

Complementarities of Economic Value Indicators and Organizational Learning Parameters in the Assessment of Export Success of Small-Scale Enterprises in Nigeria

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Abstract

Exporting is a major source of revenue for many small and medium scale enterprises as well as for the economic development of government. In assessing export success, many researchers focus on the economics of export trade i.e the financial gains from the process. Often neglected are the organizational learning experiences which contribute substantially to financial success in the export venture. This study of ten small-scale enterprises exporting primary products reveals that economic factors are not the only criteria to consider. Our results indicate that learning experience has 92% correlation with export financial success, while economic value has 87%. By implication, firms which have organizational learning orientation as a major focus and have desire to learn from international trade are likely to succeed more in export endeavours than those that value only economic gains. Therefore, learning experiences should be applied in conjunction with economic values in evaluating export success. The requisite knowledge and skill could either be acquired by hiring managers with such knowledge and skills in international markets or developed through training on the trade experience.

Key Words: Evaluating, Export success, Economic Value, Organizational Learning, Small firms.

1.0 Introduction

Exporting plays a crucial role in realizing the economic goals of firms and government (Julian, 2003). In the 19th century, export trade provided countries like France and Britain the opportunity to acquire colonies and uplift their economic growth. Before and after the Nigerian civil war, Nigeria was exporting many primary products like palm oil, palm kernel, cocoa, cotton, groundnut, rubber, tin and crude oil, in order to generate revenue to enhance economic growth. By 1980, crude oil, which accounted for only 2.6 percent of total exports in 1960 rose substantially to 96 percent of total export trade, while the contribution of agricultural products declined substantially from 97.3% to 2.5% over the same period (Oshopitan, 1989). Even from 1986 to 2008, there was no significant increase in the relative contributions of agricultural exports to oil exports (National Bureau for Statistics). The decline may be attributed to lack of organizational learning experiences of small firms engaged in non-oil products. As the United States Consulate General (2003:5) observed, exporting of non-oil products promote balanced economic growth. In this era of economic globalization, small firms should therefore be persuaded to increase their commitment to export trade.

The United Kingdom government adopts the philosophy of organizational learning which persuades small firms to increase their commitment to organizational development (Fryer, 1997). The apparent justification for this philosophy is that organizational learning is the most effective and practical way through which to increase small and medium-size enterprise sector success/survival in this era of economic globalization. There is no doubt, the trend towards economic globalization has offered exporting opportunities to, not only large and multinational firms all over the world, but also to small firms that previously focused primarily on the domestic market (Wright and Ricks, 1994).

Though, many small firms participate in export trade, their exporting endeavours are challenged by many internal and external barriers (Leconidou, 2004). Such barriers include limited resources, difficulty in acquiring relevant information, and lack of managerial experiences in exporting as well as weak formal planning systems (Karagozoglou and Lindell, 1998; Ali and Swiercz, 1991; Naidu and Prasad, 1994; Moini, 1995). In Nigeria, small firms which

lack the depth of resources and experience available to large and multinational firms perceive exporting as very risky. Their difficulties are understandable in the light of the failure of their products to meet international standards in terms of quality, labeling and packaging. Their difficulties increase with the proliferation of exporters, very high initial costs associated with export-oriented industries, dumping by superior competitors and less efficient indigenous technology (Anyanwu and Nkemnebe, 2003). Other problems include poor market acceptance of their product in foreign markets because of low standard of Nigeria exports compared to those from developed countries of America and Europe, poor technology, foreign exchange fluctuations and constraint, and bribery and corruption.

Exporting however, requires new knowledge and information, new ways of advertising and selling and familiarization with foreign cultures and unique ways of doing business (Burpitt and Rondinelli, 2000). In view of that, many measures have been taken by the Federal Government of Nigeria to promote export trade especially the export of primary products. Government has for instance, initiated many programmes, policies, trade missions, workshops, seminars and trade fairs to enlighten and educate exporters on different exporting skills. Such programmes offer learning experience opportunities to operators in the export industry, which impact positively on the financial success of firms engaged in export endeavours.

