

The role of government on export performance (an empirical model, case study: carpet industry)

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Abstract

This study empirically investigates the direct and indirect effects of government planning on firm export performance. Government export programs normally define the premise for successful or failure exporting activities of the corporate sector and play a key role in stimulating international business activities of firms (Abay, stanl, slater, 1989) In this article, we explain the government activities for export development and the activities that make barriers for exporting that the promoting factors include: Tax incentive, Covering insurance, Export guarantee fund, Create exhibition, Give information about appropriate market, Export developing program, Training classes about the rules of import& export, and the barrier program include: Exchange rate fluctuations, Tariff barrier, Boycott(sanction), Political obstacle, Export license. so, the motto of this study is to find out the affecting role of government on export performance of company to ensure profitable export performance in the case of carpet company in Iran. Developing of non-oil exports are important because of revenues oil declining and oil resources renewable, on the hand, and increasing of population, on the other hand. Behavior and performance of the company in the exporting markets, also, investigating of the key success factors are one of the important factors in this scope and because of the importance of carpet industry in non-oil export, in this essay, we investigating the effective factors on export performance in carpet companies. This study in term of purpose is applied research methods and in term of doing research is descriptive – analytical. And we use of questionnaire among 342 people that work in carpet company. And between 13 Hypothesis all of them accepted in this study according to SPSS software and regression, it means that all factors have positive and meaningful relationship with export performance.

Keywords: government role, export performance, promotion program, barrier program

1.Introduction

in recently decade, trade become international and companies following toward global market. In this state, companies try to sell their goods and services in different ways in all of the word and increase their profit. Export is one way that cause companies become international. Companies with exporting can supply their goods and services in foreign markets. Developing of non-oil export is necessary and important because of declining in oil revenue, intense fluctuations of it, increasing of population and renewable of oil resources. Also, developing of non-oil exports are one source to providing foreign exchange for countries in increase of national income and gain some goals such as reduce dependence on oil-export, increase in various fields of agricultural, industrial and mining, reduction irregular migration and increase of improving product quality and increase power competitiveness, have important role. Export is the most common way for companies to starting their marketing activities in foreign Country (Gohariyan, 1379). This kind of entering in to foreign markets requires, less resources than other ways. Companies, because of governments encouraging, competitive pressure and interest in development, try to increase export in their country China, India and brazil are the perfect examples in this regard. The economic strength of these three country is now growing faster because of great domestic production and rapid growth in export performance. More exporting give favorable environment in the balance of payment situation. But in this case government might have a big role to fuel up the exporting activities. In this research problem is to define the concept of export performance, understand the most relevant factors affecting export performance, and investigating three research question.

1. What are the effective government export promotion programs?
2. What are the government export barrier programs?
3. How the government program effect the export performance?

Involved in export can be evaluated of their export performance. So, in this research, we try to identify the factors that effect on export performance and the state's economic development has been forced to modify their production structure. Export development and marketing of consumer goods and materials needed to have attention.

