

Viviers, Wilma; Kroon, Jaap; Calof, Jonathan L.

## Article

# Export behaviour of South African enterprises: Stages and attitudes towards export

South African Journal of Business Management

## Provided in Cooperation with:

University of Stellenbosch Business School (USB), Bellville, South Africa

*Suggested Citation:* Viviers, Wilma; Kroon, Jaap; Calof, Jonathan L. (1996) : Export behaviour of South African enterprises: Stages and attitudes towards export, South African Journal of Business Management, ISSN 2078-5976, African Online Scientific Information Systems (AOSIS), Cape Town, Vol. 27, Iss. 1/2, pp. 34-41,  
<https://doi.org/10.4102/sajbm.v27i1/2.806>

This Version is available at:

<https://hdl.handle.net/10419/218154>

### Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

### Terms of use:

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*



<https://creativecommons.org/licenses/by/4.0/>

## Export behaviour of South African enterprises: stages and attitudes towards export

Wilma Viviers\*

Department of Economics, Potchefstroom University for Christian Higher Education, Private Bag X6001, Potchefstroom  
2520 Republic of South Africa

Jaap Kroon

Department of Business Management, Potchefstroom University for Christian Higher Education, Private Bag X6001, Potchefstroom  
2520 Republic of South Africa

Jonathan L. Calof

Faculty of Administration, University of Ottawa, 136 Jean-Jacques Lussier, Ottawa, Ontario, Canada, K1N6N5

*Accepted February 1996*

This study aims to broaden existing knowledge with respect to the export behaviour of South African enterprises. After analysing questionnaires received from 163 enterprises, as well as South African export data, it was concluded that South African enterprises exhibited similar export behaviour to that of enterprises in more developed countries. Non-exporters perceived the risks and costs of exporting to be higher than exporters. Exporters perceived the benefits to be greater than did non-exporters. However, the limited scope of South African exports when compared to more developed countries, suggests that South Africa may have some export barriers which are preventing the development of a large cadre of exporters.

Dié studie poog om kennis van die uitvoergedrag van Suid-Afrikaanse ondernemings te verbreed. Nadat vraelyste van 163 ondernemings sowel as die basiese Suid-Afrikaanse uitvoerinligting ontleed is, is daar tot die gevolgtrekking gekom dat Suid-Afrikaanse ondernemings soortgelyke uitvoergedrag as ondernemings in meer ontwikkelde lande vertoon. Nie-uitvoerders sien die risiko en koste verbonde aan uitvoer hoër as uitvoerders, terwyl uitvoerders die voordele groter as die nadele ervaar. Wanneer die lae vlak van diversifikasie van Suid-Afrikaanse uitvoerders met die van meer ontwikkelde lande vergelyk word, kan tot die gevolgtrekking gekom word dat Suid-Afrikaanse uitvoerders sekere uitvoerstruikelblokke ervaar wat die ontwikkeling van 'n groot aantal uitvoerders verhinder.

\*Author to whom correspondence should be addressed.

### Introduction

Since Johanson & Vahlne's pioneering study on internationalization (1977), much research has been going on to determine what differentiates exporters from non-exporters and why some enterprises assume an aggressive export approach while others are less involved. To understand this phenomenon, a plethora of studies have been conducted, mainly in developed countries (Canada, United States of America, United Kingdom, Sweden, Italy, Norway, Australia and New Zealand to name but a few – see Chetty & Hamilton, 1991 and Eshghi, 1992, for a comprehensive review of such literature). As a result, sufficient information exists about the export behaviour of enterprises in these developed countries. These studies have contributed to formalizing the internationalization theory.

Very few studies have been conducted in lesser developed countries, for example, El Salvador, Brazil, and Korea (Eshghi, 1992). As a result, while much is known about the export behaviour of enterprises in North America and Europe, little is known about enterprises in the lesser developed regions of the world. With regard to South Africa, only one study could be found (Dichtl, Koeglmayr & Mueller, 1990). The lack of internationalization studies about this market, coupled with the fact that South Africa is at the same time a developing and developed country, suggests that it remains questionable whether current theories of internationalization would apply within the South African context. The African National Congress' Regional Development Plan (ANC, 1994) and the National Strategy for the Development and Promotion of Small Business in South Africa (DTI, 1995), both give pro-

minence to the development of exporters as a means of improving the underlying economic performance of the country. Accordingly, understanding the export behaviour of South African enterprises is important if the government is to devise policies which will result in export growth.

The objective of this study is therefore to close this research gap. Specifically, to examine, in a similar way to previous studies, differences between non-exporters, exporters and more involved exporters in South Africa.

