

**AN EXPLORATORY STUDY INTO  
THE EXPORT BEHAVIOUR OF VIETNAMESE  
SMALL AND MEDIUM ENTERPRISES**

BY

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## ABSTRACT

With the fast growth of information, technology and communication, the number of small and medium enterprises (SMEs) engaged in exporting activities has increased rapidly. However, the number of research studies on Vietnamese SMEs is quite limited. In order to fill this gap, this study focuses on exploring exporting behaviours of Vietnamese SMEs. Specifically, this study will address three questions related to export motivations, export barriers and firms' performance. This study provides three main contributions. The first contribution is to add to the existing literature regarding exporting study based on Vietnamese context. The second contribution is to provide selected background data involving exporting activities in Vietnam at the current time. The third contribution is to suggest some recommendations for Vietnamese managers, government and associations to help Vietnamese SMEs to develop their exporting activities and improve their firms' performance. In this study, a literature review on export motivations, export barriers, and firms' performance is provided.

In order to answer these questions, fourteen in-depth interviews of Vietnamese exporting SMEs and eight in-depth interviews of Vietnamese non-exporting SMEs are conducted. Based on interview data, some key findings are identified. In terms of export motivations, exporting SMEs mentioned 22 reasons why they go overseas whereas non-exporters listed 5 reasons. Exporting SMEs' motivations are influenced by both internal and external stimuli. Compared to exporting firms, non-exporting counterparts pay more attention to the influence of internal factors in decision-making. Non-exporters' stimuli are more proactive in nature than exporters' stimuli. When examining Vietnamese export motivations, the researcher may need to take into account the influence of firm's operating sectors and the percentage of export activities. In terms of export barriers, to develop exporting activities, SMEs exporters identified 18 barriers whereas non-exporters suggested eight difficulties to start their exporting activities. The lack of resources to start or maintain exporting activities is the most mentioned barriers whereas the least mentioned barriers are those related to the environmental area. Exporting experience may be applied to provide a better understanding about the level impacts of different export barriers and the number of export barriers. In terms of firms' performance, both exporters and non-exporters proposed to use economic indicators to measure their firms' performance. There are 19 factors and 11 factors that can be used to explain exporters and non-exporters' performance, respectively. In order to understand Vietnamese SMEs' performance, the combination of the resource-based view and institution-based view need to be applied. This study also suggests some recommendations and implications for future research as well as Vietnamese firms' managers, government and associations to improve SMEs' performance and enhance their exporting activities.

Key words: Vietnamese SMEs, exporting, motivations, barriers, firms' performance

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## ABBREVIATIONS

APEC	Asia-Pacific Economic Co-operation Forum
ASEAN	Association of Southeast Asian Nations
ASMED	Agency for SME Development
CIA	Central Intelligence Agency
EU	European Union
GDP	Gross domestic product
IFC	International Finance Corporation
IMF	International Monetary Fund
MIGA	Multilateral Investment Guarantee Agency
MNEs	Multi-national enterprises
OECD	Organisation for economic co-operation and development
PWC	PricewaterhouseCoopers
ROA	Return On Assets
ROE	Return On Equity
ROS	Return On Sales
SMEs	Small and medium sized enterprises
TPB	Theory of planned behaviour
UK	United Kingdom
USA	United States of America
USAID	United States Agency International Development

## CHAPTER 1. INTRODUCTION

### 1.1. Background to the research

With the fast growth of information, technology and communication, the number of firms engaging in international activities has increased rapidly. When assessing foreign markets, firms can pursue different entry modes such as exporting, licensing, franchising, joint venture or foreign direct investment. Among these entry modes, exporting is considered as the most popular entry mode for SMEs (Douglas and Craig, 1992; Root, 1994; Leonidou, 1995a). Nowadays, SMEs are changing their role in international trade and playing an important role in developing their home countries' economies.

In general, SMEs contribute approximately 25 to 35% of world manufactured exports and the share of SMEs' contribution to exports varies among countries (OECD, 2004a; United Nations, 2011). These different levels of contribution by SMEs to export shows "(a) how such businesses can or cannot compete in regional and global markets, and (b) where specific support measures may be needed to improve their performance" (United Nations, 2011, p.103). The contribution of SMEs to export is different in developing and developed countries. For example, SMEs' contribution to exports often ranges from 14.2% to 69.2% in Asia-Pacific regions whereas these percentages may be higher for SMEs in developed countries (United Nations, 2011). Compared to other countries in the world, the contribution of SMEs to export in Vietnam is still quite low with approximately 20% (United Nations, 2011), which means Vietnamese SMEs do not have strong competitiveness in international markets and they still need a large number of supporting programs to improve their performance.

There are some main reasons to explain the popularity of exporting over other entry modes. By applying this entry mode, firms are able to minimize business risks, have low commitment of resources and achieve high flexibility movements (Czinkota and Ronkainen, 2007; Leonidou et al., 2007; Mtigwe, 2005). However, to become successful exporters, firms need to take into account large psychic and geographic distances between themselves and their buyers (Johanson and Wiedersheim-Paul, 1975). Others need a more rapid approach to account for issues such as first mover status (Crick, 2009). Despite this fact, benefits exporting offers are clear. O'Farrell,

Wood and Zheng (1996) proposed that firms' ability to engage in exporting activities can be used as the measure of competitive performance of a country or a region. In fact, exporting not only offers various benefits for the home country (e.g. improving levels of employment, creating backward and forward linkages in the economy, releasing resources to support other economic activities, bringing foreign exchange revenues and developing industry) but also helps firms enhance their performance, achieve corporate prosperity and long-term commercial viability, diversify business risks across different markets, as well as improve technology, quality and service levels (Arteaga-Ortiz and Fernández-Ortiz, 2010; Girma, Greenaway and Kneller, 2009; Köksal and Kettaneh, 2011). Therefore, most countries offer export promotions, support and subsidies to encourage firms to increase their export involvement (Bael and Bellis, 2009; Ilias, Hanrahan and Villarreal, 2013; International Trade Centre, 2009).

These facts accelerate the interest of the research community in examining firms' export activities (Gao et al., 2010; Hutchinson, Köksal and Kerraneh, 2011; Kneller and Pisu, 2011). Within exporting study, Yaprak (1985, p.73) summarised that studies in this area mainly focused on exploring four main issues including "the internationalization process, internal firm dynamics associated with the initiation or the continuance of export marketing activity, perceived barriers to export marketing and export modelling studies". The objective of this study is to explore the first three issues. Specifically, motivational factors, barriers and factors influencing performance of firms when engaging in international activities will be examined. Noticeably, when conducting studies in international business area, many authors emphasized the importance of the business sector (such as SMEs) and market context (such as Vietnamese context) (Benito and Gripsrud, 1992; Rialp, Rialp and Knight, 2005). Considering this factor and personal interest, this thesis will investigate export behaviour of Vietnamese SMEs in low and medium tech industries.

## **1.2. Research objectives and questions**

This study is designed to achieve two main objectives. The first objective is to examine selected export behaviour of a small sample of Vietnamese SMEs. The second objective is to suggest some recommendations for managers of Vietnamese SMEs, policy makers and associations to improve these firms' performance and enhance their exporting activities. In order to provide a better understanding about export behaviour of Vietnamese SMEs, this thesis used and analysed in-depth data involving a limited number of Vietnamese SMEs to address three main questions below:

1. Why do these Vietnamese SMEs decide to export?
2. What challenges or barriers do these Vietnamese SMEs face when engaging in exporting activities?
3. Which factors influence the performance of these Vietnamese SMEs?

The first question explores reasons or stimulating factors that influence the decision of Vietnamese exporting SMEs to go overseas. In addition, potential export motivations of non-exporting SMEs are also examined. By doing that, the effects of internal and external motivations on Vietnamese SMEs are identified. The second question finds out perceived barriers of not only current exporting firms but also non-exporting firms when they decide to engage in exporting activities. A comparison of exporting barriers between these two types of firms was conducted. Furthermore, the degree influence of each barrier is also identified. The purpose of question three is to identify factors that might influence Vietnamese SMEs' performance. The influence of these factors could be explained by different views namely the resource-based view, institution-based view and industry-based view. By answering question three, the usefulness of these three views in explaining Vietnamese SMEs' performance are examined. Moreover, this question provides the answer for the way that Vietnamese SMEs use to measure their firms' performance.

### **1.3. Justification for the research**

There are many reasons for the importance of this research. The majority of studies in exporting area have mainly been conducted based on the information of exporters and non-exporters from USA and developed countries (Bell, 1997; Köksal and Kettaneh, 2011; Suarez, 2003). Although Sullivan and Bauerschmidt (1989) argued that testing concepts in different contexts (e.g. different economic, political, cultural and institutional environment) plays an important role in evaluating the robustness of prevailing theories, research based on developing countries, especially Vietnam, has received less attention from the research community (Aulakh, Kotabe and Teegen, 2000; Köksal and Kettaneh, 2011; O'Farrell et al., 1996). Therefore, this research is designed to fill this gap by providing more information and knowledge about exporting activities in developing countries, especially Vietnam.

Furthermore, although studies on exporting have increasingly attracted attention from the research community, the knowledge of this area in small and medium firms is still limited. In fact, the number of studies on SMEs is still small compared to the number of studies on larger firms despite the important role of SMEs in job creation (Hutchinson, Fleck and Lloyd-Reason, 2009), economic growth (Soroshian et al., 2011; Wheelen, Haunger and Hunger, 2009), “poverty alleviation, democratisation of the economic participation, and the promotion of pluralistic societies” (Magagula and Obben, 2001, p.1). Yaprak (1985) argued that SMEs may expose export behaviours that are different to large firms because of their different characteristics. Compared to larger firms, SMEs have more limited demographic characteristics. They may possess scale advantages and sources of technological innovation. Therefore, SMEs have the ability to respond quickly to market uncertainty and exploit niche markets efficiently. When engaging in international activities, these characteristics can be used to explain distinguishing exporting behaviours of SMEs. Therefore, it is essential to conduct studies about exporting activities of SMEs.

Moreover, the impact of factors encouraging and inhibiting small and medium exporters and non-exporters is still controversial issues (Bauerschmidt, Sullivan and Gillespie, 1985; Westhead, Wright and Ucbasaran, 2001). Different studies with the application of different methodologies and variables may present different results (Katsikeas and Piercy, 1993; Leonidou et al., 2007; Westhead et al., 2001). These differences make it

difficult to compare results among studies in this area. Furthermore, compared to current exporters, factors stimulating or preventing exporting involvement of non-exporters are largely neglected by the research community (Bell, 1997; Leonidou, 1995b). This study will focus on exploring the impact of motivational factors as well as export barriers and challenges by providing in-depth empirical evidences of Vietnamese exporting and non-exporting SMEs. By understanding different export behaviours between exporting and non-exporting firms, public policy makers are able to design more effective support policies and programs for non-exporters to encourage them to engage in exporting activities and for exporters to raise their exporting involvement. In addition, although benefits of exporting on the development of a nation are well known, the relationship between exporting and firms' performance has received a lack of attention from the research community (Girma, Greenaway and Kneller, 2009). Therefore, this study explores this relationship by identifying factors that influence Vietnamese SMEs' performance. Some suggestions for public policy makers and managers to improve firms' performance will be provided at the end of this study.

#### **1.4. Research contributions**

By conducting this dissertation based on limited interviews, three main contributions in both theoretical and empirical areas are expected. Firstly, by providing empirical evidence, specific export motives, export barriers and factors influencing Vietnamese SMEs' performance are identified. By doing this, the validity of each motivation, barrier and factor which are mainly developed based on studies of firms from developed countries is examined. This study will add to the existing literature the exporting study based on Vietnamese context. Secondly, this dissertation provides selected background data involving exporting activities of Vietnamese SMEs. Finally, some recommendations for Vietnamese SMEs and government to improve firms' performance and develop exporting activities are also provided.

## **1.5. Definition of SMEs**

According to Euresearch (2006), SMEs “include in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity”. At the current time, SMEs’ criteria vary across countries and even sectors. In addition, within a country, many definitions of SMEs may be applied. Like other countries, there are different definitions of SMEs which have been used in Vietnam. This section focuses on providing the overall understanding of SMEs’ definitions at both international and Vietnam levels.

### *1.5.1. International levels*

Based on different economic, social, cultural situations in different countries, SMEs’ characteristics are different (OECD, 2004b). For example, Canada uses a threshold in revenue whereas UK, the Slovak Republic, Mexico and Greece apply the number of employees to distinguish between large firms and SMEs. In terms of the number of employees, firms with less than 250 employees are considered SMEs in EU whereas in New Zealand, firms with less than 20 employees are SMEs (OECD, 2004b; Ministry of Economic Development, 2011).

Even in one country, different definitions of SMEs may exist (e.g. legal and statistical definitions) (OECD, 2004b). In most EU countries, the number of employees (not more than 250 employees), annual turnover (not more than 50 million Euro), annual balance sheet (less than 43 million Euro) and independence (not more than 25% of business shares are in the control of another enterprise) are criteria to define SMEs legally whereas statistical definition only pays attention to the number of employees (less than 250 employees). In some countries (e.g. Netherlands, Spain, New Zealand, Brazil, Denmark, France, Norway and Switzerland), there is no common legal and administrative definition of SMEs (OECD, 2004b). Furthermore, different criteria can be used based on different purposes and different organisations (USAID, 2007). Multilateral Investment Guarantee Agency (MIGA) and International Finance Corporation (IFC) suggested firms that satisfy two out of three conditions (less than 300 employees, less than \$15 million total assets and less than \$15 million total annual sales) are considered as SMEs. However, Asia Pacific Economic Cooperation (APEC) mentioned firms with less than 100 employees are SMEs.

In addition, SMEs' definitions may vary across economic sectors (OECD, 2004b). In Australia, the number of employees is used to identify the size of firms in most economic sectors except agriculture. For firms operating in agriculture, physical production and sales value are used as criteria to identify SMEs. In Japan, SMEs operating in manufacturing, construction and transportation will have 300 employees and 300 million yen capital/investment while firms working in retail trade are considered as SMEs when they have 50 employees and 50 million yen capital/investment. The US government has proposed set of size standards for each industry in order to classify different firms (U.S. Small Business Administration, 2012). According to these standards, the criterion to distinguish between large firms and small firms in manufacturing, mining industry and wholesale trade industries is the number of employees (less than 500 employees for manufacturing and mining industry, less than 100 employees for wholesales trade industries) whereas annual receipts are chosen to determine SMEs in other industries (e.g. less than \$33.5 million for most general and heavy construction industries, less than \$0.75 million for most agricultural industries). Due to these differences, when conducting studies about SMEs, different researchers may apply different criteria to define SMEs (Abor and Quartey, 2010; McAuley, 2001).

#### *1.5.2. Vietnam level*

Like other countries in the world, there are two main accepted definitions of SMEs in Vietnam including statistical and legal definitions. In a statistic definition, SMEs are simply defined as firms that have less than 300 employees (Asasen and Asasen, 2003; Hall, 2002; Ministry of planning and development, 2008). In terms of the legal definition, in 2001, Vietnamese government issued Government Decree 90/2001/ND-CP which provided the definition of SMEs. According to this Decree, "SMEs are independent production and business establishments, which make business registration according to the current law provisions, each with registered capital not exceeding VND 10 billion or annual labour not exceeding 300 people. On the basis of the concrete socio-economic situation of each branch or locality, in the course of implementing the support measures and programs, both or either of the above-mentioned criteria on capital and labour may be applied in a flexible manner" (ASMED, 2006a). Eight years later, the government proposed a clearer definition of SMEs in the Decree 56/2009/ND-CP (Dung, 2009). This new definition takes into account different industry sectors (e.g. agriculture, forestry and fishery; industry and construction; trade and service) and



different types of SMEs (e.g. micro, small and medium sized firms). The detail of criteria can be seen in Table 1. This research will apply criteria mentioned in Decree 56/2009/ND-CP to identify SMEs. The main target interviewees of this research are SMEs in low and medium tech industries and do not include the trade and service sector. Therefore, all participating firms need to have less than 100 million total capital and less than 300 labourers.

Sector	Micro enterprises	Small-sized enterprises		Medium-sized enterprises	
	Number of labourers	Total capital	Number of labourers	Total capital	Number of labourers
Agriculture, forestry and fishery	10 persons or fewer	VND 20 million or less	Between over 10 persons and 200 persons	Between over VND 20 million and VND 100 million	Between over 200 persons and 300 persons
Industry and construction	10 persons or fewer	VND 20 billion or less	Between over 10 persons and 200 persons	Between over VND 20 million and VND 100 million	Between over 200 persons and 300 persons
Trade and service	10 persons or fewer	VND 10 billion or less	Between over 10 persons and 50 persons	Between over VND 10 million and VND 50 million	Between over 50 persons and 100 persons

Table 1. Vietnamese SMEs' classification (Dung, 2009).

## 1.6. Structure of the thesis

This thesis includes six main chapters: the introduction; literature review; methodology; findings; discussion, conclusions and implications. In chapter 1, the introduction, the background of the research, the research questions, the justification to research and the research contributions are discussed. Furthermore, SMEs definitions in international levels and Vietnamese level are also mentioned in the first chapter. In the second chapter, the literature review, the overall picture of the Vietnamese context including Vietnam's economy, Vietnamese SMEs' characteristics and development are introduced and analysed. Previous studies related to export motivations, export barriers and firms' performance are discussed in this chapter. After reviewing the related literature, the next chapter, methodology, will identify the methodological approach of this study. Specifically, the justification of the chosen methodology, research validity and reliability in addition to ethical considerations are emphasized in this chapter. The

data collected by using the chosen methodology will then be presented and discussed in the next chapter, the findings. Some comparisons in terms of exporting motivations, barriers and performance will be made between exporting firms and non-exporting counterparts. In the final chapter, these findings will be compared and contrasted with findings in previous studies. This chapter also aims to provide answers to the three questions proposed in the introduction chapter. Some limitations of this thesis and recommendations for policy makers, managers and future research are suggested at the end of this chapter.

### **1.7. Chapter summary**

This chapter has a number of key findings. Based on the overall review of key studies in the same interest area, research topic has been identified, the export behaviour of Vietnamese SMEs. In order to explore this topic, the purpose of this research is to answer three main questions related to export motivations, export barriers and firms' performance. Conducting this research is essential because of the lack of studies based on the developing countries and SMEs as well as the limited knowledge about export behaviours and firms' performance between exporting and non-exporting SMEs. By conducting this study, the researcher makes three main contributions including providing empirical evidences about Vietnamese SMEs' export motivations, export barriers and performance; providing selected background data involving exporting activities in Vietnam at the current time and suggesting some recommendations for Vietnamese SMEs and government to develop exporting activities and improve their firms' performance. Furthermore, the definitions of SMEs at international and Vietnamese level are also discussed in this chapter. This research will follow the Vietnamese definition of SMEs mentioned in Decree 56/2009/NP-CP. In addition, this chapter indicates the structure of this thesis which includes five chapters. The next chapter will review the literature on the Vietnamese context and exporting area.