2. Literature

Although exporting has traditionally been the most popular method of foreign market entry, many firms encounter numerous and diverse barriers to its adoption. To reduce the negative effect of these barriers, many governments offer assistance through a wide range of export-promotion programs. 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 favorable balance of trade, and ability to control its external payment situation, reflect the economic strength and marginal competence of the nation. Government plays a key role in stimulating international business activity of domestic firms through export promotion programs (Cavusgil and Michael, 1990). From a government's point of view, offering export support programs is intended to improve the international competitiveness of domestic firms. From a firm's perspective, export promotion measures reinforce the motivations to export. These motives include exploitation of technological and locational advantage, the ability to offer unique products, the maximization of comparative marketing advantages, and the need for market diversification (Seringshaus and Rosson, 1990). The use of export promotion programs (EPPs) provides better pay-off in terms of a firm's competitive position (overall strength of the firm) and efficiency (profitability). Moreover, it reflects in export performance of existing exporters while encouraging more firms to export (Czinkota, 1996; Gencturk and Kotabe, 2001; Francis and Collins-Dudd, 2004). Despite the propagation of their benefits, the empirical evidence to substantiate the rationale for use and demonstrate the effectiveness of export promotion programs on firm export performance is either "limited and mixed" (Kotabe and Czinkota, 1992: 640) or conflicting (Lages and Montgomery, 2005). Though export marketing has evolved into an integrated and systematic field of study over the years (Bonaccorsi, 1992), the role of export promotion programs on firm export performance has not received much scholarly attention (Francis and Collins-Dudd, 2004). In fact the conceptualisation of the relevant constructs and their interrelationships is far from holistic and comprehensive. It is in fact very narrow. Export promotion programs related studies have mostly concentrated on developing and targeting export promotion programs, and implicitly offered guidance to export assistance providers regarding the allocation of their resources and the content of their programs (Lim, Sharkey and Kim, 1993). However, only a few studies have examined the direct relationship between the usage of export promotion programs and export performance. Research results reveal that the extent of usage of export promotion program is positively related to the 'number of export outcomes achieved' (Singer and Czinkota, 1994), firm's extent of efficiency and competitive position in exporting (Kotabe and Czinkota, 1992), and the achievement of export objectives, export competence and export strategy of different categories of exporters (Gencturk and Kotabe, 2001). Despite the significant contributions of these studies in conceptualizing the effect of EPPs on firm export performance, none of them has investigated the complex interrelationship among different factors in the export promotion programs and export performance. A recent study by Lages and Montgomery (2005) empirically tested the mediating effect of pricing strategy adaptation on the export assistance and export performance relationship. Interestingly the total effects of export assistance on annual export performance improvement was found non-significant because the direct positive effect on performance was severely affected by its negative indirect effect through export pricing strategy adaptation. The unexpected negative indirect effect was seen as a peculiarity of the country context, where price adaptation strategy assisted by Portuguese government export promotion programs was found dysfunctional (Lages and Montgomery, 2005). This unexpected result indeed requires further investigation using relevant theoretical basis. The political and economical situation have experienced dramatic changes in two decade. The basis for this is technological and communication development, also, simultaneously with this, the need and taste of customers have changed in all of the world, and perhaps some products that were in the list, today haven't any role in trade world. Some countries have a impressive role in trade world and they could adjusting themselves with international market, remain in the world competition, trying for export development, and presence in foreign market is necessary nowadays, also, export can cause currency earnings for countries. So, government can provide the favorable context for export development.

3. Export definition

Export is working with professional markets beyond the boundaries. Export is the starting point of communicates with others and it is necessary for economical growth and currency earnings. So, companies should investigate the export performance. (keegan,2010)

3-1. Indirect export:

Indirect export is common among firms that recently, want to have export in this kind of export company's need fewer less capital and company's don's need to employment and training the sellers and exporters exposed to less risk.

Companies that are interested in exporting their products can get help from local intermediaries who are :

1. Merchant exporter in the country: These intermediate buys products with their investment and then sells abroad.

2. Representative of the exporting country: This representative finds foreign buyers and do correspondence and negotiations with them.
3. Cooperatives export organization: They do export activities for representatives on behalf of manufacturers
4. Work performing companies related to export: These mediators do the companies export activities.

3-2.Direct export:

Companies could do direct export activity four-ways such as:

1. Create through the export sector in the country
2. Establishing a sales office or a branch of company in overseas.
3. Having a mobile sales representatives to foreign countries.
4. Having representative or distributor abroad.(keegan,2010)

4. Export performance

Export performance is achievement the company to this goals (economical and strategic goal). For export a product to foreign market planning and implementation of export marketing strategies.(guan, 2003)

5. The effective factors on export performance

The effective factors on export performance divided in two groups: internal factors and external factors. Internal factors related to internal environment of company (such as company's size, management attitude to export), technical and marketing knowledge, international marketing strategy and management features. External factors including government, the features of internal and external market, identify and select international markets and etc... also, in export performance measurement, we with another groups, objective and subjective structures, mental (objective) structures are included export marketing mix, sources of information, entrepreneurial tendencies, export barriers, tariff barriers and export incentives, subjective structures are included, the size of company, the ratio of exports total sales and export experience. Also, there are some factors that have indirect effect and effect on export performance by managerial factors, such as management, export competencies, effectiveness of export markets, similar domestic and export markets. Management is a part of internal environment and included the ability to use appropriate technology, committed and trained personnel, proper management control systems. Export is dynamic process and manager need to aware of environmental changes and match with them. success of exporting have direct relation with training, and decentralized decision. Export competencies are a part of internal environment that effect on export performance. The resource information have an important role on reduction of export barriers. Exporter need information about target market. Such as terms and conditions of country, feature location, etc... usually, companies for collection information about another countries use of ICC. Foreign embassies, business agencies, trade unions and consultation.

Entrepreneurial tendencies determine export marketing strategy and have 3 dimension: innovation, risk taking & hyperactivity the size of company is a ponderable subject, the big company have more export than small company.