Thus, this research aims to:

1. identify the differences between enterprises at different export stages within South Africa; and
2. determine the extent to which the current stages theory can be applied within a developing country context, in order to extend the generalizability of the theory.

### Literature review

#### Internationalization theory

'Internationalization' is a term used to describe the incremental pattern of a firm's expansion into foreign markets. The theory has its roots in research done by Aharoni (1966) who studied the foreign-direct-investment decision-making process in large American multinationals. In his study, Aharoni found that uncertainty and other attitudinal factors, rather than more rational-based factors (such as studies, industry, etc.) best explained these investment decisions.

Picking up on Aharoni's work, Johanson & Vahlne studied the export behaviour of the four leading Norwegian multinationals over a 100 year period (1977). According to their

research, when firms' first start exporting, they lack knowledge about foreign markets and therefore experience substantial uncertainty in the initial stages. Being risk averse, firms attempt to make the least possible commitment in their initial foray into international markets. However, with greater experience and the ensuing knowledge it brings, uncertainty and perceived risk are reduced. This in turn encourages the firm to make greater commitments, which in turn lead to further reductions in uncertainties, risks, costs and increases in perceived benefits (Calof & Beamish, 1994). The general form of the stages internationalization model is therefore that the initial foray into foreign markets enables the firm to gain experiential knowledge which reduces uncertainty. In turn, the firm's decision-makers become more confident and aggressive internationally. Firms will then proceed incrementally up the internationalization scale as they gain knowledge and experience.

Ever since Johanson & Vahlne (1977) developed this model, hundreds of studies have been conducted to explain the export behaviour of firms. These have been conducted in virtually all the developed countries including Canada, the United States, Korea, the United Kingdom, New Zealand, Australia, Sweden, Norway, and Brazil, just to name a few of the countries. As well, these studies have examined virtually every sector of the economy including services (Erramilli, 1991) and fishing (Gripsrud, 1990) to name but a few (for a comprehensive review of the stages literature see Anderson, 1993; and Calof, 1991). The generally accepted nature of the primary tenants of the internationalization theory arise in part from its intuitive appeal and in part from the widespread research support for it. This has resulted in virtually all of internationalization research being focussed on extending it to other countries and other aspects of firms' international operations. Research at the industry level for example, has all but stopped since 1990.

Research in the stages internationalization field has focused mainly on four areas: generalizability (described above), classificatory, extension, and confirmatory.

Classificatory research has sought to identify the stages that firms go through as they internationalize. The idea in this research stream is to identify unique, discreet steps in the internationalization process which can be related to firm and management characteristics. For example, Bilkey & Tesar (1977), in their research on 423 Wisconsin manufacturing firms, identified six export-stage profiles:

- Stage 1: Management is not interested in exporting
- Stage 2: Management is willing to fill unsolicited export orders, but does not actively pursue export markets
- Stage 3: Management has explored exporting to a psychoculturally close country (called a passive exporter)
- Stage 4: An experimental exporter
- Stage 5: An active exporter
- Stage 6: A committed exporter

Again, as with many other internationalization studies, the attitudes and experience of management and not their firms' industry was the primary impetus behind the internationalization stage.

Additional classificatory research has been done by several researchers including Johanson & Wiedersheim-Paul, 1975; Cavusgil & Nevin, 1981; Cavusgil, 1984; Burton & Schlege-

lilch, 1987; and Johanson & Vahlne, 1977. Researchers in this stream have found that each stage involves an increased commitment to international activities. Commitment increases as firms learn more and therefore become less uncertain about foreign markets (Bilkey & Tesar, 1977; Johanson & Vahlne, 1977; Cavusgil, 1984; Kedia & Chokar, 1986). In particular, firms generally change their commitment as they gain experiential knowledge in a particular foreign market and decision makers' perceptions of the costs and benefits of involvement in that market change. Firms in the early stages of internationalization view export costs as higher and revenues as lower than the firms more advanced in the internationalization process.

The model has also been extended to explain virtually every aspect of a firm's international operations. For example, the model has been successfully used to predict the distribution-mode use and the country of export selection. Stages has demonstrated that firms first enter markets that are culturally and geographically close to the home market and then expand to more distant ones (Luostarinen, 1980). Again, regardless of industry, because managers tend to be risk averse, they will choose to begin trading with a country which they perceive as being less risky. This will be a country in which for example the language, the legal system, and the culture are close to his or her home country. Similarly, stages has found that firms would initially use distribution modes with low resource commitments (for example exporting) and then step up to more resource-intensive modes (for example wholly owned production), as attitudes towards the benefits of exporting improve.

