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THE EXPORT MARKET EXPANSION STRATEGIES AND EXPORT PERFORMANCE OF FINNISH SMEs

Master's Thesis in Marketing
International Business

VAASA 2007

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ABSTRACT

The main purpose of this study was to examine the influence of different export market expansion strategies on export performance between Finnish small- and medium sized firms. The purpose was also to examine the potential relationships between certain situational variables, expansion strategies and export performance. Study also included the aspect of geographical distance and the importance of main export markets in the context of export market expansion strategies.

In order to achieve the purposes study also intended to: 1) identify different export expansion strategies and certain situational variables that are associated with them and export performance; 2) identify how different export expansion strategies are associated with export performance; 3) examine how applied expansion strategies can be classified between Finnish SMEs; 4) examine the impacts of export expansion strategies on export performance; 5) examine the impacts of situational variables on export performance; 6) examine the impacts of situational variables on export market expansion strategy choice; and 7) examine the potential joint effect of situational variables and export market expansions strategies on export performance.

A cross-sectional survey was used in this study and sample consisted of 267 Finnish exporting firms. Total of 6 situational variables were analyzed against export market expansion strategies and export performance. 14 hypotheses were constructed and the data was analyzed with SPSS 15.0 software by ANOVA, cross-tabulation, correlation-, and regression analyses.

The results indicated that there is a relatively large difference in the export performance between different export market expansion strategies. Export market diversification strategies showed better export performance than concentration strategies. Most of the situational variables showed also moderate impact on export performance and export market expansion strategy choice. Total of nine hypotheses were fully accepted, two only partially and three hypotheses were rejected.

KEYWORDS: Export Market Expansion, Export Strategies, Export Performance, SME

1. INTRODUCTION

1.1 An introduction to the subject

The explosive development of new technologies, the liberalization of international trade barriers and the drastic competition in the international markets have derived to increasing globalization of businesses world widely. The increased competition and small demand in the home markets, combined with the competitive products and growth willingness of Finnish small- and medium size enterprises (SMEs), has brought them to situation, where almost every of them has to internationalize their businesses. Moreover, Bradley (1991: 215) suggested that, as a result of the decreasing and removal trade barriers and reduction of communication and transportation costs, companies do not have to be large no longer to operate internationally. In this sense, the increased globalization has brought benefits for SMEs over larger companies. Exporting has widely believed to been the most popular route of internationalization by SMEs in their attempt to enter, penetrate and develop foreign markets. Reason for this is that exporting is associated with less risk than other operation modes and it has usually only limited impact on the domestic operations of the firm. (Katsikea, Theodosiou, Morgan & Papavassiliou 2005: 57.)

When companies make the decision to go international, the strategic decision between the export market expansion strategies are needed. Practically, the selection of a particular market expansion strategy is one of the most crucial decisions that a firm should make after it decides to become involved in exporting activities. (See e.g. Cavusgil & Zou 1994). In addition, one of the first choices that exporter faces, is the choice between market concentration and diversification strategy. According to Lee (1987: 2–3), the export market expansion strategies becomes the most fundamental over other strategic decisions (i.e. pricing-, distribution-, operational management strategies) related to exporting in the following three senses.

First, it will impact the adoption of the effective export market selection strategy. A firm needs to comprehend its strategic capabilities in order to find the most potential markets for its products and services. Otherwise it can miss the high potential markets, or enter to markets that do not match with its strategic capabilities (Lee 1987: 3). Secondly, the strategic decision between concentration and diversification will influence the selection of each element of export marketing strategies (Kotler´s 4 P´s) in relation of what is possible or economically feasible (see also Piercy 1982: 37). In other words, with the same resources, different export market expansion strategies will indicate allocating different levels of export marketing efforts to each export market, and in the most cases, the different levels of export marketing efforts will influence the selection of suitable export marketing strategies. For example, the pricing differentiation (i.e. local pricing) may be attractive with a strategy of concentration, but particularly uneconomical with export market diversification strategy. Similarly, form the view of distribution strategy, the export market diversification strategy is more likely relying on the distributors and other intermediaries, while concentration strategy may prefer direct selling through sales subsidiaries (E.g. Piercy 1982: 37–38; Lee 1987: 4). Thirdly, this strategic decision will influence the operational export strategy management (i.e. organizational structure, administrative mechanisms, etc.) because different export market expansion strategies will demand different types of operational strategies in order to support exporting activities more effectively. (Lee 1987: 4.)

1.2 Purpose and limitations of the study

The main purpose of this study is *to examine the influence of different export market expansion strategies on export performance between Finnish SMEs.*

In order to achieve the main purpose of this study, the following theoretical and empirical sub-purposes were needed to form:

Theoretical purposes

1. To construct a base from previous theoretical and empirical literature, to identify different export market expansion strategies and certain situational variables that are associated with them and with export performance.
2. To construct a base from previous theoretical and empirical literature, to identify how different export market expansion strategies are associated with export performance.

Empirical purposes

3. To examine, how applied export market expansion strategies can be classified between the Finnish SMEs

4. To examine, is there a relationship between the applied export expansion strategies and export performance
5. To examine, is there a relationship between the certain situational variables of the firm and export performance
6. To examine, are the certain situational variables significantly related to export market expansion strategy choice
7. To examine a potential joint effect of situational variables and export market expansions strategies on export performance

The object of this study is to identify certain situational variables of the exporter and export market expansion strategies that are associated with export performance. The association between situational variables and export market expansion strategies and association between export market expansion strategy choice and export performance will be also examined separately. To achieve its purposes the study will raise questions from the theoretical framework and transform them to hypothesis. In the empirical part of this study the research hypothesis will be tested with statistical methods.

The components of the conceptual framework of this study are situational variables, export market expansions strategies and export performance. These variables are selected to this study because of their repetitive appearance in the previous studies. The situational variables and export market expansion strategies will be used as independent variables, and export performance and export market expansions strategies as dependent variables in this study. (The export performance is dependent on export market expansion strategy and situational variables, and the applied export market expansion strategy is dependent on situational variables).

The quantitative data used in this study has been collected by mail survey and telephone interviews from Finnish SMEs. The quantitative data that this study contains has been obtained from a wider survey of Finnish SMEs internationalization. That survey has been accomplished in the University of Vaasa by the Department of Marketing during 2006.

Empirically this study is limited to Finnish SMEs which have exporting activities. Some reasons for limit this study to Finnish SMEs are following: Firstly, there exists a shortage of empirical evidence concerning the influence of different export market expansion strategies on export performance in the field of Finnish SMEs, except Larimo (2000, 2007) and tangential diploma study by Räsänen (2002). SMEs are also the “cornerstones” of Finnish economy and have a significant impact for success of relative small economy like Finland.

Most important contributions of this study pertain to the inclusion of geographical distance in the context of export market expansion strategies. This study divides the export market expansion strategies into two different part; concentration to geographically proximity countries, so called *geographically close concentration*, and to *spread concentration.* Diversification strategy will be divided into the *geographically close concentrated diversification* and to *spread diversification*. There is no previous literature or theories which would have made directly this kind of distinction for export expansion strategies, so this study will try to apply tangential theory about *psychological distance* (first coined by Beckerman 1956 and more detailed by Johanson & Valhne 1977) to make a segregation between expansion strategies. It has been argued in the previous literature regarding internationalization that companies tend to begin the internationalization process in countries that are psychically close before entering to more distant countries (O´Grady & Lane 1996: 310). In more detail, this study will apply only one component of psychological distance, the *geographic distance* as an indicator of psychological distance. The geographic distance has been among the international trade literature the most common indicator of all trade resistance factors over other psychological distance factors (Dow 2000: 52). Moreover, this study will also try to examine the potential impact of early internationalization approach on the present export performance, between the companies that have started to internationalize their businesses from geographically close countries and firms that have started to internationalize from more distant countries. This brings as well some novelty value for the study.

This study is theoretically and empirically limited to concentrate only for internal variables of exporting firm that define the export performance. The external variables (E.g. macroeconomic conditions like; political-, economical-, socio-cultural-, and technological influential or competitive situation) are excluded due to the excessive nature of external variables that are affecting to the company’s overall export performance.

Export market expansion strategies and export performance are broadly studied areas in the field of international marketing. There exists a huge amount of different variables that can be associated with export performance, and some that associate with different expansion strategies. Because of the wide nature of different variables affecting to expansion strategy choice and export performance, this study can not include all the determinants empirically, or even theoretically.

1.3 Terminology of the study

Some of the terminology used in this study will be clarified next:

Export market expansion strategy is defined as the long-range strategic decision as to the rate of export market expansion in the number of export markets/countries over time and the allocation of marketing efforts among different export markets. (Ayal & Zif 1979; Lee & Yang 1990: 29.)

The *export market concentration strategy* is defined as the "purposeful selection of relatively few markets for more intensive development" (ITI report 1979; Piercy). Katsikeas and Leonidou (1996: 119-120) defined market concentration as "the firm's strategic focus on and allocation of resources to export operations in certain carefully selected export markets". The essence of export market concentration strategy (also so called key market strategy), is thus to concentrate the marketing efforts onto a small number of export markets.

The *export market diversification* or *market spreading* is defined as "marketing goods to a large number of export markets" or "make up the world market for a particular product" (Piercy 1982: 9, 69-73). Katsikeas and Leonidou (1996: 119-120) defined market diversification as "exporting to as many markets as possible, with no particular focus on specific export markets". The essence of export market expansions strategy is thus to attain small market shares by extending the export operations in a large number of markets.

The *situational variables* of the exporting firm include in this study the firm demographics (size of the firm, export experience) and managerial characteristics (managers international experience, educational level, language skills, and commitment to firms international businesses).

The *export performance* is generally divided into two principal parts in the previous literature: Objective measures are mainly based on records relating to absolute figures of company's profitability or export sales level etc. Subjective measures are usually based on the perceptions of managers (E.g. Katsikeas, Piercy & Ionnidis 1995). In this study, the export performance will be measured both objectively and subjectively. Objectively export performance will be measured multi-dimensionally by export-level (and export growth). Subjectively it will be measured by the manager's perceptions of company's overall export performance.

The *psychic distance* is defined as "the sum of factors preventing the flow of information from and to the market". Examples are differences in language, education, culture, business practices and industrial development. (Johanson & Valhne 1977: 24.)

Geographical distance is one factor of psychic distance. It is simply measured by the objective distance between the home country and export market.

SMEs is the abbreviation of Small and Medium-sized Enterprises. SMEs include micro-, small-, and medium sized enterprises. The maximum number of employees in SMEs is 250 persons. The maximum turnover is 50 million € and maximum balance sheet total amount is 43 million euros. To be classed as an SME, an enterprise has to satisfy the criteria for the number of employees and one of the two financial criteria, i.e. either the turnover total or the balance sheet total. In addition, less than 25 % of the ownership can be owned by external enterprises and less than 25 % ownership can be owned in the external enterprise. (European Commission; Enterprise and industry publications.)

1.4 Previous studies concerning the subject

The search of previous studies relating to subject has been conducted mainly by using different electronic databases (E.g. ABI Inform, EBSCO host, Emerald & JSTOR) and other internet resources. This method is advantageous in generating a large number of articles which contain the key search words and which are published in the most popular journals in marketing and international business (Zou & Stan 1998: 335). Examples of the key words include terms such as export market expansion, expansion strategies, export market concentration, export market diversification, export market spreading, export performance, firm demographics (and size of the firm and export experience separately), firm characteristics, management characteristics (and each variable separately) and geographic distance.

Igal Ayal and Jehiel Zif (1979) presented a framework for planning and evaluation of export market expansion strategies. In particular, they focused on the rate of entry into new markets and the allocation of effort among the markets. They rate the export market expansion strategies based on the countries and segments within the national markets (characterized by; 1. market and segment concentration 2. market concentration and segment diversification 3. market diversification and segment concentration 4. market and segment diversification). The research summarized 10 key product/market factors that are affecting the choice between export market concentration and diversification (see chapter 3). They illustrated the application of the framework for the choice of export market expansion strategy by a three qualitative case studies.

Chong Suk Lee (1987) studied the differences between export market expansion strategies and export performance between the high technology industries located in the Pacific Northwest of The U.S in his doctoral dissertation. The sample consisted of 52 high technology SMEs, and it was gathered by structured questionnaire from senior managers. There were three following main purposes in the study; 1. To test empirically whether the situational variables that exporting firm faces, are related with the chosen export market expansion strategy. 2. What managerial and company variables are related with export performance and 3. To analyze the effect of different export expansion strategies on export performance and whether the effect of firm and managerial variables are varying under different export market expansion strategies. The export market expansion strategy was measured multi-dimensionally (number of markets, what percentage of total export sales came from top five export market, what percentage of total export marketing efforts were allocated into the top five export markets) and the export performance was measured with both objective and subjective measures. The statistical methods used were multiple regression- and simple correlation analysis, ANOVA, MANOVA and three way analysis of variance. There will be references to Lees Dissertation in many parts of this study since Lee has been studying very similar variables in his study.

Chong Suk Lee and Yoo S. Yang (1990) proposed an operationalization scheme in which export market expansion strategy is measured as a multidimensional construct. There was a lack of well-operationalized types of export market expansion strategy before their research, and the most studies had simply used the number of export country markets as representing a certain export market expansion strategy. Another objective of the study was to examine the effect of the applied export market expansion strategy on the export performance. The sample consisted the same 52 high technology (manufacturers) SMEs located in the Pacific Northwest region of U.S what he had used in his dissertation (see above). The study classified exporters into three strategic groups between export market expansion strategies; *market concentration, market diversification and concentric diversification.* This dividing was based on the following variables: 1. Export experience 2. Number of export markets/countries 3. The level of marketing efforts allocated to the major export markets measured by percentage of marketing efforts allocated to top five export markets over the percentage of export sales in the top five markets. The export performance was measured with both objective and subjective measures. The statistical methods used were ANOVA and Duncan's multiple range tests.

Constantine S. Katsikeas and *Leonidas C. Leonidou* (1996) studied the differences in the profile and behavior between firms adopting an export market concentration strategy and firms applying export market spreading strategy between Greek manufacturers. The data was obtained through personal interviews with export executives in Greek food manufacturing firms. The sample consisted of 87 firms. The potential discriminating factors between the different export market expansion strategies in their study were: firm characteristics, marketing effort and policy elements and export related perception variables. The statistical methods used were Multiple Discriminant Analysis (MDA) in conjunction with MANOVA analysis. Both of the authors are participants in many other articles regarding export performance, expansion strategies and firm characteristics which will be introduced in the second and third chapter of the study.

Nigel Piercy (1982) published a book particularly to smaller exporting companies regarding export market expansion strategies and competitive factors. The objectives of the book were to build a framework which could fully identify the options faced in export strategy and to construct guidelines to the price and non-price factors of the export competition. This book seems to be the only academic book that has constructed a clear theory from export expansion strategies, market concentration and market diversification (in the book called market spreading). The only competitiveness factor included to publication was price factor. Product-, place-, and promotion factors were excluded. Piercy has also published two articles by himself, and few others with authors like Katsikeas and Leonidou regarding export marketing, expansion strategies and managerial characteristics in exporting and those will be also introduced in the second and third chapter of the study.

Jorma Larimo (2007) studied the impact of certain firm, management and export strategy related variables to the export performance between Finnish SMEs. The goal of the study was also to examine if there is variation in the results depending on the measure of export performance. The similarities and differences in the results depending of the type of SME- traditional exporters vs. born global companies, and the impact of export market diversification on export performance were also examined in the study. The sample consisted of 386 Finnish SMEs and cross-sectional OLS-regression analysis was utilized in the data analysis. Some results and conclusions of the study will be brought up later on in the second and third chapter of this study.

1.5 Structure of the study

This study consists of six chapters. The first three chapters concentrate on the theoretical presentation of the subject, bottoming on the previous theories and empirical findings. The methodology of the study will be introduced in the fourth chapter and the fifth chapter will analyze the result of the empirical part of the study. Finally, the sixth chapter will conclude and summarize the empirical results and applied theories, and adduce the managerial implications of the study. The structural framework of this study is presented in Figure 1 on page 19. The study proceeds as follows.

The first chapter starts from the short introduction to the subject. The main purpose is defined, combined with necessary sub-purposes. Also the limitations of the study are discussed and short review of present studies and literature regarding the subject are discussed briefly.

The second chapter will introduce the situational variables selected to the study and the measurements of export performance. First the chapter will characterize the firm demographics that are selected to this study; the size of the firm and export experience. After the managerial characteristics selected to this study are characterized (managers international experience, educational level, language skills, commitment to international business). The results from past studies regarding the situational variables of this study are reported as well to gain deeper understanding on the relationship between situational variables and export market expansion strategy choice. Also the results from the past studies concerning the impact of situational variables on export performance are reported. After the description of situational variables of the study, the concept of export performance will be introduced; the measurements of export performance are characterized in brief, based on the previous studies and literature regarding the subject.

The third chapter will characterize the different export market expansion strategies. First the export market concentration and diversification strategies are characterized theoretically combined with the results/ findings that past studies have found between the different export market expansion strategies and export performance. The subject of psychological distance, especially the geographic distance will be introduced in this chapter as well. In the end of this chapter a short summary about the previous chapters will also be concluded

In the fourth chapter the methodology of this study is presented. The concepts of the study are needed to be operationalized in the way that the variables regarding the study can be measured quantitatively. Also the validity and reliability of this study are discussed. A brief description of the sample is also relevant to give, so that the empirical part of this study can be more clearly comprehended.

In the fifth chapter the empirical results of this study are examined. The hypotheses that were developed in the theoretical part are tested with statistical analysis. The relationships between the concepts of this study are presented.

Finally, in the sixth chapter, the summary of the study is made. The results of the empirical part of this study are discussed and conclusions and implications to managers are also given. In addition, it is important to compare the findings of this study to the previous findings in the studies of export market expansion strategies on export performance. Also some limitations of the study are and advices for future research are discussed. The structural framework of this study is presented in figure 1.

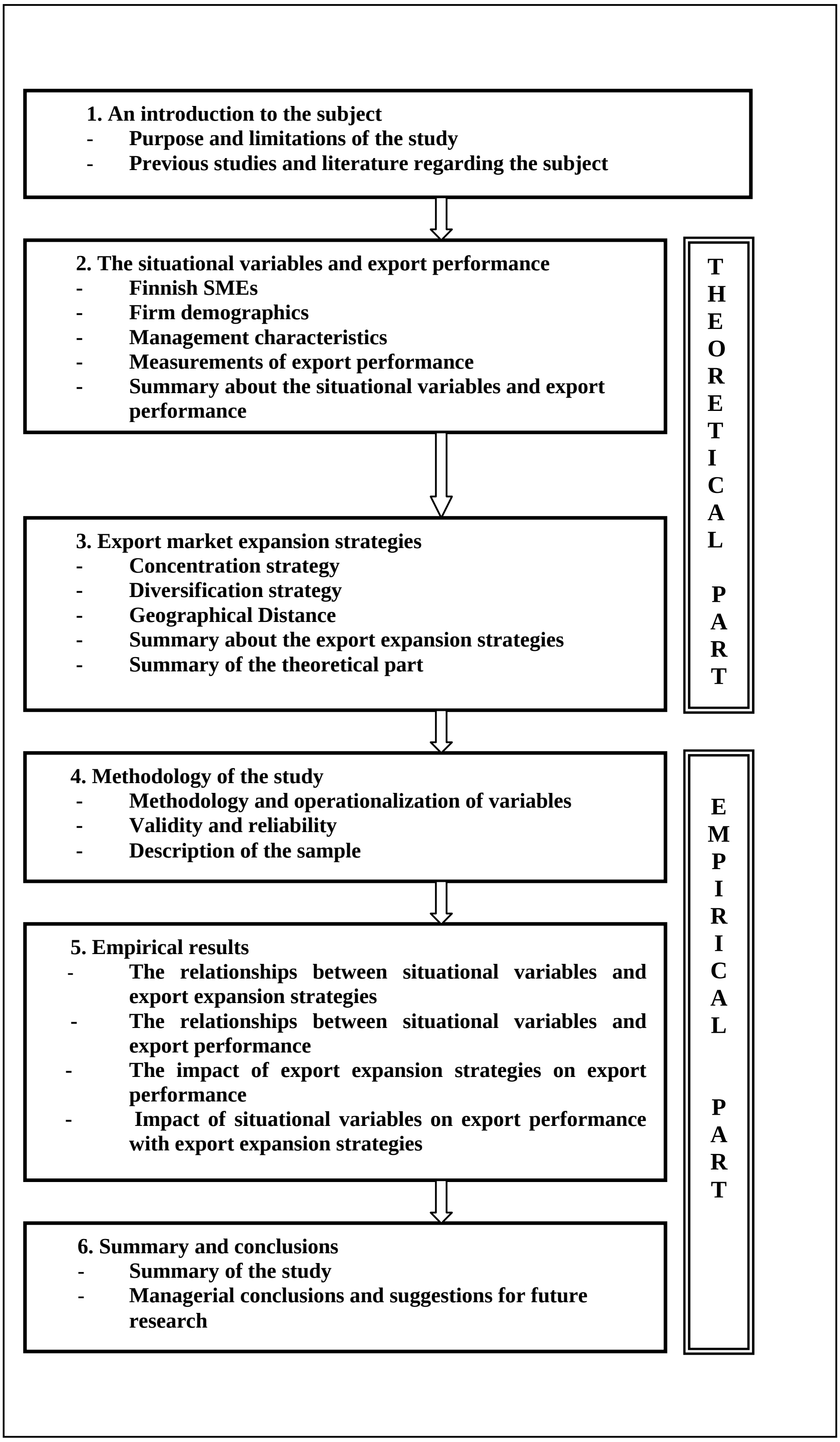

Figure 1. The structure of the study.

