers or entrepreneurs, to the international marketing strategies, to the characteristics of the enterprise and its knowledge regarding international businesses, and on the other hand, the characteristics of the business environment in which the enterprise evolves. In the international business literature there is a distinction between factors, in the sense of their classification in controllable and uncontrollable, depending on if the export results are or not under the influence and control of the enterprise and of the entrepreneur or manager (Zou, Stan, 1998, pp. 342, 343, Nazar, Saleem, 2009, p. 105). Consequently, the controllable factors are internal to the enterprise, being related to (Nazar, Saleem, 2009, pp. 106-109):

(i) the manager's/ entrepreneur's characteristics – attitudes and perceptions regarding exports (commitment for export activities materialised in successful marketing strategies; perceptions regarding the competitiveness of the products to be exported; the

advantages offered by the export activities and the barriers in front of the export activities; international and client orientations); export behaviour (entrepreneur's/ manager's implication in export sales planning, in the presentation and adaptation of the products to be sold on foreign markets); competencies, skills (international experience, foreign language proficiency, the entrepreneur's/ manager's education level);

(ii) the SME's international marketing strategy – international marketing research (the enterprise's capability to run marketing research in order to develop); segmentation and foreign market targeting (segmentation strategies and target segment identification); marketing mix adaptation (products – strengths, adaptation, warranties, after-sales services; price – adaptation and discounts; distribution – direct/indirect channels, distribution networks, network adaptations, delivery time; promotion – usage of the promotional mix and its' adaptation);

(iii) the enterprise's characteristics and international businesses knowledge – the size of the enterprise (overall sales, number of employees) and technological intensity (technological level); external contacts and foreign network creation (contact with the foreign clients, relations with foreign entities); information regarding foreign markets; export planning; export marketing strategy planning and implementation.

As we can observe, each factor may be classified in more categories. Further, each category represents a series of empirically tested variables from the literature, everything being synthesised in a representative theoretical model (Nazar, Salem, 2009, pp. 106, 110). It must be mentioned the fact that, within the prior empirical verifications, some factor categories, like the competencies of the managers/entrepreneurs, the characteristics of the enterprises and their knowledge regarding international businesses, has concluded in ambiguous results regarding their influence on the SMEs export performance (Zou, Stan, 1998, pp. 346, 347).

In the international business literature there existed fewer preoccupation toward the identification, analysis and empirical verification of the uncontrollable external factors, which determines the SMEs internationalisation by exporting and conditioning their performance in this context. With all these, there was settled that the uncontrollable factors regards (Zou, Stan, 1998, pp. 349, 351): (i) the business environment and the characteristics of the industry within which the enterprise evolves (the technological intensity and the instability level of the industry); (ii) the characteristics of the national market (national policy regarding exports, market attractiveness) and of the targeted foreign markets (attractiveness, competitiveness, commercial, geographical and psychological barriers).

3. Research hypotheses

In accordance with the international business literature, the controllable factors which influence the SME internationalisation by exporting and their performance on foreign markets are: the characteristics of the managers/entrepreneurs; the international marketing strategies; SME characteristics and their knowledge about international businesses. The proposed study aims to verify if there exist positive relationships

between the prior enounced factors and the export performance of SMEs in Romania. In this sense, there are enounced the three research hypotheses:

Hypothesis 1: There is a positive relationship between the characteristics of the SMEs' managers'/entrepreneurs' and the export performance of these enterprises.

Hypothesis 2: There is a positive relationship between the SMEs' international marketing strategies and their export performance.

Hypothesis 3: There is a positive relationship between the SMEs' characteristics and international business competencies and the export performance of these enterprises.

4. Research methodology

4.1. Scale development

The variables of the factors/constructs were operationalised starting from the scales used in prior empirical research improved through a few modifications (Table 1).