Finally, much has been done throughout the world in the area of confirmatory research, and some results have been obtained. For example, in differentiating between exporters and non-exporters, a United States based study by Roy & Simpson (1980) found that exporters perceived the risks of exporting to be lower than non-exporters. The difference was dramatic: compared to 20% of the exporters, 41% of all non-exporters viewed the risks of exporting to be greater than domestic business. Similarly, compared to 51% of the exporters, 70% of the non-exporters viewed the costs of exporting to be greater than domestic sales. In the same study, the authors reported that compared to 8% of the exporters, 36% of all non-exporters perceived that export profits to be lower than domestic profits. Similar results were also found in other United States based studies (e.g., Kedia & Chokar, 1985), Canadian studies (e.g. Brooks & Rosson, 1982) and U.K. studies (for example, Bradley, 1984).

In the only South African study, similar results were found. In examining the differences between 55 South African firms, Dichtl *et al.* (1990) found that non-exporters perceived the psychic distances to export markets to be greater, and perceive the risks of exporting to be higher than the exporters considered it, and had a more negative attitude toward exporting in general.

The results have not all been so positive. In a review of past studies on attitudes and export behaviour (Eshghi, 1992), some studies showed no significant relationships. Furthermore, the authors identified one study in Brazil and another in El-Salvador indicating negative associations. Additionally, the deterministic nature of stages, that is, that exporters start

at stage 1 and then proceed in single steps, has been proven to be false. In a study by Calof (1991), it was shown that under certain conditions, firms can start at more advanced stages and then can leapfrog stages, going from stage 1 to stage 4. However, while the deterministic basis for the model has been proven false, the attitude basis of the model has been considered as correct (Calof & Beamish, 1994), that is, the attitudes, knowledge, and experience of management which are the principle drivers of the internationalization stage, country of export, export mode, and so forth. It is interesting to note that the contradictory results have emerged in the not fully developed economies. This fact then validates a study which examines whether the tenets of the model apply in a dual economy such as South Africa.

One final comment on the theory. The attitude evolution aspect of internationalization has dominated much of the stages research and the methodology followed to test it has been remarkably similar. Researchers have surveyed the export attitudes of firms management. Before the analysis, they classify respondents into 'stages of development', by using export intensity (export sales/total sales) as the dominant criteria. The methodology of past studies has been remarkably similar. Generally, respondents have been small to medium-sized manufacturing firms. Executives from these firms are sent mail surveys in which they are asked to assess a series of statements designed to elicit their attitudes towards the risks, benefits, and costs of exporting. Likert scales are used almost exclusively for this purpose. The attitude ratings are then examined to determine the extent to which they discriminate between stages. This is the approach adopted in this study.

To conclude, an increasing amount of literature has found that the stage of export development can be associated with attitudes towards the risks, costs and benefits of exporting. The one study which has included South African enterprises, has to some extent confirmed these results. However, as that particular study contained few non-exporters (18), and never examined attitudes towards the costs and benefits of exporting (just risks), it is doubtful whether Dichtl *et al.*'s (1990) study provides full support for the stages model of internationalization. It should also be noted that the Dichtl study did not examine the various export stages, only exporters *versus* non exporters.

### Setting the context: exports and South Africa – barriers to internationalization

Previous stages studies have largely been conducted within the developed economies of Europe and North America, with a few studies emerging from Australia and Asia. The ensuing theory may therefore be appropriate only for developed economies. Furthermore, most studies have been done in countries that share similar economic, legal, and geo-cultural characteristics to their export markets. This may also limit the generalizability of the theory with developed countries sharing similar socio-cultural characteristics to their primary export markets. In comparing the situation faced by a European or North American exporter to that of a potential South African exporter, several differences are evident that may affect the predictive ability of the stages model of internationalization. These differences and information regarding South Africa and export are outlined within this section.

The stages model of internationalization operates under the implicit assumption that attitudes are the primary factor influencing international development. Only executives' attitudes towards costs, benefits, and risks of international business prevent advancement. These in turn, depend on the enterprises' level of export experience. For South African enterprises, there are several barriers that may limit an enterprise's ability to develop international operations, and these barriers may also affect attitudes towards the risks, costs, and benefits of export.

### Sanctions

The 1980s saw growing pressure from abroad for political change in South Africa, and a variety of economic sanctions were imposed by a number of First World countries (e.g. the USA, Canada and the Scandinavian countries) in an attempt to forcibly cause the desired changes. In an internationalization model, an enterprise is free to export to any appropriate country. Sanctions obviously place limitations on the number of countries to which an enterprise can export. While countries to which export takes place may be hampered by the closure of certain markets. It is interesting to note that since the dismantling of sanctions, South African exports have increased by 4% (Safto, 1993).

