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Factors influencing export performance

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| **BRM Proposal** |
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**Abstract**

The focus of this thesis is different factors that can influence Swedish companies’ export performance to

the Russian market. The research is done by applying qualitative approach, where two interviews will be

conducted. Conclusions that have been made in this research can give some guidelines for the Swedish

companies that already export or consider starting their business activity in Russia. A number of

previous researches about successful export and obstacles for it have been studied, as a ground for this

thesis. The empirical information, obtained for this study, confirmed or rejected some of previous

conclusions. Within the present research the following findings about impact of internal and external

factors were made, such aspect, as firm size, does not impact on company’s possibility to export.

However, it is important for a company to have international competence, export experience and a local

business network on a foreign market. Managerial characteristics and social networks appeared to be

important for successful export as well. On the side, external factors of the Russian market, like political,

economic, socio‐cultural and technological ones as a whole were not experienced as obstacles for

export. Still, some factors within them, like bureaucracy and language were experienced as barriers.

However, Russian market is seen as an attractive one and two Swedish companies that contributed with

information to this thesis want to continue their business towards Russia.

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**1 Introduction**

* 1. **Background of study:**

Nowadays international marketing gains more attention among all market actors, whether they are

companies, consumers or even country’s economy. This can be explained by eliminated restrictions and more free relations between nations contributing to free commercial exchange (Albaum and Duerr, 2008). To be successful on the international market requires additional experience and knowledge in marketing strategies. A firm, going abroad, must be aware of that application of only basic principles of marketing is not enough. To every foreign market these rules shall be adjusted and applied in accordance to the local context (Czinkota and Ronkainen, 2010).

According to the Swedish Cabinet Office (2008), Russian market is considered to become one of the

largest among other economies after the global crisis. Its attractiveness can be explained by the

continued growth and increased industry production. Export council of Sweden has its representative

offices in Moscow and Saint‐ Petersburg, contributing to development of export and import relations

between two countries. In Russia there are about 400 Swedish companies. Bilateral trade relations are

kept on the same high level, but can be affected by process in the world economy. Next year after the

economic crisis export to Russia was reduced but increased 2010 and was estimated to 20,9 billion SEK

(Swedish Cabinet Office, 2008).

According to the administrative agency of Statistics Sweden (2011) in 2011 export to Russia increased by

33 percent while imports from the Russian market increased by 25 percent.

Export from Sweden to Russia includes high‐technology products, like machines and equipment,

products of chemical industry, cellulose and paper as well as products of metal industry. Import from

Russia consists mainly of oil (Swedish Cabinet Office, 2008).

* 1. **Problem Statement:**

company going abroad shall take into consideration different issues that can have great importance

for the company’s performance abroad. These issues regard mainly differences between home and host

country, whether they concern internal or external factors.

Domestic and market changes that have happened since Russia came in a new age in the 90s made the

country quite attractive in the international market. During recent years many western companies have

altered their attitudes towards the Russian market and consider establish their business in this country,

in spite of the risks that countries, with transition economies, such as Russia, imply (Fallon and Jones,

2004).

Still, if there are a lot of challenges of making business in Russia, more and more foreign companies

start export to the country. Many Swedish companies choose to establish business relations with the

Russian ones in different kinds of industries.

* 1. **Research questions:**

The subject of the study raises the following research questions:

1. What factors can contribute to successful export of Swedish companies’ products to Russia?

2. What factors can hinder Swedish companies’ export to Russia?

* 1. **Research objectives:**

Aaby and Slater (1993, p.16) determine export performance as “rate of growth in export sales and

percentage of total sales accounted for by exports”.

According to Cavusgil and Kirpalani (1993) there is no certain definition of export success, however, they

point out 6 criterions that determine it, like considerable and stable increased export over 3‐year 3

period, considerable increased export volume to the total business after 3‐year period, level of export is

significantly higher than the average indicator in the studied company industry sector, large increase in

sales abroad during short period of time, “breakthrough” on a market with difficult conditions and the

highest level of export sales during a certain year. In the present research export success will be seen

from the managers’ point of view. Certain attention is paid to their perception about export process to

Russia, how it went, if it was really possible to implement it.

* 1. **Significance of the study:**

The research aims at studying Swedish companies, located in Norrbotten County. This choice seems to

be quite logical, since Norrbotten is a part of Barents region. Close geographical distance and

cooperation with Russian companies within Barents region creates good possibilities for export of

company’s products to Russia.