## CHAPTER 2. LITERATURE REVIEW

### 2.1. Introduction

The last chapter provided an introduction to this study including the background, objectives, contribution and structure. This chapter is divided into four main sections. The first section will summarize information provided in a variety of journals, magazines and newspapers in order to provide an overall picture of Vietnam's economy as well as Vietnamese SMEs' characteristics and development. The main focus of the second section is reviewing articles related to export motivations. More specifically, the importance of different factors, different classifications and the dynamic of export motivations will be identified and discussed. The third section focuses on examining barriers and challenges when firms engage in exporting activities. Different classifications of export barriers and different perceptions of exporting and non-exporting firms on these barriers are outlined. The final section analyses studies related to firms' performance. This section will discuss different firms' performance measures, underlying theories to explain firms' performance and different characteristics between exporting and non-exporting firms.

### 2.2. Vietnamese context

#### 2.2.1. Vietnam's economy

Vietnam is located in the South-East Asian region with around 310.000 sq. Km land area and approximately 86 million people (CIA, 2012; Trading Economics, 2012; Vietnam Online, 2012). The development of Vietnam's economy can be divided into three main periods including before 1975, 1975-1985 and after 1985 (Mai, 2008). Before 1975, Vietnam had a war-ravaged economy. Vietnam had been divided into two main parts since 1954. North Vietnam operated a socialist economy whereas South Vietnam had a capitalist economy. In the north, the government made all decisions in many areas, especially trading activities while "a quasi-capitalist consumer economic model" with support from America was applied in the south (Mai, 2008, p.11). In the second period 1975-1985, the south and north were reunited and under the control of the Socialist Republic of Vietnam. Vietnam's economy underwent the most difficult time due to adverse effects of decades of warfare. The level of imports was recorded four to five times higher than the level of exports (Consulate General of Vietnam in San

Francisco, 2006). The inflation rate was 587.2% in 1985 and 774.7% in 1986 (Consulate General of Vietnam in San Francisco, 2006).

After renovation (“doi moi”) in 1986, Vietnam’s economy has moved from a centrally planned economy to a transitional economy (CIA, 2012). Private organizations, individuals and economic sectors have been stimulated and encouraged (Bui, 2000). However, at the current time, state-owned enterprises still hold an important role in Vietnam’s economy and contribute approximately 40% of the GDP of this country (CIA, 2012). Since 1986, Vietnam’s economy has been growing quickly and achieved remarkable results. According to IMF (2012), Vietnam’s GDP increased rapidly from \$33.873 billion US in 1986 to \$122.722 billion US in 2011 (IMF, 2012). In 2017, Vietnam’s GDP is forecasted to reach \$206.207 billion US (IMF, 2012). In terms of GDP real growth rates, Vietnam was placed in the 50<sup>th</sup> position in the world with 5.8% in 2011 (CIA, 2012). In 2011, industry contributed to the largest amount of GDP with 41.4% (Global Finance, 2011). Agriculture and service consisted of 20% and 38.6% GDP, respectively (Global Finance, 2011). In terms of labour force, over 90% of the population is of working age (Ketels et al., 2010). The abundant and cheap workforce is considered as a competitive advantage of Vietnamese firms in the international market (Vietnam local news, 2012).

By following the renovation process, at the current time, Vietnam is not been listed as an under-developed country and has become an average income country (Vietnam local news, 2012). According to PWC (2012), Vietnam is listed as one of the fastest growing economies to 2050. However, nowadays, Vietnam’s economy is still confronting some difficulties and challenges such as high inflation rates, low foreign exchange reserves, an undercapitalized banking sector, high borrowing costs and high levels of corruption (CIA, 2012; Transparency International, 2011). These challenges are mainly related to the government’s strong growth-oriented economic policies (CIA, 2012). In fact, Vietnam has the highest inflation rate in the East and Southeast Asian region with 23% in August 2011 and an average of 18% over the whole of 2011 (CIA, 2012). Among 183 countries and territories, Vietnam ranks 112<sup>th</sup> in corruption perception index (Transparency International, 2011). These facts may have adverse impacts on Vietnamese firms’ activities.

In terms of international activities, Vietnam has opened its economy and joins in a variety of coordination activities such as normalizing its relationship with the United States in 2001, becoming a member of the Association of Southeast Asian Nations in 1995, the Asia-Pacific Economic Co-operation Forum in 1998 and the World Trade Organization in 2007 (Association of Southeast Asian Nations, 2012; Asia-Pacific Economic Cooperation, 2012; US-Vietnam Trade Council, 2012; World trade organization, 2012). Since then, Vietnam's economy has increased its engagement in international trade, especially in exporting activities (Dutta, 1995). Since 1997, Vietnam has become the world's second largest rice exporter and the world largest pepper exporter (Minot and Goletti, 2000; U.S. Department of State, 2012). At the current time, Vietnam holds the third position in the top 10 countries exporting leather and footwear (VietnamPlus, 2012). The largest export markets of Vietnamese firms are "USA (18.8%), Japan (13.2%), China (10.3%), Australia (6.9%), Singapore (5.2%), Germany (4%) and UK (3.8%)" (GlobalSecurity, 2012). Recently, Vietnamese firms have paid more attention to export opportunities in new markets such as Africa, New Zealand and South Korea (VietnamNet, 2011).

Its main export products are "crude oil (22.1%), textiles and garments (17.1%), footwear (10.5%), fisheries products (9.4%), and electronics (4.1%)" (GlobalSecurity, 2012). This year, 2012, textiles and garments, leather and footwear, wood products and seafood sectors are expected to have high export growth rates (VietnamPlus, 2012). In 1980, there were only 84 export products which earned more than US\$100,000 each but by 2005 this number had risen to 235 (UNCTAD, 2005). Compared to other developing countries in the world, Vietnam held the highest position in the export diversification index and the export concentration index from 1995 to 2005 (UNCTAD, 2007). The export turnover in 2011 achieved approximately \$96 billion USD (VietnamNet, 2011). Compared to 2010, the export turnover increased by 33% (VietnamNet, 2011). The export turnover accounted for approximately 78% of GDP in 2011 as the result of the Vietnamese export-led growth strategy (VietnamNet, 2011; IMF, 2012). With the US\$200 billion total import-export turnover, Vietnam has become the fifth biggest importer-exporter in South East Asia (VietnamNet, 2011). In a conference for commercial counsellors, the Vietnamese government has emphasized that there is still a high demand for Vietnamese goods in the world so Vietnamese firms need to grasp these opportunities to go abroad (Business Times, 2012a). The government also expects

that the total export value in 2020 will be three times as much as that in 2011 and the annual average export growth rate will increase 10-12% from 2012 to 2030 (Business Times, 2012b).

### *2.2.2. Vietnamese SMEs' characteristics and development*

The main purpose of this section is to provide an overall picture about the development and characteristics of Vietnamese SMEs. Specifically, this section will discuss a number of characteristics of Vietnamese SMEs including number, ownership types, business sectors, geographic coverage and their contributions to Vietnam's economy, especially in the exporting area. In general, SMEs play important roles in the development of Vietnam's economy. The number of Vietnamese SMEs with less than 300 employees rapidly increased from 49,062 firms in 2001 to 127,600 firms in 2006 (Ministry of Planning and Investment, 2008). In January 2010, this number reached approximately 242,453 firms (Ministry of Planning and Investment, 2012). SMEs also account for 94.9% and 97.2% of the total number of Vietnamese businesses in 2001 and 2006 respectively (Ministry of Planning and Investment, 2008). In 2012, the number of SMEs consists of nearly 99% of the number of businesses (ESOMAR, 2012). From 2006 to spring 2011, the total number of SMEs reached nearly 400,000 firms (Runckel, 2012). Among SMEs, firms which have 10-49 employees contributed the largest number with 39,366 firms in 2006 (Ministry of Planning and Investment, 2008). In other words, the majority of Vietnamese SMEs are small firms. In terms of capital, approximately 95.97% of Vietnamese firms invest less than VND 100 billion (Ministry of Planning and Investment, 2012). The number of firms which invested between 1 and 5 billion accounts for the largest percentage with 55.93% in 2006 (Ministry of Planning and Investment, 2008).

In terms of ownership types, non-state firms make up the largest amount (approximately 89% in 2001 and 96% in 2006) (Ministry of Planning and Investment, 2008). Vietnamese SMEs employed up to 77.3% of all employees in the labour market in 2002 and 85% in 2004 (ASMED, 2006b; Le, Tran and Nguyen, 2006). Although SMEs are currently operating in various industry sectors, Ministry of Planning and Investment (2008) estimated that there are around 40% of SMEs operate in the trading sector, 21% in manufacturing and 14% in construction. In the manufacturing sector, more than 90% of firms are SMEs (Ministry of Planning and Investment, 2008).

Geographically, Vietnamese SMEs are located mainly in the biggest cities (e.g. Ho Chi Minh City, Ha Noi, Hai Phong, Da Nang, etc.) (Ministry of Planning and Investment, 2008). In particular, the number of enterprises registered in Ho Chi Minh City accounted for approximately 30% of all enterprises in Vietnam at the end of 2007. However, according to Ho (2007), although Vietnamese SMEs account for the largest number of Vietnamese businesses, their contribution to Vietnam's economy is still limited. They provided approximately 39% of GDP and 32% of the total investment in 2006.

There is a large number of SMEs solely serving the domestic market due to their "high production costs, poor quality of products and low degree of innovativeness", weak linkages with other SMEs as well as upstream and downstream industries. However, SMEs' international activities have increased rapidly since the integration with other international organizations (such as ASEAN, ASPEC and WTO) (Le and Nguyen, nd, p.325; Ministry of Planning and Investment, 2008; Tran, Ho, 2007; Vo, Trinh and Dinh, 2005). By the end of 2004, the number of SMEs conducting exporting and importing activities is up to 80.6% and 84.2% the total number of exporting and importing firms respectively (ASMED, 2006a). The ability of Vietnamese SMEs to access a larger international market has also improved. However, Vietnamese SMEs which export product overseas and stay in the domestic market must face a lot of challenges which derive from a fierce competition with foreign firms in both the international market and domestic market. To encourage SMEs' participation in the global market, the Vietnamese government has cooperated with other organisations and banks have launched many supporting programs such as credit guarantee funds, human resource training support, support programs on improving productivity and quality for SMEs, support programs on enterprises' intellectual property, national key trade promotion program, national trademarks development programs, programs on setting up infrastructure of trade promotion in domestic and foreign markets, the business portal websites, etc. (Ministry of Planning and Investment, 20012). These supporting programs motivate SMEs to enter the international market step by step and enhance SMEs' competitiveness. With an increase in the number of foreign investment enterprises in Vietnam, the number of SMEs becoming suppliers of these enterprises has increased rapidly (Ministry of Planning and Investment, 2008). This is the result of indirect exporting activities of Vietnamese SMEs through backward linkages with

MNEs. Some specialized SMEs have already become a small part of the international supply chain and engage in direct exporting (Ministry of Planning and Investment, 2008).

Besides other well-known difficulties of SMEs (e.g. lack of managerial and marketing skills, lack of financial resources), Vietnamese SMEs also confront some unique difficulties that derive from Vietnamese institutional environment (Mai, 2008). These difficulties are results of a weak legal system, complex and opaque bureaucracy, pandemic corruption, ineffective associations and poor business services, lack of access to investment capital, inadequate education system, limited access to effective information channels and high input costs (Business Issues Bulletin, 2004; Han and Baumgarte, 2000; Nguyen and Stromseth, 2002; Transparency International, 2011; Webster, 1999; World Bank, 2003). Especially, in 2011, with an adverse effect of the global downturn, Vietnamese SMEs suffered from “a devalued currency, high inflation, higher bank interest rates and rising raw material costs” (Runckel, 2012). These difficulties threatened the existence of Vietnamese SMEs and somehow decreased the effectiveness of their exporting activities. Since the beginning of 2012, the number of Vietnamese SMEs which went bankrupt has reached to more than 15,460 firms (The Voice of Vietnam, 2012).

### **2.3. Export motivations**

According to Leonidou et al. (2007, p.737), “export stimuli, also called motives, incentives, or attention evokers, refer to all those factors triggering the decision of the firm to initiate and develop export activities”. Understanding firms’ motivators who go overseas is necessary for public policy makers to design effective promotional programs for these firms (Crick and Spence, 2005; Katsikeas, 1995; Leonidou, 1995b; Leonidou et al., 2007; Morgan and Katsikeas, 1997; Stewart and MacAuley, 1999; Tzokas et al., 2000). Since the early 1970s, export motivations are received a lot of attention from the research community (Katsikeas, 1995; Leonidou et al., 2007; Wiedersheim-Paul, Olson and Welch, 1978). In the literature, there is a variety of motivators or reasons why SMEs decide to export their products (Leonidou et al., 2007). Some export motivators are growing foreign market dependence, declining domestic market shares or saturated home markets, receipt of unsolicited foreign orders, etc (Katsikeas and Piercy, 1993; Leonidou, 1995b; Morgan and Katsikeas, 1997;



Sullivan and Bauerschmidt, 1990). In many studies, motivational factors can be listed up to 40 items (Leonidou et al., 2007).

### *2.3.1. The importance of different motivational factors*

Among these motivators, managerial perception of exporting activities is determined to play an important role in the firm's decision to export (Cavusgil and Nevin, 1981). Bilkey (1978) pointed out managerial interest is an important motivator to encourage the firm go overseas by increasing the confidence about its competitive advantage. These findings are supported by the study of Leonidou et al. (2007). Especially, managerial interest plays a more important role in exporting engagement and development of small firms than large firms because exporting decisions of small firms are usually made by only a single or just a few managers (Hollensen, 2004). Furthermore, managerial attitudes, experience, motivation and expectation also contribute significantly to the firms' decision in the internationalization process (Reid, 1981). Leonidou et al. (2007) pointed out that managers in some cases (e.g. be born overseas, be better educated, have spent some time in a foreign country setting, have previous positive experience with exporting in other organisations, have professional experience in a global environment through involvement in multinational corporations, international organisations or military service, be interested in understanding foreign cultures and socialising with foreign people as well as travelling abroad, etc.) showed more interest in international activities than others. With this interest and experience, managers will have more opportunities to understand foreign customers' demand as well as build and maintain good relationships with foreign partners (Aaby and Slater, 1989). These managers often "perceive less risk and/or greater control in their [firms] foreign activities" (Acedo and Galán, 2011, p.661). Therefore, their firms are likely engaging in exporting activities. The theory of planned behaviour (TPB) is usually used to explain a strong influence of manager characteristics on the firm's export decision, especially for small firms (Acedo and Galán, 2011; Cools and Van den Broeck, 2008; Hisrich, 2000; Marcati, Guido and Peluso, 2008; Wiklund and Shepherd, 2003). According to this theory, the behavioural intentions (or motivations) can be directly influenced by an individual's attitudes, subjective norms and perceptions of control (Ajzen, 1988). These motivations will then interact with the perceived behavioural control to determine behaviour (Ajzen, 1991).

Based on aggregate analysis, Leonidou (1995b) indicated that unsolicited orders from foreign customers are considered as the most common reason why firms decide to export in many previous studies. Foreign customers often find and make contact with firms through business directories, advertisement in trade journals, word-of-mouth or corporate websites (Leonidou et al., 2007). In the study by Czinkota and Ronkainen in 2006, more than half the number of small USA firms agreed that they decided to go overseas because they accidentally received orders from foreign customers. Following unsolicited orders from foreign customers, the availability of unutilised production capacity and the saturation/shrinkage of the domestic market are the other two common reasons (Leonidou, 1995b). According to Leonidou et al. (2007), there are two different reasons that can be used to explain small firms' availability of unutilised production capacity. The first reason is the firm does not estimate the size of the domestic market before it establishes factories. Therefore, its factories are able to produce more products than domestic customers' need. With its idle capacity, the firm is able to serve foreign customers. The second explanation is the firm intends to expand their business overseas in the future so they build larger manufacturing facilities.

When discussing the saturation/shrinkage of the domestic market stimuli, Leonidou et al. (2007) and Hollensen (2004) explained that the firm is eager to export when it is under four main situations such as experiencing declining sales and operating at a loss; facing stiff competition from other rivals in the market; limiting its potential for achieving company growth; and sustaining economies of scale and scope difficultly. These three most common stimuli imply that a large number of SMEs follow passive approaches to exporting activities. Although many previous studies conducted in different time frame, different areas and different industrial sectors, these three stimuli are still found to have the highest level of influence on firms' exporting decision (Karafakioglu, 1986; Kaynak, 1990; Kaynak, Ghauri and Olofsson-Bredenlow, 1987; Leonidou, 1988; Leonidou, 1995b; Pavord and Bogart, 1975; Sullivan and Bauerschmidt, 1990). Besides these three stimuli, other stimuli have a great impact on export decision are the desire to achieve extra sales, profits and growth, exploit a unique/patented product, reduce home market dependence, possession of a financial advantage, need to achieve economies of scale, need to exploit proprietary technical knowledge, and identification of better opportunities abroad (Leonidou et al., 2007). However, compared to exporting firms, non-exporting firms' stimuli are more active in

nature. When conducting the study in Cyprus with 224 non-exporting firms, Leonidou (1995b) pointed out three top stimuli are the potential for extra sales resulting from exporting, the potential for extra led-growth and the achievement of economies of scales from exporting. The difference between exporting firms and non-exporting firms can be explained by managers' perception. Before deciding to export, managers are influenced more by positive factors. When they actually decide to export, less positive motivators may influence their firms' decisions more.

In terms of the least mentioned motivators, the difference between exporting firms and non-exporting firms can be seen clearly. According to Leonidou (1995b), the provision of export-related incentives by the home government (e.g. loan guaranteeing, trade fair organisation, trade mission sponsorship, etc.) is evaluated as the stimulus which is the least mentioned by exporting firms. This fact demonstrates the inadequacy and ineffective of government export encouragement program in many countries all over the world. For non-exporters, stimuli related to production such as the accumulation of unsold inventory/overproduction and the availability of unutilized production capacity have the lowest influence on their decision to go overseas (Leonidou, 1995b). Other low impact stimuli are smoothing product seasonality, accumulation of unsold inventory, favourable foreign exchange rates and relaxation of foreign restrictions (Leonidou et al., 2007).