Table 1

Scales used for variables defining each construct

Factor/construct	Variable	Items of the scale
Manager's/ entrepreneur's characteristics	Attitudes and perceptions toward export	Manager's/entrepreneur's perception toward export barriers
		Manager's/entrepreneur's perception toward the (to be exported) product competitiveness
		The manager/entrepreneur travels frequently in foreign countries to realise international businesses
	Behaviour toward international business	The manager/entrepreneur considers the most attractive growth opportunities on foreign markets
		The manager/entrepreneur considers vital the adaptation of the products to the foreign market trends
	Competencies, skills	Manager's/entrepreneur's foreign language proficiency and experience in international businesses
Manager/entrepreneur is preoccupied with the amelioration of his international business competencies		
International marketing strategy	Enterprise's capability to conduct international marketing research	Enterprise's capability to use marketing research in its development
	Segmentation, foreign market targeting and marketing mix adaptation	Foreign market entry rate
		New products introduced first/directly on foreign markets
		Enterprise's orientation toward small segments (niches) in numerous markets in the same time
		Adaptation level of the products to foreign markets
Global approach of products and prices on foreign markets		
SME's characteristics and international business knowledge	Size of the enterprise	Overall sales value
	Technological intensity	Technological level
	International business knowledge of SMEs	Contacts of the enterprise and external network creation
		Enterprise structure
SME's export performance	International sales - value	Information regarding foreign markets

All the included variables were measured by five-point Likert scales, ranging from strongly disagree to strongly agree. For each variable, the scale included a diverse number of items.

4.2. Sampling and data collection

The investigated population is represented by SMEs with international activities from four Romanian counties (Bihor, Timiș, Mureș and Harghita).

The chosen research method is a questionnaire based sample survey. All the enterprises from the sample were independent and operating in diverse activity sectors, in order to obtain a complete and general outlook. The questionnaire was set after the literature review regarding international business and entrepreneurship. Data were collected in the natural business setting of the SMEs by the means of a one wave self-administrated mail questionnaires, by including in the survey packet also a cover letter besides the questionnaire. Participation was voluntary and respondents were assured confidentiality. Via e-mail were posted and sent 175 questionnaires, from which 30 were returned with properly completed replies. The response rate of 17.14% is considered valid, compared to the number of enterprises which responded favourable to the invitation. In order to obtain pertinent responses from specialists with vision about the international businesses of the enterprise, as key respondents for the questionnaire the manager/entrepreneur of the each sampling SME were selected.

4.3. Characteristics of the sample

Our sampling plan sought to ensure that enterprises in diverse activity sectors were included, covering both low and high technology environments. The SMEs included in the sample has diverse activity areas: three enterprises cultivating, processing and commercialising agricultural products (10%); an enterprise realising stone ware, ceramics and pottery (3.33%); seven wood processing enterprises realising furniture, sculptures, ornamented doors and gates (23.33%); four enterprises fabricating chemicals and plastic products (13.33%); six enterprises manufacturing textile products and footwear (20%); an enterprise producing electronic products (3.33%), two enterprises manufacturing and commercialising musical instruments (6.67%); five enterprises in ITC (16.67%), an enterprise offering research and consultancy services (3.33%) (Figure 1).

The analysed SMEs were founded between 1993 and 2007, in this sense there are no significant statistical asymmetry, eventually a slight inclination toward younger enterprises. From the employee's perspective, their number varies from 3 to 107, in average 32-33 employees, the enterprises being heterogeneous from this perspective too.