### Exchange control restrictions

Due to concerns regarding exchange rate fluctuations and the loss of South African capital, the South African Reserve Bank has instituted rules and regulations designed to limit capital flight. For example, South African enterprises can only open up foreign subsidiaries if:

1. South African assets are not pledged or encumbered in any way;
2. profitability within one year is assured; and
3. only a limited amount of South African currency is used.

These are a few of the restrictions on opening up subsidiaries. By limiting an enterprise's ability to expand within its markets, the South African government is negatively affecting the ability of an enterprise to undertake the normal expansionary path of internationalization.

### Distance to markets (geographic and cultural)

Stages theory predicts that enterprises will commence exporting to markets that are geographically close and culturally similar to the home market. For example, past research has found that 90% of Canadian exporters first export to the United States, while European enterprises generally prefer other European countries. For enterprises within these countries, the nearest export markets are less than 100 kilometres away and these export markets share similar cultural characteristics (for example, language, laws, demographics, and culture).

With regard to South African enterprises, the situation is different, in that the nearest geographic markets are culturally different. Most South African businessmen have their cultural roots in Europe, more than 10 000 kilometres away from South Africa. Furthermore, the nearest geographic markets (those within Africa) are third world by nature. Thus, it is questionable how stages can be applied in terms of countries exported to.

### Inward-looking culture

South African enterprises have a general 'inward' focus – a psychological aversion to export. This is due to a number of barriers, both structural and psychological in competing on international markets (Leibold, 1984). The geographical problems mentioned above certainly have contributed to this situation. However, there is something culturally innate in South Africans that predisposes them to focus on their own country. For example, in looking at South African tourism trends, South Africans evidently focus on travelling within the country. The large distance between South Africa and non-South African tourist destinations contributes to these tourism patterns. In addition, for a South African to travel abroad is very expensive due to traditionally low exchange rates leading to poor international purchasing power.

Previous studies have shown a positive relationship between vacations spent abroad and the propensity to export (Dichtl *et al.*, 1990). Therefore, this culturally based inward-looking mentality, may not be conducive to developing export activities and may prevent the development of attitudes associated with the more advanced stages of internationalization.

### High production costs

An enterprise's ability to compete internationally also depends on the cost competitiveness of the enterprise. Sadly, many South African enterprises are at a cost disadvantage due to several problems peculiar to this country. Due to labour unrest and other cultural factors, South Africa has low domestic labour productivity. Furthermore, a lack of geographic proximity to any major world markets results in high shipping costs for most manufactured goods. Domestic shipping costs to export ports are also exorbitantly expensive. It costs less to ship a product from South Africa to the United Kingdom than it does to transport the same product within South Africa (e.g. from Johannesburg to Durban).

Another cost-based factor (though one which is changing) are high tariff levels which in turn contribute to high domestic production costs. The average tariff is 27.5%, which places South Africa just above the median in a sample of 32 developing countries. South Africa has a highly protected economy, with an average duty rate twice as high as New Zealand's, the most protected developed economy (World Bank, 1993b). This trade regime increases the costs of production, preventing many South African products from competing in foreign markets.

### Context: summary

Sanctions have ended and the currency restrictions have been eased by the abolition of the financial rand in March 1995. Some of the high tariffs on imports are also being reduced since the recommendations of the Uruquay Round of GATT.

However, the long-term effects of sanctions, the distance to export markets, restrictive currency legislation, high domestic costs and a general inward-looking culture are not factors conducive to export. Nor are they factors associated with countries previously examined in the context of the internationalization theory. Thus, it is uncertain whether South African enterprises will exhibit the same internationalization behaviour that has been found in previous studies.

### Methodology

To investigate the export behaviour and attitudes of South African businessmen, a survey was conducted on a selection of South African businesses. During 1991 questionnaires were mailed to 900 enterprises. These questionnaires addressed, among other issues, the executives' attitudes towards the risks, costs, and benefits of exporting. Similar to past studies on export attitudes and behaviours, executives were presented with a series of statements (for example, 'to export products has high risk for the business'). Respondents were then asked to provide their opinions with regard to the statements using a seven-point likert scale ranging from 1 = do not agree to and 7 = agree strongly.

The Bureau of Market Research provided 400 enterprises which were randomly selected. Additional enterprises (500) were drawn from the mailing list of SAFTO (South Africa Foreign Trade Organization). For the purposes of this study, the classification basis of enterprises with less than 1000 employees, was used. Responses were received from 163 of these enterprises, representing a 18% response rate.

In addition to the survey analysis, an examination was made of aggregated South African export information (total exports, regions exported to, exports by product category). This was done to determine whether there were anomalies in the aggregated behaviour among South African exporters.