When conducting fieldwork time analysis and geographic focus analysis, Leonidou (1995b) indicated some differences. For example, based on the studies in pre-1985, the majority of reasons why firms export were mainly derived from firms' competitive advantages and the encouragement of external agents whereas potential for extra growth and profits as well as the decline in domestic sales are used to explain most firms' motivations in studies conducted after 1985. Geographically, studies based on USA and Canada found that the potential for extra export-related profits and the identification of better opportunities abroad influence firms' decisions more while the potential for export-driven growth and intense competition in the home market are emphasized more by managers in other areas.

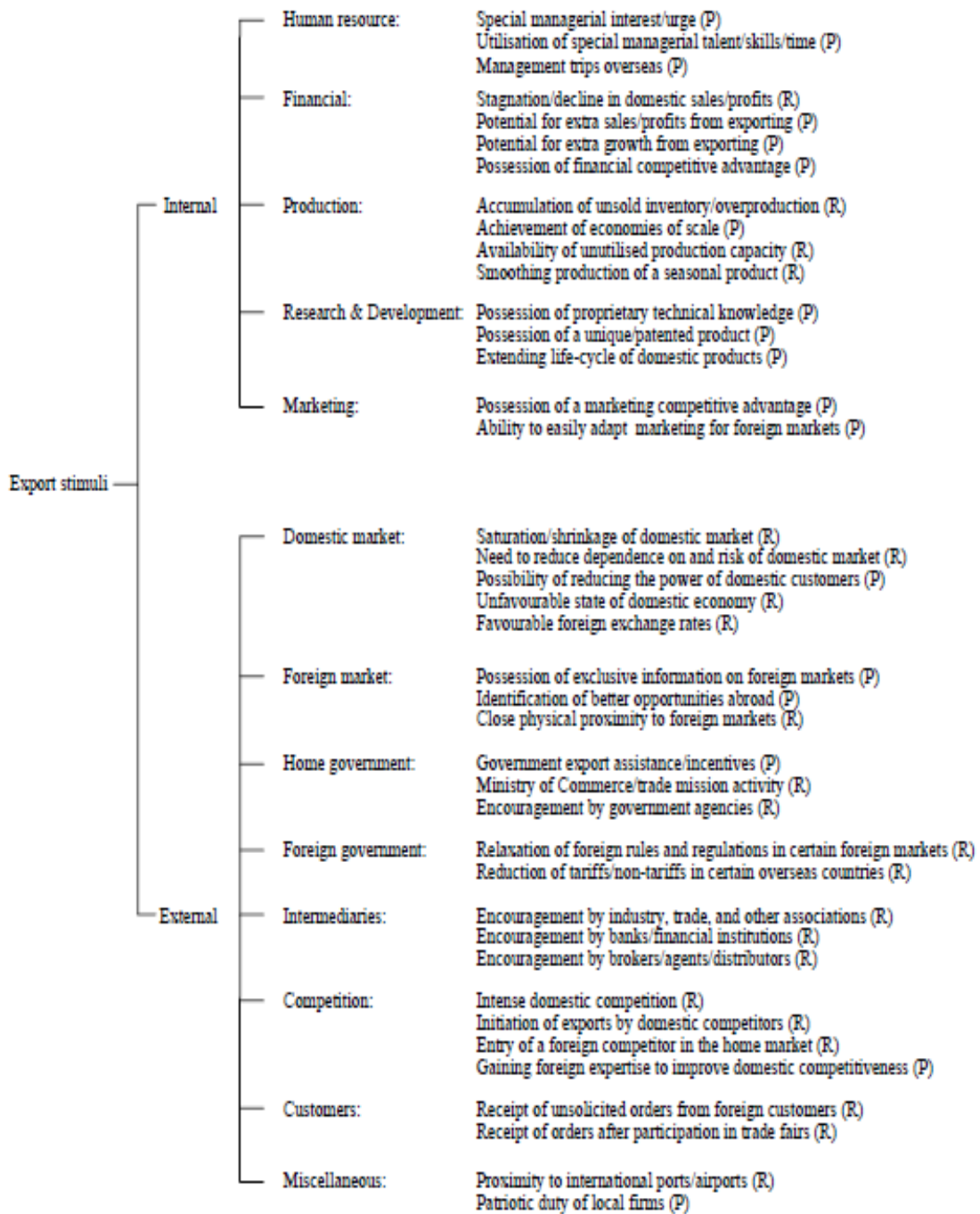
### *2.3.2. Export motivations' classifications*

There are different export motivations' classifications that have been used in the literature. Yaprak (1985) clarified export motivators into different categories such as market, decision-maker, finance and product-based motivators. Another classification accepted broadly is that motivation includes internal and external factors (Kaynak and Stevenson, 1982; Brooks and Rosson, 1982; Leonidou et al., 2007). Internal factors are intrinsic to the firm whereas external factors are exogenous (Wiedersheim-Paul et al., 1978; Lee and Brasch, 1978). These authors also emphasized internal motivators are considered as positive approaches to exporting activities as opposed to negative approaches of external motivators. After reviewing 32 empirical studies from 1974-2005, Leonidou et al. (2007) offered a clearer and more detailed classification for both internal and external stimuli. According to their view, internal motivators include motivators in five main functional areas including human resources, financial, research and development, production and marketing. External motivators include factors associated with domestic market, foreign market, home government, foreign government, intermediaries, competition, and customers. Detailed summary of the classification provided by Leonidou et al. (2007) can be seen in Figure 1.

Other researchers divided these stimuli into reactive and proactive stimuli (Morgan and Katsikeas, 1997). Firms' unique capabilities are considered as proactive stimuli while reactive stimuli are resulted from the influence of the environment such as domestic or foreign market on the firm (Bilkey and Tesar, 1977). Both internal and external motivators can include not only reactive but also proactive factors. Based on this concern, Albaum et al. (2004) suggested a more comprehensive classification for export stimulation. In their views, motivational factors can be grouped into four main categories including internal-proactive, internal-reactive, external-proactive and external-reactive. Internal-proactive factors are defined as factors related to firms' unique internal competences such as special managerial interest/urge, utilisation of special managerial talent/skills/time, management trips overseas, potential for extra sales/profit/growth from exporting, etc. (Leonidou et al., 2007). Internal-reactive factors result from firms' response to pressures imposed by factors in their internal environment such as stagnation/decline in domestic sales/profits, accumulation of unsold inventory/overproduction, availability of unutilised production capacity, and smoothing production of a seasonal product (Leonidou et al., 2007).

External-proactive factors mention factors associated with firms' ability to exploit market opportunities such as the possibility of reducing the power of domestic customers, exclusive information on foreign markets, identification of better opportunities abroad, government export assistance/incentives, gaining foreign expertise to improve domestic competitiveness and patriotic duty of local firms (Leonidou et al., 2007). External-reactive factors include firms' respondents to pressure from their external environment such as saturation/shrinkage of the domestic market, need to reduce dependence on and risk of the domestic market, unfavourable state of the domestic economy, etc. (Leonidou et al., 2007). Leonidou (1995b) summarised that exporters' main reasons for engaging exporting activities mostly are external-reactive factors whereas internal-proactive factors demonstrate non-exporters' perspective on export stimulation. Although there are a variety of ways to classify export motivations, this thesis applies the classifications offered by Leonidou et al. (2007) to analyse data. There are three reasons explaining for this choice. Firstly, their classification is summarised after reviewing 32 empirical studies. Therefore, it is able to provide the more comprehensive classification. Secondly, this classification is offered in 2007 and it is relatively new compared to other previous classification. Finally, the authors refer to use this classification when examining SMEs. This purpose is compatible with the purpose of this study.

## Classification of export stimuli



Note: (P) = proactive and (R) = reactive

Figure 1. Classification of export stimuli (Leonidou et al., 2007)

### *2.3.3. The dynamic of export motivations*

Leonidou et al. (2007) argued that the impact of each stimulus on a firm's export decision is quite different because of their different frequency, intensity and importance perceived by managers. According to Leonidou and Katsikea (1996), the export development process can be divided into three main phases depending on different levels of firms' interest in exporting activities including pre-engagement phase, the initial phase and the advanced phase. Among these phases, firms that do not show any interest in exporting activities are in pre-engagement phase. Firms in the initial phase are considering export their products overseas while all firms that used to export are in an advanced phase. The main limitation of this division is as pointed by Leonidou and Katsikea (1996) the lack of attention paid to firms which are currently conducting exporting activities. To overcome this limitation, Suárez-Ortega (2003) suggested a new division. In her study, she divided the export development process into four main stages including uninterested non-exporters, interested non-exporters, initial exporters and experienced exporters. In every stages of the export involvement, motivations still play active roles in firms' export decision (Leonidou and Katsikeas, 1996; Morgan, 1997). However, the frequency, importance and intensity of export motivations can change during different stages (Barker and Kaynak, 1992). These changes can be explained by changes in firms' internal and external environment (Crick and Chaudhry, 1997). Therefore, the nature of export motivations is dynamic, complex and situation-specific (Leonidou et al., 2007). This fact also becomes the main reason to explain why researchers can not underestimate low impact stimuli. In fact, these stimuli can have a considerable impact on a firm's export decision in a certain situation and dramatic impact stimuli may be complemented by their role (Leonidou et al., 2007).

In addition, when examining the exporting stimuli, researchers bear in mind that the overall impact of each stimulus on each firm can be different because of their different demographic characteristics such as smaller vs larger, non-exporters vs ex-exporters, younger vs older. For example, increased competition in the domestic market, the potential for extra profits and extra sales resulting from exporting, the production of goods with unique qualities, the provision of government export-related incentives and the saturation/shrinkage of the home market are emphasized more by larger firms than smaller firms as their motivational factors (Leonidou, 1995b). However, the relationship between firm size and export motivations is found no significant in other

studies (Katsikeas and Piercy, 1993). In terms of export involvement, Leonidou (1995b) found that the achievement of economies of scale from exporting, the potential for extra growth resulting from exporting and the receipt of orders from trade fairs/missions have a powerful impact on exporters than non-exporters. Firms in the early stage of export involvement are more likely to be influenced by reactive-external stimuli whereas firms in the late stage are more likely to be influenced by proactive-internal stimuli (Leonidou et al., 2007). In terms of firms' age, although the study of Leonidou (1995b) found there is no significant relationship between domestic experience with export stimulation, this relationship is positive in other studies (Wiedersheim-Paul et al., 1978). In their studies, they emphasized that inter-state expansion experience increase the likelihood of firms to export.

## **2.4. Export barriers**

Suárez-Ortega (2003) defined export barriers and called export problems or obstacles all factors (external or internal factors) which enable to dissuade or hinder firms' export activities. Export barriers received a lot of attention from the research community since 1970s (Karakaya, 1993; Leonidou, 2004; Craig and Zafar, 2005; Arteaga-Ortiz and Fernández-Ortiz, 2010). By understanding these obstacles and managers' perceived export barriers, small business managers, public policymakers, business educators and exporting researchers are able to modify their current activities to reduce or remove these barriers (Leonidou, 2004; Köksal and Kettaneh, 2011). Tesar (1977) and Köksal and Kettaneh (2011) also pointed out that the significant amount of the variance of firms' sales, market share and productivity is the consequence of these barriers. Export barriers are considered as "reason for business failures in foreign markets" (Jaeger, 2008, p.44).

### *2.4.1. Export barriers' classifications*

In general, when deciding to engage in exporting activities, the firm may face a lot of barriers or challenges (Arteaga-Ortiz and Fernández-Ortiz, 2010). These barriers derive from high risk vs. low short-term profit potential, insufficient financing sources, prohibitive or protective foreign government regulations, inadequate distribution channels, insufficient knowledge of marketing opportunities abroad, and lack of foreign marketing connections (Bilkey, 1978). Another classification is suggested by Bauerschmidt, Sullivan and Gillespie (1985). In their studies, they grouped seventeen



barriers into five main factors including national export policy, comparative marketing distance, lack of export commitment, exogenous economic constraints and competitive rivalry. After conducting a survey of 117 U.S firms operating in the paper industry, Bauerschmidt et al. (1985) found that exogenous economic constraints are mentioned the most by managers as the greatest barriers for their firm to engage in exporting activities whereas competitive rivalry factor received the least attention from U.S managers. The other three factors such as national export policy, comparative marketing distance and lack of export commitment have moderate influence on firms' export decision.

Other classification is proposed by López (2007) and Ramaswami and Yang (1990). Compared to the classification of Bauerschmidt et al. (1985), these classifications pay more attention to barriers associated with firms' internal resources. A simpler classification is suggested by López (2007). In her study, she divided exporting barriers into three main groups including managerial factors, organisational factors and external factors. The first group of barriers includes characteristics of managers, their level of education, knowledge, capabilities, expectation and attitude towards internationalization as well as their international experience (Tseng and Yu, 1991; Aksoy and Kaynak, 1994; Crick and Chaudhry, 1996; Leonidou, 2003; Javalgi, Griffith and White, 2003; Chetty and Campbell-Hunt, 2003; Suárez-Ortega and Álamo-Vera, 2005). The second group of barriers includes small size, insufficient personnel, and financial constraints, a limited number of years firms are operating (Gripsud, 1990; Tseng and Yu, 1991; Hart, Webb and Jones, 1994; Aksoy and Kaynak, 1994; Katsikeas, 1994; Leonidou, 1995a; Hamill and Gregory, 1997; Samiee and Walters, 2002; Leonidou, 2003; Dhanaraj and Beamish, 2003; Suárez, 2003; Jeong, 2003). The third group of barriers relates to product/market problems to exporting, industry characteristics, the competitive forces, public institutions, region where the firm operates, and barriers associated with local government, infrastructural facilities or logistics system (Tseng and Yu, 1991; Karakaya, 1993; Hamill and Gregory, 1997; Leonidou, 2004; Smith, Broberg and Overgård, 2002; Suárez-Ortega and Álamo-Vera, 2005). After conducting the survey with more than 55,000 Spanish enterprises, López (2007) found that "date of foundation" is the major organisational barrier whereas industry sector is the most important external barriers for these firms when they decide to export their products overseas.

Ramaswami and Yang (1990) offered another category of export barriers including export knowledge, internal resource constraints, procedural barriers and exogenous variables. The first category – export knowledge barriers refers to the lack of awareness of export assistance available, lack of awareness of economic and non-economic benefits of export, lack of knowledge of best potential markets, general lack of knowledge of how to export, and lack of staff for export planning (Leonidou, 1995c; Ahmed et al., 2002; Qian, 2002; Suárez-Ortega, 2003). These barriers are demonstrated in a lot of studies as one of the pioneers of export barriers (Pavord and Bogart, 1975; Kneller and Pisu, 2011). In the study by Karagozoglu and Lindell in 1998, this first export barriers category is evaluated as the second most difficulty by small technology-based firms when they want to go overseas. The second category – internal resource constraints are emphasized by many small and medium enterprises as their main barriers when they consider going overseas (Bilkey, 1978). Some examples of internal resource constraints are lack of finances for market research, lack of capital or credit to finance export sales, lack of local banks with adequate international expertise, unwillingness of banks to serve small and medium-sized businesses (Barker and Kaynak, 1992; Suárez-Ortega, 2003; Kneller and Pisu, 2011).

The third category is procedural barriers. They can be red tape, documentations, import tariffs, various quality control and safety standards, transport and distribution difficulties in foreign markets, differences in consumption habits, language and cultural barriers (Diamantopoulos and Schlegelmilch, 1990; Barker and Kaynak, 1992; Suárez-Ortega, 2003). Regarding to procedural barriers, Ramaswami and Yang (1990) pointed out there are two types of procedural barriers such as non-controllable barriers (e.g. non-tariff barriers) and controllable barriers (e.g. documentation). The final category – exogenous barriers refer to uncertainties in the international markets including high competition, political instability in the foreign markets, exchange rate risk and the risk of losing money (Diamantopoulos and Schlegelmilch, 1990; Suárez-Ortega, 2003; Arteaga-Ortiz and Fernández-Ortiz, 2010). The study by Suárez-Ortega in 2003 based on the data of both non-exporting and exporting small and medium Spanish wine firms found that lack of resources to conduct or maintain exporting activities is the most common barriers of these firms whereas macro-environmental aspects (e.g. trade barriers, language and cultural barriers, the risk of exchange rate fluctuation) received the least attention from firms. These results are supported by Leonidou and Adams-

Florou (1999). However, it is quite opposite to findings in the study by Bauerschmidt et al. (1985). According to Bauerschmidt et al. (1985), exogenous economic constraints are the most concerning barriers of US firms. The different results may be explained by different business types and export involvement levels of target respondents in these studies.

The general classification is suggested by Bell (1997). In his study, he divided export barriers into two main categories including internal (e.g. lack of knowledge, human and financial resources, etc.) and external barriers (e.g. procedural, governmental and task barriers, etc.) (Baldauf, Cravens and Wagner, 2000; Axinn and Matthyssens, 2002; Suarez-Ortega, 2003; Basile, Giunta and Nugent, 2003; Pedersen and Petersen, 2004). Due to the lack of experience in exporting activities, SMEs may face more difficulties than large firms when they maintain their business in the uncertainty foreign market (e.g. financial market imperfections, exchange rates, differences in legal systems, culture and languages, strong competition) (Acs et al, 1997; Burpitt and Rondinelli, 2000; Masurel, 2001; Knight and Liesch, 2003; Jaeger, 2008; Köksal and Kettaneh, 2011).

Compared to external barriers, many researchers argued that SMEs' internationalization process is influenced more by internal barriers (Fillis, 2001; Cateora and Graham, 2001; Lloyd-Reason and Mughan, 2002; Hutchinson et al., 2009). Especially, compared to larger firms, many researchers argued that smaller firms may face higher barriers and suffer more pressure on resource limitations, operating difficulties and trade restrictions (Katsikeas and Morgan, 1994; Leonidou, 2004; Buckley, 1989; Acs et al., 1997; O'Farrell and Wood, 1998; Jaeger, 2008). The high impact of resource barriers on export decisions of small firms can be explained by using the resource-based view (Westhead, Wright and Ucbasaran, 2002; Dhanaraj and Beamish, 2003; Jeager, 2008). According to this view, firms with less or no resources will choose to stay in the domestic market rather than export their product overseas. Among these internal barriers, management aversion and attitudinal barriers are considered as one of the major barriers for SMEs when they decide to go overseas (Bell, 1997). These barriers may be derived from the lack of knowledge, human and financial resources of SMEs (Morgan and Katsikeas, 1997; Karagozoglu and Lindell, 1998; Alvarez, 2004; Nummela, Loane and Bell, 2006; OECD, 2008; Hutchinson et al., 2009).

Moreover, Hutchinson et al. (2009) indicated that many SMEs firms prefer to stay in the domestic market because of their managers' lack of vision and risk of losing control. In terms of external barriers, strong competition is found as the second most important export barriers and small firms may be influenced more than large firm by this barrier due to their limited resources (Silva and Rocha, 2001). When examining Turkish and Lebanese manufacturing firms, Köksal and Kettaneh (2011) found that the imposition of tariff/non-tariff barriers are the main external barriers. Like other external barriers, these barriers are suffered more by smaller firms (Leonidou, 1995).