2. THE SITUATIONAL VARIABLES OF THE EXPORTER

In this chapter the views and theories of situational variables (firm demographics and management characteristics) selected to this study and the measurements of export performance are presented. The empirical findings from previous studies regarding the relationship between situational variables and export performance, and the relationship between situational variables and export market expansions strategy are presented as well. Several studies have examined the relationships between different situational variables and export performance, but however, only few studies have examined the relationships between situational variables and export market expansion strategies. These both relationships will be examined in this study and notwithstanding, later in the empirical part of this study (chapter 5), the concurrent impact of situational variables and export market expansion strategies on export performance will be examined.

Also the measurements of these situational variables used in this study are presented and the hypotheses will be developed based on the previous studies and literature. Afterwards, the hypotheses will be tested in the empirical part of the study.

However, this chapter starts with short introduction of Finnish SMEs and their relevancy for the Finnish economy. This is found to be relevant in order to enhance the comprehensive picture concerning the framework and purposes of this study.

2.1 Finnish SMEs

Despite the emphasized visibility of few large-scale enterprises in Finnish media, the basis of Finnish economy is based on small- and medium size companies. Finland has a total of 236 000 enterprises in year 2004 of which 97 percents of companies employed less than 50 employees and 99.8 percent less than 250 employees, based on the company register of *Statistics Finland* and *Federation of Finnish Enterprises*. 93.1 percent of all Finnish companies have less than ten employees. Overall Finnish SMEs employs 61.7 percent of the overall personnel of Finnish enterprises. (So the rest one percent of the companies, which could be described as large-scale enterprises, employs around 38 percent of overall personnel of Finnish enterprises). SMEs have also play the key role in creating of new jobs in Finland recent years, since many multinationals are transferring their production into low-cost production/work-force countries. In the European context, 99 percent of the 19 million companies are SMEs and they employ around 70 percent of the overall personnel. Total turnover of Finnish SMEs was 52 percent of the overall turnover of Finnish companies and 56 percent of the total salaries were paid by SMEs.

SMEs share of Finland's export trade is also very remarkable. Every fifth of Finnish SME has exporting activities and in these companies, on the average, one third of the total turnover comes from exporting. Of all export revenues, SMEs bring more than fifteen percent. (Confederation of Finnish Industries, EK; Federation of Finnish Enterprises). Figure 2 display the dividing of Finnish enterprises (include large enterprises) according to branch.

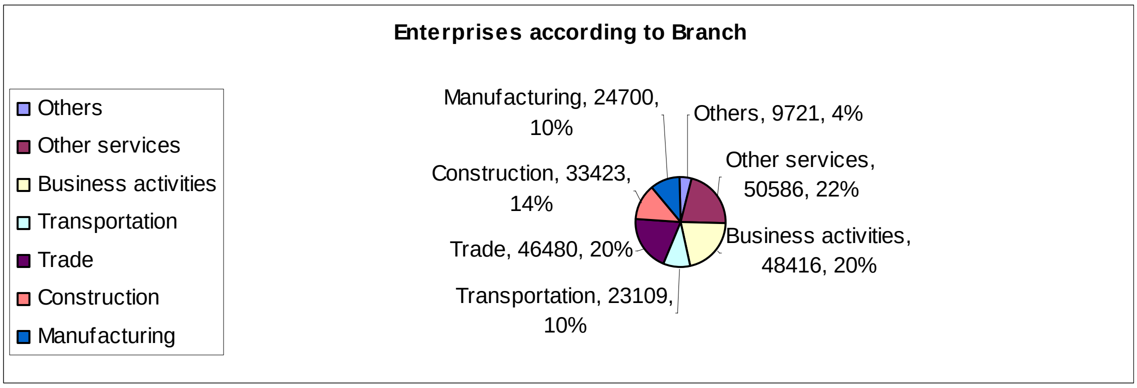

Figure 2. Finnish Enterprises according to branch. (Federation of Finnish Enterprises)

According to Ali-Yrkkö, Lindström, Pajarinen and Ylä-Anttila (2004: 12–15), internationalization of most Finnish firms can be described by the internationalization process models (E.g. Johanson, Wiedersheim & Paul 1975; Johanson & Vahlne 1977; Luostarinen 1979). According to these models firms internationalize gradually by gaining experiences first from economically, culturally and geographically close markets before expanding to more distant markets. Typically Finnish firms have expanded gradually through Sweden and Germany into rest of the Europe, United States and Asia, and usually internationalization starts with normal foreign trade and later on by foreign investments. Nowadays there is also more so called "*born-global*" companies that are targeting to global markets in the very early stage. Also more Finnish firms go through these stages in the process models faster than before.

2.2 Situational variables of the exporter used in this study

There is enormous amount of different variables that are affecting to firms export behavior and through that, its export strategies and export performance. According to Ali (2004: 6) these factors related to firms export decisions seem to be internal (firm specific) and contextual (industry-, market-, and environment specific). The environmental factors include macro-economic, social, physical, cultural, and political aspects that influence managers export behavior and firms export performance. The internal factors include firm and management characteristics such as firm size, management commitment to exporting, manager's attitudes and perceptions towards exporting, competition, market potential, risk and profitability. Also some firm capabilities, competencies and managers personal characteristics are relevant internal factors. Zou and Stan (1998: 349) named these internal firm and management characteristics as uncontrollable factors that can not be readily changed in the short run.

Lee (1987: 8) presented a research framework which described the situational settings that impacts for company's export market expansion strategy formulation and export performance (see figure 3).

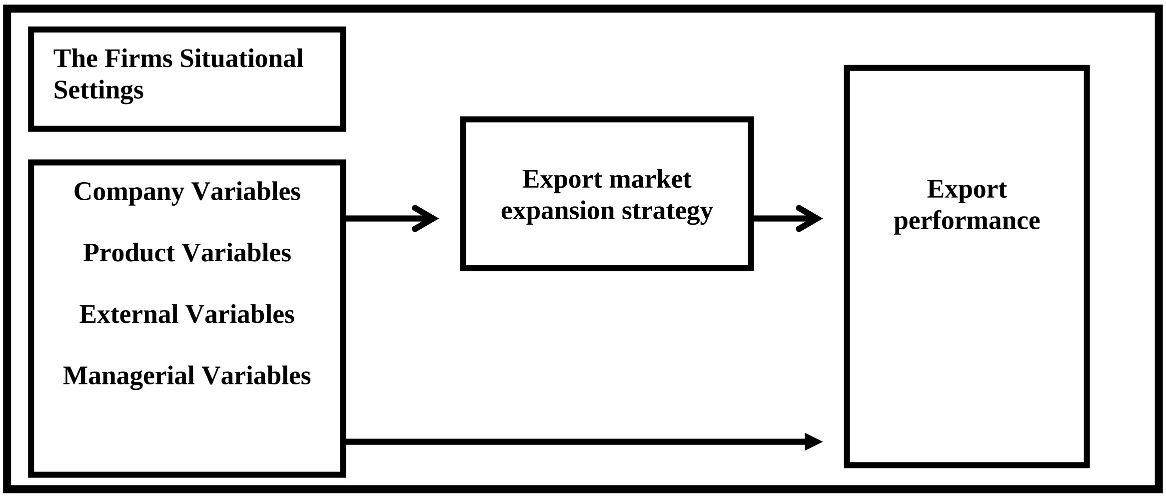

Figure 3. Framework for Export Market Expansion Strategy Formulation and Export Performance. (Lee 1987: 8).

Lee (1987: 8-10) divided his dissertation to three different research stages: 1) an analysis of export market expansion strategy formulation, 2) an analysis of export performance and 3) an analysis of potential effects of different export market expansion strategies on export performance and an analysis of firm and managerial variables on export performance with significant export market expansion strategy choices. In the first research stage, the export market expansion strategy formulation for a firm was conceptualized as a function of independent variables (E.g. internal company and product variables and external market variables) that exporting firm faces.

The components of the conceptual framework of this study shows similar kind of aspects than the conceptual framework of Lee. However, product variables and external market variables are excluded from this study. This chapter introduces the situational variables chosen to this study; firm demographics and management characteristics. More accurately, firm demographics include the *size of the firm* and *export experience* of the firm and managerial characteristics include *management's foreign experience, educational level, language skills* and *commitment to international businesses*.

According to Katsikeas and Leonidou (1996: 114) no systematic attempt has been made to empirically examine those variables that may explain why firms follow a specific approach to export market expansion. Even though many different internal and external factors have been identified influencing firms export behavior, there exist very few empirical studies in this area and most of the past studies concentrate on the relationship between different situational variables and export performance.

Katsikeas and Leonidou (1996: 115) stated also that in the export marketing literature firm's decision to initiate exporting and afterwards maintain commitment to foreign markets and operations is determined by two major factors: the firm's *willingness* and *propensity* to export, and its *actual capacity* to do so. They suggested also that the set of variables (firm characteristics, marketing efforts and policy elements, export related perception variables) influencing firm's willingness and capacity to export can be identified and considered as potential discriminating factors between the two generic export market strategy alternatives of concentration and diversification.

2.3 Firm demographics

The firm demographics included to this study are size of the firm and export experience of the firm. The size of the firm is measured as an objective number of employees, and export experience is measured as a difference between the age of the firm and years of exporting.

According to Cavusgil and Zou (1994: 5) firm capabilities and constraints influence deeply firm's choice of marketing strategy and ability to execute the chosen strategy. The size advantages and international experience of a firm are relevant assets and skills in export marketing. And a possession of such assets and skills enables an exporter to identify the idiosyncrasies in export markets, develop and execute appropriate marketing strategies effectively. Therefore, these firm characteristics affect export marketing strategy and export performance.

2.3.1 Size of the firm

Size of the firm is one of the most common used determinants of export performance in the previous studies concerning exporting. There isn't consensus regarding the impact of size on export performance in the previous studies, and the impact of size on the applied export market expansion strategy has been studied very narrowly (except Lee 1987; Katsikeas & Leonidou 1996). Size of the firm can be measured in many different ways (E.g. sales volume, number of employees, total assets, and resource availability) which can be one reason for fragmented results of past studies. In this study size of the firm is measured as the number of employees because the figures are quite easy to obtain reliably. Moreover, Voerman (2004: 46) concluded that majority of studies that have been utilizing other measures than number of employees as size measure, have found non-significant results

According to Hollensen (2004) the size of the firm is an indicator of the firm's resource availability and increasing resource availability provides the basis for increased international involvement over time. Hollensen also propose that SMEs may desire a high level of control over international operations, and because they do not have needed resources to achieve a high degree of control, the export entry modes, with lower resource commitment, may therefore be more appropriate for SMEs. These views are close to the line with traditional internationalization models, such an Uppsala internationalization model.

Madsen (1988: 52) suggested that, the companies that are most interested in diversifying their efforts into several different markets are the small- and medium size companies, due to the fact that they do not have enough necessary resources to apply successful concentration strategy. This is supported by Ayal and Zif (1979) as they suggest that the lack of internal resources (availability of productive, financial and human resources) favors the capability or the profitability of the market diversification.

On the contrary, Lee (1987: 213–214) founded significant positive association with size of the firm and market diversification strategy. This finding point out that large exporting companies possess larger resources and are more likely to have a higher degree of internationalization.

Katsikeas, Piercy, and Ioannidis (1995: 13) found three fundamental factors leading to the formation of expectations that the size of the company is related positively to firm's behavior and performance in foreign markets. These were organizational resources, economies of scale and the perception of risk in international activities. Particularly, in generally larger exporting manufacturers are considered to possess more financial and human resources, and enjoy higher levels of economies of scale. Thus, they perceive lower levels of risks concerning foreign markets and operations. Somewhat opposite results were found by Ali (2004) when he studied 60 Australian food producers and found that size (measured with both total sales and number of employees) had no significant impact on export performance (measured by export intensity, export sales and export growth). Moreover, Ali (2004: 14) suggested that firm size is not necessity to succeed in exporting when its management has more open world-view and has a commitment to its international operations meaning that proactive management may perceive fewer problems related to exporting and are more able to take advantages of expanding foreign markets to increase export sales. Nor Suárez-Ortega and Álamo-Vera (2005) did not found relationship between size of the firm (measured by production capacity in liters) and export performance (measured by export intensity) in their study of 286 Spanish wine producers. Contractor, Shu and Kundu (2005) did not either found any relationship between the size and export performance of the firm (measured with both export growth and intensity) in their comparison study of Indian and Taiwan small- and medium sized software manufacturers. However, Nakos, Brouthers and Brouthers (1998) found a positive association between the size of the firm and export performance (measured both with export intensity and –profitability) in their study of Greek SMEs. Also Larimo (2007) found a positive association between the size and export performance with four of the five different export performance measures in the study of 386 Finnish SMEs, only export intensity was not correlating with the size. Interestingly, Das (1994) carried out a study of 58 Indian exporters and found that firms with higher export intensity were smaller and firms with export intensity of 20 per cent of less were more likely to be larger companies.

According to Katsikeas and Leonidou (1996: 115) these size-related attributes reflect a firm's ability to effectively meet the requirements of export customers, and thus, might impact to the choice of a specific export market expansion approach. Moreover they found that companies applying export market concentration strategy tend to be in general smaller companies. Also smaller companies showed greater interest in export profitability but, at the same time they were less concerned about export sales objectives. On the contrary, they found that companies applying export market diversification strategy appear to be larger companies and paying greater attention to export sales objectives and at the same time, placing less emphasis on export profitability.

There is no definitive consensus in the export marketing literature regarding the relationship between firm size and export behavior. For instance, some studies (E.g. Katsikeas & Piercy 1993; Bilkey & Tesar 1977) have concluded that size is a poor predictor of export attitudes and activities. In the contrary, other studies (Cavusgil & Naor 1987; Culpan 1989) found that size is positively related to the degree of export intensity. Whereas, Cavusgil (1984) suggested that size of the firm could be a concomitant variable that associates with export activities, rather than a causative factor in the sense that larger size usually indicates greater availability of company resources (I.e. managerial and financial resources).

Size of the firm always reflects to a certain extent its available resources, and through that, it has affection to applied market expansion strategy and export performance. Along this line, in this study the following hypotheses are proposed:

H1. There is a positive relationship between firm size (measured by number of employees) and export market diversification strategy

H2. There is a positive relationship between the firm size (measured by number of employees) and export performance

2.3.2 Export experience of the firm

According to Katsikeas and Leonidou (1996: 116) one fundamental and broadly accepted view of internationalization is that knowledge gained through experience from foreign business activities is the primary means of reducing the level of uncertainty connected with management's perceptions of company's overseas markets and operations. Most frequently export experience is measured by the numbers of years that firm has been involved in exporting or other international operations. Voerman (2004:

52) suggest that export experience should be replaced with a measure named "international experience", which would place as much importance on international experience stemming from importing as from exporting, because after all, importing also implies dealing with companies abroad, which all leads to experiential knowledge on international business.

Katsikeas (1994: 37) stated that firms with relatively high levels of export market experience tend to perceive less uncertainty in their exporting activities, and thus, possess a better understanding of export market forces and achieve better export performance levels in comparison with younger exporters. However, Katsikeas (1994) did not found any significance differences in perceived export competitive advantages between the groups of more experienced and less experienced exporters. It could be assumed that the longer a firm has had exporting activities, the better it becomes with export related activities and more it can concentrate on making real business. Naturally, longer export experience does not automatically make firm more successful in exporting than inexperienced firms. Instead, Ursic and Czinkota (1984: 166) found that younger firms tend to be better exporters than older ones, because management of young firm tends to be more aggressive in seeking export market information.

Lee (1987: 118) found that export experience (measured by the years of exporting) was positively associated with export market diversification strategy. Lee suggested that it may be explained by the fact that larger, more experienced exporting firms among his sample might have some capabilities, based on the company resources and knowledge to expand into many markets efficiently. Moreover, Lee (1987: 150) found that export experience correlated positively and insignificantly with export level and profit, but with export growth correlation was positive and significant. Bilkey (1982: 44) found positive correlation between export experience and export intensity, but negative with export experience and perceived relative profitability of exporting in the study of 186 Wisconsin manufacturing companies. However, Larimo (2000, 2007) or Nakos et al. (1998) did not found any significant differences between the less and more experienced exporters and export performance. Nakos et al. (1998: 39) still found some support for Ursic and Czinkota (1994: 166) finding that younger firms performed better than older ones.

Katsikeas and Leonidou (1996: 124–125) found that the export experience in relation to export markets and operations was not found to significantly discriminate the choice of applied export market expansion strategy, although the possession of export marketing experience facilitated a better understanding of foreign market forces and reduced perceptions of uncertainty in exporting operations. They report the participant managers felt that exporting experience does not necessarily provide their firms differential advantages over more inexperienced companies. In addition, they emphasized that relevant experiential knowledge is a prerequisite in the establishment, development and maintenance of successful export activity, irrespective of the applied export market expansion strategy.

In summary, the results regarding the relationship between export experience and export performance are rather mixed and thus the following hypothesis is presented;

H3. There is no significant relationship between the length of export experience of the firm and the export performance

And because of the mixed results regarding the relationship between the export experience of the firm and applied export expansion strategy, the following hypothesis is presented;

H4. There is no significant relationship between the length of export experience of the firm and the applied export market expansion strategy of the firm

2.4 Management characteristics

Several studies has pointed to management as the principal force behind the initiation, development, sustenance, and success of a firms export effort, because of direct responsibility for and involvement in export decisions (Leonidou, Katsikeas & Piercy 1998: 77). According to Cavusgil (1984: 17) the variations in export activity (percent of sales exported) can be explained, to a significant extent, by different organizational and managerial characteristics. Thus the export operations are generally more difficult to start and sustain than domestic operations, the interests, know-how, foreign experience and commitment of top management can be a substantial advantage for a firm. Suárez-Ortega and Álamo-Vera (2005: 260) concluded that in today's business markets, where inter-firms relationships are more flexible than before, the managers play an increasingly important role in the development of firm's internationalization strategies. Hutchinson and Quinn (2006: 513–514) stated, that especially for SMEs, decision-making power is usually concentrated in the hands of one or very few persons, and thus the international strategy decisions are inclined to be direct responsibility of the owner manager or senior management team.

The management characteristics chosen to this study include four subjectively (with 5 – point Likert scale) measured variables. The respondents were asked to give their opinions of the *management's foreign experience, -educational level, -language skills and managements commitment to international business*. According to Turnbull and Welham (1985: 32) these aspects may contribute to the individual's ability to relate successfully to potential customers and interact with them, to perceive and define their problems and find solutions for the customer and through that these aspects have impact on firms export success.

2.4.1 Managements international experience

According to Leonidou et al. (1998: 88) the professional experience of the managers, including previous occupations, technical expertise or product knowledge, has been associating with exporting. This is particularly true when professional experience has been attained in an international environment through involvement. For example, companies may benefit from the contacts made by their managers in their previous employment and it can also facilitate companies to identify foreign market opportunities. In addition to the ability to identify foreign market opportunities, Larimo (2007: 33) also stated that managers with international experience have at least more realistic view of the threats of exports to foreign countries. According to Turnbull and Welham (1985: 34) the experience of living and /or working abroad is an important dimension experience and in particular, the experience of different cultures and business practices should give improved customer orientation and reduce psychic distance. In addition, they suggest that an effective marketer should also have a good knowledge of the products and production technology of his/her firm. Hutchinson and Quinn (2006) highlighted the importance of overseas experience of the managers in building up the networks in foreign markets and these both factors were substantially significant in the international expansion of UK SME retailers, especially in the early development of business operations overseas.