### Results – questionnaires

#### Respondent characteristics

The total response from 163 enterprises was examined in this study. From Table 1 it is evident that 144 from the 163 enterprises have less than 500 employees. From Table 2 it is evident that 97 of the 144 enterprises which responded to question 2, classified themselves as being exporters, while 47 indicated that they were not. Among the enterprises not currently exporting, 22 indicated that they had exported previously.

#### Measurement of export stage

Similar to previous studies, the export stage was determined by using the enterprises' export intensity (export sales/total sales). Four stages were used for this study: no export sales (22 + 25: 32% of respondents); export intensity of 1%–24% (51%); intensity of 25%–49% (11%), and intensity greater than 50% (6%). This is similar in most respects to the approach used in past studies and recognizes that more advanced exporters will have a greater percentage of their sales

**Table 1** Respondent characteristics number of employees

Size class	Number of enterprises	Percentage of enterprises
< 11	8	5
11–20	11	7
21–50	26	16
51–100	33	20
101–500	66	50
500–1000	19	12
Total	163	100

**Table 2** Export stage of responding enterprises

Stage (export intensity)	Number of enterprises	Percentage of enterprises
Past exporter	22	15
No export sale	25	17
1%-24%	73	51
25%-49%	15	11
>50%	9	6
Total	144	100

arising from international activities. An important difference in the categorization applied in this and other studies is that most past studies have divided the 50%+ category into 50-74% and greater than 75% categories. Unfortunately, due to an insufficient number of observations with export intensity above 75% it was not possible to use the finer categorization. This may be an indicator of the type of export-development problems which can be associated with the barriers to exporting mentioned in the previous section.

Respondents' answers to questions addressing their perception of the risks, costs, and benefits of exporting were then examined to determine whether significant differences were evident by the export stage. These differences were tested by using the ANOVA analysis and Pearson's correlation. To test the discriminant validity of the overall model, SPSS's discriminant analysis function with the classification option was used (Table 6).

The technique of segmenting enterprises into stages has its limitations. Firstly, an enterprise's stage of development is more complex than simply its export intensity. For example,

the export structure, the range of countries exported to, the number of executives with international experience, and the scope of products exported are all important stage-related variables that should be considered to identify the enterprise's stage. By relying only on one measure (export intensity) the risk of classifying the enterprise's export stage incorrectly is increased. Furthermore, while the stage typology used for this study has been used in several other studies, it is uncertain whether the results would change if different ranges were used. For these reasons, Pearson's correlation analysis was used on the raw intensity numbers. This enables an examination of the relationship without the dangers inherent in categorization.

#### Attitudes towards the benefits of exporting

Similar to previous studies, more advanced 'stage' enterprises viewed the benefits of exporting to be higher than less advanced enterprises. This relationship held across all 'attitudes towards benefits' measures (Table 3). For example, when asked whether exports could contribute to the growth objectives of the enterprise, the response for non-exporters was 5.7 compared to 6.8 for enterprises who gathered over 50% of their sales from exports. The most dramatic differences resulted from responses to the statement 'exports are only profitable in the long run'. The response among non-exporters was 3.8, compared to 6.3 for advanced exporters, and the correlation with the stages variable was .55, indicating that 30% of the variance in export intensity could be explained by use of the stages model of internationalization.

#### Attitudes towards the risks of exporting

In general, the more advanced the enterprise was, the lower the perception of the risks of exporting was. These results are

**Table 3** Attitudes towards the benefits of exporting

Question	Average responses by stage (export intensity) (1=do not agree; 7=strongly agree)				Anova sig.	Correlation with stage
	0%*	1-24%	25-49%	>50%		
Exports are more profitable than local revenue	3.2	3.2	4.1	4.1	.097	.17
Exports are only profitable in the long run	3.8	5.7	6.1	6.3	.000	.55
Exports can contribute to the profit objectives of the enterprise	5.4	5.9	6.3	6.3	.007	.23
Exports can make a contribution to attainment of growth objectives	5.7	6.3	6.6	6.8	.001	.34
*Non-exporters						

**Table 4** Attitudes towards the risks of exporting

Question	Average responses by stage (export intensity) (1=don't agree 7=strongly agree)				Anova sig.	Correlation with stage
	0%*	1-24%	25-49%	>50%		
Export holds high risk	4.1	5.5	5.1	6.2	.000	.33
International marketing is riskier than domestic	4.9	2.2	2.5	1.7	.000	-.49
Export requires positive attitude towards risk	2.7	2.8	1.9	3.0	.442	-.11
Risk philosophy of the business (1=high risk; 2=calculated; 3=risk avoidance)	2.5	1.8	1.7	2.5	.000	-.42
Export marketing holds great uncertainties	4.7	5.1	4.9	5.8	.275	.14
* Non-exporters						

similar to those from previous studies. However, when asked to comment on the phrase 'export holds high risk for the business', exporters indicated that they supported this statement more strongly than non-exporters did (Table 4). On this dimension, non-exporters perceived the risks of exporting to be lower than exporters perceived them. Previous studies also reflected this result (Eshghi, 1992). Explanations for this result could be that exports are risky and exporters may have a better sense of the extent of the risk than non-exporters. However, respondents' replies to the other 'risk' questions consistently showed a negative association with the export stage. This contradiction may represent an anomaly with regard to South African exporters.