To make internal and external classification more clarified, some researchers divided export barriers into four small groups based on domestic or foreign market environment (Leonidou, 1995c; Morgan, 1997; Crick, Al Obaidi and Chaudhry, 1998). These four groups are internal-domestic (e.g. lack of qualified personnel, insufficient production capabilities and management focusing on the domestic market), internal-foreign (e.g. high transportation costs and logistical difficulties, international payment problems and limited knowledge of foreign markets), external-domestic (e.g. the complexity of the documentation required and the high cost to finance export activities) and external-foreign problems (e.g. foreign government restrictions and rules, language and cultural difference and the intensity of foreign competition) (Yang, Leone and Alden, 1992; Leonidou, 1995c; Morgan and Katsikeas, 1997; Hook and Czinkota, 1998; Westhead et al., 2002).

In 2004, after reviewing thirty two empirical studies, Leonidou offered a comprehensive classification that paid more attention to firms' functions. According to this classification, internal barriers include informal (e.g. limited information to locate/analyse markets, problematic international market data, identifying foreign business opportunities, inability to contact overseas customers) functional (e.g. lack of managerial time to deal with exports, inadequate/untrained personnel for exporting, lack of excess production capacity for exports, shortage of working capital to finance exports) and marketing factors (e.g. factors related to the product, price, distribution, logistic and promotion). External barriers consist of barriers related to procedural (e.g. unfamiliar exporting procedures/paperwork, problematic communication with overseas customers, slow collection of payments from abroad), governmental (e.g. lack of the

home government assistance/incentives, unfavourable home rules and regulations), task (e.g. different foreign customer habits/attitudes, keen competition in overseas markets) and environmental factors (e.g. factors related to economic, political and sociocultural area). Detailed summary of the classification provided by Leonidou (2004) can be seen in Figure 2.

Although there are different export barriers' classifications proposed in many previous studies, not all classification are suitable to examine export barriers of SMEs. The classification suggested by Morgan and Katsikeas in 1997 is an example. In their study, they divided export barriers into four main categories such as strategic obstacles, operational obstacles, informational obstacles and process based obstacles. These categories are distinguished based on "the location or where they originate" (Jaeger, 2008, p.46; Ramaswami and Yang, 1990). This classification is more suitable to examine export barriers of large firms which have separate functional department and strategic units (Jaeger, 2008). SMEs often simply "unit a whole range of complex functions" rather than separate them into small strategic units (Jaeger, 2008, p.47). Based on this concern, the classification offered by Leonidou in 2004 is decided to be used in this thesis because of their up-to-date information and their suitability for SMEs.

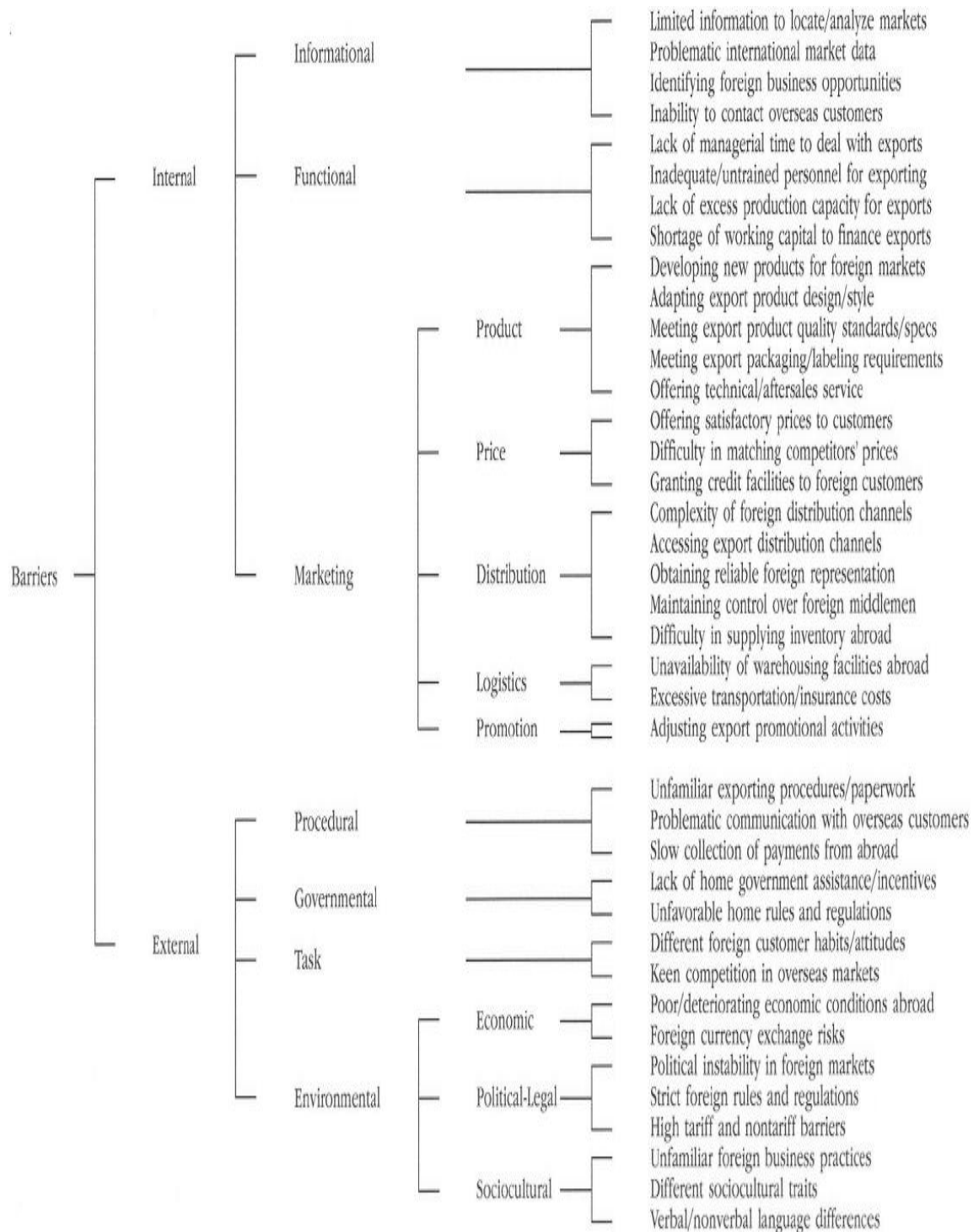


Figure 2. Classification of export barriers (Leomidou, 2004).

#### *2.4.2. The dynamic of export barriers*

Bilkey and Tesar (1977) argued that depending on different degrees of export involvement and different decision areas such as understanding foreign market practices, meeting different product standards, collecting receivables from foreign sources and securing foreign contacts, the firm's barriers may vary. This argument is supported by Leonidou (1995a), Morgan and Katsikeas (1997), and Alvarex (2004). In addition, although different firms may be in different phases of export development process, export barriers still have negative effects on their international activities (Leonidou, 1995a; Leonidou, 1995c; Morgan and Katsikeas, 1997; Hollensen, 2004; Jaeger, 2008). However, Yaprak (1985) demonstrated that perceived barriers between exporting firms and non-exporting firms may be different. This finding is supported by other studies such as Leonidou (1995a), and Hutchinson et al. (2009). Specifically, exporters' difficulties mainly derived from bureaucratic barriers, deteriorating market conditions and language difficulties whereas information needs, lack of foreign contacts and domestic marketing horizons are considered as major challenges for future exporting involvement by non-exporters (Yaprak, 1985).

Interestingly, in Yaprak's study, financial investments and managerial control are not considered as barriers of non-exporters when they decide to engage in future exporting activities. This finding is contrast to the economic theory. In this theory, sunk costs are important factors that non-exporters always are concerned when they decide whether they should enter export markets or not. In fact, if the fixed costs of entry are higher than the value of firms' expected profit, the firms will prefer to stay in the domestic market (Girma, Greenaway and Kneller, 2009). Fixed costs of entry can be costs related to market research, product modification, compliance, and other costs the firms must spend to become an exporter (Girma, Greenaway and Kneller, 2009). The reoccurring sunk costs are also used to explain different numbers of foreign countries to which different firms export (Chaney, 2008). Based on the concern about sunk costs, the firm will expand their business into the foreign country which has the lowest sunk cost first (Chaney, 2008). This economic theory about the importance of sunk costs is supported by many previous studies (Roberts and Tybout, 1997; Clerides, Lach and Tybout, 1998; Bernard and Jensen, 1999; López, 2007; Suárez-Ortega, 2003; Bernard et al., 2003; Meltiz, 2003; Kneller and Pisu, 2011). For example, when conducting a cross-sectional study based on 55,000 Spanish enterprises, López (2007) found that non-exporters have

more pressure from financial constraints than exporters. In Suárez-Ortega's study in 2003, she emphasized that financial constraints are the major reasons why small and medium-sized enterprises would rather to stay in domestic than go overseas. This finding is also supported by the study of Gumede (2004) based on 415 exporters and 526 non-exporters.

Another different perceived barrier between exporting and non-exporting firms was pointed out by Suárez-Ortega's study on 286 small and medium wine cellars in Spain in 2003. Her study showed that non-exporting firms may perceive more knowledge barriers and less exogenous barriers than exporting firms. In addition, although 'not having an office or site in an export market' is not considered as export barriers for exporting firms, this factor is mentioned by approximately 60% non-exporters (Kneller and Pisu, 2011). The differently perceived exporting barriers between exporting firms and non-exporting firms may be derived from the different export experience. The export experience is determined as the best predictor of export barriers among other variables (e.g. R&D intensity, size, export intensity or industry-level characteristics) (Kneller and Pisu, 2011). Export experience plays an important role in explaining the impact of nine out of 12 barriers on firms' exporting decision (Kneller and Pisu, 2011). These nine barriers mostly belong to two main groups of barriers including networks and marketing group, and cultural group (Kneller and Pisu, 2011). There are three dimensions of export experience such as "the length of time the firm has been exporting, number of markets it serves and intensity with which it serves those markets" (Kneller and Pisu, 2011, p.902).

In the study in 2006, Kneller and Pisu found the negative relationship between export experience and the total number of barriers. That means when the firms' export experience increases, the total number of barriers they perceived will decrease. Moreover, the frequency of firms facing some barriers (e.g. identifying who to make contact with in the first instance, building relationships with key influencers or decision makers, dealing with legal, financial and tax regulations and standards overseas, establishing an initial dialogue with prospective customers or business partners and the marketing costs associated with doing business in an overseas market) is reduced as export experience increases. Generally, the negative relationship is found between trade costs barriers and export experience. However, it is noted that the effect of this



relationship is not linear (Kneller and Pisu, 2011). For example, when export experience increases, trade costs related to language differences and logistics also rise (Kneller and Pisu, 2011). In addition, Kneller and Pisu (2011) argued that not all barriers can be explained by export experience. For example, managers' perception of barriers associated with logistical problems, a bias in foreign customers for domestically produced goods or exchange rates did not show any significant difference among firms with different export experience. Furthermore, the impact of exchange risks barriers can be explained more accurately by using export intensity than export experience.

In addition, Huchinson et al. (2009) argued that although the firm may face a variety of barriers when it decides to export, the firm may more easily overcome some of the barriers than others. For example, with the assistance of government or private support organizations, the firm can easily overcome barriers related to the lack of information and knowledge of foreign markets (Seringhaus, Rosson and Philip, 1991; Diamantopoulos, Schlegelmich and Tse, 1992; Morgan and Katsikeas, 1997). With these supports, it will be easier for the firm to make contact with foreign partners, understand about foreign consumers' demand as well as develop strategic planning. Therefore, the firm will increase their interest in exporting activities.

## **2.5. Firms' performance**

### *2.5.1. Firms' performance measures*

According to Sorooshian et al. (2011, p.453), by measuring firms' performance, researchers, government and public policy makers can understand "how successful organizations or individuals have been attaining their objectives and strategies". As shown in previous studies, there are a wide range of performance measures. To evaluate business performance, some studies used outcomes achieved in the product markets (e.g. sales growth) while some studies applied accounting measures (e.g. ROA, ROS and ROE) (Riahi-Belkaoui, 1998; Lu and Beamish, 2001; Lumpkin and Dress, 2001). Market-based measures (e.g. beta and risk-adjusted returns, market share) are also employed in other studies (Collins, 1990; Ward, Leong and Boyer, 1994; Goerzen and Beamish, 2003). Interestingly, although it has been demonstrated that there are a variety of performance measures, most studies just aim to apply one or two measures in their studies (Pangarkar, 2008). Recognizing the fact that strategy involves all dimensions of

corporate performance, few studies applied a combination of several items (e.g. Lee and Miller, 1996; Durand and Coeurderoy, 2001). For example, in the study of Durand and Coeurderoy (2001), there are five items (such as profitability, the return on assets, the growth of sales, growth of margins and the growth of the number of employees) used to measure firm performance. In addition to economic indicators (e.g. sales or profit), Aaker (1998) argued that performance can also be measured by qualitative indicators (satisfaction, loyalty, quality, ect). However, in reality, it is relatively difficult to measure firms' performance because not all firms are willing to share their information.

### *2.5.2. Factors influencing firms' performance*

There is a variety of factors influencing firm's performance (Kroeger, 2007). The impact of these factors on the firm's performance can be explained based on three main views such as resource-based view, institution-based view and industry-based view. Among these views, institution-based view does not receive sufficient attention from the research community although direct effects of institutional factors on firms' behaviour and strategic choices are apparently, especially for firms operating emerging economies (Peng, 2003; Peng, Wang and Jiang, 2008).

The resource-based view emphasizes the importance of firms' competitive advantages (Barney, 1991; Teece, Pisano and Shuen, 1997). According to this view, firms' competitive advantages are the result of employing internal firms' factors (e.g. size, age, order of entry, resources, capabilities), strategy on industry structure and strategic positioning within the industry (e.g. cost leadership or differentiation, degree of internationalization) (Eisenhardt and Martin, 2000; Durand and Coeurderoy, 2001). In terms of age, there are existing contradicting results about the relationship between firm age and performance. Some studies support the positive relationship (Baum and Mezias, 1992; Barron, West and Hannan, 1994; Audrestch and Mahmood, 1994; Geroski, 1995; Audrestch, 1995). These studies explained that when the firm is older, its experience is increased and the probability of demise will be reduced. However, other studies argued that compared to younger firms, older firms may have lower performance because they may "suffer from ossification of their routines, non-learning processes, blindness and conservatism" (Durand and Coeurderoy, 2001, p.473; Dunne and Hughes, 1994; Szulanski, 1996; Boeker, 1997).

The main characteristics of firm's resources are "valuable, rare, inimitable and non-substitutable" (Gao et al., 2010, p.381; Barney, 1991; Collis, 1991; Day, 1994; Dhanaraj and Beamish, 2003; Zou, Fang and Zhao, 2003). Managerial or organisation resources, entrepreneurial resources and technological resources are determined as three types of firms' resources (Dhanaraj and Beamish, 2003). Managerial or organisation resources imply firm size while entrepreneurial resources imply the ability of firms' managers to grasp business opportunities. Technological resources include both tangible and non-tangible assets. Research and development expenditures will determine the firm's technological intensity which plays an important role in helping the firm to achieve competitive advantages (Westhead et al., 2002; Dhanaraj and Beamish, 2003; Jeager, 2008). In fact, Tracey, Vonderembse and Lim (1999, p.413) indicated that a firm that invests in advanced manufacturing technology - "the application of computer-enhanced, applied science to a firm's production system" will have better performance than others. With this investment, the firm is able to achieve economies of scope, "response to rapid market change and adapt to shorter product life cycles" (Tracey et al., 1999, p.413; Roth and Miller, 1992; Wheelwright and Clark, 1992; Meredith and McTavish, 1992; Handfield and Pagell, 1995). Assets are defined as "a firm's accumulated resource endowments" while capabilities refer to "a firm's accumulated knowledge and skills that enable the firm to coordinate activities by developing its assets advantageously" (Gao et al., 2010, p.380). Therefore, the better structure and strategy the firm has to control, "combine and transform available resources into superior customer value", the better its performance will be (Gao et al., 2010, p.380; Barney, 1991; Day, 1994).

Firm's strategy to exploit resources can be cost leadership or differentiation strategy (Mintzberg, 1978). When the firm follows cost leadership strategy, its performance can be enhanced by its lower cost position than other competitors (Gao et al., 2010). In order to achieve and maintain lower prices, firm may need "large-scale production facilities, rigorous process improvements, cost reduction through experience, cost control, and cost minimization in R&D, advertising, sales and services" (Gao et al., 2010, p.382). When the firm implements differentiation strategy, its performance can be enhanced by its ability to offer unique products or services (Porter, 1980; Porter, 1985). Firms may need to invest heavily in many activities such as R&D, product design and brand development to "differentiate themselves from rivals in the marketplace" (Gao et al., 2010, p.382). Compared to cost leadership strategy, differentiation strategy is more

sustainable because it is more difficult for competitors to imitate firms' products (Barney, 2002). Furthermore, firms are also able to achieve higher customer loyalty if implementing differentiation strategy (Gao et al., 2010). In the study of Durand and Coeurderoy (2001, p.471) based on 582 French manufacturing SMEs, the influence of two main mentioned strategic orientations on firm performance may "differ according to a firm's order of entry into an industry". Specifically, if the firm is the first mover or late entrants, its organizational performance will be enhanced significantly by the cost leadership strategy. When firms are early followers, their performance will be benefits from differentiation strategy.

Lumpkin and Dess (2001) pointed out another factor, entrepreneurial orientation that can influence firm performance. This finding is emphasized after they conduct a survey of 124 executives from 94 firms in Singapore. However, different dimensions of entrepreneurial orientation (such as autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness) may have different impacts. For example, if the firm has proactive entrepreneurial orientation, the firm may have better performance than their competitors in the early stages of industry development and dynamic environments. However, the firm may have a better performance than their counterparts when they operate in more mature stages of industry development and hostile environments with competitively aggressive entrepreneurial orientation. Proactive entrepreneurial orientation refers to "an opportunity-seeking, forward-looking perspective involving introducing new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment" whereas competitive aggressiveness is defined as "the intensity of a firm's efforts to outperform industry rivals, characterized by a combative posture and a forceful response to competitor's actions" (Lumpkin and Dess, 2001, p.431).