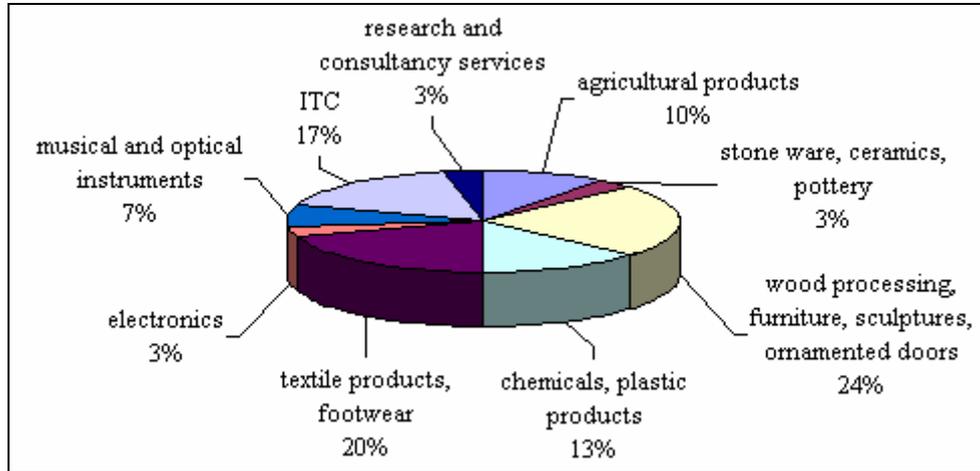


Figure 1. Distribution on activity sectors of the sample SMEs

Regarding the international activity of the surveyed SMEs, if we take in consideration the internationalisation level, determined quantitatively by the international sales ratio to overall sales, the enterprises has between 1.22% and 97%, in average 51%. The value is similar for the ratio calculated through the obtained profits. Regarding the number of foreign markets on which the SMEs are active, this varies significant, from a single country to 23, the average being 9 countries.

In the considered sample, the SMEs are divided in the next configuration: 26.67% are micro-enterprises, 46.67% are small enterprises and 26.67% are medium sized ones.

4.4. Data analysis

The data processing, based on the filled questionnaires, was made using SPSS 12 and assumed the coverage of the next stages:

(i) *The study of scale reliability*

The scales used in the research are the finality of a qualitative analysis and the adaptation of the scales highlighted in the literature. In these conditions, it is imposed their reliability study. All items were examined for internal validity. Starting with the fact that a scale is considered reliable if the value of Cronbach-alpha exceeds the threshold of recommended 0.7 (Nunnally, 1978, p. 245), it was necessary to realise an exploratory factor analysis (principal components extraction method). After the elimination of the variables with factorial loading less than 0.5, Cronbach-alpha was recalculated and a confirmatory factor analysis was realised. A confirmatory factor analysis was conducted to all refined variables have acceptable, high reliability coefficients, ranged from 0.713 to 0.860.

(ii) Testing the research hypotheses

In order to test the validity of the research hypotheses were realised via a linear regression, by taking in consideration the significance level (p), the unstandardized value of the regression coefficient (β), calculated value of a t test (t). It is considered those hypotheses are valid if $p < 0.05$, β has high values and t exceeds the critical value of the Student repartition, in our case 2.045 for a degree of freedom of 29.

5. Research results

As the consequence of the data analysis, the next results were obtained:

(i) The applied scales are reliable

The study methodology for the reliability of the scales was applied for each and every construct. After the exploratory factor analysis there were items with factor loadings less than 0.5, consequently eliminated. Following the confirmatory factor analysis, all the maintained items had factor loadings over 0.5 in all the cases, being obtained reliable scales with Cronbach-alpha higher than 0.7 (Table 2).

Table 2

Reliability indicators of the measuring scales

	Initial Cronbach alpha	Initial factor loading	Final Cronbach alpha	Final factor loading
<i>Manager's/entrepreneur's characteristics</i>	0.599		0.713	
<i>Attitudes and perceptions toward export</i>	0.718		0.718	
Manager's/entrepreneur's perception toward export barriers		0.764		0.764
Manager's/entrepreneur's perception toward the product competitiveness (to be exported)		0.834		0.834
The manager/ entrepreneur travels frequently in foreign countries to realise international businesses		0.800		0.800
<i>Behaviour toward international business</i>	0.150			
The manager/entrepreneur considers the most attractive growth opportunities on foreign markets				
The manager/entrepreneur considers vital the adaptation of the products to the foreign market trends				
<i>Competencies, skills</i>	0.756		0.756	
Manager's/entrepreneur's foreign language proficiency and experience in international businesses				
Manager/ entrepreneur is preoccupied with the amelioration of his international business competencies				
<i>International marketing strategy</i>	0.634		0.860	
<i>Enterprise's capability to conduct international marketing research</i>				
Enterprise's capability to use marketing research in its development				
<i>Segmentation, foreign market targeting and marketing mix adaptation</i>	0.675		0.746	