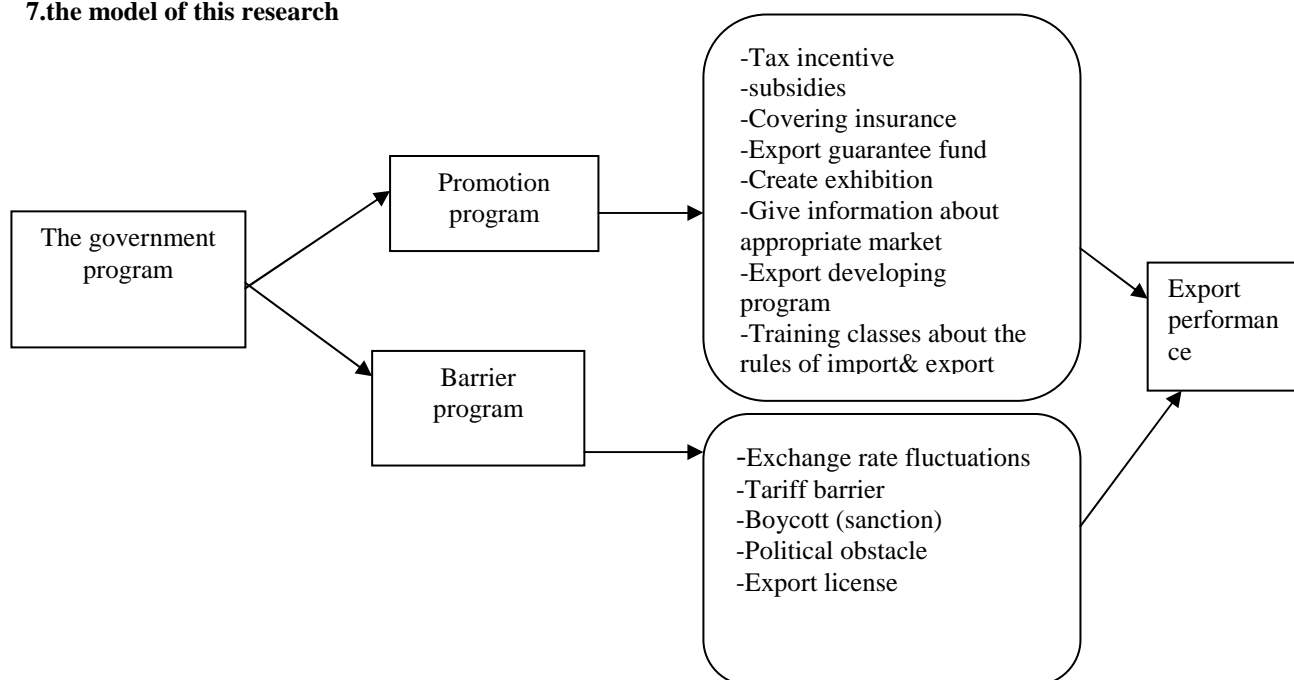
6. The government role on export performance

Now, haven't a consensus definition for government. The term of government refer to a series of different theories, related and sometimes over lapping about restrict certain political phenomena. According to oxford dictionary, government A) political entity is organized under a government, with a common interest, and a nation B)Institutions that make up the federal republic of. Anyway, the most famous definition of government is a political institution of central government that can use of legitimate power in a territorial unit government as one of the effective factors on export performance effect on export performance through two groups= the export deterrent and promoter factors.

The role of government and policies to encourage exports is the important factor in the success of countries. Increase the cost of R&D, increase skills and expertise of staff create export promotion center, and government subsidies are the factors for export development. The motivation export divided in two groups, the financial motivation and nonfinancial motivation, so financial motivation are included tax incentives, subsidies coverage insurance, favorable changes in currency, export guarantee fund. And nonfinancial motivation are included exhibition, export award, export development program, classes in counseling and information supplied.

On the other hand, there are barriers of export inhibitor, they have effect on export performance some of this barriers are poor political relations with countries, boycott, tariff barriers also, lack of financial resources for searching foreign markets, lack of knowledge about export, in adequate understanding of pay practices of export.

7.the model of this research



7-1- promotion program

H1: there is a positive and meaningful relationship between tax incentives and company export performance.

Tax incentives: In this case tax on export earnings are calculated with preferential rates.

H2: there is a positive and meaningful relationship between subsidies and company export performance.

Subsidies: In this case give amount as a subsidies to exporters that it help to more production that cause more export.

H3: there is a positive and meaningful relationship between covering insurance and company export performance.