The institution-based views stress their emphasis on the firm's legitimacy pressures (Hoskisson et al., 2000; Kostova and Roth, 2002; Peng, 2003; Peng et al., 2008; Wright et al., 2005). According to these views, similar practices can be observed from firms operating in the same institutional environment (Gao et al., 2010). There are two types of institutions such as formal and informal institutions (Gao et al., 2010). Firms' strategic choices are the result of the interplay between organisation and formal (e.g. legal system, regulations) as well as informal institutions (Peng et al., 2008). Therefore,

institutions will directly influence firms' strategy which contributes to its competitive advantage (Ingram and Silverman, 2002; Peng et al., 2008). According to Durand and Coeurderoy (2001), the environmental unpredictability contributes to reducing firm performance. In developing countries, informal institutions play a significant role in determining firms' behaviour (Chen and Chen, 2004; Luo, 2000). Due to maintaining huge government control of key resources (e.g. raw material, energy) and the imperfection of the market mechanism, firms may confront many institutional difficulties (Nee, 1992). It is necessary to include institutional factors when examining Vietnamese SMEs' performance because of differences in the institutional environment between developed and emerging economies such as Vietnam. By doing this, there are more opportunities to understand factors which influence Vietnamese firms' performance and make some comparisons with firms in developed countries.

The industry-based views emphasized the importance of industry factors on firms' performance (Scherer and Ross, 1990; Collis, 1991; Teece, Pisano and Shuen, 1997). According to these views, with the effort to improve firms' position in the industry "vis-à-vis competitors and suppliers", firms will develop their competitive strategies (Gao et al., 2010, p.381). Many studies found that firms often follow their competitors' behaviours in the same industry "because the decisions and actions by competitors increase the legitimacy of similar actions" (Gao et al., 2010, p.383; Scott, 1995; Guillén, 2003). Industry instability, stage of the industry, technology diffusion and number of rivals in the industry are important determinants of firms' performance according to the industry-based views (Gao et al., 2010; Durand and Coeurderoy, 2001). Industry instability is defined as "the sum of fluctuations of the market share of each individual firm in a specific industry" (Gao et al., 2010, p.383). According to Durand and Coeurderoy (2001), the higher level technology is diffused, the more firm's performance is reduced.

### *2.5.3. Differences between exporting and non-exporting firms*

There are many studies that have already demonstrated the differences between exporting firms and non-exporting firms (Barker and Kaynak, 1992; Gripsud, 1991; Hart, Webb and Jones, 1994; Katsikeas, 1994; Leonidou, 1995a; Requena-Silvente, 2005; Samiee and Walters, 2002; Suarez, 2003; Tseng and Yu, 1991). Exporting and non-exporting firms are considered to belong to different strategic groups (Aksoy and Kaynak, 1994; Hamill and Gregory, 1997). The differences between these two strategic groups may derive from demographic factors, internal resources, strategic planning and performance.

In terms of demographic factors, firm size is one of the arguing factors in order to distinguish between exporting and non-exporting firms. There are many studies concluded that firm size is an important factor that is positively correlated with exporting activities (Edwards, Rankin and Schoer, 2008; Girma, Greenaway and Kneller, 2009; Gripsud, 1990; Gumede, 2004; Katsikeas, 1994; Leonidou, 1995a; Leonidou, 2003; López, 2007). In these studies, two dimensions of firm size including sales volume and the number of employees are larger in exporting firms than non-exporting counterparts. However, this relationship was found to be not significant in other studies (Cavusgil, Bilkey and Tesar, 1979; Cavusgil, 1984). Bilkey (1978) argued that in contrast to smaller and larger firms, there is a positive relationship between firm size and exporting involvement of medium firms. More specifically, he found that smaller firms are not ready for exporting activities while larger firms would rather use other entry modes than exporting when penetrating their products in foreign markets. His finding was supported by the study of Yaprak in 1985. In addition, the relationship between firm size and export activity is moderated by the quality of management. Besides firm size, findings of many studies related to other demographic variables (such as age, foreign experience and education) are also inconsistent (Reid, 1981). In terms of firm age, Toften and Ottar (2003) suggested that when the firm becomes older, its comparative export advantages will be enhanced. Their opinion is supported by Gumede (2004), Suárez-Ortega (2003) and López (2007). However, Tseng and Yu (1991) as well as Samiee and Walters (2002) expressed the opposite view. They found that compared to exporting firms, non-exporting counterparts have been in the business for a longer time. Different from these two extreme views about the influence of firm

age on the firm's exporting behaviour, Aksoy and Kaynak (1994) argued that exporting and non-exporting firms do not have any differences in age.

In terms of internal resources, exporting firms have better marketing function than non-exporting firms, especially in the development of information systems, smoother communications and sales effort, competitive pricing and promotion, after sales service and company image, unique feature of product offerings (Yaprak, 1985). However, both exporters and non-exporters were found to lack attention in conducting export marketing research (Yaprak, 1985). Specifically, 70% are exporters and 90% are non-exporters (Yaprak, 1985). In addition, comparing to non-exporting counterparts, exporting firms are demonstrated to have more strategic planning and their resources are allocated more systematically (Cavusgil, 1984).

Furthermore, according to Girma, Greenaway and Kneller (2009), exporters are more productive than their non-exporters counterparts and when they continuously engage in exporting activities their productivity is further increased. This argument is built mainly based on the learning abilities of exporting firms. That means when the firm enters export markets, they will have more opportunities to learn from their foreign buyers, competitors. Based on knowledge and experience the firm gains, the firm will have the best practices which enable them to reduce their marginal costs. Therefore, the longer the firm is an exporter, the more efficient its business is. This finding is supported by many previous studies which are conducted in different countries, and which used methodologies and time frame (Aw and Hwang, 1995; Bernard and Jensen, 1999; Delgado, Farinos and Ruano, 2002; Samiee and Walters, 2002; López, 2007).

## **2.6. Chapter summary**

This chapter identifies a number of key findings. Since 1986, Vietnam's economy has moved to transitional economy and achieved remarkable results in international trade, especially exporting activities. However, at the current time, Vietnam's economy is still confronting some difficulties and challenges related to institution environment. These challenges somehow influence the development of Vietnamese SMEs which consist of the majority of Vietnamese firms and contribute significantly to the development of Vietnam's economy. Most Vietnamese SMEs are in the early stage of the internationalization process. This chapter also discussed some issues related to export

motivations, export barriers and firm's performance. As shown in many studies, there are varieties of motivational factors and barriers which can impact on the firm's export decision. Different researchers may suggest different classifications. Based on the firm – specific context and different degrees of export involvement (e.g. exporting vs non-exporting firms), the impact of these factors may be different. This thesis applies the classification offered by Leonidou et al. (2007) and Leonidou (2004) to examine Vietnamese SMEs' export motivations and barriers, respectively. Furthermore, firm's performance is not only measured by economic indicators but also qualitative indicators. There are many factors that can influence firms' performance. The effect of these factors can be explained by three main views including resource-based views, industry-based views and institution-based views. Some discussions about the differences between exporting firms and non-exporting firms in terms of demographic factors, internal resources and business performance are also mentioned in this chapter. Based on these key findings in the literature review, the following chapter will present and discuss methodology chosen to conduct this research.



## **CHAPTER 3. METHODOLOGY**

### **3.1. Introduction**

The last chapter provides the academic underpinning drawn from previous studies. This chapter will present a rationale for the chosen methodology for this study such as which methodological approach is employed, who target respondents are and how to approach them. Furthermore, this chapter also provides reasons to explain the chosen specific methodology and method. In addition, research validity and reliability as well as ethical considerations are also discussed in this chapter.

### **3.2. Methodology and data collection**

The target firms needed to satisfy three main criteria (1) these firms must be located in Vietnam and be owned and operated by Vietnamese, (2) they needed to be SMEs whose criteria are clearly identified in the Vietnamese SMEs definition under the Decree 56/2009/ND-CP (total capital is less than VND 100 billion and the number of employees are less than 300 persons), and (3) they were currently operating in medium and low-tech industries. This Decree is outlined in more detail in the first chapter of this thesis. With a limited time and a small sample of firms, the purpose of this study is not to generalize the results. Therefore, firms operating in diversified medium and low-tech industries are chosen as target interviewees. As a result, the influence of different sectors on firms' behaviours will be shown. Two types of SMEs were selected in this study. The first group included firms that have never conducted exporting activities (non-exporting firms). However, they are interested in exporting activities in the near future. This is important since if the interviewees perceived there was no immediate or certainly short-term potential to enter overseas markets, then in all likelihood nothing would motivate them to commence international activities and their views would not be relevant to this study. The second group included firms that currently export their product overseas (exporting firms).

Interview questions were prepared after studying the literature review. The interview questions can be divided into four main parts including introduction, export motivations, export barriers and firm's performance. In the first part, information about the firm and interviewee's background (such as firm age, size, sector, his or her industry and foreign experience as well as education level, etc) were asked. The

following part examines reasons why some firms decide to go overseas but others still stay in domestic markets. The third part investigates barriers that not only exporters but also non-exporters encounter when they consider as intend to engage in initial or continuous exporting activities. The final part explores factors that can influence Vietnamese SMEs' performance. To prepare for interviewees, the researcher translated research information, consent forms and interview questions from English into Vietnamese. The English and Vietnamese versions of these documents were checked by a Vietnamese person who has a doctorate in English language. The interviews were semi-structured open-ended interviews in Vietnamese.

Two main sources of information were used to identify Vietnamese firms i.e. the Vietnam exporter directory and the business directory database provided by the Vietnam Chamber of Commerce and Industry. In order to identify whether firms were SMEs or not, some basic information about the firms such as industry sector, number of employees and capital investment were searched by using a variety of public sources such as newspaper articles, press releases, company website, firms' annual reports or websites from business agencies. If it was not possible to find out information about the firms, the firms were contacted by telephone and were ask some basic questions. It is often the case in Vietnam that it is hard to get the necessary information because of the lack of secondary sources (Napier, Hosley and Nguyen, 2004). Top executive officers including the managing director, the marketing managers or the export officers who take responsibility for firms' export decisions were chosen as the main source of information in this study. These officers were considered to be regular target respondents in other studies related to the export behaviour topic (Leonidou, 1995b; Welch et al., 2002; Shook, Priem and McGee, 2003; Jaeger, 2008).

After identifying the target firms, the researcher discussed with them details about research information, consent forms and interview questions to convince them to participate in the research project through telephone or sent these documents to target interviewees' email. If target interviewees agreed to participate in this research, a suitable time and the place was arranged to conduct the interview. All interviews were conducted during two months (June and July 2012) by the researcher herself. Although the researcher made contact with nearly 60 firms, only 22 firms agreed to participate in this research. In the year, 2012, Vietnamese SMEs underwent a difficult time due to the

economic downturn. Most SMEs refused to talk about their business. Due to time and resource constraints, from the beginning of July to the end of August 2012, fourteen exporting firms and eight non-exporting firms participated in this study.

Interviews were conducted in Vietnamese and took approximately one hour. Each interview was recorded electronically except firm e8 in the exporting group and firm ne8 in the non-exporting group. Although the researcher explained to these managers the main purposes of electronic recorder, they still refused to be recorded. Therefore, the researcher had to take notes for these two interviews. After each interview, recorded transcripts were translated into English immediately. Based on the transcripts, the researcher identified key notes and analysed the data manually.

### **3.3. Justification for the paradigm and methodology**

There are many reasons to explain the use of a qualitative methodology in this study although the number of studies which have adopted qualitative methods is very small in the international business area (only 10% of studies in six leading IB journals in the 1991-2001) (Andersen and Skaates, 2004). Firstly, by applying a qualitative method, researchers will have more opportunities to gain a better understating about cross-cultural differences (e.g. differences between USA or developed countries and Vietnam) (Marschan-Piekkari and Welch, 2004). Unlike quantitative researchers, qualitative researchers follow a holistic approach and represent an emic perspective when examining the business activities of organisations based on their own cultural concepts (Boyacigiller and Adler, 1991). Therefore, a qualitative study is able to provide rich information for researchers and help them to understand the research area and specific firms' situations more deeply (Gummesson, 2000; Hutchinson et al., 2009).

Secondly, when deciding which methodological approach should be applied in the study, researchers need to take into account the "environment characteristics, resource constraints, and cultural traits" of the particular location in which their studies are conducted (Thomas, 1996, p.497). Many researchers argue that a qualitative method will be more suitable to conduct studies based on developing countries (e.g. Vietnam) due to the lack of secondary data for choosing random samples and the unfamiliarity of the respondents with questionnaires (Marchan-Piekkari and Welch, 2004). This conclusion is drawn from previous studies conducted in less developed countries

(Hofimeyr, Templer and Beaty, 1994; Thomas, 1996). For example, when McCalman (1997) conducted his quantitative study based on three different countries (US, UK and Mexico), the response rates he received respectively were 18% for US, 23% for UK and only 1% for Mexico. Due to the lack of understanding of academic research, respondents often express a high degree of anxiety and suspicion (Marchan-Piekkari and Welch, 2004). Therefore, in these countries, “the development of social, face-to-face relations and trust” is really important when approaching the target respondents (Marchan-Piekkari and Welch, 2004, p.8). As a result, a qualitative study was preferred to a quantitative study. Especially, in the Vietnamese context, Napier, Hosley and Nguyen (2004) indicated that there are five main reasons to explain why written mail surveys are rarely used. These reasons are “(1) the mail system is unreliable; (2) there is a lack of sampling frames; (3) subjects would not readily complete surveys received from a stranger; (4) the concept of surveys is unfamiliar to most people; and (5) if they did complete a survey, participants would expect payment” (Napier, Hosley and Nguyen, 2004, p.385).

Thirdly, the qualitative approach is not only seeking the answer to “what” questions but also providing a better understanding about the meaning and impact of specific actions on behaviour of the organisations by answering “why” and “how” questions (Buckley and Chapman, 1996; Easterby-Smith, Thorpe and Lowe, 1994; Yin, 2003; Perren and Ram, 2004). With the ability to provide rich data, qualitative methods enable researchers to understand “soft inter-relationships between core factors” (Marchan-Piekkari and Welch, 2004, p.8). In this research, the qualitative approach taken allows researchers not only to determine what motivates or impedes Vietnamese SMEs in going overseas but also to provide the answer to how and why these motivators or barriers influence firms’ decision.

Among other qualitative methods such as participant observation, content analysis, focus group, discourse analysis etc., in-depth interviews were chosen for this study. Daniels and Cannice (2004, p.185) defined “an interview study as one where the data and findings are based on direct researcher-to-respondent conversations (in person or by phone)”. Between these two different ways of interview, this research applies interview in person. This choice is suitable in Vietnam because of Vietnamese culture, which unlike the US prefers to build relationships through face to face interaction rather than

through email, telephone or fax (Naier, Hosley and Nguyen, 2004). By using in-depth interviews, this study also gains more qualitative insights than other qualitative methods such as telephone interview. Furthermore, the limitation of primary data which is claimed in many studies in international business topics can be avoided by the use of the secondary data through interviews. Moreover, researchers are able to receive accurate and honest answers from the target respondents through interviews (Daniels and Cannice, 2004). The possibility of someone else other than target respondents providing the information will be avoided (Daniels and Cannice, 2004). In addition, the level of trust between interviewee and the interviewer may enhance after each interview, which can increase the opportunities for the researcher to seek additional information if needed (Daniels and Cannice, 2004). High response rates are also recorded by using the interview, in person, approach. Three other factors proposed by Daniels and Cannice (2004) need to be taken into account to explain the choice of interviews over mail questionnaires. These factors relate to the different postal systems in different countries, the unreliable postal services and the unfamiliar of respondents to questionnaires. Interviews in this study will be semi-structured. Although semi-structured interviews require time and energy from preparatory stage to analysis stage, this method offers great opportunities for the researcher “to probe participant thought processes and to verify the oral information at the same time using nonverbal cues” (Jaeger, 2008, p.64).

The technique of gathering information from different people in the same firm and evaluating their answers' equivalence was not necessary in this study because of the centralized management system in Vietnamese firms. Therefore, this study just aimed to collect information from a single decision maker of a firm. Target firms in this study were operating in various industries. According to Leonidou (1995), by examining firms in different sectors, researchers will have more opportunities to identify industry-specific factors that may influence the firms' export characteristics.

### **3.4. Research validity and reliability**

Kirk and Miller (1986) defined validity as the ability of respondents to provide the valid answer and reliability as the ability of respondents to provide the same answer in different situations. According to Andersen and Skaates (2004), qualitative researchers need to take into account the importance of validity issues because these issues can have a great impact on the rigour in the research. Recognizing the importance of research validity and reliability, many strategies were applied during the process of this study from formulating research questions to collecting data and interpreting data. When formulating research questions, a large number of studies in the same area were reviewed in order to test the validity and make some changes if necessary. The researcher also conducted a pre-test by asking other people in different cultures these questions in order to overcome cultural bias in the formulation of research questions. With this strategy, the type three errors that are asking the wrong research question may be avoided. The reasons of using qualitative method and interviews are clearly explained in the Methodology chapter of this study. Data collection procedures are also clarified.

Furthermore, before conducting each interview, target respondents were assorted of receiving the written consensus of this study. By doing that, the “inter-subjective agreement” between interviewers and interviewees is established, which enhances the validity of this study (Andersen and Skaates, 2004, p. 478). In order to reduce response bias, different resources were used to verify the respondents’ information if possible. By using an electronic recorder, the researcher had more opportunities to study interviewees’ words many times so that inaccuracies due to poor recall could be avoided. During the interview, interviewees were encouraged to talk freely and share their experience about firms’ international activities. In the written report, characteristics of firms participating in this study were summarized in tables. The main points in the data collection will be presented clearly in the analysis chapter that follows. In order to ensure the validity of the process moves between data collection and data analysis, existing theory or findings are used in order to identify differences in respondents’ answers. This strategy will help to achieve a better understanding of the observed phenomena. Any possible contradictions in findings between this study and other previous studies will be clearly identified, discussed and explained. In addition,

raw data will be used as much as possible in order to support any findings of this research.

### **3.5. Ethical issues**

Ethical considerations are considered as important issues that qualitative researchers, especially in international business area, need to take into account (Zalan and Lewis, 2004). In order to maintain the ethics of this research, a number of methods were employed. Before each interview, the purpose and the nature of this study were explained clearly to target interviewees. The researcher also ensured all participants read the consent form. In the consent form, the researcher as well as her supervisor's address and phone number were given. During the interview, interviewees had opportunities to ask any questions related to the research topic and they also had the right to decline answering any interview questions asked. All details of respondents and their firms in this study will be kept confidential. They are not able to be identified by other people except the researcher. In this study, firms will be named beginning with the letter "e" (e.g. firm e1, firm e2, etc.) and non-exporting firms will be named beginning with letters "ne" (e.g. firm ne1, firm ne2, etc.). All written materials (e.g. interview notes, questionnaires, etc) and electric information were stored in the password-protected file and only the researcher has the right to access to this information. After each interview, respondents had an opportunity to withdraw from the research after one month from their interview date.