#### Attitudes towards the requirements for export success

In general, non-exporters perceived the requirements for export success to be higher than exporters (Table 5). For example, when asked how important having a strong financial base was, non-exporters' mean response was 5.7, compared to 3.4 for advanced stages exporters, with a Pearson's correlation coefficient of 0.38. Thus, similar to respondents' replies to other attitude questions, non exporters perceived the difficulty and requirements for exporting to be greater than that experienced by exporters.

#### Conclusion – questionnaires

When compared with previous research, South African enterprises responses to the export attitude questions were generally consistent. That is, non-exporters perceived the risks and requirements of exporting to be higher than exporters. Further, exporters believed the benefits of exporting to be greater in contrast with non-exporters. Furthermore, the more advanced the enterprise was (in terms of export intensity), the stronger these relationships were. But how significant are these results? To address this question, a discriminant analysis was run using SPSSX's results classification option (Table 6). The analysis yielded a statistically significant discriminant equation (at .05) which could successfully predict the export stage for 76% of the enterprises in the sample. This is opposed to a best-guess approach that would have yielded 57% success. For South African exporters, the result indicates that attitudes are important discriminators in determining the export stage.

#### Results – export data analysis

South African foreign trade is typical of a developing country, especially its dependence on the export of primary commodities. While the proportion of its gross domestic product

(GDP) attributed to exports is amongst the best in the world (26%) (Safto, 1994), these exports are highly concentrated within the primary (agriculture and mining) sector (Table 7). In fact, its seven principal exports account for 50% of total foreign trade earnings, while the number for developed countries is 30–35% (Anon, 1993: 22). These results (export concentration and focus on the primary sector) suggest that South Africa's base of export companies lack the diversification found in other developed countries. This result is not surprising, given the barriers to internationalization described earlier and it provides indirect evidence that the export behaviour of South African enterprises may be different from that of enterprises within developed countries.

South Africa's export patterns are not only different in terms of the degree of product concentration, but also in their geographic trading patterns. Stages theory suggests that the dominant export market for most enterprises will be the market which is geographically and culturally the nearest. For example, over 70% of Canada's exports go to the United States (its closest neighbour geographically). One would assume then that other African markets would be the dominant destination for South African exports. However, trade statistics prove this wrong. Only 16.2% of South Africa's exports are to other African countries (Table 8). The dominant markets are those in Europe (43.5%) and Asia (27.5%). These results are not surprising as Europe is psycho-culturally closer to South Africa than other African countries.

To encapsulate, a cursory examination of South Africa's exporting patterns produces a mixed report on the success of South Africa's exporters and shows that export behaviour is not totally in line with the stages theory of internationalization. The geographically nearest market is amongst South Africa's least important export markets. Furthermore, by developed country standards the product scope of South Africa is extremely low. Nevertheless, trade statistics do suggest that South Africa is one of the world's more successful exporters in terms of the percentage of GDP being exported.

#### Conclusions and recommendations

The results of this study suggest that the export behaviour of South African enterprises is not vastly different from that of enterprises in other countries. For the most part, the more advanced the enterprise (in terms of export stage), the lower the perceived costs and risks of exporting will be, and the higher the perceived benefit. Therefore, despite the tremendous barriers to exporting mentioned earlier, South African enterprise behaviour is no different from that of enterprises examined in previous studies. The implications of this is that

**Table 5** Attitudes towards the requirements for export success

To be successful in exports	Average responses by stage (export intensity) (1=do not agree; 7=strongly agree)				Anova sig.	Correlation with stage
	0%*	1–24%	25–49%	>50%		
High quality product	6.7	4.8	4.7	5.1	.000	-.38
Sufficient cash flow and a strong financial base	5.7	4.2	3.8	3.4	.000	-.38
Strong local market share	4.7	3.6	4.2	4.3	.052	NS