Several researchers have linked the previous overseas life or work experience of decision-makers with their firms' export performance (E.g. Cavusgil 1984; Contractor, Shu and Kundu 2005; Das 1994; ITI Report 1979; Larimo 2007; Nakos, Brouthers & Brouthers 1998; Turnbull & Welham 1985; Schlegelmilch & Ross 1987; Suárez-Ortega

& Álamo-Vera 2005). Schlegelmilch and Ross (1987: 152) found that companies employing managers with higher overseas experience showed higher export intensity and export growth rates than less experienced. Also Suárez-Ortega and Álamo-Vera (2005) found that firms experience in geographic market development and manager's international experience were positively associated with export intensity. Nakos et al. (1998) deduced also that firms with managers with more international experience achieved higher export ratios and profitability's. Opposite results were found by Larimo (2007) and Contractor, Shu and Kundu (2005) as either of them did not found any significant association between the international experience of the management and the export performance. Somewhat contrary findings were found by Das (1994: 26) whose results indicated that managers of successful exporting firms have less past experience in international business and similar experience in exporting than managers of unsuccessful firms.

In any case, there is more evidence about positive association between the international experience of the management and the export performance, and thus, the following hypothesis could be presented;

H5. There is a positive relationship between the international experience of the management and the export performance of their firm

And, since there is a lack of empirical results regarding the relationship between the international experience of the management and applied export expansion strategy, the following hypothesis is presented;

H6. There is no significant relationship between the international experience of the management and applied export market expansion strategy of their firm

2.4.2 Managements educational level

The level of formal education attained by managers has been suggested as a factor affecting exporting in several studies. Some researchers (E.g. Garnier 1982) have argued that better educated decision makers are more open-minded and interested in foreign affairs, and therefore, being more willing to objectively evaluate the benefits and disadvantages acquired from international business. Turnbull and Welham (1985: 35–36) concluded that marketers professional training and educational background can obviously be expected to make a major contribution to the success in the sense which he/she demonstrates a capability to identify and satisfy customer needs and problems. Schlegelmilch and Ross (1987: 146) conclude that in the firm level there are some indications that educational qualifications are an important part of overall quality of management. However, they did not found any significance relationship between formal education and export intensity, and only small relationship between formal education and export growth. Similar kinds of results were found by Suárez-Ortega and Álamo-Vera (2005) as they found lack of association between manager's educational level and export intensity. Either Evangelista (1994) did not found any relationship between manager's educational level and export performance in the study of 193 exporters from Australia. Instead, Contractor, Shu and Kundu (2005) found strong positive association between technical and/or professional education of the managers and export performance. They stated that especially for software industry, the managers educational level is a key ingredient for enhancing performance of the firm. Also Nakos et al. (1998) find a positive association between the educational level and both export ratio and export profitability.

Voerman (2004: 55) concluded that exporter who is knowledgeable about exporting and their export markets/countries tend to adopt marketing strategies that lead to better performance. Therefore, education might not have a strong direct impact on performance, but the quality of managers exporting decisions varies depending on their educational level, with a higher educated manager taking decisions that are more successful.

There is more evidence about the positive association between manager's educational level and export performance, and therefore the following hypothesis is presented;

H7. There is a positive relationship between the educational level of managers and the export performance of their firm

And because there are no empirical evidences regarding the relationship between the manager's educational level and applied export market expansion strategy of the firm, the following hypothesis is presented;

H8. There is no significant relationship between the educational level of managers and applied export market expansion strategy of their firm

2.4.3 Managements language skills

Manager's language skills may have a positive affect on export business performance in several different ways; it may help to establish social and business contacts abroad, it can improve communication and interaction with foreign customers and other authorities, assist in understanding foreign business practices, and facilitate effective planning and control in overseas markets. Moreover, managers with a good command of foreign languages are more likely to initiate export operations than monolingual managers (Leonidou et al. 1998: 89). It could also be assumed, that the lack of foreign language knowledge could increase manager's perception of psychological distance between the domestic and foreign markets.

Many researchers has explored the link between linguistic ability and export performance (E.g. BETRO 1979; ITI Report 1979; Hutchinson & Quinn 2006; Nakos, Brouthers & Brouthers 1998; Schlegelmilch & Ross 1987; Suárez-Ortega & Álamo-Vera 2005; Swift 1991; Turnbull & Welham 1985; Ursic & Czinkota 1989) and by most of those studies, individual language skills are believed to be central to effective international marketing. Turnbull and Welham (1985: 38) concluded that the ability to understand and communicate with foreign customers will have fundamental impact on potential marketplace performance. Ability to speak customer's language leads to enhanced understanding and definition of needs and increase the probability that customers will recognize exporters abilities leading to a lowering of psycho-social barriers to interaction. According to Swift (1991: 44) the most obvious use of foreign language is when negotiating with foreign buyers. The language competence can give a "psychological advantage in selling", for example using buyer's native language can reduce his/her feeling of isolation and encourage him/her to develop a more positive attitude towards the foreign negotiator. Moreover, the ability and willingness to converse in the "local" language indicates a commitment and respect for the customer's country and company. (Turnbull & Welham 1985: 38). Furthermore Swift (1991: 40) concluded that anything that can speed up the process of interaction, and subsequent development of trust, must be of great importance. Swift (1991: 40–41) noticed also that when parties in international business can not speak the same languages, many companies choose to rely on agents, sales subsidiaries, or other representatives to fill the communication gap, and these intermediaries are at the same time potential barriers of communication, as they prevent the establishment of closeness to the market.

Turnbull and Welham (1985: 39) listed six marketing advantages of language skills; 1) show an interest in the culture of the customer's country and often smooth the path of negotiation by facilitating social contacts, 2) allow a relationship of trust to develop, 3) improve the flow of communication both to and from the market, 4) improve ability to understand the ethos and business practices of the markets, 5) improve ability to negotiate and adapt product and service offerings to meet the specific needs of the customers and 6) give a psychological advantage in selling.

Swift (1991: 45) stated that the main point of language competence is, that it facilitates the establishment of market closeness, and enables the exporter to examine markets in far greater detail than would otherwise be possible. In conclusion Swift (1991: 45) versified:

"*Linguistic ability could be considered as the oxygen supply a diver needs for undersea exploration; without this oxygen he must remain on the surface, unaware of the strangeness and complexity of life beneath the waves"*

Altogether, it is a rational choice to present the following hypothesis in the respect of earlier studies and natural expectations;

H9. There is a positive relationship between the management's language skills and export performance of their firm

And because there is no empirical evidence regarding the relationship between the management's language skills and applied expansion strategy by the firm, the following hypothesis is presented;

H10. There is no significant relationship between the management's language skills and applied export market expansion strategy of their firm

Some could assume some relationship between the management language skills and export market expansion strategy, for example if some owner-manager of SME possess some exceptional language skill, he/she could try to benefit from that skill by concentrating into those markets where use of this language is common. On the other hand, managers with excellent knowledge in several languages could try to get benefit for their companies by exploiting into several markets or at least possession of diversified language skills could reduce the perceived risk of the foreign markets, and thus, the export market diversification strategy could be more applied among these managers and their companies. However, due to the lack of empirical studies regarding this aspect, this study does not suggest any relationship between these variables.

2.4.4 Managements commitment to international business

Managerial commitment, as expressed in terms of the extent of resource allocation (marketing-, financial-, production-, and personnel resources) for exporting is a potential determinant of export behavior and export success. (See e.g. Cavusgil 1984: 9; Crick, Bradshaw & Chaudhry 2002: 371; Ali 2004: 8). Moreover, involvement in exporting requires that the firm devote financial and human resources, and management attention, to carrying out tasks that are new to the firm and for building the infrastructure for export marketing (Cavusgil 1984: 9). Furthermore, Larimo (2007: 32) reminded that building up the markets in exporting is usually a long-term oriented requiring strong management commitment to these markets. Moreover, it is reasonable to assume that when managers are highly committed to export, they carefully plan the entry to new markets and allocate sufficient managerial and financial resources to accomplish the task.

Most studies exploring this variable concluded a positive relationship between management commitment and export performance. Madsen (1989) confirmed empirically that top management commitment to exporting is critical to successful business performance in foreign markets, particularly during the early stages of internationalization. Furthermore, Lee (1987: 41) conclude that a strong top management commitment will increase the market knowledge and the quality of interaction with distributors and same time decrease the perceived distance to foreign markets and therefore improve the export performance. According to Ali (2004: 5) proactive management attitude towards the internationalization of firms, and cross-border collaboration is a prerequisite for successful business operations with a certain competitive advantages in the global markets. Moreover, Ali (2004: 9) suggested that management's commitment towards exporting is naturally reflected in its observable financial and organizational support facilities, but other abstract attitudinal as well as moral and physical support to export could also be counted as management's commitment toward exporting. However, Ali (2004) applied three different commitment measures (behavioral-, attitudinal-, and general commitment) in the study of 60 Australian food producers and did not found any significant impact of management's attitudinal or general commitment on export performance (measured by export intensity, export sales and export growth). Behavioral commitment showed positive impact on export sales and intensity, but not on export growth. (Ali 2004: 15). Evangelista (1994: 219–220) found also positive relationship between the behavioral commitment of the management and export performance and concluded that it is obvious that the behavioral commitment plays important role in achieving desired levels of export performance (measured in 5-point Likert scale). Larimo (2007) did not found any significant relationship between the management commitment and the export performance.

Aaby and Slater (1989: 16, 21) conclude in their review that management commitment, management's perceptions and attitudes towards exporting are good predictors of export success and companies where management is firmly committed to export, export performance tend to be higher. In addition, Crick et al. (2002: 371) suggest that manager's commitment to serving international markets is important consideration and it should be viewed in addition to the expansion strategy employed.

Management's commitment can be measured with both objective and subjective measures. Objective measures relate to figures of financial and organizational support to exporting (Ali 2004: 10). However, in this study only subjective (5- point Likert scale, 1= very low and 5= very high) measure about respondent's reply concerning top management commitment to firms international business will be utilized.

In summary, thus so many studies have found positive association between the international commitment of the management and export performance, the following hypothesis is presented;

H11. There is a positive relationship between the international commitment of the management and export performance of their firm

And, because the lack of empirical results regarding the relationship between the management commitment and applied export expansion strategy, and Crick et al. (2002) suggestion about the link between those two, the following hypothesis is presented;

H12. There is a relationship between the management commitment and applied export market expansion strategy of their firm

2.5 Measurements of export performance

In this section the relevant theories and studies of export performance are examined. First, the most common economic (objective), non-economic and generic (subjective) measures of export performance will be introduced. (See e.g. Larimo 2007; Katsikeas, Leonidou & Morgan 2000.)

Export performance can be defined as the extent which firms objectives, both strategic and economic, with respect to exporting a product (in addition service or intangible asset) into a foreign markets, are achieved through planning and execution of export market strategy. (Cavusgil and Zou 1994: 4.)

2.5.1 Classification of export performance measures

The concept of export performance is fairly complicated and multidimensional, since several different performance measures can be, and have been applied to measure export performance (Larimo 2007: 23). The lack of a uniform conceptual definition and measure of export performance is one of the key issues in the export literature (Cavusgil & Zou 1994: 4). Larimo (2007: 18) stated that the mixed results of past empirical studies related to variables of superior export performance are at least partly caused by the differences in the measures of export performance, samples, time periods, and operationalization methods that has been used for various firm, management, and export strategy related variables.

The most recent study regarding export performance by Larimo (2007) concluded that 50 different measures of export performance had been applied in the previous export performance studies. *Export intensity, export sales growth, export sales volume, export profitability and growth of the export sales ratio* are the five most used economic measures of export performance in previous studies and extant literature. (See e.g. Larimo 2007; Katsikeas et al. 2000). Other, most commonly utilized (both economic, non-economic and generic) measures are *export profitability growth, overall export performance, perceived export success, export market share* and *-growth, achievement* *of objectives settled for exporting, number of export countries/markets* and *strategic export performance*. (Larimo 2007: 23.)

2.5.2 Economic (objective) measures of export performance

Economic measures of export performance can be divided into sales-, profit-, and market share-related measures. Sales related measures have been the most often used to assess export performance (Katsikeas et al. 2000: 497; Larimo 2007: 23). The most common sales-related measures will be presented next;

Export (sales) intensity (also referred as export sales ratio/level in the literature) is the ratio of export sales to a company's total sales and it is the most commonly used objective measure of export performance in the literature (See e.g. Larimo 2007; Katsikeas et al. 2000). Export intensity indicates the overall importance of exporting to a firm and it's obtained by dividing firms export sales by its total sales. Export intensity is a static measure of export performance as it measures export levels at only one particular moment. Although the ratio of export sales to total sales as an expression of firms export performance or success has received enormous criticism in the past (E.g. it does not reflect the competitive dimensions of export success), it is still the most frequently used measure in export literature (E.g. Katsikeas et al. 2000; Aaby & Slater 1989; Larimo 2007). According to Suárez-Ortega and Álamo-Vera (2005: 266) the reasoning why export intensity is the most used measure, is that it indicates a greater degree of internationalization, thus being a measure of a firm's internationalization effectiveness.

Export sales growth is another widely utilized measure of export performance. Export sales growth is obtained by the increase of exports in financial value over a certain period of time. It is a dynamic and important indicator of export performance. Katsikeas et al. (2000: 498) criticize this measure, because it may overstate performance because of the price escalation and market growth, or it may understate performance due to experience curve effects and decreasing demand. In addition, Cooper and Kleinschmidt (1985: 40) stated that even if firm may receive high export growth level, the firms export relative to total sales (export and domestic) can remain constant because the firm's total sales grew substantially.

Export sales ratio growth indicate the growth of the export intensity/sales percentage over a certain period of time and *export sales volume* indicate the size of export earnings in objective financial value in a certain moment of time. Katsikeas et al. (2000) found also in their review that the following sales-related measures have been used at least once in some study; *export transaction size, export sales intensity of product, export sales per employee, export sales per export manager, contribution of exporting to sales stability, export sales volume and growth of new products, export sales return and growth of export sales return on assets and investment*.

Export profitability is the most common utilized profit-related measure of export performance and it can be either an objective financial measure of export profitability or a subjective assessment of the profitability of exporting compared to domestic marketing. (Ali 2004: 6). Exact figures of export profitability of the firms are often difficult to attain, because of the fact that companies do not necessarily know exactly their export related profits or they want to withhold those information's (See e.g. Larimo 2007; Katsikeas et al. 2000). Other frequently used profit-related measure is *export profitability growth* which indicates the growth of the objective financial value of export profitability. Other profit-related measures that have been used in earlier studies are *export profit ratio, export profit margin, contribution of exporting to profits* and *growth of export profit margin*. Two different market share-related measures have also been identified as economic measures of export performance*;* *export market share* and *export market share growth* (Katsikeas et al. 2000: 498.)

2.5.3 Generic and non-economic measures (subjective) of export performance

According to Katsikeas et al. (2005: 498) the non-economic measures of export performance can be divided into product-related, market-related, and miscellaneous measures. These non-economic measures have been utilized really rarely in the previous studies and those measures will be just shortly listed next.

Product-related measures that have found to been utilized in previous studies are; *new products exported, proportion of product groups exported,* and *contribution of exporting to product development*. Market-related measures are; *export country/market number* (this is the most frequently utilized measure of non-economic export performance measures*), export market penetration, new markets exports, contribution of exporting to market development,* and markets *in which exporting was increased*. Miscellaneous measures of export performance that have been found to used are; *began exporting, contribution of exporting to scale economies and company reputation, years of exporting, projection of export involvement,* and *number of export transactions*. (Katsikeas et al. 2000.)

The generic measures relates heavily on different perceptions and assessments of the managers regarding the overall performance of their firm. Some of the most common generic measures of export performance are shortly introduced next;

Perceived export success, *satisfaction with export performance* (with specified indicators), and *satisfaction with overall export performance* are all generic measures that are based on managers degree of satisfaction with (overall) export performance to determine the net outcome of their companies export activities. (Katsikeas et al. 2000: 499.)

Achievement of export objectives and *strategic export performance* refers to manager's assessment of performance compared to objectives. This can be measured in several different dimensions, or just by the overall satisfaction about achievement of the settled objectives. The foremost refers that there can be many different objectives that firm has set to achieve prior to other objectives, for example it can be more important for the firm to beat its main competitors in the main export market than increase firms overall export sales or export countries. Or, on the other hand it can be more important for the firm to expand into the new markets than increase its market shares in existing (main target) markets/countries. Cavusgil and Zou (1994: 4) concluded that usually firms set a number of objectives regarding to exporting and subsequently some objectives can be achieved fully, others only marginally.

2.6 Summary about the situational variables and export performance

In this chapter, the selected situational variables, firm demographics and management characteristics and the concept of export performance were presented. The focus was in presenting the empirical findings of previous studies and pointing out the great importance of these situational variables in exporting.

As we can see, the different firm demographics and management characteristics have found to be the key determinants of export performance in several studies, but not all of them have and not to the same extent. However, only few studies have examined the impact of different situational variables on export expansion strategy formulation. The size of the firm is clearly the most commonly examined determinant of export performance in previous studies.

According to Leonidou et al. (1998: 80) management is responsible for the mode, direction, and speed with which the company advances along the export development path. Also the participation of management in export activities unavoidably affects directly or indirectly on companies export performance. For example, the way in which export managers select, enter and expand in foreign countries, design export marketing strategies, and monitor business with overseas customers will inevitably affect the export performance of the firm. Even if Suárez-Ortega and Álamo-Vera (2005: 274) did not found so remarkable relationships between different managerial characteristics and export performance, they still concluded that different managerial characteristics play a key role in the accomplishment of a superior export performance. In conclusion, it appears that managers who have more competencies on the international context, seems to perform better because they are more able to make the right decisions.

About the export performance, despite the widespread research of export performance in the literature, it is still one of the most contentious and least understood areas of international marketing. In many respect, this problem can be caused by the difficulties in conceptualizing, operationalizing, and measuring the export performance. Often the summary about different studies leads to inconsistent and conflicting results and it is almost impossible to ascertain whether variations in research findings are due to the independent variables or the great number of different export performance measures employed. (Katsikeas et al. 2000: 494.)

Based on the reviews of previous export performance studies Larimo (2007: 25) concluded five important measurement aspects of complex phenomenon of export performance; 1) there should be at least two or more measures for export performance, 2) there should be both objective and subjective measures, 3) there should be both economic and non-economic or/and generic measures (E.g. perceived export success and achievement of export objectives), 4) all export markets and main product or/and main target market related measures should usually be both covered, and 5) variations of the export performance in the time dimension should be considered.

Crick et al. (2002: 371) remind that different criteria's of export performance (E.g. export growth or profitability) are contingent on manager's objectives and the challenges with which they are faced at a given point in time. For example, at the time when there is strong growth in the domestic markets, managers may only require a marginal international presence in order to meet their overall objectives.

Ali (2004: 7) concluded that firms set goals to achieve strategic objectives such as international market entry, market share and position in international marketing rather than just financial goals, and an export performance measure that is intended to measure a firm's outcome in international operations should contain both financial and strategic goals over a certain period of time. In addition, Cavusgil and Zou (1994: 2) stated that usually performance has been measured in terms of sales or profits; with no deliberate attempt to relate it to firm's strategic and competitive goals.

According to suggestions by Larimo (2007), Ali (2004) and Cavusgil and Zou (1994), this study will apply two different measures of export performance, both strategic and financial, and both objective and subjective measures. The objective/economic measure chosen for the study is export intensity and subjective/generic measure is manager's perception about the overall export performance of their company. The operationalization methods of these export performance measures are presented in the operationalization part of the study, in chapter 5.2,

3. EXPORT MARKET EXPANSION STRATEGIES

The goal of this chapter is to introduce the previous studies regarding the export market expansion strategies. As mentioned earlier in this study, there is a lack of studies that have tried to examine the relationship between different situational variables and applied expansion strategy, and most of the studies have just examined the impact of different expansion strategy on export performance. Findings of previous studies regarding these both relationships are presented in this chapter. After the description of both export expansion strategies, the aspect of geographical distance will be introduced. This chapter starts with a short introduction about the importance of export market expansion strategies.