### **3.6. Characteristics of Participants**

Table 2 indicates some key characteristics of participating firms.

## Exporting firms

	<i>Main activities</i>	<i>Total capital</i>	<i>Number of employees</i>	<i>Year established</i>	<i>First year overseas</i>	<i>Foreign market served</i>	<i>Percentage of exports to total sales</i>
Firm e1	Manufacturing machinery and equipment	Around 85 billion	80 - 100	2002	2008	Laos	Around 10%
Firm e2	Manufacturing handicraft	Around 15 billion	60 - 70	1980	1990	Laos, Thailand, Singapore, Taiwan	100%
Firm e3	Manufacturing agricultural machinery and equipment	Around 90 billion	100 - 120	1977	2002	Cambodia, Laos, Thailand, Myanmar, Philippines, Cuba	Around 25%
Firm e4	Processing cashew nuts	Around 15 billion	70 - 75	2010	2011	Japan, Bulgaria, China	100%
Firm e5	Manufacturing cashew nut shell cutting machine	Around 18 billion	40 - 50	2007	2012	India, China	Around 44%
Firm e6	Manufacturing handicraft	Around 18 billion	70 - 80	1989	1989	USA, France, German, Switzerland, Austria	100%
Firm e7	Processing of seafood products	Around 92 billion	150 - 200	1995	1995	Japan, USA, Europe	Around 99%
Firm e8	Producing vegetable oil	Around 67 billion	70 - 80	2008	2009	Cambodia	Around 93%
Firm e9	Manufacturing bags and handbags	Around 15 billion	30 - 40	2001	2007	Japan, Germany, Brazil	Around 10%
Firm e10	Manufacturing kitchen cabinets	Around 25 billion	60 - 70	2004	2007	USA, Australia, Canada, France	Around 24%
Firm	Manufacturing	Around 17 billion	70 - 80	2002	2003	USA, Australia,	Around 98%



e11	handicraft					Canada, Germany, France, Israel	
Firm e12	Manufacturing steel and iron ore	Around 45 billion	120 - 130	2009	2011	Philippines, Cambodia, Thailand, Indonesia	Around 20%
Firm e13	Manufacturing shoe and footwear	Around 15 billion	30 - 40	2002	2005	Australia, France, Netherlands, Cuba	Around 30%
Firm e14	Manufacturing electric fan and motor	Around 15 billion	30 - 40	1987	1994	Cuba, Laos, Cambodia, Srilanca, Taiwan, Myanmar, Nigeria, Japan, Korea, Philippines, USA	Around 90%

#### Non-exporting firms

	<i>Main activities</i>	<i>Total capital</i>	<i>Number of employees</i>	<i>Year established</i>
Firm ne1	Manufacturing steel construction	Around 30 billion	50 - 60	2007
Firm ne2	Manufacturing wall and ceiling products	Around 70 billion	120 - 130	2002
Firm ne3	Manufacturing beverage	Around 45 billion	80 - 90	1996
Firm ne4	Producing fertilizer	Around 22 billion	40 - 50	2007
Firm ne5	Producing plastic bins, plastic storage containers	Around 50 billion	50 - 60	1992
Firm ne6	Manufacturing industrial steel	Around 40 billion	70 - 80	2006
Firm ne7	Manufacturing windows and doors	Around 25 billion	40 - 50	2008
Firm ne8	Producing tea, ginger tea, cacao	Around 15 billion	20 - 30	2008

Table 2. Basic information of the target firms (at Time of Data Collection).

### **3.7. Chapter summary**

This chapter discussed the methodology used in this study in order to examine Vietnamese firms' export behaviour. Some key issues have been identified. This study applied qualitative methodology i.e. using a face-to-face semi-structured interview method. These chosen methodology and methods have already been justified in this chapter. Managers of both exporting and non-exporting firms in medium and low-tech industries are considered as target interviewees. The number of firms participating in this study is eight for non-exporting firms and fourteen for exporting firms. All interviews were conducted by the researcher herself and each interview lasted approximately one hour. In addition, there are a variety of strategies and methods applied in this study in order to ensure research validity and reliability as well as ethical issues. Details about firms who participated in this research are also provided. The next chapter will discuss and analyse key findings from interviews with the focus on export motivations, export barriers and firms' performance.

## CHAPTER 4. FINDINGS

### 4.1. Introduction

By following the methodology mentioned in the previous chapter, this chapter presents key findings from interviews with fourteen Vietnamese exporting and eight Vietnamese non-exporting SMEs. These key findings are reported under three main sections involving exporting SMEs, non-exporting SMEs and comparisons between exporting and non-exporting SMEs. In the first section, data about export motivations, export barriers and the performance of exporting SMEs will be presented and compared. In the second section, export motivations, export barriers and the performance of non-exporting SMEs will be discussed concentrating on the top rated items. The last section will compare and contrast data from exporting and non-exporting SMEs under three main areas including export motivations, export barriers and firms' performance.

### 4.2. Exporting SMEs

#### 4.2.1. *Export motivations*

Fourteen Vietnamese exporting SMEs highlighted twenty two main reasons that motivated their firms to participate in exporting activities. The list of export motivations, the number and the abbreviated name of firms mentioned are summarized in Table 3.

	<b>List of export motivations</b>	<b>Number of firms mentioned</b>	<b>Firms mentioned</b>
1	Potential for extra sales/profits from exporting	11	e1, e3, e4, e5, e7, e8, e9, e10, e12, e13, e14
2	Saturation/shrinkage of domestic market	8	e2, e4, e5, e6, e7, e8, e11, e14
3	Identification of better opportunities abroad	7	e2, e3, e4, e5, e6, e11, e12
4	Potential for extra growth from exporting	6	e1, e3, e7, e9, e13, e14
5	Gaining foreign currency	4	e1, e2, e12, e14
6	Receipt of unsolicited orders from foreign customers	4	e8, e9, e10, e14
7	Possession of proprietary technical knowledge	4	e1, e3, e5, e14
8	Special managerial interest/urge	4	e2, e4, e5, e11
9	Utilisation of special managerial talent/skills/time	2	e2, e6
10	Improving management quality and experience	2	e1, e13
11	Having ability to compete on price/ quality with other countries	2	e4, e12
12	Good relations with foreign customers	2	e4, e6
13	Fierce domestic competition	2	e5, e8
14	Creating stable jobs for employees	1	e14
15	Possession of a unique/patented product	1	e2
16	Enhancing technology level	1	e14
17	Increasing brand awareness	1	e3
18	Unfavourable state of domestic economy	1	e10
19	Well-known brand in the domestic market	1	e10
20	Government export assistance/incentives	1	e12
21	Reduction of tariffs/non-tariffs in certain overseas countries	1	e12
22	Receipt of orders after participation in trade fairs	1	e11

Table 3. Summary of export motivations of Vietnamese exporting SMEs

(Adapted from Leonidou et al., 2007).

To summarise, the desire for gaining potential extra sales/profits from exporting activities is shown as an export motivation by the largest number of SMEs in the interviews. According to these Vietnamese exporting SMEs, trading goods with foreign customers brought more opportunities for them to gain more profit, which is one of their main basic goals to develop their business. Specifically, firm e13 mentioned “... *profit often accounts for 15% to 20% of total sales for domestic sales compared to over 30% profits for foreign sales...*” Although operating in a different sector from firm e13, firm e5 also commented “... *When exporting machines overseas, our firm is able to gain 30% profit more than that in the domestic market...*” Firm e9 simply mentioned “... *When our firm can sell products overseas with higher profit, we will export our products...*” Although gaining more profits is emphasized by eleven exporting firms as their main motive to go abroad, firms e2, e6 and e11 did not mention this motive. These three firms emphasized the importance of the domestic market shrinkage as their main exporting motive. In other words, the exporting activities of these three firms are more reactive in nature than the others. The different views between firms e2, e6, e11 and the other remaining firms can be explained by their different sectors and the percentage of their exporting activities. In fact, compared to other firms, these three firms are operating in the same sector – handicraft and their exporting activities account for 100% of their total sales. When operating in this sector, they must export products overseas to develop their business.

The saturation/shrinkage of the domestic market is the second most popular reason that motivates these Vietnamese SMEs to sell their products overseas. This reason is offered by eight exporting firms in these interviews. The same characteristic of these eight firms is that their exporting activities account for at least 80% of their total sales. Discussing about this motive, firm e7 operating in seafood processing sector stated “...*Vietnamese don't have high demand for frozen seafood products because of their consumption habit. Most of them just want to consume fresh seafood and their incomes are quite low. Conversely, foreign customers with industrial lifestyle prefer to consume frozen products...*” The manager of firm e11 highlighted “...*Vietnamese have low demand for this kind of product because a large number of them have low living standards and incomes. Therefore, they think more about what to eat and wear than aesthetics. Furthermore, Vietnamese have the habit of using their products until they cannot be used whereas foreign customers prefer to use seasonal product. Therefore,*

*we must export products overseas ...*” However, among fourteen exporting firms, there are six firms which did not mention this motive because their exporting activities account for less than 30% of their total sales. Most of them can still find opportunities to develop their business in the domestic market.

The third most popular export motivational factor of these Vietnamese exporting SMEs is the identification of better opportunities abroad. This factor is suggested by seven firms. For example, firm e3 identified the high demand for agricultural machine in Mekong river sub-region countries whose economies focus on developing agriculture. Therefore, this firm has decided to export their products to these countries. After researching the Thai market, firm e2 recognized “...*Although Thais really like handicraft items with an elephant image, they seldom produced them... Therefore, our firm take this opportunity to penetrate into Thailand market...*” Based on the manager’s knowledge and prediction, firm e5 decided to export machines to India because “... *India is the country with the highest cashew production capacity in the world. Therefore, they have high demand for our machine...*”

Interestingly, among these fourteen exporting SMEs, four firms (e.g. e1, e3, e5 and e14) operating in the machinery sector decided to go overseas because they possessed the proprietary technical knowledge or at least a technological advantage. The manager of firm e1 emphasized “... *Compare to other Asian countries such as Laos or Cambodia, our technology level is higher...*” Firm e5 is proud “... *our machines have received technological protection all over the world...*” Other kinds of motivations such as creating stable jobs for employees, possession of a unique/patented product, enhancing technology level, increasing brand awareness, unfavourable state of the domestic economy, well-known brand in the domestic market, government export assistance/incentives, reduction of tariffs/non-tariffs in certain overseas countries and receipt of orders after participation in trade fairs are mentioned by only once by various different SMEs. The research therefore showed a variety of motivation types ranging from being proactive to reactive in nature and leading to various export intensities. After these SMEs have decided to go overseas, they still to a certain extent face a lot of barriers. These barriers will be discussed in the next section.

#### 4.2.2. Export barriers

There are eighteen reasons which are highlighted by fourteen Vietnamese exporting SMEs as their export barriers. The list of export barriers, the number and the name of firms mentioned can be checked in Table 4.

The shortage of working capital to finance exports is agreed by the largest number of Vietnamese exporting SMEs as their main obstacles to develop their exporting activities. In general, all the nine firms which listed this problem are still young compared to other firms. They have been established since 2002 whereas five other remaining firms have been established in the 20<sup>th</sup> century. Therefore, the newer firms just had a short time to prepare their working capital before starting exporting. Especially, firm e4, e8 and e11 only had one year for making preparations. The manager of firm e8 emphasized “...*due to the limited working capital, our firms cannot expand our exporting activities. At the moment, our firm is just able to look for foreign agents and sell products through these agents. We do not have enough working capital to establish our representative offices in these foreign markets...*” The manager of firm e4 expressed “...*we do not have enough money to promote our firms in foreign markets. Therefore, our exporting activities are still passive. We need to find foreign customers by ourselves and foreign customers have limited information about us...*”

	<b>List of export barriers</b>	<b>Number of firms mentioned</b>	<b>Firms mentioned</b>
1	Shortage of working capital to finance exports	9	e1, e4, e5, e8, e9, e10, e11, e12, e13
2	Keen competition in overseas markets	8	e2, e6, e7, e9, e10, e11, e13, e14
3	Meeting export product quality standards/specs	6	e4, e7, e9, e10, e13, e14
4	Limited information to locate/analyse markets	6	e1, e4, e5, e8, e9, e12
5	Lack of home government assistance/incentives	5	e1, e3, e5, e8, e14
6	Lack of associations assistance	5	e1, e3, e5, e8, e14
7	Limited/unstable input resources	3	e1, e7, e8
8	Unfamiliar exporting procedures/paperwork	3	e4, e5, e12
9	Foreign currency exchange risks	3	e2, e9, e12
10	Excessive transportation/insurance costs	3	e9, e11, e13
11	Inadequate/untrained personnel for exporting	3	e2, e10, e13
12	Lack of brand awareness	2	e4, e5
13	Slow collection of payments from abroad	2	e10, e13
14	Inability to contact overseas customers	1	e5
15	Lower technical level	1	e12
16	Offering technical/aftersales service	1	e3
17	Reducing foreign customers' interest on Vietnamese products	1	e11
18	Counterfeit products	1	e5

Table 4. Summary of export barriers of Vietnamese exporting SMEs

(Adapted from Leonidou, 2004).



The keen competition in overseas markets is another challenge that Vietnamese exporting SMEs face when joining in exporting activities. Firm e2 mentioned “... *At the current time, Chinese firms are our biggest competitors in Laotian and Thai markets. This fierce competition has bad impact on our profit in these foreign markets...*” Firm e10 provided more details “...*When exporting products overseas, we face fierce competition on price and productivity with Chinese firms and other Asian firms. Our raw materials are imported so our price is sometimes higher than that of these foreign competitors. In addition, our firm is quite small and sometimes we cannot satisfy the requirement of foreign customers about product quantity...*” In addition, firm e11 added “... *The number of competitors is rising rapidly every day because of the low capital requirement of this sector. Therefore, foreign customers have more choices. This leads to the fierce competition on price in the foreign markets. Some new firms accepted the loss and offered a lower price than us in order to introduce their products...*”

Besides the eight Vietnamese exporting SMEs who emphasize this problem, the other six firms did not pay attention to this barrier although they all knew that there were competitors in overseas markets. The reason for their lack of concern can be explained by their exporting time participation and their operating sectors. Some firms such as e4, e8, e12 have just exported their products from 2011 and they did not have enough time to recognize their competitors. In fact, the manager of firm e4 admitted “...*We do not know who exactly our competitors in our foreign markets are...*” Firms e1, e3 and e5 were operating in the machinery sector and providing specialized machinery, which was different from other firms’ activities. In this sector, these firms may face the lower level of competition than other firms in different sectors.

Meeting export product quality standards/specifics and the limited information available to locate/analyse markets were regarded as third equal common challenges for Vietnamese exporting SMEs. Meeting export product quality standards/specifics is the barrier that Vietnamese exporting firms especially for those who export their products outside South East Asian region often confront. Firm e7 indicated “... *only for Vietnamese seafood products, Japanese government this year issued a new requirement of very low ethoxyquin content in shrimp products. This new standard regulation for imported seafood of Japanese market creates a huge obstacle and loss for Vietnamese*

*exporting seafood...*” The manager of firm e10 claimed “... *when exporting products overseas, we need to meet not only foreign customers’ requirements but also the quality standard of the host country. Therefore, product quality standard is quite complicated...*” However, this issue was not regarded as a barrier for firms which were operating in the handicraft sector or only exporting their products in the South East Asian region.

In relation to limited information, SMEs who recently joined in exporting activities often paid more attention to this problem. Firm e4 claimed “...*we face a lot of difficulties in finding foreign markets because of the high cost of market research...*” Due to the lack of information, firm e5 emphasized “... *firstly, we do not understand the foreign customers’ demand. Secondly, we do not know about foreign business practices. The most important issue is when exporting products overseas, we do not understand clearly foreign business policies... Furthermore, we do not know exactly who our competitors are...*” This issue was not mentioned by the other remaining eight firms who had been in the exporting business longer. The longer SMEs engage in exporting activities, the more experience they have. Therefore, they will find out ways to get more information that they need. For example, the manager of firm e6 mentioned “... *After a long time working in this area, we can easily grasp the customers’ demand by communicating directly with our foreign customers through Skype or email. We tried to maintain a good relationship with them. Sometimes, these foreign customers lead us to new customers...*”

The complaint about the lack of the home government assistance/incentives and the lack of associations’ assistance mainly came from firms who are operating in sectors which are not regarded as major contributors to Vietnam’s export turnover such as machinery. In terms of the home government assistance, firm e5 complained “...*there are complicated procedures to access the government’s assistance... Larger firms have more opportunities than us to receive support from the government...*” Firm e14 commented “... *trade promotion activities in Vietnam are still weak and do not have significant support for exporting SMEs. Compared to other Asian countries such as Thailand, China, Philippines, the level of government support for business in Vietnam is still not good. To export products overseas, most Vietnamese SMEs need to do it by themselves...*” Besides these complaints, other firms just simply mentioned that when

operating in Vietnam, the firm would certainly receive support from government in different ways.

In terms of associations' assistance, mixed opinions are also expressed. Some Vietnamese exporting SMEs complained about the weaknesses in the activities of their sectors' associations. Firm e1 explained "*... most Vietnamese economic associations have been established officially since 2000. They are still young. Therefore, their activities cannot provide sufficient support for Vietnamese SMEs. At the current time, the linking among associations in the whole country is still limited...*" Firm e5 claimed "*...although we have associations in this sector, their activities are inefficient. They are unable to establish the link between exporting firms and foreign customers...*" The manager of firm e8 mentioned "*... Government and associations were not able to provide guidance, information and predictions to help firms understand the fluctuations of world market prices...*"

Expressing an opposite view, firm e7 highly rated the efficiency of associations in its operating field. This firm explained "*...when foreign customers want to find business partners, they need to ask for associations in which their potential business partners are operating. Our association is good at introducing our firm's information to foreign customers...*" The manager of firm e10 also expressed his satisfaction with the support of association "*...Currently, our firm is a member of the handicraft and wood industry association. The activities of this association are quite good at supporting the development of each member by informing and explaining new related policies, organizing fair and workshop, introducing potential projects and training...*" These contradictory views of Vietnamese exporting SMEs can be explained by their different operating sectors. Firms operating in wood, handicraft or seafood sectors received more support from their associations than those operating in other sectors, i.e. machinery. That means the support provided by the Vietnamese government and associations in different sectors are not the same.