\*Non-exporters

**Table 6** Predicting stage of involvement results of discriminant analysis

Variable label	List of the 15 variables used
EA1	Only large business can compete internationally
EA2	Only mass production can compete internationally
EA3	Strong local market share: IKSF
ED4	High risk prevents small/medium from exporting
EB4	Lack of international network
EB5	Complicated documentation
EF4	Strong local market share: IKSF
EF5	Dispose of a long term strategy: IKSF
EF6	Dispose of price advantage over competition
ED1	Export are risky
ED3	Export marketing is riskier than domestic marketing
ED5	Export requires positive attitude toward exporting
ED8	Risk philosophy of the business
EE2	More profitable than local sales
EE3	Profitable only in long term – exporting

**Table 7** South African exports by category: 1994

Item	Rand millions	%
1. Base metals	11 853	12.75
2. Precious minerals (diamonds)	10 213	11.35
3. Mineral products	7 712	8.57
4. Chemicals	4 757	5.28
5. Vegetable products	4 197	4.66
6. Machinery	3 253	3.61
7. Prepared foods	2 826	3.14
8. Transport equipment	2 771	3.08
9. Pulp and paper	2 666	2.96
10. Textiles	1 923	2.14
11. Live animals, animal products	1 137	1.26
12. Plastics	897	1.00
13. Miscellaneous manufacturers	866	0.96
14. Wood and articles	772	0.86
15. Hides, skins and leather goods	767	0.85
16. Stone, plaster, cement	465	0.52
17. Precision goods	302	0.34
18. Animal/vegetable fats	159	0.18
19. Footwear and accessories	109	0.12
20. Works of art	43	0.05
21. Other unclassified products	32 335	35.905
Total	90 021	100.00

Source: Safto, 1995.

the stages model of internationalization and the ensuing recommendations arising from other stages studies may be generalized with regard to South Africa. There is a wealth of such studies and the government would be well advised to consult these.

However, the low export breadth level, the 'anti-stages' export market pattern, and the limited number of exporters with

**Table 8** South Africa foreign trade distribution of exports by markets: 1995 (January–August)<sup>1</sup>

Region	% of total exports
Africa	16.2
Europe	43.5
America	10.5
Asia	27.5
Oceania	2.3

Source: Safto, 1995  
1. Excluding unclassified goods and payment adjustments

truly high export intensity (greater than 75%) should be a cause for concern. While enterprises who export seem to be following the classic stages method of attitude progression, it would appear that the barriers to internationalization mentioned earlier in this article may be keeping a larger number of enterprises from commencing export than would be expected for from a more developed country. There is also evidence to suggest that the export barriers not only limit the number of enterprises which export, but that they also slow down the normal expansionary path inherent in internationalization theory.

This is a serious problem for South Africa, as its future economic stability will largely depend on the ability of enterprises to export successfully (Calof, 1993). Programmes must therefore be developed which will limit the internationalization barriers mentioned previously and increase the capacity of South Africa's exports. The good news is that due to the consistency of results found between this and other studies, the plethora of public sector recommendations in existing literature will also be relevant to South Africa. This will provide a useful point of departure for South Africa in its efforts to foster export success. For example, South Africa may want to turn to Brazil for knowledge on improving export scope. In the early 1970s, 75% of Brazil's exports were basic commodities, by 1985, this had dropped to 33%.

Since undertaking this study, several changes have occurred to export barriers which should assist South African enterprises in expanding the base and evolution of South African exporters. With the dismantling of sanctions, many markets previously closed to South Africa have been opened. In fact, recent media focus on South Africa has created a demand for South African products in many countries which should help enterprises to penetrate more export markets. The dismantling has had other positive impacts, for example, South Africa's membership with the African Development Bank brought with it low interest rates and longer repayment periods.

Secondly, in terms of the distance barrier mentioned earlier, other African countries are more willing to trade with South Africa as a result of the dismantling of apartheid. As mentioned earlier, the large cultural distance between South Africa and the rest of Africa was due to the European cultural roots of the South African white population. On the other hand, for South Africa's black population, the rest of Africa is



psycho-culturally closer than Europe. As a result, the empowerment of blacks inherent in ANC's Reconstruction and Development Programme (ANC-RDP, 1994) should lead to increased exports to Africa.

Finally, the cost of imported inputs will decrease due to the implications of the recent Uruguay round of GATT. This should result in massive reductions in tariffs within a five-year period.

Currently, the South African policy clearly favours an expansion of the diversity and growth of South African exporters. However, future policy directions will have to take into account the cultural anomalies mentioned throughout this article as well as the locational-based disadvantages (tariffs, inward-looking culture and distance). But, export pattern similarities between South Africa and other countries point the way to several policy prescriptions which could help improve the export performance of South Africa.