Most firms evaluate export success solely in terms of financial gains, because the primary objective of establishing a business is to make profits. Similarly, in evaluating the export performance of firms, many researchers focus primarily on economic oriented factors which generate financial gains. For example, studies of Burpitt and Rondinelli (1998 and 2000) have shown that the strongest variables for evaluating small firms' financial success are economic variables such as sales and profit. Although economic factors are very important in assessing export success, their earlier research of (1997) on exporting experiences of small and mid-sized firms revealed that firms with varied international experiences have in the process been exposed to opportunities to learn new skills, acquire and apply new technologies and broaden their organizational capabilities in export trade. Such technological experiences increase the innovative ability of a firm to promote her ability to produce unique products, maximize her marketing advantages and enable her to pursue market diversification (Welch and Wiedershein-Paul, 1998). Furthermore, Mabey and Salaman (1995) have argued that the rate at which an organization learns to be innovative is a key variable in determining its profitability.

This research investigates the degree to which small firms involved in export trade recognize the value of organizational learning experiences, and the rationale for incorporating such learning experiences as part of the criteria for evaluating export success.

2.0 Key Issues/Theoretical Framework

Financial gains arising from the export business make exporting a major source of revenue for many small-scale enterprises in Nigeria. Despite the risk, difficulties and problems associated with exporting, many small scale firms in Nigeria are substantially involved in exporting non-oil products. The Nigeria Export Promotion Council normally uses turnover and profit level to evaluate export performance. The issue however, is whether economic values per se, determine ultimate export success. Export success involves more than profit making. A study of organizational learning behavior argues that learning which arises from international experiences is capable of increasing the financial success of exporters and consequently result in overall success of export endeavours.

The primary issue in this research is to determine whether economic values alone should be used in evaluating export success of small firms. Ordinarily, evaluation of success could be based on organizational objectives (Dutton, 1993). The general assumption is, if economic orientation underlies the organizational objectives of profit-seeking firms, such firms would be expected to value activities that earn revenues sufficient to produce profits, and therefore seek markets (local and international) which offer the potentials for such revenues. One would also expect firms which have acquired international learning experiences to include additional evaluation variables. For such firms, organizational learning orientation would be part of the organizational objectives, hence they invest in activities which expose them to learn new skills, acquire or apply new technologies to broaden their organizational capabilities. If that is the case, export success would be a function of financial success, which in turn would be a function of both economic values and organizational learning experiences. Such expected relationship could be defined as follows:

$$ES = f(FS) = f(EV + OLE)$$

Where: ES = Export success

FS = Financial success

EV = Economic value

OLE = Organizational learning experiences

The problem stated above could be solved if we include the impact of economic values as well as organizational learning experiences in assessing the financial success of firms engaged in the export of non-oil products. To do that, a hypothesis was formulated to either accept or reject the existence of such relationship between organizational learning experiences and financial success; as well as between economic values and financial success. If such relationship exists, it becomes an important argument to apply in persuading small firms to use organizational learning experiences in conjunction with economic values in evaluating export success.

3.0 Methodology

Since the study focused on export firms, ten small scale firms operating in the southern part of Nigeria, and exporting non-oil products were randomly selected from the list of 30 registered small scale firms that met the success criteria of the Nigerian Export Promotion Council (NEPC, 2008). Questions were structured to elicit information from the sample firms on such issues as educational qualifications of the owner manager/chief executive, awareness of managers of government export assistance programmes, trade fairs and trade missions, problems of export business and the kind of primary products constituting the articles of trade. Included also were questions to ascertain the basis for measuring export success.

As noted earlier in this paper, when ever economic orientation underlies the organizational objectives of profit-seeking, firms would pursue activities that seek to increase revenue, moderate market cycle, seek for alternatives to stagnant home demand products and finally increase profits. The criteria by which the success of global marketing is measured have powerful influence in the framing of organizational opportunity (Dutton, 1993). By implication, small-scale enterprises that attach importance to opportunities for organizational learning would naturally incorporate some proxies for learning experiences in evaluating export success rather than evaluating such success solely in terms of economic values. The key learning experiences often appreciated by firms with learning orientation include the opportunities to learn new skills, to acquire or apply new technologies and to broaden organizational capabilities.