	Initial Cronbach alpha	Initial factor loading	Final Cronbach alpha	Final factor loading
Foreign market entry rate		0.645		0.645
New products introduced first/directly on foreign markets		0.999		0.999
Enterprise's orientation toward small segments (niches) in numerous markets in the same time		0.289		
Adaptation level of the products to foreign markets		0.567		0.567
Global approach of products and prices on foreign markets		0.118		
Rapid adaptation to the changes in the competitors' cost and price structure		0.547		0.547
<i>SME's characteristics and international business knowledge</i>	0.671		0.794	
<i>Size of the enterprise</i>				
Overall sales value		0.864		0.849
<i>Technological intensity</i>				
Technological level		0.243		
<i>International business knowledge of SMEs</i>				
Contacts of the enterprise and external network creation		0.707		0.720
Enterprise structure		0.089		
Information regarding foreign markets		0.690		0.698
<i>SME's export performance</i>				
International sales - value				

(ii) The verification of the hypotheses was realised using a simple linear regression. From the result analysis, synthesised in Table 3, it may be ascertained:

- there is a positive relationship between the characteristics of the SMEs' managers/ entrepreneurs (independent variable) and the export performance of these enterprises measured by the means of international sales value in 2008 (dependent variable), in the conditions of $p < 0.05$ ($p = 0.047$), β has a high value ($\beta = 0.242$), and $t > 2.045$ ($t = 2.090$);
- there is no positive relationship between the SMEs' international marketing strategies (independent variable) and their export performance measured via the value of international sales in 2008 (dependent variable), because $p > 0.05$ ($p = 0.154$), β has the lowest value ($\beta = 0.239$) and $t < 2.045$ ($t = 1.470$);
- there is a positive relationship between the SMEs' characteristics and international business competencies (independent variable) and the export performance of these enterprises measured by the value of international sales in 2008 (dependent variable), in the conditions of $p < 0.05$ ($p = 0.001$), β has the highest value ($\beta = 0.614$) and $t > 2.045$ ($t = 3.937$).

Table 3

Results of research hypotheses testing				
Hypothesis	β	t	p	Results
1. There is a positive relationship between the characteristics of the SME' managers'/entrepreneurs' and the export performance of these enterprises.	0.242	2.090	0.047	Valid hypothesis
2. There is a positive relationship between the SMEs' international marketing strategies and their export performance.	0.239	1.470	0.154	Hypothesis not valid
3. There is a positive relationship between the SMEs' characteristics and international business competencies and the export performance of these enterprises.	0.614	3.937	0.001	Valid hypothesis

β – standardized coefficient of the regression;
t – calculated value of the statistic t test;
p – significance level.

Consequently, hypotheses 1 and 3 are validated, in the conditions in which hypothesis 2 is not validated.

6. Conclusions and research limitations

From the conducted research it was observed that the controllable factors which influence positively the export performance and implicitly the SMEs' internationalisation process from the analysed sample are: the characteristics of the SMEs' managers'/entrepreneurs' and the SMEs' characteristics and international business competencies.

The international marketing strategies applied in practice by these enterprises do not correlate positively with the sales value on foreign markets. The realised empirical tests in the international business literature regarding the characteristics of the SMEs' managers'/entrepreneurs and the characteristics and international business competencies of SMEs presented ambiguous results regarding to their influence on SMEs export performance. In this context, it must be considered the size of the sample and the ratios by activity sectors of SMEs from the sample. The majority of the questioned enterprises realise products addressed for a reduced customer segment (niche). Also an important part of these enterprises are manufacturing products with low level of processing or offering services at command. Consequently, the results of the research can't be generalised. An increase of the sample heterogeneity and of its size may drive to the validation of the entire number of the proposed hypotheses and could generate more convincing results, generalised at the level of Romanian SMEs. Additionally, the consideration of the uncontrollable factors influence on export performance of SMEs from our country will represent the object of a future research demarche.

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