Another criterion for the studied companies is that they must produce products and not service. This

depends on that it is easier to find a company that exports products.

1. **Literature Review**

Theoretical part of the research is relevant to its purpose and identifies internal and external factors,

influencing company, selling abroad. This part describes as well results of previous studies, regarding

impact of internal and external factors on a firm’s export performance as well as what factors contribute to export success or are obstacles to it.

**2.1 Introduction**

A number of factors can influence a company’s export performance, whether it will be a successful

result or there are some hinders for that. A number of researches have been made to reveal what

factors contribute to export success or hinder it, in other words what factors can be determined as

barriers. It is quite obvious to suppose that different companies accommodate resources in different

proportions.

**2.2 Internal factors**

In the present research some internal factors and their influence on export performance will be studied.

Both firm and managerial characteristics and attitudes have different impact on export performance and

can be essential for the decision to export or concentrate sales only on the domestic market. The

author’s decision to divide internal factors into organizational and managerial level in the present

research depends on that they include different aspects that are specific either for a company or its

administrators, which makes sense to study these aspects separately.

**2.3 Firm’s export experience**

Correlation between experiences of export activity as a factor of success has also been studied. In their

research Katsikeas et al. (1996) consider a company’s export experience as number of years a

manufacturing firm has been involved in export and number of countries, where it has exported. They

found as well that there is no direct connection between a firm’s export experience and export

performance. However, according to Dominguez and Sequeira (1993)a firm achieves better export

performance when it has experience in selling abroad.

**3 Methodology**

This part presents information about what research methods were used and how empirical information

was gathered. As well, method problems are revealed to the accuracy of the collected information. The

methodology part also includes information, which methods of analysis will be used to analyze the

empirical information.

**3.1 Study Design**

Either qualitative or quantitative approaches or their mix can be applied in researches. The purpose of

quantitative method is to answer questions like “how much” and “how many” and results are quantified

by using statistical techniques. Such kind of research usually involves lots of respondents and tries to

find statistical implication (Miles and Huberman, 1994).

So that to get right answers for the research questions, it is important to make a correct choice between

qualitative and quantitative research. The second one is based on the understanding that we obtain

from figures (Saunders et al, 2009), which is an opposite of the qualitative research, when we interpret

meanings by words and not by the figures (Saunders et al, 2009).

**3.2 Universe of the study**

Choice of research strategy depends on the purpose of the research. Saunders et al (2009) points out

some possible strategies, such as experiment, survey, case study and action research. Among them case

study is the most suitable form for conducting the present research. According to Yin (2003), such kind

of research implies study a certain phenomenon in “its real life context”, especially when it is difficult to

distinguish between phenomenon and context. Additional explanation why case study is useful is its

connection to the research questions. Since the purpose of the present research work is to answer the

questions “how” and “why” case study can give better answers than any other research strategies

(Saunders et al, 2009). These two questions are asked about the present events, which the researcher

cannot control (Yin, 2003). It means for the present study that the author cannot influence the case

companies’ business, regarding their export activity.

**3.3 Sampling**

Different sampling techniques can be used whether it is quantitative or qualitative research. These

methods are included in probability or purposive sampling (Bickman and Rog, 2009). In the present

research only purposive sampling is applied as it is completely related to the point of the research, when

some certain cases will be chosen and analyzed. Bickman and Rog (2009) define the following

techniques, used within this sampling strategy: sampling to achieve representativeness or comparability,

sampling special or unique cases and sequential sampling. The author of the research applies the

second one technique because it provides with better opportunities to get answers for the research

questions.

According to the subject of the present research and its purpose, the companies selected for the study

had to meet certain requirements, such as it must be a Swedish manufacturing company or companies,

which export to Russia or have had some experience of exporting to that country. The respondents

should be representatives of Swedish companies that have had experience of export.

To get sample of possible companies a meeting with the Swedish Trade Council, Luleå, was arranged.

These specified companies have their location in Västerbotten and Norrbotten and operate in different

sectors of industry.

**3.4 Data analysis**

The empirical information, gathered during the interviews, is analyzed by within and cross‐case

methods. Analysis made by the first method allows comparing empirical findings with the previous

studies, described in the theoretical part of the research.

By making cross‐case analysis, the findings can appear to be stronger. Two different cases are regarded

then as individual cases, and findings from both cases are combined with each other so that to make a

general conclusion (Yin, 2003). According to Miles and Huberman (1994), cross‐case analysis increases

generalizability and “to deepen understanding and explanation”.