3.1 Perspectives to export market expansion strategies

The choice of export market expansion policy is the main strategic decision in multinational marketing and the adoption of a strategy for expansion into foreign markets is an extremely important decision for the management of a company (E.g. Lee 1987; Mas-Ruiz, Nicolau-Gonzálbez & Ruiz-Moreno 2002). Companies need to identify potential markets and define some order of priorities for entry into these markets. According to Ayal and Zif (1979: 85) such a long-term decision requires; the identification of potential markets and establishing order of priority for firms entry into these markets, the decision on the extent of marketing effort to which it will commit itself, and decision on the timing of expansion and the allocation of marketing effort among the different markets.

According to Lee (1987: 3) the strategic decision between the export market concentration and diversification strategies becomes the most fundamental in three senses. Firstly, it will influence the adoption of the effective export market selection strategy which is the basis for successful international marketing operations. Secondly, this strategic choice will influence the selection of each element of export marketing strategies (i.e. 4 P´s) in the terms of what is economically possible and feasible. A firm with an unclear market expansion strategy will not only miss the high potential markets, but it can also enter to markets that do not match with its strategic capabilities. Thirdly, this strategic decision will influence the operational export strategy management (i.e. organizational structure, administrative mechanisms, etc.) because different export market expansion strategies will demand different types of operational strategies in order to support exporting activities more effectively. (Lee 1987: 3–4.)

3.2 Market Concentration strategy

According to Ayal and Zif (1978: 73, 1979: 85) export market concentration strategy is characterized by channeling available resources into a small number of markets, devoting relatively high levels of marketing effort to each market in an attempt to win a significant share of these markets and gradual expansion into new markets over the time. The ITI report (1979) described the concentration strategy as the “purposeful selection of relatively few markets for more intensive development”. Katsikeas and Leonidou (1996: 119–120) defined market concentration as “the firm’s strategic focus on and allocation of resources to export operations in certain carefully selected export markets”

Day (1976) suggested that the most effective solution for exporting firms should be to research carefully the five or six best export markets, where its products were likely to be most successful both in short and long term and concentrate upon them. In addition, he suggested that five or six seemed to be the optimum number of markets in maintaining control over the export businesses.

The first empirical study that has supported the export market concentration strategy as the profitable expansion strategy for all exporting firms was BETRO report (1976). It was based on empirical research on 122 U.K. exporting firms. This report suggested that exporting firms could benefit by concentrating on a limited number of export markets and attempting to achieve substantial market shares in those markets. At the same time report argued that many British firms exported too many markets (I.e. 66 percent of the sample firms exported to over 50 countries) and would benefit from concentrating their efforts on best five or six markets, like Day (1976) suggested. This report also provided the key rationales, why export market concentration strategy would benefit over export market diversification strategy: 1) it gives higher profitability based on larger market shares in a few key markets, 2) better market and agent knowledge, and 3) there is less administration needs. (Lee 1987: 18–19.)

Ayal and Zif (1979) suggested some other rationales for applying concentration strategy. For example when the distribution costs in the new market are too high and their *economies of scale in distribution* arise as a result of increases in market share, the concentration strategy would be more preferable. High *growth rate and sales stability* of the present market would also support a concentration strategy. Strong *need for product and communication adaptation* can create large investments, and a strategy of concentration would be preferably. Also when there is an *extensive need for program control requirements* (close and frequent communication between headquarters and clients), a concentrated strategy of market expansion will have an advantage. Piercy (1981b) suggested also that *repeat purchase products* would be one rationale for a firm to apply concentration strategy and this get empirical support from Mas, Nicolau and Ruiz (2006) when they found that repeat purchase product in foreign concentration context is positively associated with firm performance (measured by stock market returns and return on sales= the ratio of net annual profits-to-sales).

Another empirical study that has supported concentration strategy was Barclays Bank ITI Report (1979). It was based on research on 370 exporting firms in the U.K., France and West Germany. This report found that exporting firms from France and West Germany performed better than British competitors because they exported to a fewer markets, using the export market concentration strategy. This report stated that export market concentration strategy should be the most profitable strategy for all firms regardless of their nationalities. (Lee 1987: 18–19.)

Both of these reports (BETRO, ITI) still share the same limitations, which could be considered to be caused by the oldness of the both reports: 1) it was widely accepted notion that larger market shares in a few key markets should be associated with higher profitability. However, this may be highly questionable because smaller exporting firms are more likely to be more capable of exporting for lower market shares in a relatively large number of export markets due to the tough competitive situations in export markets and certain product characteristics, such niche/low volume product. 2) The theoretical argument of these reports based on the assumption that exporting firms have sufficient knowledge to choose key markets wisely, while Lee (1987) argued that in many cases, exporting firm with limited resources have inadequate foreign market knowledge. 3) Both studies were based on relatively larger exporting firms, which restrict their usefulness in advising SMEs. Also these studies had some research methodological problems as they considered export market expansion strategies as determinants for explaining differences in export performance, without considering any other explanatory variables that may significantly influence on export performance. Also, those studies used only simple statistical analysis, like cross-tabulations, for identifying export performance differences under different export market expansion strategies. (Lee 1987: 18–21.)

Katsikea et al. (2005: 79) criticized market concentration strategy as a appropriate strategy for SMEs, because they made find themselves at a disadvantage if their export markets reach saturation, and if their market share comes under attack from international competitors, they may lack the required skills, knowledge, and flexibility to retaliate. Furthermore, market concentrators can miss the opportunity to develop their international marketing skills and knowledge and to exploit the opportunities that are offered in other overseas markets.

3.3 Market Diversification strategy

According to Ayal and Zif (1979) market diversification strategy is characterized as a "rapid diversification into a large number of markets, assigning marketing efforts to all of them". Katsikeas and Leonodou (1996: 120) define the market diversification or spreading strategy, as "exporting to as many markets as possible, with no particular focus on specific export markets".

IMR Report (1978) was the first empirical study that supported export market diversification strategy as the profitable market expansion strategy for exporting firms. The report was based on empirical research on 560 exporting firms in the U.K. and West Germany. This report found that successful German exporting firms allocated their marketing efforts over widely dispersed geographic markets. This study provided empirical arguments against the findings of two previous empirical studies (BETRO Report 1976, Barclays Bank Report 1979), which have found that German exporting firms were more successful because they applied export market concentration strategy, and British exporting firms were less successful because they adopted the market diversification strategy. This report did not include other explanatory variables that could be associated with export performance or chosen expansion strategy and the used statistical analysis were simple.

Many researchers (I.e. Ayal & Zif 1979; Cooper & Kleinschmidt 1985; Piercy 1982; Lee 1987; Lee & Yang 1990) has stated that even a small firm with limited resources can achieve market diversification quickly, by using various independent intermediaries in each market, with little or no investment. Piercy (1981b) found in his empirical research based on 250 medium-sized exporting firms in the North of the England, that product specialization led to large market numbers, particularly in the sense that specialized products tend to have a large number of small geographical markets throughout the world. Further Piercy (1981b: 53) suggested that it may be that clusters of similar country-markets make more valid and approachable targets than do separate country-markets.

Based on the same sample that Piercy utilized (1981b), the study of Piercy (1981a) found that 60 percent of the sample firms exhibited some degree of market concentration and around 40 percent showed market diversification strategies. He found that export level was positively correlated with the export market diversification strategy. He also identified that there existed the following three key rationales for applying export market diversification strategy among his sample firms: 1) sales volume maximization 2) product specialization due to the specialized product nature, and 3) risk reduction. The third rationale is interestingly contradictory to the previous study by Hirsch and Lev (1973), as they found that companies applying diversification strategy seemed to be more risk-taking. However, Piercy (1981b: 54) found that for the firms which are exporting to developing countries and the Eastern bloc, larger numbers of export markets represented a greater degree of security because of the consequent problems of forecasting. This however may not be the issue anymore due to the transition of those economies, especially in the Eastern bloc. The first rationale suggested by Piercy (1981b), sales volume maximization relates to growth-level and sales instability of firms current markets. For example if the growth ratios of firm's current markets are small, or when demand its current markets are unstable, the diversification strategy would be favorable. The second rationale, specialized product nature can be derived from the non-repeat-purchase nature of the product or high standardization of the product. If the entry into new markets requires only minor changes (or none) to company's production processes (to adapt the product to the standards and regulations of a new country, as well as to the special tastes and preferences of new customers), there should be greater motivation to apply diversification strategy, because the company may enjoy the advantage of lower costs result from the experience gained as a result of increased production. Alternatively, diversification strategy would be more advantageous in the case of highly standardized products in the sense that it does not require close and frequent communication between the firm and clients which obviously increase the costs of communication in terms of growing contacts. (Mas, Nicolau & Ruiz 2006; Ayal & Zif 1979.)

In addition to previous key rationales for applying export market diversification strategy founded by Piercy (1981a), Ayal and Zif (1979) suggested the same and some other rationales for applying export market diversification. For example when the *competitive lead-time* is short, there is a major advantage to being first in a market with a new innovation and there is a strong motivation to apply diversification strategy. Another suggestion is *spill-over effects of marketing efforts or goodwill* from present market. This spill-over effect can be a result of geographical proximity, cultural influences, or commercial ties and these give a strong motivation to diversifying into new markets, which are influenced by current and past efforts in presently served markets. Possibility to high *standardization of communication* would also naturally favor diversification strategy. Interestingly, according to suggestions by Ayal and Zif about spill over-effect and cultural distance, Mas, Nicolau and Ruiz (2006) studied the differences between the expansion strategies and firm performance between 36 large Spanish international companies listed in the Madrid Stock Market, and found opposite results empirically. They found that greater cultural distance between the origin and the destination countries in the context of foreign diversification was positively associated with firm performance. The positive association was found when the performance was measured in stock market returns and authors suggested that this positive sign for stock market returns can be explained in terms of investor's expectations. A large cultural distance between the origin and destination countries leads investors to perceive high levels of risk; and diversification allows the firm to spread the risk in these unstable markets. Moreover, concentration to markets that are very distant culturally would be a very risky for the firm. Paradoxically, they also found that cultural distance in the context of diversification strategy generated lower accounting returns (return on sales) than concentration strategy. (Mas, Nicolau & Ruiz 2006: 74, 76.)

Ayal and Zif (1979: 85) argued that in the long run, a diversification strategy will often lead to a reduction of served markets, as a result of combining and abandonment of less profitable markets. A fast diversification is usually actualized by devoting only limited resources and market research, and therefore, the firm is impelled to make a few mistakes and presumptive to enter unprofitable markets and drop them later.

Lee (1987: 118) found significant positive associations between the size of the firm and export market diversification strategy and also with export experience and diversification strategy. He assessed that relatively larger, more experienced firms may have capabilities, based on the company resources and export knowledge, to penetrate into many markets efficiently. Larimo (2007) examined the differences between traditional exporters and born global companies and found that market diversification strategy had more often a positive impact on export performance among the traditional exporters than born global companies.

Katsikea et al. (2005: 79) deduced in their study of 234 exporters from U.K that strategy of market spreading offers significant long-term benefits to the exporting firm. Specifically, the substantial efforts that these firms must devote to gain a foothold in a large number of overseas markets assists them in further improving their skills and competencies and in acquiring valuable knowledge and experience. And as a result, they are in better position to identify and utilize opportunities that may appear in different overseas markets.

Mas-Ruiz, Nicolau-Gonzálbez and Ruiz-Moreno (2002) carried out study where they examine the impact of expansion announcements/ news on excess of returns generated by companies shares on stock market. The sample consisted 11 large international Spanish companies trading on the Madrid Stock Market. They found that markets react positively to the news of the foreign expansion of companies, pursuing diversification strategy and these news associate positively with excesses in returns. Same kind of findings were found in the recent study by same authors (Mas, Nicolau & Ruiz 2006) when they found that stock market reacts positively to foreign expansion announcements, no matter of applied expansion strategy.

3.4 Geographical distance and the effect of cultural/psychological distance

According to Johanson and Valhne (1977), when companies first expand their operations abroad, they naturally look for the countries abroad where their experiences from the home market would be most useful. This “reasoning by analogy” leads to selecting countries with similar conditions as the home markets. Most of the expansion paths followed by the firms begin in the countries that are “psychologically” or “culturally” similar/ close to their home markets or to countries they already export to. Furthermore, if the firm is successful in one country, it is more likely to be successful doing the same thing in a similar country. Dow (2000) found that the impact of psychological distance on market selection decreases substantially after the first market entry. Johanson and Valhne (1997) proposed also that gaining local market experience is the driving factor in the internationalization process, as it reduces the perception of physic distance in foreign markets. O´Grady and Lane (1996: 309) stated that psychically close countries are more easily understood than distant countries and offer more familiar operating environments. In addition, O´Grady and Lane (1996) presented the issue of *the psychic distance paradox*. The psychic distance paradox means that the operations in psychically close countries are not necessarily easy to manage, because assumptions of similarity can prevent managers from learning about critical differences.

Stöttinger & Schlegelmilch (1998: 367) suggested that the concept of psychic distance has "past its due-date" and the importance of psychic distance between countries has diminished as a result of the increased interaction brought about through the globalization of markets. Moreover, the results of their empirical study indicate that psychic distance showed no significant impact on export performance.

Madsen (1989) studied 82 Danish exporters and found that exporting to very close countries (Scandinavian countries) and top management support showed positive impact on export performance, but exporting to very distant countries (outside Europe) and top management support showed negative association with performance. Madsen (1989: 52) presumed that the reason may be that top management aspire the market mechanisms by equivalence from domestic market, which might be misleading because of too large market differences.

Luostarinen (1979) found that Finnish companies tended to start their internationalization activities in those countries that were psychically and culturally close and that had a short business distance (combination of geographic, cultural, and economic distances) to Finland. Later on, these companies expanded stepwise to other countries with greater business distance.

According to Tyyri (1994: 214) the importance of geographic distance for the industrial companies might be explained by the value/weight ratio of the product. Most Industrial components and raw-materials have relative low value/weight ratios which lead to high transportation costs, and therefore, geographically close foreign markets are likely to be preferred given sufficient market potential.

Dow (2000: 52–54) concluded that especially in the studies throughout the 1970s and 1980s in the international marketing/trade literature, there has been a strong tradition of using geographic distance and simple dummy variables as indicators of all trade resistance factors, including other psychological distance factors, like differences in language, education, business practices, culture, religion, political systems, and industrial development. Later, some authors have been utilizing Hofstede´s (1980) cultural difference dimensions and Sethi´s (1971) clustering of world markets as surrogate indicators of psychological distance. However, either of these surrogate indicators does not include all of these foregoing trade resistance factors.

Like already mentioned in the chapter 1.2, purposes and limitations of the study, it has been argued in the previous literature regarding internationalization that companies tend to begin the internationalization process in countries that are psychically close before entering to more distant countries (See e.g. Johanson and Valhne 1977; O´Grady & Lane 1996). In respect with this view and the fact that this study will utilize only one factor of psychological distance, the geographical distance as a indicator of psychic distance, this study will try to examine is there a differences in the **present** export performance between the companies that have started to internationalize from geographically close countries and companies that have started to internationalize from more distant countries in the beginning of their internationalization. The following hypothesis is presented;

H13. The geographical distances in the early internationalizations of the firms will have an impact on their present export performance

The geographical distance will also be included to this study in the context of export market expansion strategies (See chapter 1.2 and operationalization of variables 4.2).

3.5 Summary about export expansion strategies

There are three different streams between previous studies regarding the topic of appropriate export expansion strategy. One stream of studies support the adoption of an export market concentration strategy in the sense that the focus on a relatively small number of markets helps gain larger market shares which can enhance long-term profitability (E.g. Tookey 1975; BETRO 1976; Barclays Bank Report 1979; Day 1976; ITI Report 1979). The logic of those theorists was that exerting equal energy in developing each national market is simply not possible (Lee 1987: 15). This is easily understandable in keeping mind, that those studies have been accomplished in the times, when distribution and communication infrastructure were not so comprehensive as today, and expanding to new markets has been taking much more time and efforts than nowadays. Another stream of theorists suggests that exploiting low market shares in a relatively large number of dispersed export markets can lead to higher profitability levels (E.g. Hirsch & Lev 1973; Cooper & Kleinschmidt 1985; IMR Report 1978; Lee & Yang 1990; Katsikea, Theodosiou, Morgan & Papavassiliou 2005; Larimo 2007). Lee and Yang (1990: 30) stated that explication offered by this line of researchers is that small firms trying to avoid direct competition with large firms by having small market shares in many markets could be more profitable than if they had large market shares in few markets. Third stream of previous studies recognizes and emphasizes the strengths and weaknesses underlying both strategies, and suggests that the choice of appropriate export market expansion strategy depends on situational factors (E.g. Ayal & Zif 1979, Piercy 1982, Lee 1987, Crick et al. 2002). Most recent study regarding the impact of both foreign expansion strategies on firm's performance was carried out by Mas, Nicolau and Ruiz (2006) and they did not found any differences between the two strategy groups and firm's performance which was measured both in return on sales and stock market performance. Nor Donthu and Kim (1993) did not found any differences between these two strategy groups and export growth.

Table 1, on the next page summarizes the existing theoretical and empirical studies which this study has reported about the impact of export market expansions strategy on export performance. On the bottom of the table is short information about the operationalization methods of the export market expansion strategies in these studies.

As we can see from the table 1, a review of previous literature reveals that researchers have made contradictory suggestions as to which export market expansion strategy is associated with higher export performance levels. According to Piercy (1982) this lack of agreement can be explained by, that the choice of an appropriate expansion strategy is independent of the performance and it depends on certain situational factors (internal and external) that exporters face, and one could hardly recommend a specific export market expansion strategy for all situations. Moreover, Crick et al. (2002: 370) argued that better-performing firms will have to develop competencies in serving foreign markets and therefore no single "best" strategy should be recommended as a way of meeting groups of overseas customers needs and either approach might be suitable for managers depending on the various circumstances prevailing at a given time.

Some researchers claim that there are technical problems in the evaluation systems previous employed, particularly in the ways in which concentration or diversification strategy for foreign expansion is put into operation.

Table 1. Existing Theoretical and Empirical Studies on the Impact of Export Market Expansion Strategy on Export Performance.

Recommended strategy	Theoretical research	Empirical research
Export market concentration strategy	Robinson (1967) Tookey (1975) Day (1976) Tessler (1977) Attiyeh & Wenner (1981)	BETRO report (1976) [1] ITI report (1979) [1]
Export market diversification strategy	Piercy (1981a)	Hirsch & Lev (1973) [1] IMR report (1978) [1] Piercy (1981a) [6] Cooper & Kleinschmidt (1985) [5] Mas-Ruiz, Nicolau-Gonzálbez & Ruiz-Moreno (2002) [2] Larimo (2007) [1] Lee & Yang (1990) [2] Katsikea, Theodosiou, Morgan & Papavassiliou (2005) [3]
Export market expansion strategy depending on situational factors	Ayal & Zif (1979) Piercy (1981a, 1982)	Lee (1987) [4] Crick, Bradshaw & Chaudhry (2002) [3]

Operationalization dimensions of export expansion strategies, based on;
[1] amount of target countries
[2] export experience, number of export countries, and allocation of marketing efforts among the five main markets
[3] respondents choice between two statements: 1) “your organization focuses its efforts on, and allocates resources for its exporting operations to, certain carefully selected export markets”, or 2) “your organizations policy is to export to as many export markets as possible, with no particular focus on specific overseas markets”
[4] market concentration/ diversification index, sales concentration/ diversification index, resource concentration/ diversification index
[5] number of target markets, split of exports by country, nature and number of segments catered to, and product adaptation practices
[6] number of target markets and allocation of efforts and attention among the markets

Most of the previous studies have been utilizing only a single variable to represent a particular expansion strategy (See e.g. Lee & Yang 1990; Mas-Ruiz, Nicolau-Gonzálbez & Ruiz-Moreno 2002). Most common single variable that have been utilized is the amount of target countries and several authors have been utilizing this measure (E.g. Larimo 2007; BETRO 1976; ITI Report 1979). Lee (1987: 60–61) measured the type of export market expansions strategy based on the three dimensions: 1) market concentration/ diversification index- how many exporting markets a firm currently has for the major export product, 2) sales concentration/ diversification index- what percentage of total export sales for major exported product comes from the top five export markets, and 3) resource concentration/ diversification index- what percentage of total export marketing efforts for the major exported product is allocated into the top five key markets. Subsequently, Lee and Yang (1990: 31) proposed an operational scheme in which the expansion strategy of the firm is measured simultaneously with following three dimensions; 1) export experience, 2) number of export countries, and 3) allocation of marketing efforts among the five principal export countries. Moreover, they brought new aspect into the export expansion strategies, *concentric diversification*, since many studies has failed to differentiate firms that are in transition between the market concentration and diversification. Mas-Ruiz et al. (2002: 353–354) and Mas et al. (2006: 61–32) used this operational scheme and classified the companies, according to the type of expansions strategy based on the following dimensions; 1) expansion experience, 2) geographical dispersion of foreign markets, measured in the number of countries entered, 3) assignment of marketing efforts among the five main markets.