In addition, some firms such as firm e1, e7, and e8 who need to import raw materials described the limited/unstable input resources as one of their challenges when they export products overseas. Furthermore, some young exporters such as firm e4, e5 and e12 found it quite difficult to deal with export procedures and papers. According to an

experienced exporter, e.g. firm e6, the firm often needs to spend two to three years to get familiar with these procedures. In addition, systematically, when export experience is increased, the number of barriers is decreased. For example, firm e5 exporting their products in this year mentioned seven barriers whereas firm e4 exporting their products 10 years ago only mentioned three barriers.

#### 4.2.3. Firms' performance

When asked about the satisfaction of Vietnamese exporting SMEs with regard to their firms' performance, twelve out of fourteen firms admitted that they were not satisfied and the two remaining firms (e7 and e12) expressed medium levels of satisfaction. In general, Vietnamese exporting SMEs mentioned two main reasons why they were not satisfied with their performance. The first reason is derived from Vietnamese managers' psychology. Typically, the manager of firm e3 said "... *if you are a businessman, you cannot allow yourself to be satisfied with your firm's performance. If you are, you will lag behind...*" This reason is also offered by firm e1, e2, e6, e9, e10, e11, e13 and e14. The second reason expresses the desire of Vietnamese SMEs to improve their performance if they have better conditions. Firms e4, e5, and e8 proposed this reason. For example, the manager of firm 4 said "... *If we have more financial funds, we will develop our exporting firms further and our firms' performance will be improved...*" All fourteen exporting SMEs agreed that they evaluated their firms' performance mainly based on profit or turnover. However, most managers of SMEs refused to provide information about their profit. Therefore, it is quite difficult to measure Vietnamese firms' performance accurately. Psychologically, most managers of Vietnamese SMEs were not satisfied with their firms' performance.

During interviews, Vietnamese exporting managers mentioned 19 factors that can influence their firms' performance. The list, the number of firms and name of firms can be seen in Table 5.

	<b>Factors influencing firm's performance</b>	<b>Number of firms mentioned</b>	<b>Firms mentioned</b>
1	Exporting activities	14	e1, e2, e3, e4, e5, e6, e7, e8, e9, e10, e11, e12, e13, e14
2	Firm's strategy	14	e1, e2, e3, e4, e5, e6, e7, e8, e9, e10, e11, e12, e13
3	Home/host Government policies	13	e1, e2, e3, e4, e5, e7, e8, e9, e10, e11, e12, e13, e14
4	Management capabilities	10	e2, e4, e5, e6, e8, e9, e10, e11, e13, e14,
5	Human resource quality	4	e1, e3, e7, e12
6	Input resources	3	e1, e7, e8
7	Customer relationship	3	e2, e6, e11
8	Product quality	3	e2, e7, e14
9	Firm brand	2	e1, e4
10	Firm capital	2	e4, e7
11	Economic crisis	2	e5, e13
12	Unique product	1	e6
13	Small and medium scale of the firm	1	e8
14	Technology level	1	e14
15	Building connection with other firms	1	e1
16	Social responsibility corporation	1	e1
17	Foreign exchange rate	1	e2
18	The volatility of the economy	1	e3
19	Home country economic condition	1	e4

Table 5. Summary of factors influencing exporting SMEs' performance.

Among these factors, exporting activities were listed by the largest number of Vietnamese exporting SMEs as factors that can impact on these firms' performance. The effect of exporting activities on exporting SMEs' performance can be understood clearly. Through exporting activities, exporters are able to gain more profit and turnover depending on the percentage of exports to total sales. The firm's profit and turnover are important indicators of an SME's performance. Although exporting activities will have influence at different levels on each firm, this factor still has a direct impact on their firms' performance.

Another important factor that influences exporting SMEs' performance is the firm's strategy. According to managers of the exporting firms, their firms' performance will be directly impacted by whether their strategy focuses on price or quality. Based on the number of firms mentioned, home/host government policies are regarded as the third important factor. These firms determined that these policies directly influenced their firm's activities. Especially, the manager of firm e1 emphasized "... *Vietnamese policies will immediately affect SMEs' activities. However, if these policies are not good, it will take a lot of time for the government to fix them...*" Furthermore, these firms emphasised that before deciding to export products to any foreign countries, they always need to understand the host countries' policies for their products to minimize their loss. In fact, some firms such as e7, e10, e13 and e14 suffered from the quickly changing policies of the host governments. Interestingly, only the manager of firm e6 said that this firm was too small to be impacted by these policies.

The importance of management capabilities for firms' performance is emphasized mainly by micro and small sized firms whereas human resource quality received more attention from medium sized firms. These facts can be understood easily. In micro and small sized firms, most firms' decisions in all areas are decided by single managers. Therefore, the management capabilities are considered as key factors that determine firms' success. According to these firms, the ability to manage projects, ensure delivery on-time and manage risks is important to develop their exporting activities and enhance their firms' performance. In terms of human resource quality, the ability of employees to follow the firms' strategy plays an important role in determining the firms'

performance. After examining exporting SMEs' motivations, barriers and performance, it is important to look at non-exporters in these three areas.

### **4.3. Non-exporting firms**

All eight non-exporters showed their interest in exporting activities in the near future. This is important since if the interviewees perceived there was no immediate or certainly short-term potential to enter overseas markets, then in all likelihood nothing would motivate them to commence international activities and their views would not be relevant to this study.

#### *4.3.2. Potential export motivations*

When asked about the interest in exporting activities, eight non-exporting SMEs offered five reasons that may motivate them to export. The list, the number of firms and the name of firms can be checked in Table 6.

Among these reasons, the ability to achieve potential extra sales/profits from exporting is regarded as the most attractive reason to explain why these SMEs want to export. For example, the manager of firm ne2 emphasized “... *At the moment, our products serve two main segmentations. With our experience of working with exporting foreign firms before we started our own production, we hope that when we export products, we have more opportunities to export high quality products. It will enable us to gain extra profits...*” Other remaining firms just simply provided straight answers. Typically, the manager of firm ne7 said “...*our motivation for future exporting of course is profit...*” Achieving potential extra growth is the second common reason that is mentioned by non-exporting firms. The manager of firm ne1 stated “... *our firm is interested in exporting activities in the near future because we will have more opportunities to expand our markets, develop our firm's size and pursue the long-term strategy...*”

	<b>List of potential export motivations</b>	<b>Number of firms mentioned</b>	<b>Firms mentioned</b>
1	Potential for extra sales/profits from exporting	8	ne1, ne2, ne3, ne4, ne5 ne6, ne7, ne8
2	Potential for extra growth from exporting	5	ne1, ne2, ne4, ne6, ne8
3	Having ability to compete on price/ quality with other countries	2	ne2, ne8
4	Good relations with foreign customers	1	ne2
5	Improving management quality and experience	1	ne1

Table 6. Summary of potential export motivations of Vietnamese non-exporting SMEs

(Adapted from Leonidou et al., 2007)



When discussing the ability of Vietnamese firms to compete on price/quality, the manager of firm ne8 indicated “... *In Vietnam, labour costs are still low and input resources are abundant. Therefore, with the human and input resources, we can produce products with competitive prices compared with other countries...*” The manager of firm ne2 also mentioned “... *If products are exported from Vietnam to other Asian countries, the transportation cost will be cheaper than from China. This fact also leads to the competitive final price of our products...*”

Based on their importing experiences, the manager of firm ne2 intends to export because her firm will have more opportunities to find their potential customers. This manager said “...*Our firm used to be an importer. Therefore, we have opportunities to work with many MNCs and have a good relationship with them. If we decide to export, we will use our relationship to find our foreign customers...*” The desire to improve management quality and experience is described by firm ne1 as this firm’s potential export motivations. The manager hopes that he will improve his ability when working and learning from foreign people. To sum up, the potential export motivations of these Vietnamese non-exporting SMEs are mainly proactive in nature.

#### *4.3.3. Perceived export barriers*

In general, eight barriers are mentioned in the interviews with eight non-exporting SMEs. The list of these barriers, the number and the name of firms can be seen in Table 7.

	<b>List of export barriers</b>	<b>Number of firms mentioned</b>	<b>Firms mentioned</b>
1	Shortage of working capital to finance export	8	ne1, ne2, ne3, ne4, ne5, ne6, ne7, ne8
2	Keen competition in overseas markets	5	ne1, ne3, ne4, ne5, ne7
3	Lack of excess production capacity for export	4	ne2, ne4, ne6, ne7
4	Inadequate/untrained personnel for exporting	4	ne1, ne4, ne5, ne6
5	Identifying foreign business opportunities	2	ne1, ne4
6	Lack of equipment and infrastructure	1	ne8
7	Limited/unstable input resources	1	ne5
8	Lower technical level	1	ne7

Table 7. Summary of perceived export barriers of Vietnamese non-exporting SMEs  
(Adapted from Leonidou, 2004).

The shortage of working capital is regarded as the most common perceived barrier for non-exporting firms if they want to export their products overseas in the future. The manager of firm ne5 emphasized “... *We are afraid that we don't have enough working capital to start and develop exporting activities ...*” The managers of firm ne2 and ne4 discussed reasons for low level access of SMEs to financial funds. Firm ne2 argued “... *Although the Vietnamese government offered financial funds to support SMEs, it is quite difficult for us to access these funds...*” In addition, the manager of firm ne4 said “... *To borrow money from banks, we need to satisfy a lot of conditions. It reduces a chance to access these loans...*”

The keen competition in foreign markets is another important barrier that non-exporting SMEs perceive when they consider starting their exporting activities. In some sectors such as manufacturing food and beverage, steel construction, or doors and windows, the competition is very fierce. Therefore, in order to participate in exporting, non-exporters need to prepare and develop a good strategy to compete with these potential competitors. For other firms, the lack of excess production capacity for export is their main concern. The manager of firm ne2 mentioned “... *Our production activities are still quite new. Before that, we only imported products from overseas. Therefore, at the current time, we just have enough ability to supply for the domestic market...*” The lack of specialized personnel for exporting is another important concern of Vietnamese non-exporting SMEs. According to these firms, it will take some time to get their current personnel familiar with exporting activities.

Other barriers such as the limited information available to locate/analyse markets, the limited/unstable input resources and the lower technical level of Vietnamese firms are only received attention from one out of eight non-exporting firms. Actually, non-exporters just simply thought that if they started exporting, finding information about foreign markets or customers will become quite easy together with the development of information. Interestingly, none of the eight non-exporters were worried about export procedures/papers and export quality standards. They think that if they start to export, they must know about these procedures and standards. Therefore, in their mind, it will be easy to deal with these procedures and host countries' product standards. In addition, there are no SMEs which listed the lack of government and association support as their barrier to start exporting. Typically, the manager of firm ne6 stated “... *At the moment,*

*Vietnamese government is encouraging exporting activities. Therefore, the government and associations will certainly support us if we decide to export in the near future...*

To sum up, all non-exporting SMEs' perceived barriers as being derived from their fears that lack of resources may hamper them in starting and developing exporting activities.

#### *4.3.4. Firms' performance*

All managers of non-exporting firms in this study agreed that firms' profit or turnover can be used to measure their firms' performance. The list of factors influencing Vietnamese non-exporting SMEs can be seen in Table 8.

During interviews with eight non-exporting SMEs, all eight firms expressed satisfaction with their firms' performance in the medium level. For example, the manager of firm ne2 expressed *"... Operating in the domestic market, we are unable to gain high profit but the rotation of capital is quite fast. Therefore, our firm's performance is still ok..."* This would explain why they are currently non-exporters and for the time being are not actively pursuing overseas activities. Furthermore, an economic indicator such as profit or turnover is used by these non-exporting firms to evaluate their firms' performance. In summary, 11 factors are mentioned in the interviews as having an influence on non-exporting SMEs' performance. Among these factors, human resource quality is emphasized by six firms as having a significant impact on their firms' performance. For example, the manager of firm ne2 mentioned *"...It is very important to ensure all employees need to understand the firms' strategy..."* Home government policies are agreed by five out of eight non-exporting firms to influence their firms' activities directly or indirectly. Therefore, their firms' performance is also influenced by the change of the home government policies. This fact will impact on their firm's performance. The third important factor is management capabilities. Three out of eight non-exporting firms mentioned this factor in these interviews. The remaining factors such as customer relationship, unique product, technology level, economic crisis, competition and inflation are mentioned by only one firm.

	<b>Factors influencing non-exporting firm's performance</b>	<b>Degree of importance</b>	<b>Firms mentioned</b>
1	Human resource quality	6	ne1, ne2, ne3, ne4, ne5, ne8
2	Home Government policies	5	ne1, ne2, ne3, ne4, ne5
3	Management capabilities	3	ne4, ne5, ne6
4	Firm's strategy	2	ne2, ne7
5	Input resources	2	ne3, ne8
6	Customer relationship	1	ne6
7	Unique product	1	ne6
8	Technology level	1	ne5
9	Economic crisis	1	ne7
10	Competition	1	ne3
11	Inflation	1	ne8

Table 8. Summary of factors influencing Vietnamese non-exporting SMEs' performance.

#### **4.4. The comparison between exporting firms and non-exporting firms**

The findings from the interviews showed that exporting and non-exporting SMEs have both similarities and differences in three main areas including export motivations, export barriers and firms' performance.

##### *4.4.1. Export motivations*

Exporting SMEs mentioned 22 incentives that motivate them go overseas whereas non-exporting firms only mentioned five potential reasons. All the five reasons mentioned by non-exporters are among the 22 reasons listed by exporters. The saturation/shrinkage of the domestic market, the utilisation of special managerial talents/skills/time, creating stable jobs for employees, gaining foreign currency, possession of proprietary technical knowledge, possession of a unique/patented product, enhancing technology level, increasing brand awareness, the need to reduce dependence on and risk of the domestic market, the unfavourable state of the domestic economy, well-known brand in the domestic market, identification of better opportunities abroad, government export assistance/incentives, reduction of tariffs/non-tariffs in certain overseas countries, special managerial interest/urge and receipt of unsolicited orders from foreign customers are just mentioned by exporting firms. Interestingly, among these factors, the saturation/shrinkage of the domestic market and the identification of better opportunities abroad are considered as important stimuli of exporting SMEs. Both factors are mentioned by nearly more than half the exporters participating in these interviews. Non-exporters did not evaluate these two factors as their potential export motivation. This may explain why some SMEs were not ready to export. Besides these differences, the potential for extra sales/profits from exporting received the highest attention from both exporting and non-exporting SMEs.

##### *4.4.2. Export barriers*

In terms of quantity, exporting SMEs are more aware of export barriers than non-exporting SMEs when engaging in exporting activities. Specifically, exporting firms mentioned a total of 18 barriers to develop their exporting activities while non-exporting firms described eight barriers to start selling their products overseas. When actually conducting exporting activities, firms may need to deal with more problems

which they did not think about originally. Specifically, inability to contact overseas customers, meeting export product quality standards/specs, offering technical/after-sales service, lack of brand awareness, unfamiliar exporting procedures/paperwork, slow collection of payments from abroad, lack of association assistance, lack of the home government assistance/incentives, foreign currency exchange risks, limited information to locate/analyse markets, excessive transportation/insurance costs, reducing foreign customers' interest on Vietnamese products and counterfeit products are mentioned by exporting SMEs but not non-exporting SMEs as their export barriers. Especially, while limited information to locate/analyse markets, meeting export product quality standards/specs, lack of the home government assistance/incentives and lack of associations' assistance were regarded as main barriers of exporting SMEs, non-exporters did not care about them. Conversely, lack of excess production capacity for exports, identifying foreign business opportunities, and lack of equipment and infrastructure are concerned by non-exporters but not exporters. Although exporters and non-exporters showed some differences in their perception about export barriers, the shortage of working capital to finance export is still receiving the attention of the largest number of exporting and non-exporting firms.

#### *4.4.3. Firms' performance*

In general, non-exporting SMEs showed higher levels of satisfaction with their firms' performance than exporting firms. In fact, all eight non-exporting firms expressed their satisfaction at the medium level whereas most exporting SMEs were not satisfied with their firm's performance. Profit or turnover still remained the most important measure to evaluate Vietnamese SMEs' performance. In terms of quantity, there are 19 factors which influence exporting SMEs' performance while non-exporters' performance can be impacted by 11 factors. Firm brand, product quality, export activities, small and medium scale of the firm, firm capital, building connection with other firms, social responsibility corporation, foreign exchange rate, the volatility of the economy, and home country economic condition are mentioned by exporters but not non-exporters. Among these factors, the influence of exporting activities on exporters but not on non-exporters' performance can be easily understood. In addition, although a firm's strategy plays a significant role in determining exporting SMEs' performance, the strategy seemed to be not important for non-exporters. In fact, all exporting firms mentioned the

influence of firms' strategy on their firms' performance whereas only two non-exporters paid attention to this factor. Besides these differences, both exporting SMEs and non-exporting SMEs highly evaluate the importance of human resource quality and home/host government policies in their firms' performance.

#### **4.5. Chapter summary**

The interviews with 14 exporting Vietnamese SMEs and eight non-exporting Vietnamese SMEs resulted in a number of key findings. In terms of export motivations, there are 22 export stimuli that can influence exporting SMEs' decisions to go overseas whereas there are five reasons that can potentially motivate non-exporting firms to export their products. However, not only exporters but also non-exporters emphasized the importance of sales/ profits from exporting as their common motivators. Furthermore, the nature of exporting motivations may depend on the firm's operating sector and the percentage of its exporting activities. The importance of each motivational factor could be perceived differently by firms operating in different sectors.

In terms of export barriers, exporting SMEs need to overcome 18 barriers to develop their exporting activities while non-exporting firms may face eight obstacles if they want to start to export. Young exporters and non-exporters often face barriers related to working capital. Furthermore, young exporters also found it quite difficult to deal with export procedures and limited information. The longer the firm conducts exporting activities, the more it is aware of the competition in foreign markets. Moreover, firms who export their products outside South East Asian region often confront export product quality standards barriers. Firms who are operating in sectors which are not regarded as major contributors to Vietnam's export turnover often complain about the lack of the home government and associations' assistance. In addition, findings from the interviews showed that there is the positive relationship between exporting experience and the number of barriers that the firms mentioned.



In terms of firms' performance, all Vietnamese SMEs in this study showed low levels of satisfaction with their firms' performance. However, compared to exporters, non-exporters expressed the higher levels of satisfaction with their firms' performance. The managers of Vietnamese SMEs suggested using profit or turnover to measure firms' performance. Firms' performance of exporting SMEs can be impacted upon by 19 factors. 11 factors can influence non-exporting SMEs' performance. Both exporting and non-exporting SMEs emphasize the influence of the home government policies on their firms' performance. Compared to non-exporters, exporting counterparts pay more attention to the influence of firms' strategy on their firms' performance. The following chapter will provide some comparisons between these findings and literature review. Based on these comparisons, some key conclusions and implications are provided.