3.1 Expected Relationships:

This study investigated the relationship between financial success of firms which is the dependent variable and the two independent variables namely economic value variables (which includes growth in sales, increase in profit); and organizational learning experiences variables (which includes knowledge and skill, organization capability, new market and propensity for risk). The survey data collected were analyzed using simple regression and correlation statistics, to ascertain the nature and degree of relationship between the test variables. The objective is to ascertain whether or not financial success increases or decreases with organizational learning experiences as well as with economic values. Each of the variables was measured using a five point likert scale where 1 represented minimum value and 5 represented maximum value. The likert-scale values indicated by the firms covered in the study were summed up to derive the aggregate values indicated in Tables 6 and 7 which formed the basis for the regression analysis.

4.0 Data Presentation and Analyses

Haven appreciated the general picture of the topic in the previous sections; the data generated from the survey is presented and analyzed in this section. The hypothesis formulated was tested based on available data, conclusions were drawn and appropriate recommendations made. Since the primary concern is on the export of primary products, the first task was to identify major Nigerian primary commodities which feature in the international market, the countries where such products are directed and the respective firms involved. These are presented in Table 1.

Table 1. SMAL-SCALE EXPORTING FIRMS, PRODUCT AND DESTINATION

S/N	Firms	Product	Destination
1	A	Ginger	United Kingdom
2	B	Cocoa Beans	Netherland, U.K,
3	C	Cashewnuts	Singapore
4	D	Rubber, Furniture Coy, Flooring Parquet	Italy, U.K.
5	E	Palm oil	Belgium, U.,K.Portugal
6	F	P.K. Cakes	U,k, Portugal
7	G	Rubber	Italy, Spain, S. Africa
8	H	Cocoa Beans	Netherland, U.K.
9	I	Gum Arabic	U.,S.A.
10	J	Furniture Componets, Cotton	Itly, Camerom

Source: Nigeria Export Promotion Council (2010).

Most of the firms are based in the southern part of Nigeria. They produce a diverse range of primary products, which are being exported to different continents of the world.

Table 2 gives a summary of the academic qualifications of the managing directors and chief executive officers of the respondent firms. The firms are numbered A to J on the first horizontal line of the table.

Table 2. Qualifications of Managers

Firms	A	B	C	D	E	F	G	H	I	J
1 st School Leaving Cert.	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
W.A.S.C	Y	Y	Y	Y	N	N	Y	N	Y	N
OND	Y	N	Y	N	N	N	Y	N	N	N
HND	Y	N	N	Y	N	N	Y	N	N	N
B.Sc	N	Y	Y	N	N	N	N	N	N	N
MBA	Y	Y	Y	N	N	N	Y	N	N	N
M.SC and above	N	N	N	N	N	N	N	N	N	N

Source: Survey Data

= Yes

N = No

The table reveals that the highest educational qualification obtained by managers of the firms is Masters in Business Administration (MBA). The managers of firms A, B, C and G have such high educational qualification, while the managers of firms E, F, H and J had only the First School Leaving Certificate, which would not have adequately equipped one for competitive global export trade. Responses from the respondents revealed that some of the owner-managers who were not adequately qualified have senior employees with experiences in international trade matters.

The next stage in data presentation was to evaluate the impact of each variable on the performance of the sample firms. Three economic value variables (increase in sales, increase in profit, and increase in growth) and four organizational learning experience variables (knowledge and skill, organizational capability, new market and propensity for risk) were considered. The likert-scale ranking of responses to the importance of each variable is presented in Table 3.

Table 3: Impact of Economic values and Organizational Learning Experiences Variables on Financial Success of Sample Firms.