## References

- Abbas, A. & Swiercz, P. 1991. 'Firm size and export behaviour: lessons from the midwest', *Journal of Small Business Management*: 71-78, April.
- African National Council. 1994. *Reconstruction and development programme: a policy framework*. Johannesburg.
- Aharoni, Y. 1966. *The foreign investment decision process*. Boston: Harvard Business School, Boston.
- Anderson, O. 1993. 'On the internationalization process of firms: a critical analysis', *Journal of International Business Studies*, Vol. 24: 209-231.
- Anon. 1993. 'Basketcase seeks help', *Finance Week*: 21-27, Jan.
- Bilkey, W. & Tesar, G. 1977. 'Export behaviour of smaller-sized Wisconsin manufacturing firms', *Journal of International Business Studies*: 93-98, Spring/Summer.
- Burton, F.N. & Schelegelmilch, B.B. 1987. 'Profile analyses of non-exporters vs exporters grouped by export involvement', *Management International Review*, Vol. 27, No. 1: 38-49.
- Calof, J.L. 1994. 'Creating an export based society: the role of government', *Optimum*: 60-72, Jan.
- Calof, J.L. 1993. 'The impact of size on internationalization', *Journal of Small Business Management*: 50-60, Oct.
- Calof, J.L. 1991. The internationalization process: an examination of mode change, mode choice, and performance. Unpublished Doctoral Dissertation. Ontario: Western Business School, University of Western Ontario.
- Calof, J.L. & P. Beamish. 1994. 'Adapting to foreign markets: explaining internationalization', *International Business Review*, Vol. 4, No. 2.
- Cavusgil, S. & Nevin, J.R. 1981. 'Internal determinants of export marketing behaviour: an empirical investigation', *Journal of Marketing Research*, Vol. 23: 114-119, Feb.
- Cavusgil, S.T. 1984. 'Differences among exporting firms based on their degree of internationalization', *Journal of Business Science Research*, Vol. 12: 195-208.
- Chetty, S. & Hamilton, R.T. 1992. 'Firm-level determinants of export performance: a meta-analysis', *International Marketing Review*, Vol. 10, No. 3: 26-34.
- Department of Industry and Trade. 1995. *National strategy for the development and promotion of small business in South Africa*. Johannesburg.
- Dichtl, E., Koeglmayr, H. & Mueller, S. 1990. 'International orientation as a precondition for export success', *Journal of International Business Studies*, 23-39, First quarter.
- Erramilli, K. 1991. 'The experience factor in foreign market entry behavior of service firms', *Journal of International Business Studies*, Vol. 22: 479-501.
- Eshgi, A. 1992. 'Attitude-behaviour inconsistency in exporting', *International Marketing Review*, Vol. 9. No. 3: 40-61.
- GRIPSRUD, G. 1990. 'The determinants of exports decisions and attitudes to a distant market: Norway fishery exports to Japan', *Journal of International Business Studies*, Vol. 21. No. 3: 469-486.
- Institute of Export. 1993. *Study notes on International Economics for the Diploma in Export Management*. Johannesburg: SAFTO.
- Johanson, J. & Vahlne, J. 1977. 'The internationalization process of the firm', *Journal of International Business Studies*: 23-32, Spring/Summer.
- Johanson, J. & Wiedersheim-Paul F. 1975. 'The internationalization of the firm: four Swedish case studies', *Journal of Management Studies*: 305-322, Oct.
- Kedia, B & Chokar, J. 1986. 'Factors inhibiting export performance of firms: an empirical investigation', *Management International Review*, Vol. 26, No. 4: 33-44.
- Leibold, M. 1984. *The foreign orientation of management as a key variable in export commencement*. (Research Report no. 1). Bellville: University of Western Cape.
- Leibold, M. 1988. 'New approaches in developing export-orientated business leaders', *Journal for Studies in Economics and Econometrics*, Vol. 12, No. 3: 49-61.
- Luostarinen, R. 1980. 'Internationalization as a strategy process', *Strategic Management Journal*, Vol. 13 (Winter): 99-118.
- Millington, A & B. Bayliss, B. 1990. 'The process of internationalization: UK companies in the EC', *Management International Review*, Vol. 30, No. 2: 151-161.
- SAFTO see South African Foreign Trade Organization.
- South African Foreign Trade Organization. 1993. *Foreign trade trends, February and March*.
- South African Foreign Trade Organization. 1995. *Foreign trade trends, February and March*.
- South African Reserve Bank. 1994. *Quarterly Bulletin*, March: S-91.
- World Bank. 1993a. *An economic perspective on South Africa, Southern Africa department*. Washington, DC.: World Bank.
- World Bank. 1993b. *South Africa: a review of trade policies*. (Discussion paper no.4). Washington, DC.: World Bank.