The findings will be presented in a text form for within‐analysis, and a table will be used to demonstrate

the differences between the companies within cross‐case analysis as well as explanation to the table

**3.5 Data Analysis**

A conducted research deals with aspects of reliability and validity. Finding of a research can depend on

implementation of data collection and analysis, done by the researcher. That is why to avoid getting

wrong findings the researcher should take into consideration the importance of validity and reliability.

**Validity**

Validity can be described as measuring the right thing, i.e. the studied phenomenon corresponds to

what the researcher wants to study. Level of validity is determined as high when right things are

measured (Bjereld et al, 2008). Yin (2003) points out construct validity, which implies using specific

measures for the studied phenomenon. In this case data collection requires using multiple sources of

evidence, chain of evidence and “a case study database”.

Findings of the present research will be based on the interview guide. In order to achieve high level of

validity the interview guide, based on theoretical studies, was submitted to the supervisor. After that

the interview guide was improved on the basis of the received comments so that to be used in dialogues

with the representatives of the companies later on.

**5 Conclusions and findings**

This part of the research will present findings and answers for the research questions. Discussion as well as implication for future research will be presented.

The purpose of the present research was to reveal what factors contribute to successful Swedish

company’s export to the Russian market and what factors are obstacles for export. For that reason

internal and external factors, influencing export performance, were studied. On the assumption of the

analysis of two companies, the following answers to the posed research questions were found.

**Q 1: What factors can contribute to successful export of Swedish companies’ production to Russia?**

It was found that factors on internal level, like firm’s export experience, international business

competence, business network, managerial characteristics and attitudes as well as social network have

distinct connection between successful export and export performance.

Regarding internal factors, other things, that Part AB emphasized, was that business network can affect

the company’s own networks and indirectly influence export performance. Such managerial

characteristics as openness, ability to understand different cultures and new ideas are prerequisites for

successful export. As for external factors both companies perceived present economic situation on the

Russian market as very favorable for further export to Russia.

Some interesting similarities were found between the companies, how they arrange their export to

Russia. Both Liko AB and Part AB use similar approaches to make export smooth. They are the following:

• Russian customers come to the plant and pick up the ordered goods. This allows avoiding

burdensome bureaucratic customs procedures.

• Russian distributor or an agent, who represents the company on the Russian market. To

have a representative on a foreign market is important because he can assistant with

import procedures, so that the exporting company does not need to think about all details.

• One should learn about customer and Russian market before to start export. Every country

has own peculiarities, that will affect foreign company’s business activities on that market.

• Available business and social network on the Russian market. To have networks on a foreign

market is important because they can provide the exporting company with necessary

information in a more effective way and they can lead to other contacts, contributing to

positive export performance.

Another interesting thing that Part AB pointed out is that a company, exporting to Russia and which

transports its production by own means must have a Russian haulage contractor with a Russian driver.

This is to avoid administrative and bureaucratic delays during customs procedures.

**Q 2: What factors can hinder Swedish companies’ export to Russia?**

Usually, factors building up a company’s macro environment (politics, economy, culture and technology)

are perceived as barriers for doing business on a foreign market, since they include many components

that a company cannot control (Jobber, 2007).

Influence of political, economic, social and cultural as well technological environment was studied in the

present research. It was found that factors on the external level as a whole do not have certain impact

on export performance. However, language as a part of cultural environment, and bureaucracy, being

part of a country’s political system were regarded as an obstacle.

It is not reasonable to generalize findings from only two Swedish companies, but taking into

consideration the similarities in export activity and factors, influencing export performance, one can

suppose that some points of this model can be applied by other Swedish companies, who export or

intend to start business activity towards Russia. Both companies see Russian market as an attractive and

want to continue export to this country.

**6.1 Further research**

In the present research only some of the internal and external factors influencing export were studied.

Further studies can investigate other numerous aspects existing on organizational and managerial level

in a firm. Moreover, political and economic situation can be quite different in Russia in some years,

which can lead to other conditions for exporting to the Russian market. On the basis of that, a similar

research can be relevant, taking into consideration the present situation on the Russian market in a

given year.

Taking into consideration territory size of the Russian Federation it is quite obvious to suppose that

conditions for making business for foreign firms can vary in the whole country. It can depend on that

administration of the country’s regions can apply own regulations or conditions for import may vary

when it concerns import from neighboring countries or import to the central part of the country. It

means that further studies about export of Swedish companies’ products to the near‐border or central

part of the Russian Federation can be relevant.

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