Variables	A	B	C	D	E	F	G	H	I	J	AVG
Increase in Sales*	3	4	3	3	2	3	4	3	3	2	3.1
Increase in Profit*	4	5	4	4	3	3	4	3	4	2	3.6
Increase in Growth*	3	3	3	2	2	2	3	2	2	1	2.3
Knowledge and Skill**	2	3	2	2	1	2	2	1	2	1	1.7
Organizational Capability**	3	3	3	2	1	1	3	1	2	1	2.0
New Market**	3	4	3	3	2	2	4	2	3	2	2.8
Propensity for Risk**	3	4	2	2	1	1	3	1	3	1	2.2
Average Impact (all variables)	3.0	3.7	2.9	2.6	1.7	2.0	3.3	1.9	2.7	1.4	2.52

*Economic Values

**Organizational Learning experiences

The table shows that three variables increase in profit (3.6), increase in sales (3.1) and new market (2.8) were perceived to have high average impact on financial success. The other variables namely increase in growth (2.3), propensity for risk (2.2), organizational capability (2.0), and knowledge and skill (1.7) follows in descending order. The table shows that firms B, G, A, C, I and D ranked high with averages above the financial success mean of (2.52). Firms J, E, H, and F were below the financial success mean.

The average impact of economic value and organizational learning experiences on sample firms are presented in Tables 4 and 5 respectively.

Table 4. Average Impact of Economic Value Variables on Sample Firms

Variables	A	B	C	D	E	F	G	H	I	J	AVG
Increase in Sales*	3	4	3	3	2	3	4	3	3	2	3.1
Increase in Profit*	4	5	4	4	3	3	4	3	4	2	3.6
Increase in Growth*	3	3	3	2	2	2	3	2	2	1	2.3
Average Impact	3.3	4.0	3.3	3.0	2.3	2.6	3.7	2.6	3.0	1.6	3.0

Source: Survey data

The average impact of economic values on firms B, G, A and C is high with averages of (4.0), (3.7), (3.0), respectively.

Table 5: Average Impact of Organizational Learning Experience Variables on Sample Firms.

Variables	A	B	C	D	E	F	G	H	I	J	AVE
Knowledge and Skill**	2	3	2	2	1	2	2	1	2	1	1.7
Organizational Capability**	3	3	3	2	1	1	3	1	2	1	2.0
New Market**	3	4	3	3	2	2	4	2	3	2	2.8
Averages Impact	2.75	3.5	2.5	2.3	1.3	2.5	3.0	1.8	2.5	1.5	2.2

Source: Survey data

Firms B, G, and A had appreciable impact of organizational learning experiences, with averages of (3.5), (3.0) and (2.75) respectively, which were above the cumulative mean of 2.2

5.0 Test of Hypothesis

Two key issues are involved in the test of the hypothesis formulated for the study, first, to examine the relationship between organizational learning experiences and financial success and secondly, to examine the impact of economic variables on financial success. The computed figures applied in deriving the correlation coefficient of organizational learning experience as derived from Tables 3 and 5 are presented in Table 6 below.

Table 6: Computed Value of Organizational Learning Experience Variables

Firms	Y	X	X ²	Xy	Y ²
A	3	2.8	7.84	8.4	9.00
B	3.7	3.5	12.25	12.95	13.69
C	2.9	2.5	6.25	7.25	8.41
D	2.6	2.3	5.29	5.98	6.76
E	1.2	1.3	1.69	2.21	2.89
F	2.0	2.5	6.25	5.00	4.00
G	3.3	3.0	9.00	9.90	10.89
H	1.9	1.8	3.24	3.42	3.61
I	2.7	2.5	6.25	6.75	7.29
J	1.4	1.5	2.25	2.10	1.69

A simple correlation analysis ($Y = a + bx$) was applied to the computed values (table 6). Since the calculated b value is equal to 1.00, the obvious conclusion to be drawn is that one unit of financial success can be attributed to 1.00 unit of organizational learning experience. The calculated correlation coefficient which indicate the degree of the relationship is $r = 0.92$.

Since $r = 0.92$, the conclusion to be drawn is that there is a strong positive correlation between financial success and organizational learning experiences. By implication about 92 percent of changes in financial success would be dependent on organizational learning experiences. Therefore, organizational learning experiences should have a major role to play in evaluating export success of firms exporting primary products.