Katsikeas and Leonidou (1996: 119–120) measured the type of export market expansion strategy by asking respondents to identify which of the following two statements best described the followed approach by their firm: 1) “your organization focuses its efforts on, and allocates resources for its exporting operations to, certain carefully selected export markets (concentration)”, or 2) “your organizations policy is to export to as many export markets as possible, with no particular focus on specific overseas markets (diversification)”. Later on, Crick et al. (2002: 372) and Katsikea et al. (2005: 70–71) utilized the same measure and latter’s justified that this method is much more appropriate than simply considering the number of export markets, because many of the firms that sell to a large number of export markets concentrate their efforts and attention to only a few of them. Practically, this is the main reason why utilizing single variable such a number of target markets as a measure of expansion strategy is insufficient, since it does not include any dimensions of marketing efforts that firms devote to a certain target markets. From another direction, firms may have (for example) more than 20 export markets, but 95 percent of total export sales can derive from one particular market and some could ask, is it reasonable to classify this kind of firms as a market spreaders. Cooper and Kleinschmidt (1985: 42) divided their sample firms into the eight possible export strategies based on the following dimensions: 1) number of target markets 2) split of exports by country, 3) nature and number of segments catered to, and 4) product adaptation practices. Piercy (1981b: 52) utilized two dimensions in order to divide firms applying concentration and spreading; number of target markets and allocation of efforts and attention among the markets. One of the main problems in the operationalization of expansion strategies has also been that researchers has tended to focus too readily on the outcomes of the firm rather than on the firm conditions that are associated with export market expansion. (Katsikea et al. 2005: 57.)

Ayal and Zif (1979) developed theoretical framework for choosing an appropriate export market expansion strategy based on the situational factors that exporting firms faces (table 2). They argued that the selection of export market expansion strategy is influenced by characteristics of the product, characteristics of the market, and the decision criteria of the firm. They suggested ten key product/market factors affecting the choice between export market expansion strategies: 1) *Sales response function*- concave function or S-curve function 2) *Growth rate of each market* 3) *Sales stability in each market* 4) *Competitive lead-time* 5) *"Goodwill" spillover effects* 6) *Need for product adaptation* 7) *Need for communication adaptation* 8) *Economies of scale in distribution* 9) *Program control requirements* and 10) *The extent of constraints*.

Table 2. Conceptual framework of product/market factors affecting choice between diversification and concentration strategies by Ayal and Zif (1979: 89).

Product/Market Factor	**Prefer Diversification if**	**Prefer Concentration if**
1. Sales response function	Concave	S-curve
2. Growth rate in each market	Low	High
3. Sales stability in each market	Low	High
4. Competitive lead-time	Short	Long
5. "Goodwill" spillover effects	High	Low
6. Need for product adaptation	Low	High
7. Need for communication adaptation	Low	High
8. Economies of scale in distribution	Low	High
9. Program control requirements	Low	High
10. Extent of constraints	Low	High

After they explained how each factor might affect the strategic choice between export market concentration and export market diversification. For example, when the rate of growth of the industry in each market is low, the firm can frequently achieve a faster growth rate by diversification into many markets, and, on the other hand, if the rate of market growth in present markets is high, growth objectives can usually be achieved by market concentration. However, Ayal and Zif did not provide any empirical evidence supporting their theoretical frameworks. (Ayal & Zif 1979: 88–94.)

Katsikea et al. (2005: 60–61) combined some of the distinguishing characteristics (meaningful differences) that have been reported in earlier studies between export market concentrators and export market spreaders into table 3. Like table 3 describes, export market concentrators are typically less concerned with export sales objectives and usually tend to focus on export profitability. And on the contrary, firms applying diversification strategy are more concerned with export sales objectives and less focused on the export profitability. Interesting point is also that concentrators are typically operating in familiar markets, which can lead to complacency effects and homogeneity because firms stick to their successful "formula".

Table 3. Theoretical Distinctions between Export Expansion by Market Concentration and Market Spreading by Katsikea et al. (2005: 61).

Distinguishing Characteristics	Export Market Concentrators	Export Market Spreaders
Approach to market	Growth trough market penetration	Growth trough market development
	Typically adopt a passive or reactive approach to export marketing	Typically adopt an active approach to export marketing
	Less concerned with export sales objectives	More concerned with export sales objectives
	Tend to focus on export profitably	Less focused on export profitably
	Potentially large markets with possible high volumes	Small and niche markets that are specialized
	Often risk averse	Tolerant of risk and spread risk
Export Organization	Experience little change in marketing organization	Changes in marketing organization tend to be relatively significant and challenging
	Well-established "organizational routines"	Problems can be spotted quickly and easily
	Tend to be smaller firms	Tend to be larger firms
Product Factors	Suited to products near the midstage of the life cycle	Suited to product near the early or late stage of the lifecycle
	Products often require adaptation	Products tend to be standardized
	Incremental innovation is common given relatively narrow market scope	Radical innovations can lead to development of new capabilities triggering new customer solution
Market Information process	Ability to identify some of the "best" markets with limited marketing research efforts	Limited market knowledge but deliberate marketing research efforts
	Operating in familiar markets leads to some complacency effects and homogeneity because firms stick to their successful "formula"	Operating in diverse markets that are initially unfamiliar triggers the incentives for search behavior
	"Repeated spirals" of competition within familiar markets leads to blind spots and a lack of awareness of opportunities and threats	They have a wide range of organizations that they can imitate, and learning can be transferred across markets
	Narrow mental models as there are relatively few competitors and few customers	New market mean that firms are confronted with new customer needs, which require new testing grounds for their core technology

Hirsch and Lev (1973) concluded an empirical research based on exporting firms in Denmark, the Netherlands, and Israel. They made some contributions in clarifying empirically why certain exporting firms would prefer to apply different strategies based on the risk-propensity level of the firm and the company goal in terms of sales stability. They found that export market concentration strategy was associated with risk-averse, more stable exporting firms and export market diversification was associated with risk-taking, less stable exporting firms. Noteworthy, they found that higher profitability was associated with the export market diversification strategy, rather than the export market concentration strategy. However, their study included only some company factors, excluding other important explanatory variables, such as product and market factors.

Piercy (1981a) concluded that the rational strategic recommendation for exporting firms should be based on the situational analysis that would permit the market diversification strategy as an alternative strategic option depending on the problems and opportunities faced by exporters.

In summary, it seems like more studies (and especially more recent) have found export market diversification strategy as a better export market approach than concentration strategy. And also because the results of the study by Larimo (2007) that had a very similar sample, the following hypothesis could be presented;

H14. There is a positive relationship between the export market diversification and export performance

3.6 Summary of the theoretical part of the study

The situational variables selected to this study and their relations to export performance and applied export market expansion strategies by the firms were presented in the second chapter of the study together with the measurements of export performance. The relationship between the export market expansion strategies and export performance were presented in the third chapter with the concept of geographical distance. Here the intention is to summarize the presented hypothesis regarding the both relationships. This is considered important before the empirical part of the study. The situational variables included two groups of variables; firm demographics (size and export experience of the firm) and management characteristics (management's international experience, -

educational level, -language skills, and commitment to firm's international activities). Export performance measures chosen for this study were export intensity and manager's perception about the overall export performance of their company.

The export market expansion strategies included to this study will be presented in more detail in the next chapter (operationalization of the variables 4.2). Like already mentioned, the aspect of geographical distance will also be included to this study in the context of export market expansion strategies. Export market expansion strategies will be divided into four different dimensions; concentration to geographically proximity countries, so called *geographically close concentration*, and to *spread concentration.* Diversification strategy will be divided into the *geographically close concentrated diversification* and to *spread diversification.* The geographical distance will operate as a part-measure of this division. Another part of this measure will be the data that shows the share which firm's top three export market bites from the total turnover of the firm (see figure 4). This measure indicates at least in some level the marketing efforts that firms devote to certain target markets.

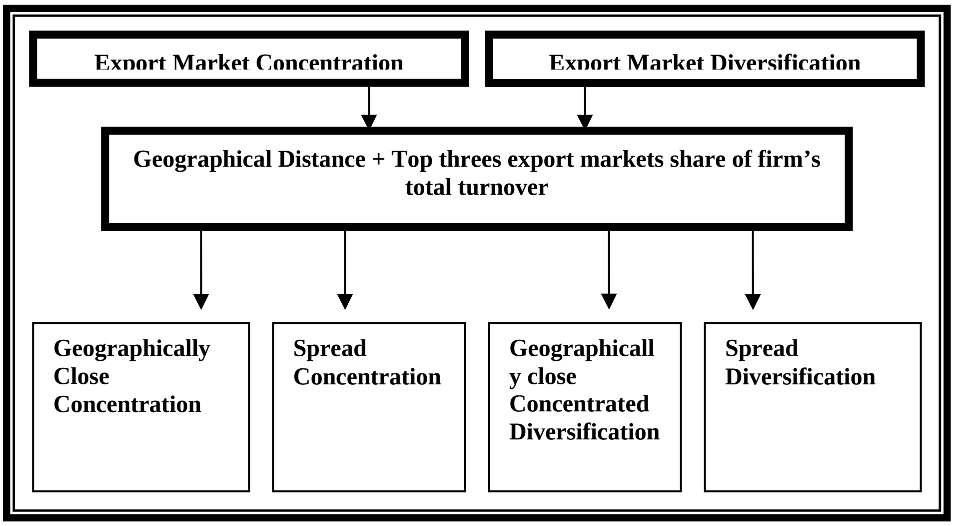

Figure 4. Geographical Distance and the Share of Top Three Export Markets in Firms Total Turnover as Measurements of Export Market Expansion Strategies.

Table 4 (on the next page) summarizes the presented hypothesis. As we can see, in some of the hypothesis the direction of the relationships is concluded based on the previous studies (except H12. which is based on the suggestion by Crick et al. 2000) and in others, the direction of the relationships hypothesized could not be concluded because the lack of existing empirical evidences. The concurrent relationship of situational variables and export market expansion strategies with export performance are not hypothesized, because the absence of existing studies (both empirical and theoretical) concerning the concurrent relationships between these variables.

Table 4. Summary of the Hypotheses of the Study.

Hypothesis	Content
1	There is a positive relationship between firm size and export market diversification
2	There is a positive relationship between the firm size and export performance
3	There is no significant relationship between the length of export experience of the firm and the export performance
4	There is no significant relationship between the length of export experience of the firm and the applied export market expansion strategy of the firm
5	There is a positive relationship between the international experience of the management and the export performance of their firm
6	There is no significant relationship between the international experience of the management and applied export market expansion strategy of their firm
7	There is a positive relationship between the educational level of managers and the export performance of their firm
8	There is no significant relationship between the educational level of managers and applied export market expansion strategy of their firm
9	There is a positive relationship between the management's language skills and export performance of their firm
10	There is no significant relationship between the management's language skills and applied export market expansion strategy of their firm
11	There is a positive relationship between the international commitment of the management and export performance of their firm
12	There is a relationship between the management commitment and applied export market expansion strategy of their firm
13	The geographical distances in the early internationalizations of the firms will have an impact on their present export performance
14	There is a positive relationship between the export market diversification and export performance

4. METHODOLOGY OF THE STUDY

In this chapter the methodology and operationalization of the variables used in this study are presented. First the methodology of this study is described and secondly the operationalization methods of the different variables are explained. After, the validity and reliability of this study are discussed, and finally, the description of the sample and data collection is given.

4.1 Research methodology

The research methodology of this study reflects the principles of *positivism* as the study use highly structured methodology in order to facilitate replication. Furthermore, the emphasis of the study will be on quantitative observations that lend themselves to statistical analysis, and existing theories/founding's have been used to develop hypotheses. The research approach is *deductive* because this study deduces the hypotheses from the existing theory, and the hypotheses are expressed in operational terms, which proposes a relationship between two specific variables and enables the facts to be measured quantitatively. Alternative approach would be inductive, in which the data collection and theory composing would come as a result of data analysis. This study can also be termed as *explanatory* study since the emphasis here is on studying a situation and explain the relationship between variables. The time horizon is *cross-sectional* because this is a study of a particular phenomenon at a particular time. (Saunders, Lewis & Thornhill 2007: 100-134, 148.)

4.2 Sample collection and analyzes

The quantitative data what this study utilizes is based on the wider research concerning internationalization of Finnish small and medium size companies which was carried out during the summer and autumn 2006 in the marketing department of University of Vaasa. The data collection was carried out by two-step mail survey which was completed with telephone survey. Firms for the wider survey were obtained from the Finnish company register with following four criteria's; 1) firm can not have more than 250 employees, 2) firm had to have regular exporting activities and more than 10 percent level of export intensity, 3) firm had to practice manufacturing activities, and 4) firm had to be established between 1980–2000, or 1960–1979 if the firm has answer to earlier survey (accomplished 2002). With these criteria's, around 1200 firms were selected as a target group and four page long questionnaire were sent for these firms. After the first mail-survey round, the survey was repeated with the firms that had not answered in the first round. Finally, the survey was completed by telephone interviews for the firms that had not answered for the mail-surveys. Part of the telephone interviews answers were received by email due to the rush of respondents. Total of 267 firms was the usable sample size after exclusion of two firms that exceeded the requirements of firm size and thus, the response rate was moderately low ~ 22 percent.

This study used statistical analyses to examine the potential relationships between the variables of the study. The data was analyzed with SPSS 15.0 software with both, bi- and multivariate techniques. Analysis of variance (ANOVA), Pearson's simple correlation, cross-tabulations and x^2 and regression analyses were all used to examine the relationships.

4.3 Operationalization of the variables

The variables included to this study were presented in the previous chapters and here the intention is to operationalize these variables in the way that the facts of the phenomenon under this study can be measured quantitatively. Saunders et al. (2007: 605) defined operationalization as "the translation of concepts into tangible indicators of their existence".

4.3.1 Independent variables

Independent variables are those variables that causes the changes to a dependent variable or variables (Saunders et al. 2007: 599). Internet encyclopedia Wikipedia defines independent variables (also called predictor variables, regressors, controlled variables, or explanatory variables) as the values that are controlled and selected by the experimenter to determine its relationship to an observed phenomenon, the dependent variable. And in such an experiment, an attempt is to find evidence that the values of the independent variables determine the values of the dependent variables. Moreover, the independent variables can be changed as required, and its values do not represent a problem requiring explanation in an analysis, but are taken simply as given.

The independent variables included to this study were presented in the second and third chapter. The firm demographics and management characteristics in table 5**,** act as independent variables through the whole empirical part.

Table 5. Situational Variables Selected to this Study.

Situational Variables	Measurement	Definition
Firm Demographics		
Size of the firm	Number of employees	Number of employees in 2005
Export experience	Years involved in exporting	Number of years involved in Exporting
Management Characteristics		
Management's international experience	5-point Likert scale	Managements international experience
Management's educational level level	5-point Likert scale	Management's educational level
Management's language skills	5-point Likert scale	Managements linguistic skills
Management's commitment to international business	5-point Likert scale	Managements commitment to firms international activities

Table 6. Export Expansion Strategies.

Export Expansion Strategy	Measurement
Geographically Close Concentration Spread Diversification Geographically Close Concentrated Diversification Spread Diversification	Geographical distance to main export markets and share of these markets in total turnover

Table 6, presents the export expansion strategies of the study. Noteworthy, even if the export market expansion strategies of the study are presented here as independent variables, its relevant to underline that these strategy options act also as a dependent variables when the relationship between the situational variables and applied export expansions strategies by the firms are examined. Also it is relevant to underline that in the section where relationship between expansion strategies and export performance are examined, the existing expansion strategies (concentration and diversification) are brought additionally in to analyses.

In order to accomplish this apportionment, the firms were first classified to concentrators (1-6 target countries) and diversificators (7 or more target countries). After the division between geographically close and spread approach was carried out manually by examining the geographical distance in kilometers between the capitals of three main target countries (in some cases only one or two main export countries) and Helsinki, and examining the share of these markets in firms total turnover bearing in mind the overall level of export intensity of these firms. This division was carried out manually since it would have been extremely difficult to form an equation from these variables because of the missing values and small differences in the distances between the neighboring countries and other close countries. As geographical close countries were considered the following countries; Sweden 396 km, Russia (St.Petersburg) 310 km, Estonia 89 km, Latvia 369, Lithuania 613 km, Norway 790 km, Germany 1108 km, Denmark 880 km and Poland 876 km (http://www.timeanddate.com). To be classified as geographically close concentrated expansion strategy (either concentration or diversification), the firms had to fill two following prerequisites; at least two principal export markets had to be above mentioned geographically close countries, and secondly, at least two-thirds of the whole exports had to be derived from these countries.

4.3.2 Dependent variables

Dependent variables are those variables that changes in response to changes in other variables (Saunders et al. 2007: 596). Wikipedia defines the dependent variable as the value which is being measured (also known as response variable, responding variable, explained variable, or regressand) and usually it cannot be directly controlled.

The dependent variables chosen for this study were presented in the end of the second chapter and in the third chapter. The export performance measures in table 7, will act as dependent variables throughout the whole empirical part of the study.

Table 7. Export Performance Measures Selected to.

Dependent Variables	Measurement	Definition
Export intensity	Export sales per total sales	Exact share of foreign sales from total sales of the company in 2005
General foreign performance	5- point Likert scale	Manager's perception about of the overall export performance of their firm in 2005

4.4 Validity and reliability

According to Saunders et al. (2007: 150) validity is concerned with whether the findings are really about what they appear to be about. In other words validity refers to the degree to which a study accurately reflects or assesses the specific concept that the researcher is attempting to measure. Saunders et al. (2007: 150) listed twelve threats to validity; 1) history, 2) testing, 3) instrumentation, 4) mortality, 5) maturation, 6) ambiguity about causal direction, 7) generalisability, 8) logic leaps and false assumptions, 9) identification of the research population, 10) data collection, 11) data interpretation and 12) development of conclusions. In addition there is two different types of validity; internal and external. The latter refers to the extent to which the results of a study are generalizable or transferable. Internal validity refers to the rigor with which the study is conducted (E.g. study design and measurements) and the extent to which the researcher of the study have taken into account alternative explanations for any causal relationships he explored.

There exists a possibility that the respondents have intentionally or unintentionally gave delusive answers. It might have been that the respondents have lacked the proper knowledge of the subject to answer correctly to answers, or otherwise some respondents may have been doubtful about the researchers intentions for collecting information and thus false information might have been given. There might be as well some internal validity problems especially with the questions about the management's educational level and language skills. Instead of 5-point Likert scale, the results would have stronger internal validity if the questions would have been formulated more accurately.

Reliability refers to the extent to which data collection techniques or analyzing methods will yield consistent findings on repeated trials, or how similar the results are if the research is repeated using different forms. Saunders et al. (2007: 149-150) concluded that there may be four threats to reliability; 1) subject or participant error, 2) subject or participant bias, 3) observer error and 4) observer bias. Validity implies reliability: a valid measure must be reliable. But reliability does not necessarily imply validity: a reliable measure need not be valid. In this study the reliability is mostly concerned with the issues of participant errors and biases.

4.5 Description of the sample

Like mentioned in the first chapter of the study, this study is empirically limited to Finnish small and medium sized firms that have regular exporting activities. The sample consists of micro size (total sales < € 2 million), small size (total sales < € 10 million) and medium size (total sales < € 50 million) firms. Most of the sample firms, that are 51, 9 %, were small size firms. Second largest group were medium size firms, whose share were 30, 5 %. Sample also consists 41 firms that could be classified micro size firms and their share were 17, 6 % of the total sample (see table 8).

Table 8. Sample Firms According to Size (measured by annual turnover).

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Micro Size	41	15.4	17.6	17.6
	Small Size	121	45.3	51.9	69.5
	Medium Size	71	26.6	30.5	100.0
	Total	233	87.3	100.0	
Missing	System	34	12.7		
Total		267	100.0		

Table 9 displays the grouped firm size frequencies. Most of the sample firms that are almost 63 % employ 11 to 50 employers. Only 7 % employ less than 11 employers and 30 % more than 51 employers.