Covering insurance: Insurance enables the people that afoul a bad accident to compensate the results horrible outcome. Insurance is as vital to your product delivery plans as safe vehicles and good sturdy cartons. When you ship important cargo many miles away and completely out of your control, you do not want to take any chances on your vessel foundering in a massive mid-ocean storm or your airline simply losing track of your cargo altogether. If situations like these occur, you must be compensated for your cargo's value.

H4: there is a positive and meaningful relationship between Export guarantee fund and company export performance.

Export guarantee fund: Credit and investment assurance related to good & service, creation necessary facilities for development and increase of export and exporter received warranty from foreign huger are fund services. Iran export guarantee fund create for more and safer export and enter the export to unknown market provide tools and facilities for import the required ingredients.

H5: there is a positive and meaningful relationship between Create exhibition and company export performance.

Create exhibition: With create exhibition in different country; we have more chance to export to them and sell more good to foreign buyers.

H6: there is a positive and meaningful relationship between Give information about appropriate market and company export performance.

Give information about appropriate market: Government have task that about the market that exporter want to export good to them, provide information such as credit risk, trade restrictions, check out the competition in another country and etc, that perform in some organization like world trade organization, international chamber of commerce and etc.

H7: there is a positive and meaningful relationship between Training classes about the rules of import & export and company export performance.

Training classes about the rules of import & export: Government can help exporters to gain a lot of information about the export and import and to know how to investigate the target country and increase the amount of export in country.

7-2- barrier program

H8: there is a positive and meaningful relationship between Exchange rate fluctuations and company export performance.

Exchange rate fluctuations: cause and unknown and ambiguous space in economy that make hard decision about economic factors.

H9: there is a positive and meaningful relationship between Tariff barriers and company export performance.

Tariff barriers: A tariff is a tax placed on a specific good or set of goods exported from or imported to a country, creating an economic barrier to trade. Usually the tactic is used when a country's domestic output of the good is falling and imports from foreign competitors are rising, particularly if there exist strategic reasons for retaining a domestic production capability.

H10: there is a positive and meaningful relationship between Boycott and company export performance

Boycott: Cause that county cunt import raw materials for good exported and cunt export to another country.

H11: there is a positive and meaningful relationship between Political obstacles and company export performance.

Political obstacles: Some political can cause the reduction of export.

H12: there is a positive and meaningful relationship between Political obstacles and company export performance.

Export license: Some rules of customs such as licensed goods , the export license and.. cause barriers for exporters.(keegan, 2010)

8.Research methodology

The main objective of this study was to investigate the role of government on export performance of exporting companies of carpet industry in Iran. This study in term of purpose is applied research methods and in term of doing research is descriptive analytical. Statistical population consisted of all export companies of members of carpet manufacturers association in Iran that number of these companies is 70 considering the statistical population size is limited and certain thus is used Morgan table to determine the sample size to connect data used standard questionnaire in this study. Reliability of questionnaire with Cronbach's alpha coefficient by using SPSS software was calculated 98/4.

9.Data analysis

| Hypotheses | R | Beta | Sig | Result |
|--------------|------|------|------|---------------------|
| Hypotheses1 | .877 | .377 | .000 | confirmed |
| Hypotheses2 | .837 | .337 | .000 | confirmed |
| Hypotheses3 | .867 | .367 | .000 | confirmed |
| Hypotheses4 | .855 | .355 | .000 | confirmed |
| Hypotheses5 | .861 | .361 | .000 | confirmed |
| Hypotheses6 | .836 | .336 | .000 | confirmed |
| Hypotheses7 | .867 | .367 | .000 | confirmed confirmed |
| Hypotheses8 | .877 | .377 | .000 | confirmed confirmed |
| Hypotheses9 | .854 | .354 | .000 | confirmed confirmed |
| Hypotheses10 | .876 | .376 | .000 | |
| Hypotheses11 | .834 | .334 | .000 | |
| Hypotheses12 | .856 | .356 | .000 | |
| Hypotheses13 | .821 | .321 | .000 | |

Table1: summary of regression test

10.conclusion

This paper presents a model to assess the role of government on Export Performance. The model provides conceptual arguments that Export Promotion and export barrier Programs play an important role in the export development process of a firm. First, the model can contribute to the literature by conceptualising how export promotion and barrier programs indirectly influence firm export performance. While a few studies have examined Export Promotion Programs in the export performance model as export stimulating factor, researchers basically ignored this indirect effect. Second, those who examined its impact on export(keegan, 2010), only examined the direct impact of global measures (all export promotion programs are measured collectively) of export promotion programs on firm export performance, also in this model, we analysis the barrier that create from the government program, we hope that this model be basic model for other researcher that want analysis the role of government on exporting company.

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