The next stage was to ascertain the strength of relationship between economic values and financial success. The computed figures applied in deriving the correlation coefficient as derived from Tables 3 and 4 are presented in Table 7

Table 7. Computed Values of Economic Value Variables

Firms	X	Y	X ²	Y ²	xy
A	3.3	3.0	10.89	9.00	9.9
B	4.0	3.7	16.0	13.69	14.8
C	3.3	2.9	10.89	8.41	9.57
D	3.0	2.6	9.00	6.76	7.80
E	2.3	1.7	5.29	2.89	3.91
F	2.6	2.0	6.75	4.00	5.2
G	3.7	3.3	13.69	10.89	12.21
H	2.6	1.9	6.76	3.61	4.94
I	3.0	2.7	9.00	7.29	8.1
J	1.6	1.4	2.56	1.69	2.24

Source; Author's Computation

By applying the simple correlation test to the computed values (table 7) the correlation co-efficient, r was derived to be 0.866. Since $r = 0.87$, the conclusion to be drawn is that there is a strong positive correlation between financial success and economic value variables. Based on the values of the correlation co-efficient of organizational learning experience variables (0.92), and that of economic value variables (0.87) it would be concluded that organizational

learning experiences impact more positively on financial success than economic values variables. Consequently organizational learning experience variables should, of necessity be used in conjunction with economic values in evaluating the export success of small-scale enterprises in non-oil products exports trade.

6.0 Discussions

Most of the respondents admitted, that they started exporting through smuggling to nearby African countries, but later entered into advanced stages of exporting after gaining some learning experiences. This finding is in line with the findings of Calof and Viziers (1995) in their research on small enterprises in South Africa. In that study, they argued, that “Firms learn to export gradually, by first, searching for outlets in less risky markets in countries that are culturally similar and geographically close. After having learned in less risky locations, they expand gradually to culturally and geographically more distant markets, which are more risky”.

Some managers get information regarding foreign markets by reading foreign publications as well as through travels abroad. Analyses of Tables 2 and 3 simultaneously show that firms A, B, C, G with high academic qualification are more likely to succeed financially than those without such qualifications. Organizational learning experiences and economic value variables impacted more on their export endeavours than on other firms. This is an indication that learning experiences which are improved by the level of education are very important for achieving reasonable export success.

7.0 Summary and Recommendations

Economic globalization places pressure on the participation of small firms in international trade. Most of such firms lack resources, information, technological abilities and other facilities necessary for successful export business. Government has certainly tried in various ways, to help educate and encourage small-scale entrepreneurs that engage in the export of non-oil products. However, some enterprises had not benefited much from the existing programmes, simply because they may not have developed the appropriate organizational learning orientation. Such enterprises are purely economically oriented and do not therefore, place sufficient emphasis on organizational learning processes of the trade.

The key findings of this study underscore the importance of organizational learning experiences in export trade. Export oriented firms should therefore seek ways of acquiring learning experiences either through informal or formal education. It is evident from the study that courses in the areas of accounting, finance, banking, marketing, international trade, advertising, consumer behaviours, public relation, packaging and labeling, computer education, international law, entrepreneur skills and other relevant courses could help a great deal in tackling many problem and issues arising from export trade endeavours.

The policy implications is that efforts at promoting export trade for small firms should be tailored towards tackling the special limitations of such businesses in the areas of information and knowledge. Remedial programmes should focus more heavily on training managers to perceive exporting as a learning process that needs patience and matures with experience. Such programmes should be geared towards helping the firms to internalize their experiences, learn from them and use that knowledge to generate satisfactory economic returns. The strategic implication for small firms is that for them to expand their markets internationally, they must cultivate a positive attitude towards organizational learning experience which increases the financial success of export operations.

This research established the importance of organizational learning experiences to whether organizational learning experience is a more important factor than economic value orientation in the export success is certainly not a settled issue. The research has however shown that the complementarity of both factors in promoting the success of small-scale Nigerian firms engaged in export trade is beyond doubt.

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