Table 9. Firm Size According to Amount of Employees.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-10	18	6,7	6,8	6,8
	11-50	166	62,2	63,1	70,0
	51-100	46	17,2	17,5	87,5
	101-250	33	12,4	12,5	100,0
	Total	263	98,5	100,0	
Missing	System	4	1,5		
Total		267	100,0		

The mean of export sales was € 5, 2 million and ranged from € 0, 04 million to € 47, 5 million. Interestingly, almost in one-fourth of the sample firms (24, 7 %) the value of exporting was less than one million euros and nearly in two-thirds of the firms (61, 4%) the value was less than € 5 million, even if the mean export sales were € 5, 2 million in the whole sample (see table 10).

Table 10. Export Sales in Million Euros, 2005.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0,01-1 million euros	66	24,7	28,8	28,8
	1,01-5 million euros	98	36,7	42,8	71,6
	5,01-10 million euros	34	12,7	14,8	86,5
	10,01-50 million euros	31	11,6	13,5	100,0
	Total	229	85,8	100,0	
Missing	System	38	14,2		
Total		267	100,0		

Table 11 shows grouped export experience frequencies of the sample firms. The mean of export experience was 14, 74 years and ranged from one year to 40 years. Most of the sample firms that are 45 %, had between 11 to 20 years experience in exporting, and approximately 86, 6 % of the firms had more than six years of export experience.

Table 11. Export Experience in Years, 2005.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5 years	32	12.0	13.4	13.4
	Between 6 and 10 years	49	18.4	20.6	34.0
	Between 11 and 20 years	107	40.1	45.0	79.0
	More than 20 years	50	18.7	21.0	100.0
	Total	238	89.1	100.0	
Missing	System	29	10.9		
Total		267	100.0		

And finally before the empirical part of the study, the frequencies of each export expansion strategy are displayed in table 12 on the next page. This is considered important since the empirical part starts with the examination of potential relationship between situational variables and export expansion strategies.

Table 12. Export Expansion Strategy Frequencies.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Geographically close concentration	66	24.7	25.5	25.5
	Spread concentration	40	15.0	15.4	40.9
	Geographically close concentrated diversification	28	10.5	10.8	51.7
	Spread diversification	125	46.8	48.3	100.0
	Total	259	97.0	100.0	
Missing	System	8	3.0		
Total		267	100.0		

Like table 12 clearly indicates, the most used expansion strategy among Finnish SMEs is spread diversification, which is applied by almost half (48, 3%) of the sample firms. Second largest group is the geographically close concentrated firms that are 25, 5 % of the sample. Table 13 displays the frequencies of most common export markets and most common combinations of three largest export markets of the firms.

Table 13. Frequencies of Most Common Export Markets

Frequencies of most common export markets	Fi as largest export market		Fi as second largest export market		Fi as third largest export market	
Sweden	N=68	26,2%	N=34	14,2%	N=22	10,5%
Russia	N=43	16,5%	N=16	6,7%	N=21	10,0%
Germany	N=33	12,7%	N=2	12,1%	N=24	11,5%
Norway	N=10	3,8%	N=25	10,5%	N=17	8,1%
Estonia	N=12	4,6%	N=23	9,6%	N=10	4,8%
USA	N=18	6,7%	N=8	3,3%	N=10	4,8%
United Kingdom	N=10	3,8%	N=19	7,9%	N=9	4,3%
Others	N=64	24,6%	N=93	38,9%	N=96	45,6%
Total	N=260	100%	N=239	100%	N=209	100%
Most common combinations of three largest export markets						
N= 14	Sweden, Russia, Norway					
N=5	Sweden, Norway, Estonia					
N=5	Sweden, Denmark, Norway					
N=5	Sweden, Norway, United Kingdom					
N=4	Sweden, Norway, Germany					
N=4	Sweden, Russia, Germany					
N=4	Sweden, Germany, United States					
N=7	Russia					

When the three main export countries of the sample firms were examined, there was a combination clearly more general than any other (see table 13 on next page). Sweden, Russia and Norway were three largest export markets for 14 firms. Sweden was the largest export market for 26, 2 percent of the sample firms. Russia were largest for 16, 5 percent and Germany for 12, 7 percent of the sample firms.

5. EMPIRICAL STUDY

In this chapter the results of the empirical study are presented. First the impacts of selected situational variables on export expansion strategies are examined with one-way ANOVA and correlation analysis. Secondly, the relationships between the situational variables and export performance are examined with correlation and regression analyses. Thirdly, the impact of different export expansion strategies on export performance are examined using cross- tabulation, and finally the concurrent relationship of situational variables and export expansion strategies on export performance are examined with regression analysis. In each section the hypothesis are brought up again

5.1 The relationships between situational variables and export expansion strategies

The intention in this section is to examine whether a certain combination of each situational variable lead to a certain export expansion strategy choice. The potential relationships of situational variables on export expansion strategies are examined with the analysis of variance, one-way ANOVA. ANOVA is useful tool to test whether there are significant differences between means among the groups. In addition to ANOVA analysis, the potential relationship between each situational variable and export expansion strategy will be examined with Pearson's simple correlation analysis. In each analysis the export expansion strategy options act as a grouping variable.

The examination starts from the first hypothesis; H1. *There is a relationship between the firm size and applied export expansion strategy of the firm.*

Table 14. Firm Size by Export Expansion Strategies.

ANOVA	Geographically Close Concentration	Spread Concentration	Geographically Close Concentrated Diversification	Spread Diversification
Firm Size, 2005	M 41, 68 N = 63	M 30, 53 N = 40	M 80, 64 N = 28	M 58, 45 N = 125
F-Ratio **7, 904** **Level of Significance** **0,001**	**Mean 52, 39**			

As table 14 (previous page) indicates, there is a clear difference between the different expansion strategies and mean size of the firms in each strategy group. Firms that apply either diversification strategy (80, 7 & 58, 5 means) seem to be larger firms according to amount of employees, comparing to firms applying concentration strategies (41, 7 & 30, 6 means). Interestingly, firms that apply either geographically close concentrated approach (concentration or diversification) seem to employ more employers than firms with spread approach. This finding may point out, that concentrating into a few markets and gaining reasonable market shares from those markets may require more employers to accomplish effective marketing strategies, than trying to get low market shares from several markets. The *F-ratio* displays, how multiple the variation is between the groups, comparing within a groups. Here the ratio is nearly 8, which is relatively high value. The level of significance is $p<0.001$, which indicates strongly that this could not be happened by coincidence.

In addition, the potential relationship between firm size and export market expansion strategies and amount of target markets were examined with Pearson's simple correlation analysis (see table 15). There is a moderately positive correlation ($|r|<0, 3$) at $p<0.001$ level of significance with amount of target markets. Also with both concentration strategies, size has a negative relationship and opposite with both diversification strategies. Table 15 clearly indicates that size has a moderately significant relationship with export expansion strategies and amount of target markets.

Table 15. Correlation between Firm Size and Export Expansion Strategies and Amount of Target Markets.

	Geographically Close Concentration	**Spread Concentration**	**Geographically Close Concentrated Diversification**	**Spread Diversification**	**Amount of Target Markets**
Firm Size, 2005	*R* -,124 *S* ,047**	*R* -,191 *S* ,002***	*R* ,201 *S* ,001****	*R* ,120 *S* ,054*	*R* ,293 *S* ,001****

Note: *=P<0,1; **=P<0,05; ***=P<0,01; ****=P<0,001

These findings are contrary to Madsen's (1988) and Ayal's and Zif's (1979) suggestions that small firms would be most interested to diversifying their efforts into several different markets due to their lack of internal resources. On the contrary, this study affirms the earlier findings of Lee (1987) and Katsikeas and Leonidou (1996) that companies applying market concentration strategy tends to be smaller firms and that there is a significant positive association with size and market diversification strategy. In conclusion, size had significant relationships with different export expansion strategies by ANOVA and Pearson's simple correlation analyses, and thus can be concluded that *there is a relationship between the firm size and applied export expansion strategy of the firm and hypothesis 1 is accepted.*

The examination continues with the fourth hypothesis; H4. *There is no significant relationship between the length of export experience of the firm and the applied export market expansion strategy of the firm.*

Table 16. Export Experience by Export Expansion Strategies.

ANOVA	**Geographically Close Concentration**	**Spread Concentration**	**Geographically Close Concentrated Diversification**	**Spread Diversification**
Export Experience, 2005	M 12, 83 N = 60	M 12, 10 N = 39	M 17, 24 N = 25	M 16, 20 N = 110
F-Ratio 4, 509 **Level of Significance** 0,01	**Mean 14, 76**			

As table 16 displays, we can discern differences in export experience in various export expansion strategy groups. It seems that firms applying either diversification strategy (17, 2 & 16, 2 means) have longer export experience than firms applying either concentration strategy (12, 8 & 12, 1 means). The *F-ratio* is 4.5 that is moderately high and the level of significance is $p<0.01$.

Again, in addition to ANOVA, the potential relationship between the export experience and export market expansion strategies and amount of target markets were examined with Pearson's simple correlation analysis (see table 17 on the next page). There is a weakly positive correlation ($|r|<0, 2$) at $p<0.01$ level of significance with amount of target markets. Like the size of the firm, export experience has also negative relation with both concentration strategies and positive with both diversification strategies. Again the relationships are moderate, but obvious.

Table 17. Correlation between Export Experience and Export Expansion Strategies and Amount of Target Markets.

	Geographically Close Concentration	**Spread Concentration**	**Geographically Close Concentrated Diversification**	**Spread Diversification**	**Amount of Target Markets**
Export Experience, 2005	*R* -,138 *S* ,035**	*R* -,145 *S* ,027**	*R* ,104 *S* ,112	*R* ,164 *S* ,012**	*R* ,193 *S* ,003***

Note: *=P<0,1; **=P<0,05; ***=P<0,01; ****=P<0,001

This study did not expect any significant relationship between export experience and applied export expansion strategies like Katsikeas and Leonidou (1996) had found in their study. However, the study found moderate support for Lees (1987) findings that export experience is positively associated with export market diversification strategy, and therefore can be concluded that *there is moderate relationship between the export experience and the applied export market expansion strategy of the firm and hypothesis 4 is rejected.*

Examination continues with sixth hypothesis; H6. *There is no significant relationship between the international experience of the management and applied export market expansion strategy of their firm*

Table 18. Managements International Experience by Export Expansion Strategies.

ANOVA	**Geographically Close Concentration**	**Spread Concentration**	**Geographically Close Concentrated Diversification**	**Spread Diversification**
Managements International Experience	M 3, 40 N = 50	M 3, 33 N = 33	M 3, 88 N = 26	M 3, 92 N = 109
F-Ratio 4, 804 **Level of Significance** 0,003		**Mean 3, 71**		

As table 18 on the previous page shows, the mean level of international experience of the management is relatively high in the study (mean of 3, 71). There are still small differences between the strategy groups. It seems that firms applying either diversification strategy have slightly more experienced management (3, 88 & 3, 92 means) than concentrators (3, 4 & 3, 33). The *F-ratio* is again moderately high 4, 8, which indicates that the differences between the groups are fairly high and the level of significance is $p<0.01$.

With Pearson's simple correlation analysis there is a weakly positive relation ($|r|<0, 3$) at $p<0.001$ level of significance between managements international experience and amount of target markets (table 19). Here as well, the variables has moderate negative relation with both concentration strategies ($|r|<-0, 2$) at $p<0, 05$ level of significance, but positive only with another diversification approach ($|r|<0, 3$) at $p<0, 01$ level of significance.

Table 19. Correlation between Managements International Experience and Export Expansion Strategies and Amount of Target Markets.

	Geographically Close Concentration	**Spread Concentration**	**Geographically Close Concentrated Diversification**	**Spread Diversifica tion**	**Amount of Target Markets**
Managments International Experience	*R* -,160 *S* ,018**	*R* -,151 *S* ,026**	*R* ,063 *S* ,356	*R* ,202 *S* ,003***	*R* ,266 *S* ,001****

Note: *=P<0,1; **=P<0,05; ***=P<0,01; ****=P<0,001

There was a lack of empirical result regarding the relationship between international experience of the management and applied expansion strategy and null hypothesis was proposed. However, it seems like management's international experience has a moderate impact on firm's expansion strategy choice. ANOVA analysis indicated significant differences between the expansion groups and Pearson's correlation affirmed the direction of the relationship. Thus it can be concluded that *there is a moderate relationship between the international experience of the management and applied export market expansion strategy of their firm and hypothesis 6 is rejected.*

The next hypothesis which is taken under examination is; H8. *There is no significant relationship between the educational level of managers and applied export market expansion strategy of their firm*

Table 20. Managers Educational Level by Export Expansion Strategies.

ANOVA	**Geographically Close Concentration**	**Spread Concentration**	**Geographically Close Concentrated Diversification**	**Spread Diversification**
Managers Educational Level	M 3, 54 N = 50	M 3, 39 N = 33	M 3, 88 N = 26	M 3, 82 N = 109
F-Ratio 3, 134 **Level of Significance 0,026**	**Mean 3, 70**			

As table 20 shows, the mean level of manager's educational level is again very high (3, 7). However, again the higher mean ranks are with both diversification strategies (compare 3, 88 & 3, 82 against 3, 54 & 3, 39). The *F-ratio* is 3, 1 and the level of significance is $p<0.05$.

Table 21. Correlation between Managements Educational Level and Export Expansion Strategies and Amount of Target Markets.

	Geographically Close Concentration	**Spread Concentration**	**Geographically Close Concentrated Diversification**	**Spread Diversificat ion**	**Amount of Target Markets**
Managers Educational Level	*R* -,100 *S* ,141	*R* -,150 *S* ,027**	*R* ,080 *S* ,237	*R* ,139 *S* ,040**	*R* ,197 *S* ,003***

Note: *=P<0,1; **=P<0,05; ***=P<0,01; ****=P<0,001

The result of Pearson's correlation analysis is displayed on table 21. With Pearson's simple correlation analysis there is a weakly positive relation ($|r|<0, 2$) at $p<0.01$ level of significance between managers educational level and amount of target markets. With spread concentration, managers educational level have weakly negative relation ($|r|<0, 2$) at $p<0.05$ level of significance and with spread diversification weakly positive relation ($|r|<0, 2$) at $p<0.05$ level of significance. With neither geographically close approach educational level of the managers does not seem to have significant correlations.

There existed no empirical evidences regarding the relationship between manager's educational level and applied expansion strategy of the firm and thus the null hypothesis was proposed. The ANOVA and Pearson's correlation analyses showed slight differences between the groups, but however, the differences were not so straightforward or significant that the null hypothesis could be rejected and therefore it can be concluded that *there is no significant relationship between the educational level of managers and applied export market expansion strategy and hypothesis 8 is accepted.*

Second last hypothesis in this section is; H10. *There is no significant relationship between the management's language skills and applied export market expansion strategy of their firm*

Table 22 displays the results of ANOVA analysis. Again, the mean level of manager's language skills is rather high (3, 67). Also with this variable, the higher mean ranks are with both diversification strategies (3, 72 & 3, 82 compare to concentrators 3, 44 & 3, 45). The *F-ratio* is 2, 8 and the level of significance is $p<0.05$.

Table 22. Managers Language Skills by Export Expansion Strategies.

ANOVA	Geographically Close Concentration	Spread Concentration	Geographically Close Concentrated Diversification	Spread Diversification
Managers Language Skills	M 3, 44 N = 50	M 3, 45 N = 33	M 3, 72 N = 25	M 3, 82 N = 108
F-Ratio **2, 840** **Level of Significance** **0,039**	**Mean 3, 67**			

With Pearson's simple correlation analysis there is again weakly positive correlation (|*r*|<0, 3) at *p<0.01* level of significance between managers language skills and amount of target markets (see table 23). With both most extreme expansion approaches (*geographically close concentration vs. spread concentration*) managements language skills seem to have a weak relation. With geographically close concentration weakly negative relation (|*r*|<-0, 2) at *p<0.05* level of significance, and with spread diversification weakly positive relation (|*r*|<0, 2) at *p<0.05* level of significance.

Table 23. Correlation between Managers Language Skills and Export Expansion Strategies and Amount of Target Markets.

	Geographically Close Concentration	**Spread Concentration**	**Geographically Close Concentrated Diversification**	**Spread Diversificati on**	**Amount of Target Markets**
Managements Language Skills	*R* -,138 *S* ,043**	*R* -,100 *S* ,144	*R* ,021 *S* ,755	*R* ,174 *S* ,010**	*R* ,210 *S* ,002***

Note: *=P<0,1; **=P<0,05; ***=P<0,01; ****=P<0,001

Like with the previous two variables, there existed no empirical evidences concerning the relationship with management's language skills and applied export expansion strategy and thus the null hypothesis was presented. The results of this study were not so straightforward. ANOVA analysis indicated slight differences between the expansion groups, but the mean level were rather high. Also the correlation analysis showed moderate correlations with both extreme expansion approaches and with amount of target markets. However, the correlations were not so strong, and almost zero correlation with geographically close concentrated diversification strategy and therefore it can be concluded that *there is no significant relationship between the management's language skills and applied export market expansion strategy and hypothesis 10 is accepted.*

The last hypothesis of this section is; H12. *There is a relationship between the management commitment and applied export market expansion strategy of their firm.*

Table 24. Managements Commitment By export Expansion Strategies.

ANOVA	**Geographically Close Concentration**	**Spread Concentration**	**Geographically Close Concentrated Diversification**	**Spread Diversification**
Managements Commitment	M 3, 67 N = 49	M 3, 91 N = 33	M 4, 11 N = 27	M 4, 39 N = 110
F-Ratio **9, 860** **Mean 4, 12** **Level of Significance** **0,001**				

Like table 24 displays, the mean level of management's commitment to firm's international activities is highest of all management variables of the study (4, 12). Like in the previous variables, the higher mean ranks are with both diversification strategies (4, 11 & 4, 39 compare to concentrators 3, 67 & 3, 91). One interesting finding here is that both spread strategy approaches has relatively higher means than concentrated approaches, and also, clearly the highest mean value is in the group of spread diversification strategy. The differences are not straightforward, but in could be concluded that more target markets firms have, and more distant those markets are, more commitment are the managers as well. The *F-ratio* is also highest in this variable compare to other management variables (9, 86) and the level of significance is *p<0.001.*

Table 25. Correlation between Managements Commitment to Firms International Activities and Export Expansion Strategies and Amount of Target Markets.

	Geographicall y Close Concentration	**Spread Concentra tion**	**Geographically Close Concentrated Diversification**	**Spread Diversificati on**	**Amount of Target Markets**
Management s Commitment	*R* -,283 *S* ,001****	*R* -,106 *S* ,119	*R* -,005 *S* ,937	*R* ,315 *S* ,001****	*R* ,333 *S* ,001****

Note: *=P<0,1; **=P<0,05; ***=P<0,01; ****=P<0,001

With Pearson's simple correlation analysis there is a moderately positive relation ($|r|<0, 4$) at *$p<0.001$* level of significance between managements commitment to firms international activities and amount of target markets (table 25). In addition, management commitment seem to have a strongest and most significant correlations with both extreme export expansion approaches, comparing to other management variables. With geographically close concentration Pearson's correlation is negative ($|r|<-0, 3$) at *$p<0.001$* level of significance and with spread concentration positive ($|r|<0, 4$) at *$p<0.001$* level of significance.

Also with this variable, there existed no empirical studies regarding the relationship between management's commitments to firm's international activities and applied export expansion strategy. However, the proposed hypothesis was based on the Crick et al. (2002) suggestion that there might appear a link between these two variables and so this study expected a relationship between these variables.

Interestingly, there seems to be relatively strong relationship with these variables. ANOVA showed that the mean levels of management's commitment were obviously higher with the both diversification strategies compared to concentration strategies. Also the high mean level of the whole sample can be in some extent explained by the larger number of firms applying spread diversification which increases the total mean. The Pearson's correlation analysis confirms the significant relationship between management's commitment and applied export expansion strategy, and therefore it can be concluded that *there is a relationship between the management commitment and applied export market expansion strategy and hypothesis 12 is accepted.*

5.2 The relationships between situational variables and export performance

In this section, the relationships between situational variables and export performance are examined with Pearson's simple correlation analysis. The export performance measures of this study includes both strategic and financial, and both objective and subjective measures. The objective/economic measure chosen for the study is export intensity and subjective/generic measure is manager's perception about the overall export performance of their company. The mutual correlation between these measures were moderately positive ($|r|<0, 3$) at *$p<0.001$* level of significance.

This section starts with examination of the second hypothesis of the study; H2. *There is a positive relationship between the firm size and export performance*

Table 26. Correlation between Firm Size and Export Performance.

Correlations	**Export Intensity, 2005**		**Managers Perception About the Overall Export Performance**	
	r	*s*	*r*	*s*
Firm Size, 2005	,006	,928	,021	,739

Like table 26 displays, size of the firm seems to have no relation with either export performance measures. It could have been expected that larger firms might have higher levels of export intensity, but however, Pearson's simple correlation indicates almost zero correlation between these variables. The results of this study confirms the earlier findings of several authors (E.g. Ali 2004, Suárez-Ortega & Álamo-Vera 2005, Contractor, Shu & Kundu 2005) that size have no significant impact on export performance. Therefore it can be concluded that *size has no significant impact on export performance and hypothesis 2 is rejected.*

Examination continues with correlation analysis for the third hypothesis; H3. *There is no significant relationship between the length of export experience and export performance*

Table 27. Correlation between Export Experience and Export Performance.

Correlations	**Export Intensity, 2005**		**Managers Perception About the Overall Export Performance**	
	r	*s*	*r*	*s*
Export Experience, 2005	,137	,038**	-,030	,652

Note: **=P<0,05

Export experience seems to have weakly positive relation ($|r|<0, 2$) with export intensity at $p<0.05$ level of significance. However, with manager's perception about the overall export performance of their firm export experience does not have any kind of correlation (table 27). The first gives weak support for the findings of Lee (1987) and Bilkey (1982) who found positive correlation between export experience and export intensity and the latter confirms the findings of Larimo (2007) and Nakos et al. (1998) who did not found any significant differences between the less and more experienced exporters and export performance. Thus, *export experience has impact on export intensity and hypothesis 3 is accepted when export intensity is used as a measure of export performance and hypothesis 3 is rejected when manager's perception is used as a measure of export performance.*

Next, the potential impact of different management characteristics of the study on export performance will be examined, starting with fifth hypothesis; H5. *There is a positive relationship between the international experience of the management and the export performance of their firm*

Table 28 indicates moderately positive correlation between international experience of the management and both export performance measures. With export intensity the relation is $|r|<0,4$ at $p<0.001$ level of significance, and with managers perception about the overall export performance, relation is $|r|<0,3$ at the same level of significance.

Table 28. Correlation between International Experience of the Management and Export Performance.

Correlations	**Export Intensity, 2005**		**Managers Perception About the Overall Export Performance**	
	r	*s*	*r*	*s*
International Experience of the Management	,318	,001****	,291	,001****

Note: ****=P<0,001

Thus, firms with more experienced managers seem to perform better in international markets than firms with less internationally experienced managers. The findings in the existing literature are somewhat contradictory. As Larimo (2007) and Contractor, Shu & Kundu (2005) did not found any significant relationship between management's international experience and export performance, others like Schlegelmilch and Ross

(1987), Suárez-Ortega and Álamo-Vera (2005), and Nakos et al. (1998) have found significant positive relationship between management's international experience and export performance, especially with export intensity. The results of this study affirm the latter group's findings, and therefore it can be concluded that *there is a positive relationship between the international experience of the management and the export performance and hypothesis 5 is accepted.*

The seventh hypothesis will be examined next; H7. *There is a positive relationship between the educational level of managers and the export performance of their firm*

Table 29. Correlation between Educational Level of the Managers and Export Performance.

Correlations	**Export Intensity, 2005** *r*	*s*	**Managers Perception About the Overall Export Performance** *r*	*s*
Educational Level of the Managers	,133	,052*	,112	,100

Note: *=P<0,1

Manager's educational level has rather insignificant, but positive correlations with both export performance measures. With export intensity, the Pearson's correlation is $|r|<0, 2$ at $p<0.1$ level of significance, and with managers perception about the overall export performance, the correlation is close to same ($|r|<0, 2$), nearly at the $p<0.1$ level of significance (table 29). Schlegelmilch and Ross (1987), Suárez-Ortega and Álamo-Vera (2005), nor Evangelista (1994) did not found any significant association with managers educational level and export performance. However, Contractor, Shu and Kundu (2005) and Nakos et al. (1998) found a positive relation with these variables and the results of this study supports weakly their findings and it can be concluded that *there is a positive relationship between the educational level of managers and export performance and hypothesis 7 is accepted.*

Correlation between manager's language skills and selected export performance measures will be examined next by ninth hypothesis; H9. *There is a positive relationship between the management's language skills and export performance of their firm*

Like table 30 shows, there is a moderately positive relation with management's language skills and both export performance measures. Pearson's correlation is $|r|<0, 3$ at $p<0.001$ level of significance with export intensity, and $|r|<0, 2$ at $p<0.05$ level of significance with managers perception about the export performance. The results gives support for the findings of several authors (E.g. Schlegelmilch & Ross 1987, Nakos, Brouthers & Brouthers 1998, Suárez-Ortega and Álamo-Vera 2005) who have found positive relation between managements language skills and export performance. Thus it can be concluded that *there is a positive relationship between the management's language skills and export performance and hypothesis 9 is accepted.*

Table 30. Correlation between Managements Language Skills and Export Performance.

Correlations	**Export Intensity, 2005**		**Managers Perception About the Overall Export Performance**	
	r	*s*	*r*	*s*
Managements Language Skills	,227	,001****	,143	,036**

Note: **=P<0,05; ****=P<0,001

And finally the last hypothesis of this section is taken under examination; H11. *There is a positive relationship between the international commitment of the management and export performance of their firm*

Table 31. Correlation between International Commitment of the Management and Export Performance.

Correlations	**Export Intensity, 2005**		**Managers Perception About the Overall Export Performance**	
	r	*s*	*r*	*s*
International Commit. Of the Management	,274	,001****	,227	,001****

Note: ****=P<0,001

As we can see from table 31 on the previous page, the international commitment of the management has significant and moderately positive relation with both export performance measures. With both measures the Pearson's correlation is $|r|<0, 3$ at *p<0.001* level of significance, which indicates that more committed the managers are towards firms international activities, better the firm seem to success in terms of export performance. This finding gives support for several earlier studies (E.g. Lee 1987, Madsen 1989, Aaby & Slater 1989, and Evangelista 1994) which has found positive relation with management's commitment and export performance. Therefore can be concluded that *there is a positive relationship between the international commitment of the management and export performance and hypothesis 11 is accepted.*

Next, the potential relationship between situational variables and export performance are analyzed with regression analyses. This is also done to enable later examination about the concurrent impact of situational variables and export expansion strategies on export performance. Step-wise regression analyses are used to identify potential associations, but also non-significant relationships are displayed (table 32).

Table 32. Situational Variables and Export Performance by Regression Analyses.

REGRESSION ANALYSES	**Export Intensity, 2005**		**Managers Perception about the Overall Export Performance**	
	Beta β	Level of Sig.	Beta β	Level of Sig.
Firm Size, 2005	-,006	,924	,010	,881
Export Experience, 2005	,090	,189	-,077	,268
Managements International Experience	**,318**	**,001******	**,291**	**,001******
Managements Educational Level	-,031	,689	-,041	,605
Managements Language Skills	,050	,560	-,057	,515
Managements Commitment To Firms Int. Activities	,139	,090*	,093	,263
	R^2 0,101 Adjusted R^2 0,097		R^2 0,084 Adjusted R^2 0,080	

Note: *=P<0,1; ****=P<0,001

The situational variables of the study showed rather insignificant relationships with both export performance measures in the regression analyses. Only international experience of the managements entered to both regression models. When export intensity was used as dependent variable in regression analysis, management's international experience had standardized beta value of β 0, 318 at p<0, 001 level of significance. Managements commitment to firms international activities was near to enter the model with standardized beta value of β 0, 139 at p<0, 10 level of significance. The model with management's international experience explained only ~ 10 percent of the variation (R^2 = 0,101) in export intensity.

When managers perception about the overall export performance of their firm was used as dependent variable, management's international experience had standardized beta value of β 0, 291 at p<0, 001 level of significance, and none other variable was even near to enter into model. Also the coefficient of determination decreased to ~ 8, 4 percent. In conclusion, only management's international experience seems to impact positively on both export performance measures, however only with very weak coefficient of determinations.

5.3 The impact of export expansion strategies on export performance

In this section, the relationships between export expansion strategies and export performance are examined with ANOVA analyses and by cross-tabulation with Pearson's Chi Square (x^{2} -coefficient). Also Pearson's simple correlation analysis is presented with less emphasis. Analyses between export expansion strategies and export performance are performed separately with existing expansion strategies (concentration and diversification), and with expansion strategies formulated in this study (geographically close concentration, spread concentration, geographically close concentrated diversification, and spread concentration). After these analyses, the impact of geographical distance in the early internationalization on firms present export performance is examined with same measuring instruments.

The examination begins with the hypothesis regarding the relationship between export expansion strategies and export performance; H14. *There is a positive relationship between the export market diversification and export performance.*

When export intensity was used as a dependent variable and concentration and diversification as grouping variables (*factor*) in one-way ANOVA, the differences between the groups were straightforward (table 33). Firms applying diversification strategy seems to have remarkable higher levels of export intensity comparing to market concentrators. *F-Ratio* is very high 64, 4, which indicates extremely high differences between the groups and the level of significance is *p<0.001.* Also when manager's perception about the overall export performance was acting as dependent variable, the differences between groups were considerable (*F-ratio* ~ 4, 6), but not at as significant level (*p<0. 05*) as with foremost measure. When analysis was carried out with formulated expansion strategies, with export intensity the differences between strategic groups were notable again (*F-ratio* ~ 27, 8 at p<0. 001 level of significance). It seems that there is large difference especially between both extreme strategy approaches (geographically close concentration mean 28, 03 and spread diversification mean 63, 66). When manager's perception about the overall export performance of their firm was acting as dependent variable, the differences between formulated expansion strategies were only marginal among themselves. Merely spread diversification had visible higher mean rank (3, 63) compared to other strategy groups (3, 33–3, 38). *F-ratio* was moderately low 2, 156 at *p*<0, 1 level of significance.

Table 33. Export Performance by Export Expansion Strategies.

ANOVA	**Concentration**		**Diversification**		
Export Intensity, 2005	M 32, 26 N = 104		M 60, 15 N = 151		F-ratio 64, 4 Sig. ,001
Managers Perception about the Overall Export Perform.	M 3, 34 N = 97		M 3, 58 N = 147		F-ratio 4, 6 Sig. ,033
	Geographically Close Concentration	**Spread Concentration**	**Geographically Close Concentrated Diversification**	**Spread Diversification**	
Export Intensity, 2005	M 28,03 N = 65	M 39, 83 N = 39	M 46, 11 N = 28	M 63, 66 N = 122	F-ratio 27, 8 Sig. ,001
Managers Perception about the Overall Export Perform.	M 3, 33 N = 60	M 3, 35 N = 37	M 3,38 N = 26	M 3,63 N = 120	F-ratio 2, 156 Sig. ,094

In addition, the cross-tabulation between export intensity and export expansion strategies with Pearson's Chi-Square values (describes how much expected and observed values differ apart each others) were analyzed (table 34). The results of cross-tabulation between managers perception about the overall export performance of their firm and export expansion strategies were insignificant and thus excluded.

Table 34. Export Expansion Strategies by Export Intensity.

Export Intensity, 2005	**Concentration**		**Diversification**	
0–20 %	N =50	48, 1 %	N =12	8 %
21–40 %	N =24	23, 1 %	N =30	20 %
41–60 %	N =13	12, 5 %	N =34	22, 7 %
61-80 %	N =11	10, 6 %	N =32	21, 3 %
81–100 %	N =6	5, 8 %	N =42	28 %
Total	N = 104	100 %	N =150	100 %
Pearsons Chi-Square (x^2)	64, 38			
Level of Significance, p<	,001			

Export Intensity, 2005	**Geographically Close Concentration**		**Spread Concentration**		**Geographically Close Concentrated Diversification**		**Spread Diversification**		% In Total Sample
0–20 %	N=36	55, 4 %	N=13	33, 3 %	N=6	21, 4 %	N=6	5, 0 %	24, 1 %
21–40 %	N=15	23, 1 %	N=10	25, 6 %	N=7	25, 0 %	N=22	18, 2 %	21, 3 %
41–60 %	N=5	7, 7 %	N=8	20, 5 %	N=7	25, 0 %	N=27	22, 3 %	18, 6 %
61-80 %	N=7	10, 8 %	N=4	10, 3 %	N=4	14, 3 %	N=28	23, 1 %	17, 0 %
81–100%	N=2	3, 1 %	N=4	10, 3 %	N=4	14, 3 %	N=38	31, 4 %	19, 0 %
Total	N=65	100 %	N=39	100 %	N=28	100 %	N=121	100 %	100 %
Pearson's Chi-Square (x^2)	78, 9								
Level of Significance, p<	,001								

Results of the cross-tabulations confirm the earlier findings of the one-way ANOVA analyses. As about 71 percent of the firms applying concentration strategy has ≤ 40 percent level of export intensity, nearly 72 percent of the firms applying diversification strategy has higher than 40 percent level of export intensity. The differences are even more obvious when the comparisons are made with extreme choices. For example 55, 4 percents of the geographically close concentrators have ≤ 21 export intensity levels when only 5 percent of firms applying spread diversification have ≤ 21 levels of export intensity. Similarly, when comparing highest export intensity group (81–100 %), only 3, 1 percent of the geographically close concentrators has achieved this level of export intensity compared to 31, 4 percent of firms applying spread diversification strategy. Levels of significance are very high in both models (*p<0. 001)*. Interestingly, there seems to be clear differences also between both diversification strategies. When about 46 percent of the firms applying geographically close concentrated diversification have ≤ 40 export intensity levels, almost 77 percent of firms applying spread diversification have higher than 40 percent level of export intensity.

Table 35 displays the correlations between export expansion strategies and export performance. The directions of the correlations were expected compared to previous analyses.

Table 35. Correlations between Export Expansion Strategies and Export Performance.

<table>
<tr><td colspan="2">Correlations</td><td colspan="2">Concentration</td><td colspan="2">Diversification</td></tr>
<tr><td colspan="2">Export Intensity, 2005</td><td colspan="2">R -,451 Sig. 0, 001****</td><td colspan="2">R ,451 Sig. 0, 001****</td></tr>
<tr><td colspan="2">Managers perception about the overall export performance</td><td colspan="2">R -,137 Sig. 0, 033**</td><td colspan="2">R ,137 Sig. 0, 033**</td></tr>
<tr><td></td><td>Geographically Close Concentration</td><td>Spread Concentration</td><td>Geographically Close Concentrated Diversification</td><td colspan="2">Spread Diversification</td></tr>
<tr><td>Export Intensity, 2005</td><td>R -,405
Sig. 0, 001****</td><td>R -,128
Sig. 0, 041**</td><td>R -,033
Sig. 0, 601</td><td colspan="2">R ,467
Sig 0, 001****</td></tr>
<tr><td>Managers perception about the overall export performance</td><td>R -,102
Sig. 0, 112</td><td>R -,067
Sig. 0, 300</td><td>R -,041
Sig. 0, 525</td><td colspan="2">R ,161
Sig. 0,012**</td></tr>
</table>

Note: *=P<0,1; **=P<0,05; ***=P<0,01; ****=P<0,001

Findings of the examination of the relationship between export market expansion strategies and export performance are somewhat straightforward. Firms applying diversification strategy have significantly higher levels of export intensity compared to concentrators. Also the mean level of manager's perception about the overall export performance is slightly higher in the group of diversification strategy. Pearson's correlation analyses showed significant +/- correlations with both expansion strategies and export intensity, and moderate +/- correlations with both expansion strategies and managers perception about their overall export performance. Findings of these analyses give strong support for several studies (E.g. Hirsch & Lev 1973; IMR 1978; Piercy 1981; Cooper & Kleinschmidt 1985; Mas-Ruiz, Nicolau-Gonzálbez & Ruiz-Moreno 2002; Larimo 2007; Lee & Yang 1990; Katsikea, Theodosiou, Morgan & Papavassiliou 2005) which have found positive relationship with export market diversification and export performance. Thus can be concluded that *there is a positive relationship between the export market diversification and export performance and hypothesis 14 is accepted.*

With formulated export expansion strategies, the differences were nearly as significant with export intensity. Both diversification strategy approaches had clearly higher mean levels of export intensity (see table 33), but the correlation between geographically close concentrated diversification and export intensity was insignificant. The correlations were otherwise consistent (see table 35). When analyses was carried out with managers perception as a dependent variable, the findings were somewhat fragmented. The mean levels of manager's perception were relatively similar between the groups (see table 33), except in the case of spread diversification. Also the correlations were rather insignificant except with the spread diversification which had moderately positive correlation with manager's perception about the overall export performance (also weakly negative correlation with geographically close concentration strategy). In conclusion, the results of the study indicates that spread diversification is obviously the most successful approach to export expansion in terms of export intensity and managers perception about the overall export performance of their firm.

Finally, the potential relationship between the geographical distance in the beginning of internationalization and present export performance of the firm are examined by the last hypothesis of the study; H13. *The geographical distances in the early internationalizations of the firms will have an impact on their present export performance*

In order to divide companies to those which have started their internationalization from geographically close countries, and those which have started their internationalization from more distant countries, the division was carried out manually by examining two first export markets of the firm. Firm's first two export markets had to be same geographically close countries as described earlier in chapter 4.2.1, to be classified as a firm that have started internationalization from geographically close countries. In the cases where only first export market was geographically close country, and second more distant, the time between first export and entry to second export market had to be ≥

three years to be classified as firm that have started to internationalize from geographically close countries.

In the total sample there were 166 firms which have started their internationalization from geographically close countries and 84 firms that have started their internationalization from more distant countries, 17 firms were unable to classify due to missing values. Table 36 displays the result of the ANOVA analysis between these two approaches to start internationalization and both export performance measures.

Table 36. Export Performance by Approaches to Early Internationalization.

ANOVA	**Internationalization Started from Geographically Close Countries**	**Internationalization Started from More Distant Countries**	
Export Intensity, 2005	M 44, 25 N = 162	M 57, 93 N = 79	F-ratio 11, 23 Level Of Sig. ,001
Managers Perception about the overall Export Performance	M 3, 45 N = 154	M 3, 53 N = 79	F-ratio ,422 Level of Sig. ,517

Differences between these two approaches were significant when export intensity was used as dependent variable. Firms that have started their internationalization from more distant countries had somewhat higher mean levels of export intensity in 2005 (57, 93 > 44, 25). *F-ratio* is relatively high (11, 23 at p<0. 001 level of significance) which indicates considerable difference between the groups. When managers perception about firms overall export performance was acting as dependent variable, neither approach did not differ apart each other.

Also the cross-tabulation showed significant differences (p<0.01) between the export intensity and both approaches (table 37 on the next page). When about 30 percent of firms that have started to internationalize from geographically close countries have ≤ 20 percent level of export intensity, only ~ 11 percent of firms applied opposite approach have ≤ 20. Similarly with the highest export intensity group (81–100 %), nearly 30 percent of distant starters belong to this group when only ~ 14 percent has achieved this level in the other group. The results of cross-tabulation between manager's perception about the overall export performance of their firm and firms approach to early internationalization were insignificant and thus excluded.

Table 37. Approach to Early Internationalization by Present Export Intensity.

Export Intensity, 2005	**Internationalisation started from geographically close countries**		**Internationalisation started from more distant countries**	
0–20 %	N =49	30, 2 %	N =9	11, 5 %
21–40 %	N =37	22, 8 %	N =16	20, 5 %
41–60 %	N =26	16, 0 %	N =18	23, 1 %
61-80 %	N =27	16, 7 %	N =12	15, 4 %
81–100 %	N =23	14, 2 %	N =23	29, 5 %
Total	N =162	100 %	N =78	100 %
Pearson's Chi-Square (x^2) Level of Significance, p<	15, 65 0,01			

Table 38. Correlations between Approach to Early Internationalization and Present Export Performance.

Correlations	**Internationalisation started from geographically close countries**	**Internationalisation started from more distant countries**
Export Intensity, 2005	R -,212 Sig. 0, 001****	R ,212 Sig. 0, 001****
Manager's perception about the overall export performance	R -,043 Sig. 0, 517	R ,043 Sig. 0, 517

Note: ****=P<0,001

Pearson's simple correlations between both approaches and both export performance measures are displayed in table 38. Directions were again expected when export intensity showed moderately negative and positive correlations (+/-, 212 at 0. 001 level) with either approach, and with managers perception about the overall export performance there existed no significant correlations.

Findings of the impact of geographical distance in the early internationalization on the present export performance of the firms are slightly ambiguous. The differences with export intensity are evident. Firms that have started their internationalization path from geographically close countries, have somewhat lower levels of export intensity than firms that have started to internationalize from more distant countries. The mean levels of manager's perception about the overall export performance are fairly similar with both groups. Correlation analyses affirm +/- correlations with export intensity and both approaches, but at the same time displays the non-significant correlation with manager's perception and both approaches. Therefore, when export intensity is used as a measure of export performance, it can be concluded that *the geographical distances in the early internationalizations have an impact on the present export performance and hypothesis 13 is accepted*, and when managers perception about the export performance is used as a measure of export performance*, the geographical distances in the early internationalizations seems to have no significant impact on the present export performance and hypothesis 13 is rejected.*

5.4 Impact of situational variables on export performance with export expansion strategies

In order to examine the potential impact of situational variables on export performance with different export expansion strategies, the regression analyses with situational variables and expansion strategies as independent variables against dependent export performance are performed. Each export expansion strategy variables became another independent variable in this phase and was transformed as dummy variable to enable regression analyses. The impact of inclusion each expansion strategy variables to the regression model can be obtained by comparing the explanation powers (R^2) of the models with and without strategy variables.

When export expansion strategies were recoded as dummy variables, the model with export intensity as dependent variable slightly changed and both extreme export expansion strategies (geographically close concentration and spread concentration) entered into the model in addition to managements international experience (β=, 224 at $p<0.$ 01 level, see table 39 on the next page). The explanation power (R^2) of the model increased from ~ 10 percents to 29, 5 percent. The geographically close concentration dummy with negative (β= -, 192 at $p<0.$ 10 level) beta value and spread concentration dummy with positive (β=, 313 at $p<0.$ 01 level) beta value helped to explain the variation in export intensity as could have been expected according to earlier findings. The inclusion of export expansion dummy variables to regression model did not increase the explanation power of variation in manager's perception about the overall export performance.

Table 39. Situational Variables, Export Expansion Strategies and Export Performance by Regression Analyses.

REGRESSION ANALYSES	**Export Intensity, 2005**		**Managers Perception about the Overall Export Performance**	
	Beta β	Level of Sig.	Beta β	Level of Sig.
Firm Size, 2005	-,066	,282	,010	,881
Export Experience, 2005	,026	,679	-,077	,268
Managements International Experience	**,224**	**,001******	**,291**	**,001******
Managements Educational Level	-,053	,444	-,041	,605
Managements Language Skills	,013	,866	-,057	,515
Managements Commitment To Firms Int. Activities	-,008	,916	,093	,263
Geographically Close Concentration	**-,192**	**,01*****	-,057	,411
Spread Concentration	-,028	,752	-,023	,736
Geographically Close Concentrated Diversification	,029	,697	-,059	,386
Spread Diversification	**,313**	**,001******	,107	,125
	R^2 0,295 Adjusted R^2 0,284		R^2 0,084 Adjusted R^2 0,080	

Note: ***=P<0,01; ****=P<0,001

Additionally, the regression analyses were carried out with situational variables and export performance measures separately by each export expansion strategy group (selection variable, see table 40 on the next page). In the case of geographically close concentration, the management's international experience (β=, 338 at p<0. 05 level) was only variable entered into the model, which explained about 11 percent of the variation in export intensity. When manager's perception was acting as a dependent measure of export performance, none of the situational variables did not enter model. With spread concentrators, the managements international experience was again only variable enter to model, but this time positive beta values were found with both export performance measures (β=, 472 at p<0. 01 level, and β=, 464 at p<0. 01 level) with rather insignificant explanation powers (22,3 %, and 21, 6%). In the case of geographically close concentrated diversification, export experience was interestingly positively related to manager's perception about the overall export performance with beta value of β=, 439 at $p<0.05$ significance level. The model explained only ~ 19 percent of the variation in manager's perception about their export performance.

Table 40. Regression Analysis of Export Performance and Situational Variables by Export Expansion Strategy Groups.

REGRESSION ANALYSES	**Export Intensity, 2005**		**Managers Perception about the Overall Export Performance**	
	Beta β	Level of Sig.	Beta β	Level of Sig.
Geographically Close Concentration Managements International Experience	,338	,027**		
	R² ,114 Adjusted R² ,093			
Spread Concentration Managements International Experience	,472	,006***	,464	,008***
	R² ,223 Adjusted R² ,197		R² ,216 Adjusted R² ,189	
Geographically Close Concentrated Diversification Export Experience, 2005			,439	,041**
			R² ,193 Adjusted R² ,153	
Spread Diversification Managements International Experience Export Experience, 2005			,306 -,225	,002*** ,024**
			R² ,125 Adjusted R² ,106	

Note: *=P<0,1; **=P<0,05; ***=P<0,01; ****=P<0,001

With spread diversification, none of the variables enter to model explaining variation in export intensity, but with managers perception about the overall export performance, two variables enter to explain the variation, however with insignificant explanation power (R^2=, 125). Export experience (β= -, 225) had negative impact on perception performance at $p<0.05$ level, and managers international experience (β= -, 306) had moderately positive impact at $p<0.01$ level of significance.

6. SUMMARY AND CONCLUSIONS

This final chapter of the study first summarizes the presented theory and the empirical findings of the study. The seven sub-purposes of the study are brought up again, and discussion and conclusion are made to fulfill the main purpose of the study. After, the managerial conclusions and suggestions for future research are given.

6.1 Summary of the study

The main purpose of this study was to examine the influence of different export market expansion strategies on export performance between Finnish SMEs. The main purpose was divided into seven sub-purposes which handled the affection of situational variables on export performance and export expansion strategy choice.

The situational variables of the exporters in the study included two firm demographic variables and five managerial characteristic variables. Firm size and export experience were chosen to present firm demographics and managements, -international experience, -educational level, -language skills, and –commitment to firms international activities were chosen to present the managerial characteristics in this study. The study also brought the concept of geographical distance into the context of export expansion strategies and divides the existed expansion strategy options, concentration and diversification, into four sub-groups based on the geographical distance to firm's major markets and their importance for the firm.

The concept of export performance is fairly multidimensional, since several contradictory results have been attained from many studies utilizing same export performance measures. The problems in conceptualizing and operationalizing the export performance measures have been in some extent behind the mixed results. This study utilized both, objective (economic) and subjective (generic) measures of export performance; export intensity and managers perception about the overall export performance of their firm. The usage of export intensity as a measure of export performance can in some extent decrease the validity of the study, because the export level itself does not necessarily indicate the true export performance of the firm, and in the context of export expansion strategies, it is not maybe however the most appropriate measure of export performance.

The sample consisted of 267 Finnish SMEs. Most (51, 9%) of the SMEs were small size (total sales < € 10 million) firms and most of the firms that are 45 %, had between 11 to 20 years experience in exporting. Around 60 percent of the sample firms exhibit some degree of export market diversification strategy, and most common export expansion strategy was spread diversification, which was applied by almost half of the sample firms. It was obviously at the same time the most succeed expansion strategy in terms of both export performance measures.

This study tried to examine the impact of certain situational variables and export expansion strategies on firms export performance. Also the relationships between situational variables and export market expansion strategies were examined. Finally the joint effect of situational variables and export expansion strategies on export performance was examined, which however did not give so many more answers for the study. It only affirmed the earlier findings and highlighted the importance of management's international experience in succeeding abroad.

To achieve the main purpose of the study, seven sub-purposes were established (2 theoretical and 5 empirical) and 14 hypotheses were built in the theoretical part of the study. Next, short discussions about the two theoretical sub-purposes of the study and after the empirical results are connected to the empirical sub-purposes with discussion about the findings concerning each empirical sub-purpose.

1. *To construct a base from previous theoretical and empirical literature, to identify different export market expansion strategies and certain situational variables that are associated with them and with export performance.*

Exploring the different databases showed rather quickly that the extent of literature concerning export expansion strategies is relatively limited. Since 1960´s there has been utilized mainly two principal classifications of export expansion strategy; concentration and diversification strategy. Only few authors has tried to make more distinct sorting with expansion strategies (See e.g. Lee 1987 *clear vs. unclear*; Lee & Yang 1990 *concentric diversification*; Cooper & Kleinschmidt 1985 *world vs. nearest neighbors etc.*). In this study, additionally to main classifications, four sub-groups of expansion strategies were formulated based on the geographical distance to firm's three largest export markets and their share in firm's turnover.

The concept of export performance was found very discursive. Several contradictory results from various authors with same performance measures are one illustration of fragmentary of the area. This study decided to use only two different measures of export performance; export intensity and managers perception about the overall export performance of their firm.

During the exploration of literature, transpired very quickly, that there is enormous amount of different situational variables affecting to firms export performance and expansion strategy choice. This study decided to take under examination some more rear managerial characteristics (in addition to firm demographics), which have not been studied earlier in the context of export expansion strategies.

2. *To construct a base from previous theoretical and empirical literature, to identify how different export market expansion strategies are associated with export performance.*

With this sub-purpose, it came clear relatively fast that most of the studies examining the relationship with expansion strategies and export performance have found export market diversification more succeed expansion strategy than concentration strategy, especially the most recent studies. Only few recent studies have not found any significant relationship with expansion strategies and export performance (See e.g. Donthu & Kim 1993; Mas, Nicolau & Ruiz 2006). There seem to exists only two empirical studies that have found concentration strategy better than diversification strategy and both of these studies (BETRO 1976; ITI Report 1979) are from 70´s.

3. *To examine, how applied export market expansion strategies can be classified between the Finnish SMEs.*

When the division was carried out by "normal" expansion strategies, concentration and diversification, 59 percent of the firms were applying export market diversification strategy (≥ 7 export countries) and 41 percent concentration strategy (≤ 6 export markets). When the concept of geographical distance and top threes export markets share in firms turnover were included to expansion strategy formulation, the most common approach to export expansion was spread diversification which was applied by nearly the half (48, 3 percent) of the sample firms. The second largest expansion sub-group was geographically close concentration applied by 25, 5 percent of the sample firms. This study showed that the concept geographical distance can be added in the classification of export market expansion strategies, even if the results concerning the sub-groups were less significant compared what they were with "normal" expansion classification. Especially in the sub-group of geographically close concentrated diversification, the findings were relatively discursive and insignificant.

4. *To examine, is there a relationship between the applied export expansion strategies and export performance*

The findings of this study indicate relatively significant differences in the export performance between different export expansion strategies. When analyses were carried out by "normal" expansion strategies, firms applying export market diversification showed significantly higher mean level of export intensity than concentrators (60%>32%). With formulated expansion strategies, the spread diversification strategy was clearly the most succeed strategy approach when export intensity was a measure of export performance. The mean level of export intensity was nearly 64 percent in these firms, compared to second highest sub-group strategy, geographically close concentrated diversification where the mean was ~ 46 percent.

When manager's perception was a measure of export performance, the results were less-significant as with export intensity, but still evident. The mean level of manager's perception about the overall export performance of their firm was rather high in the whole sample (3, 48), but the differences between concentration and diversification strategies were still noticeable (3, 34<3, 58). When the formulated strategies were analyzed, one strategy option was clearly better than others. Spread diversification strategy (3, 63) had significantly higher mean level than other strategy options (3, 33-3, 38). The correlations with performance measures and expansion strategies were also relatively significant.

The impact of geographical distances to first export markets on firms present export performance showed also relatively significant differences with export intensity. Firms that have started their internationalization path from more distant countries than neighboring countries had clearly higher levels of export intensity at year 2005 (58%>44%). With managers perception about the overall export performance the results were insignificant.

5. *To examine, is there a relationship between the certain situational variables of the firm and export performance*

The analyses of relationships between situational variables and export performance consisted of correlation and regression analyses. The results differed rather considerable between the analyzing techniques, as well between different export performance measures. The results of regression analysis were relatively insignificant and only managements international experience entered to model, explaining only 10 percent of variation in export intensity and only ~ 8 percent of the variation in managers perception about the overall export performance. These results were slightly disaccording with the findings of correlation analysis. From the firm demographics, only export experience had weakly positive correlation with export intensity, but all the managerial characteristics had at least moderately positive correlation with both export performance measures. Management's international experience and commitment to firm's international activities had very significant and moderately positive correlations with both measures, while educational level and language skills had less significant, but positive correlations. All the findings concerning the relationship between managerial characteristics and export performance have to be observed with caution whereas the whole sample had relatively high mean values in these variables. One interesting finding in this section was also that firm size did not seem to have any kind of relationship with neither performance measures.

6. *To examine, are the certain situational variables significantly related to export market expansion strategy choice*

The findings of the relationship examination between situational variables and export expansion strategies indicated relatively significant relations. Firm size had significant relationship with different export expansion strategies. Firms that were applying either diversification strategies seem to be larger firms than concentrators. Interestingly, also both geographically close approaches (geographically close concentration and geographically close concentrated diversification) were proportionately larger firms than opposite spread approaches of concentration and diversification. Export experience had also remarkable relationship with expansion strategies against expectations, and it was considerably longer with both diversification strategies than with firms applying either concentration strategies. ANOVA analyses showed relatively significant differences between the strategic sub-groups and all managerial characteristics of the study. With all management variables, the higher means were with both diversification strategies. Largest differences between the groups were in the cases of management's international experience and commitment to firm's international activities like in the analyses of export performance determinants (see above). Reason why hypotheses 8 and

10 were accepted, even if the results indicated obvious relationships, was the fact that they had somewhat low significance levels in the correlation analyses and low f-ratios in ANOVA analyses. However, to make final conclusions about the relationship between management educational level and language skills and export expansion strategies, more research has to be done with more accurate methods. Moreover, it is appropriate to mention that all situational variables of the study had considerable significant and moderately positive correlations with amount of target markets, which indicate also in some level the expansion strategy of the firm.

7. *To examine a potential joint effect of situational variables and export market expansions strategies on export performance*

The analyses were firstly carried out by the regression analyses with export expansion dummy variables and the results were compared to earlier regression analyses without dummy variables. Geographically close concentration strategy helped to explain negatively, and spread diversification positively the variations in export intensity as expected according to previous findings. Management's international experience remained in the model and the explanation power of the model increased slightly. The model with manager's perception as dependent variable remained unchangeable and any of the strategy options could not increase the explanation power of the model.

Additionally, the regression analyses were executed with situational variables and export performance measures separately by each export expansion sub-group. In the groups of geographically close and spread concentration, only management's international experience helped to explain positively the variations in export intensity and in the latter group it also helped to explain positively the variation in the manager's perception about the overall export performance. The explanation powers were relatively insignificant in both models. In the case of geographically close concentrated diversification strategy, only export experience of the firm entered into the model and helped to explain positively the variations in manager's perception about the overall export performance of their firm. In the case of spread diversification, management's international experience helped to explain positively, and export experience negatively the variations in the manager's perception about the overall export performance of their firm. Any of the situational variables did not enter the models explaining variations in export intensity with either diversification strategies and also the explanation powers with managers perception as dependent variable, were somewhat insignificant.

Table 41 finally summarizes the findings concerning the hypotheses of the study.

Table 41. Conclusions of the Hypotheses of the Study

Hypothesis Regarding Export Expansion Strategies	**Accepted or Rejected**	
H1. There is a positive relationship between firm size and export market diversification strategy	*Accepted*	
H4. There is no significant relationship between the length of export experience and applied export market expansion strategy	*Rejected*	
H6. There is no significant relationship between the international experience of the management and applied export market expansion strategy	*Rejected*	
H8. There is no significant relationship between the educational level of the managers and applied export market expansion strategy	*Accepted*	
H10. There is no significant relationship between the managements language skills and applied export market expansion strategy	*Accepted*	
H12. There is a relationship between management commitment and applied export expansion strategy	*Accepted*	
	Accepted or Rejected separately by each export performance measures	
Hypothesis Regarding Export Performance	**Export Intensity**	**Managers Perception**
H2. There is a positive relationship between the firm size and export performance	*Rejected*	*Rejected*
H3. There is no significant relationship between the length of export experience and export performance	*Accepted*	*Rejected*
H5. There is a positive relationship between the international experience of the management and export performance	*Accepted*	*Accepted*
H7. There is a positive relationship between the educational level of the managers and export performance	*Accepted*	*Accepted*
H9. There is a positive relationship between managements language skills and export performance	*Accepted*	*Accepted*
H11. There is a positive relationship between the international commitment of the management and export performance	*Accepted*	*Accepted*
H13. The geographical distances in the early internationalization of the firms will have an impact on their present export performance	*Accepted*	*Rejected*
H14. There is a positive relationship between the export market diversification and export performance	*Accepted*	*Accepted*

6.2 Managerial conclusions and suggestions for future research

The findings of the study seems to provide more evidences for most of the recent views in the literature that export market diversification approach is leading to better export performance than concentration strategies. Firms that were applying either export market concentration strategies showed lowest export performance in both export performance measures. However, the differences in the manager's perception about the overall export performance between the expansion strategy groups were not as significant as with the export intensity. This points out the fact what several authors has concluded about the importance of using multiple export performance measures (see e.g. Lee & Yang 1990; Larimo 2007), especially in order to understand better the effect of export market expansion strategy on export performance. It is relevant to underline that firms may apply different export market expansion strategies depending on their objectives. For instance if firm is willing to increase the level of export sales, it is more preferable and appropriate to follow export market diversification strategy, and particularly spread diversification than concentration strategies. However, if firm is concerned about some other export objectives, the strategies of export market diversification are not necessarily only strategic alternatives.

When the determinants of export expansion strategies were examined, the firm demographics showed relatively significant relationships with export market expansion strategies. Firms that were following either diversification strategies were considerably larger and more experienced in exporting than firms applying concentration strategies. This finding could indicate that the firms applying geographically close concentration and spread concentration could be in gradual movement towards the opposite diversification approaches after gradual growth and gaining of sufficient export experience.

The findings of the study also indicated that firms are more likely to apply diversification strategies when they possess more internationally committed and experienced managers. This finding might have direct relation to previous suggestion about the gradual movement from concentration strategies towards the diversification strategies, since the management's international experience can be in direct relationship with export experience of their firm. Particularly in the cases where management of the firm has stayed relatively unchanged during the whole internationalization path of the firm. To examine this potential relationship with management's international experience and firms export experience, more research with more accurate research questions has to be carried out. Otherwise could be recommended that concentrators, who want to expand into several new markets, could strengthen their possibilities of successful expansion and performance by recruiting experienced managers and more employees for their export operations.

About the impact of geographical distance in the beginning of the internationalization on the present export performance, some suggestions can also be made. For example, if the main objective of exporting for the firm is to decrease the importance of domestic sales, firms should start their internationalization from more distant markets than neighboring countries to achieve higher levels of export intensity. Firms that had started their internationalization from more distant countries, had higher levels of export intensity in this study compared to firms that had started exporting from neighboring countries. However, the differences in the manager's perception were somewhat insignificant which underlines the importance of applied performance measure in order to understand better the associations.

The management's international experience and commitment to firm's international activities seem also to be most important determinants of export performance from all the situational variables of the study. Besides, all other management characteristics of the study showed also positive impact on the both export performance measures, and thus can be concluded that firms which possess more skilled, experienced, and committed managers seem to perform better than firms with less qualified managers. Interestingly, the size of the firm did not seem to have direct impact on export performance against expectations. This is somewhat contradictory to earlier findings about the relationships between firm size and export market expansion strategies, and relationship between export performance and export expansion strategies, since this finding proves the fact, that even small firms can achieve high levels of export intensity, without the matter of followed export market expansion approach. Again against expectations, the export experience of the firm showed moderate impact on export intensity. This finding indicates in some level that firms come gradually more and more dependent about the exporting when export experience grows, and on the other hand the fact that the level of export sales naturally increases when export experience grows.

The conclusions and further speculations of this study must be exercised with great caution and only be drawn on the basis of association, since the examination of the relationships between the choice of an export expansion approach and certain situational characteristics of the firm would require more longitudinal research and in some extent more accurate research methods. Also it should be remembered that this study focused on export manufacturing firms from various fields of industries within a specific country. It should be also remembered that the choice of an export expansion strategy approach is considerably dependent about the product(s) characteristics of the firm, which were left out from the examination of this study. An interesting and challenging theme for the future research would a qualitative study, where the differences between firms applying concentration and diversification strategies would be examined with stronger accuracy. Inclusion of product and marketing effort characteristics, as well as export attitude and perception characteristics together with the variables of this study into qualitative study, could be a fruitful theme for future research in order to understand better the determinants and differences between the different export market expansion strategy approaches.

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