## **CHAPTER 5. DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1. Introduction**

Based on the findings from the interviews in the previous chapter, this chapter provides a discussion together with key conclusions, followed by limitations and recommendations. The discussion section aims to make the comparison between findings in the interviews with fourteen Vietnamese exporting and eight Vietnamese non-exporting SMEs and related issues in the literature review. By conducting this comparison, the nature of Vietnamese SMEs and some differences in export behaviours between these firms and other counterparts in the world are identified. Following a discussion on each key issue, conclusions of this study in three areas including export motivations, export barriers and firms' performance are summarized. By providing these conclusions, the first objective of this study is addressed. This chapter also discusses some limitations of the study. Based on key conclusions and limitations, some recommendations for Vietnamese SMEs' managers, the Vietnamese government and associations as well as future research are suggested. These recommendations address objective two of this study.

### **5.2. Discussion and key conclusions**

#### *5.2.1. Exporting motivations*

As can be seen from Table 9, compared to the list of export motivations provided by Leonidou et al. (2007), the findings from interviews with Vietnamese SMEs showed some new motivators. These motivations are improving management quality and experience, creating stable jobs for employees, gaining foreign currency, enhancing technology level, increasing brand awareness, well-known brand in the domestic market, having the ability to compete on price/quality with other countries and good relations with foreign customers. Over half of these new motivators are internal stimuli. Although the number of firms which mentioned each new motivator is quite small, it still shows some different characteristics of Vietnamese SMEs compared to others elsewhere. Interestingly, improving management quality and experience, good relations with foreign customers and having an ability to compete on price/quality with other countries are offered by not only exporters but also non-exporters as their export

motivations. In fact, having the ability to compete on price with other countries is derived from Vietnam's competitive advantage on its labour force. This advantage is emphasized in many studies which investigate Vietnam such as Ministry of Planning and Investment (2012), ASMED (2006), Bui (2000), Mai (2008). In addition, for Vietnamese exporting firms, gaining foreign currency is determined as one of their attractive export motivations. In Vietnam, due to the high inflation rate mentioned in the report of the CIA (2012) and Transparency International (2011), the value of the Vietnam Dong is not stable. Therefore, it will become an advantage of Vietnamese SMEs to gain foreign currency.

However, Vietnamese SMEs did not emphasize factors that are related to production, marketing, home government, foreign government, intermediaries or competition. This implies that these areas such as production, marketing, the support of the home government, etc. are not an advantage of Vietnamese SMEs when they go overseas. Although the Vietnamese government has launched various supporting programs to encourage SMEs to participate in exporting activities as mentioned in the report of the Ministry of Planning and Investment in 2012, the efficiency of these programs needs to be considered. The ineffectiveness of government supporting programs is also emphasized in the study of Leonidou (1995b). Compared to exporting SMEs, non-exporting firms did not mention factors related to the human resource area as their motivation to go overseas. This implies the lack of quality employees in Vietnamese non-exporting firms or at the very least those with export related skill.

		<b>Export motivations</b>	<b>Number of exporting SMEs mentioned</b>	<b>Number of non-exporting SMEs mentioned</b>
Internal	Human resource	Special managerial interest/urge (P)	4	
		Utilisation of special managerial talent/skills/time (P)	2	
		Management trips overseas (P)		
		Improving management quality and experience (P)	2	1
		Creating stable jobs for employees (P)	1	
	Financial	Stagnation/decline in domestic sales/profits (R)		
		Potential for extra sales/profits from exporting (P)	11	8
		Potential for extra growth from exporting (P)	6	5
		Possession of financial competitive advantage (P)		
		Gaining foreign currency (P)	4	
	Production	Accumulation of unsold inventory/overproduction (R)		
		Achievement of economies of scale (P)		
		Availability of unutilised production capacity (R)		
		Smoothing production of a seasonal product (R)		
	Research & Development	Possession of proprietary technical knowledge (P)	4	
		Possession of a unique/patented product (P)	1	
		Extending life-cycle of domestic products (P)		
Enhancing technology level (P)		1		
Marketing	Possession of a marketing competitive advantage (P)			
	Ability to easily adapt marketing for foreign markets (P)			
	Increasing brand awareness (P)	1		
External	Domestic market	Saturation/shrinkage of domestic market (R)	8	
		Need to reduce dependence on and risk of domestic market (R)		
		Possibility of reducing the power of domestic customers (P)		
		Unfavourable state of domestic economy (R)	1	
		Favourable foreign exchange rates (R)		
		Well-known brand in the domestic market (P)	1	
	Foreign	Possession of exclusive information on foreign markets (P)		

	market	Identification of better opportunities abroad (P)	7	
		Close physical proximity to foreign markets (R)		
	Home government	Government export assistance/incentives (P)	1	
		Ministry of Commerce/trade mission activity (R)		
		Encouragement by government agencies (R)		
	Foreign government	Relaxation of foreign rules and regulations in certain foreign markets (R)		
		Reduction of tariffs/non-tariffs in certain overseas countries (R)	1	
	Intermediaries	Encouragement by industry, trade, and other associations (R)		
		Encouragement by banks/financial institutions (R)		
		Encouragement by brokers/agents/distributors (R)		
	Competition	Intense domestic competition (R)	2	
		Initiation of exports by domestic competitors (R)		
		Entry of a foreign competitor in the home market (R)		
		Gaining foreign expertise to improve domestic competitiveness (P)		
		Having ability to compete on price/ quality with other countries (P)	2	2
	Customers	Receipt of unsolicited orders from foreign customers (R)	4	
		Receipt of orders after participation in trade fairs (R)	1	
Good relations with foreign customers (P)		2	1	
Miscellaneous	Proximity to international ports/airports (R)			
	Patriotic duty of local firms (P)			

Table 9. Analysis of export motivations of Vietnamese SMEs.

Based on the classification suggested by Leonidou et al. (2007), some conclusions are made. In terms of Vietnamese exporting SMEs, their export motivations include both internal and external stimuli. Within internal stimuli, these firms pay more attention to factors that relate to the financial area. Within external stimuli, a stimulus related to the domestic market and foreign markets is emphasized more frequently by these firms. Among 22 motivators mentioned by exporting SMEs, 16 motivators are proactive and six motivators are reactive in nature. In terms of Vietnamese non-exporting SMEs, their export motivations are mostly internal stimuli. The stimuli derived from a financial area are emphasized by these firms. This result is relatively similar to exporting SMEs. Compared to exporting SMEs, non-exporting SMEs' motivators are more proactive in nature. This finding is also reinforced by the study of Leonidou (1995b).

Furthermore, managerial perception, interest, experience and attitudes play an important role in the firms' decisions to export in many previous studies (such as Bilkey, 1978; Cavusgil and Nevin, 1981; Leonidou et al., 2007, etc.). This finding is also strengthened by this study. Specifically, compared to non-exporting firms, exporting firms place more emphasis on the special managerial interest/urge and the utilisation of special managerial talent/skills/time as their export motivators. Moreover, although this study is based on different contexts compared to previous studies, the findings from interviews with Vietnamese SMEs still showed that the saturation/shrinkage of the domestic market is the most common reason to go overseas. This finding is similar to those reported in the studies of Leonidou (1995b), Leonidou (2007), plus Czinkota and Ronkainen (2006). However, although the availability of unutilised production capacity and possession of a financial advantage are considered to have a high impact on firms' export decision in previous studies (e.g. Leonidou et al., 2007), these stimuli are not mentioned by Vietnamese SMEs in this study. This implies that factors related to production and finance are not an advantage of Vietnamese SMEs when they go overseas. In addition, similar to the study of Katsikeas and Piercy (1993), the relationship between firm size and export motivations is not seen clearly in this study. This finding is different to that of Leonidou (1995b) and Crick (2009) which emphasized that the potential for extra profits and extra sales resulting from exporting and the saturation/shrinkage of the home market are mentioned more by larger firms than smaller firms. In fact, the potential for extra profits and extra sales are emphasized

by 11 out of 14 firms in this study regardless of firm size. The saturation/shrinkage of the home market is influenced more by firms' operating sectors than firm size. Furthermore, the likelihood of firms to export has no significant relationship with firm age in this study. In fact, some Vietnamese SMEs in this study decided to export their products overseas immediately or soon after their establishment i.e. only one year. This finding is similar to the finding of Leonidou (1995b) but opposed to the finding of Wiedersheim-Paul et al. (1978).

It can be concluded that exporting motivators of Vietnamese exporting SMEs include both internal and external stimuli whereas the export motivations of Vietnamese non-exporting SMEs are mostly internal stimuli. However, both exporters and non-exporters pay their highest attention to the potential for extra sales/profits from exporting. When examining Vietnamese export motivations, studies may need to take into account the influence of firm's operating sectors and the percentage of export activities.

#### *5.2.2. Export barriers*

As seen from Table 10, when a comparison is made between the findings from interviews with Vietnamese SMEs and the list of export barriers provided by Leonidou (2004), some new export barriers are added. These barriers are limited/unstable input resource, lower technical level, lack of equipment and infrastructure, lack of brand awareness, lack of associations' assistance, reducing foreign customers' interest on Vietnamese products and counterfeit products. These new barriers can be classified into both internal and external barriers. Although the number of firms which mentioned each new barrier is quite small, it still shows distinct difficulties of Vietnamese SMEs when they want to go overseas. Interestingly, limited/unstable input resource and lower technical level are barriers of both Vietnamese exporters and non-exporters. Especially, the lack of associations' assistance is highlighted by nearly half of Vietnamese exporting SMEs in this study as their barriers. This implies the importance of associations in Vietnamese SMEs' exporting activities.

		<b>Export barriers</b>	<b>Number of exporting SMEs mentioned</b>	<b>Number of non-exporting SMEs mentioned</b>
Internal	Informational	Limited information to locate/analyse markets	6	
		Problematic international market data		
		Identifying foreign business opportunities		2
		Inability to contact overseas customers	1	
	Functional	Inadequate/untrained personnel for exporting	3	4
		Lack of excess production capacity for exports		4
		Shortage of working capital to finance exports	9	8
		Limited/unstable input resources	3	1
		Lower technical level	1	1
		Lack of equipment and infrastructure		1
	Marketing	Developing new products for foreign markets		
		Adapting export product design/style		
		Meeting export product quality standards/specs	6	
		Meeting export packaging/labelling requirements		
		Offering technical/aftersales service	1	
		Offering satisfactory prices to customers		
		Difficulty in matching competitors' prices		
		Granting credit facilities to foreign customers		
		Complexity of foreign distribution channels		
		Accessing export distribution channels		
Obtaining reliable foreign representation				
Maintaining control over foreign middlemen				
Difficulty in supplying inventory abroad				
Unavailability of warehousing facilities abroad				
Excessive transportation/insurance costs		3		
Adjusting export promotional activities				
Lack of brand awareness	2			
External	Procedural	Unfamiliar exporting procedures/paperwork	3	



		Problematic communication with overseas customers		
		Slow collection of payments from abroad	2	
	Governmental	Lack of home government assistance/incentives	5	
		Unfavourable home rules and regulations		
		Lack of associations' assistance	5	
	Task	Different foreign customer habits/attitudes		
		Keen competition in overseas markets	8	5
		Reducing foreign customers' interest on Vietnamese products	1	
	Environmental	Poor/deteriorating economic conditions abroad		
		Foreign currency exchange risks	3	
		Political instability in foreign markets		
		Strict foreign rules and regulations		
		High tariff and nontariff barriers		
		Unfamiliar foreign business practices		
		Different sociocultural traits		
Verbal/nonverbal language differences				
Counterfeit products	1			

Table 10. Analysis of export barriers of Vietnamese SME.

Furthermore, barriers of exporting firms are grouped into various areas such as informal, functional, marketing, procedural, governmental, task and environmental areas. Barriers of non-exporting firms only focused on three main areas including informal, functional and task areas. That could mean when a firm officially starts exporting activities, it will face more barriers related to marketing, procedural, governmental and environmental areas. In terms of informal barriers, the finding from the interviews showed that firms who have recently joined in exporting activities suffered these barriers more than other firms. This finding is supported by the studies of Pavord and Bogart (1975), Kneller and Pisu (2011) and Karagozoglu and Lindell (1998). However, this result is quite different from the result in the studies of Yaprak (1985) and Suárez-Ortega (2003). In their studies, compared to exporters, they emphasized that information needs are the main barriers of non-exporters. Interestingly, Vietnamese non-exporting SMEs do not pay attention to these barriers. This difference may derive from the different time frame conducted in each study and managers' psychology (which is made up of various factors). In fact, with the fast development of information and technology at the current time, Vietnamese non-exporters pay less attention to the importance of information when they consider starting export. They merely think that they will have various methods to find out necessary information (e.g. the internet).

In addition, compared to exporting SMEs, non-exporting SMEs place more focus on the lack of internal resources as their perceived barriers when they consider going overseas. These barriers include inadequate/untrained personnel for exporting, lack of excess production capacity for exports, shortage of working capital to finance exports and lack of equipment and infrastructure. These barriers also explain why these firms still decide to stay in the domestic market rather than export their products overseas. The studies of Bilkey (1978), Barker and Kaynak (1992), Suárez-Ortega (2003), Kneller and Pisu (2011), Westhead, Wright and Ucbasaran (2002), Jeager (2008) and Dhanaraj and Beamish (2003) showed similar results. Especially, the shortage of working capital is emphasized more by non-exporting than exporting SMEs. In fact, for exporters, this barrier is listed mainly by firms which have recently joined in exporting activities whereas all non-exporters pay attention to this barrier. This result is supported by

economic theory and many previous studies such as Girma, Greenaway and Kneller (2009), López (2007), Suárez-Ortega (2003) and Gumede (2004).

The lack of associations' assistance, limited/unstable input resource, and the shortage of working capital to finance exports mentioned in this study is also emphasized in many studies and reports based on the Vietnamese context (e.g. Business Issues Bulletin, 2004; Han and Baumgarte, 2000; Nguyen and Stromseth, 2002; Transparency International, 2011; Webster, 1999; World Bank, 2003). Furthermore, according to this study, the lack of resources to conduct or maintain exporting activities is considered as the most common barriers of not only exporting but also non-exporting Vietnamese SMEs whereas barriers related to the environmental area are the least mentioned by these firms. These findings are similar to the findings in the studies of Suárez-Ortega (2003), Leonidou and Adams-Florou (1999), Fillis (2001), Cateora and Graham (2001), Lloyd-Reason and Mughan (2002), Jaeger (2008), Leonidou (2004) and Katsikeas and Jaeger (2008). In terms of external barriers, unlike studies based on the US like Bauerschmidt et al. (1985), the competitive rivalry receives a high attention from Vietnamese SMEs. This implies the competitiveness of Vietnamese SMEs in foreign markets is still not high compared to other firms in the world. Furthermore, although the imposition of tariff/non-tariff barriers is the main external barrier of Turkish and Lebanese manufacturing firms (Köksal and Kettaneh, 2011), this barrier is not important for Vietnamese SMEs. The development of relationship between Vietnam and other countries in the world creates great opportunities for Vietnamese SMEs to export their product overseas and reduces their worry about tariff/non-tariff barriers. In the study of Yaprak (1985), language difficulties are major barriers of exporters. However, these barriers are not mentioned in this study. This opposite view may be explained by the increase in level of education at the current time compared to the time in the study of Yaprak. In addition, the negative relationship between export experience and the total number of barriers in this study is also supported by the study of Kneller and Pisu (2006).

It can be concluded that while exporting SMEs mentioned their difficulties in seven areas, non-exporting SMEs only emphasized their difficulties in three main areas. The

lack of resources to start or maintain exporting activities is the most mentioned barriers whereas the least mentioned barriers are barriers related to environmental area. When Vietnamese SMEs expand their exporting activities outside South East Asian region, they often confront export product quality standards barriers. In some sectors, the support of government and associations is still ineffective. Exporting experience may be applied to provide a better understanding about the impacts of different export barriers and the number of export barriers.

### 5.2.3. *Firms' performance*

Although there are many ways discussed in the literature to measure firms' performance, economic indicators are suggested by Vietnamese SMEs. In fact, economic indicators are mentioned in many previous studies such as Riahi-Belkaoui (1998), Lu and Beamish (2001), Lumpkin and Dress (2001), Durand and Coeurderoy (2001).

As seen from Table 11, factors influencing these firms' performance can be explained by two main views including resource-based views and institution-based views. Specifically, there are 12 factors that can be explained by using resource-based view and nine factors mentioned by Vietnamese SMEs can be explained by institution-based view. From a resource-based view, a firm's strategy, exporting activities and management capabilities are three most common factors which are mentioned by Vietnamese exporting SMEs. The influence of these factors on firms' performance is also discussed in many previous studies such as Eisenhardt and Martin (2000), Durand and Coeurderoy (2001), Gao et al. (2010), Barney (2002). Among three types of firms' resources, Vietnamese SMEs do not pay attention to the importance of technological resources. However, the importance of this resource is appreciated by previous studies such as Westhead et al. (2002), Dhanaraj and Beamish (2003), Jeager (2008), etc. The more limited attention paid by Vietnamese SMEs to technological resources may be explained by the fact that all target firms in this study are operating in medium and low-tech sectors. Their firms still lack investment regarding technology. As a result, the influence of technological resources on their firms' performance is not seen clearly.

	<b>Factors influence firm's performance</b>	<b>Number of exporting SMEs mentioned</b>	<b>Number of non-exporting SMEs mentioned</b>	
Resource-based view	Human resource quality	4	6	
	Firm brand	2		
	Customer relationship	3	1	
	Product quality	3		
	Management capabilities	10	3	
	Exporting activities	14		
	Firm's strategy	14	2	
	Unique product	1	1	
	Small and medium scale of the firm	1		
	Technology level	1	1	
	Firm capital	2		
	Input resources	3	2	
	Institution-based view	Building connection with other firms	1	
		Social responsibility corporation	1	
Home/host Government policies		13	5	
Foreign exchange rate		1		
Economic crisis		2	1	
The volatility of the economy		1		
Home country economic condition		1		
Competition			1	
Inflation			1	

Table 11. Analysis of factors influencing Vietnamese SMEs' performance.

Besides factors explained by resource-based view, institutional factors play an important role in determining the performance of Vietnamese SMEs. The importance of institutional factors is also recognised in the studies of Peng (2003), Peng et al. (2008), Durand and Coeurderoy (2001), Chen and Chen (2004), Luo (2000). Although in the literature, there are three main views which can be used to explain the influences of different factors on firms' performance including resource-based view, institution-based view and industry-based view, Vietnamese SMEs in this study did not mention many factors related to industry-based view to explain their firms' performance. In addition, compared to non-exporters, exporters pay more attention to the influence of firms' strategy, management capabilities, product quality and customer relationship on their firms' performance. These findings are supported by the studies of Yaprak (1985) and Cavusgil (1984).

It can be concluded that these firms' performance is influenced by not only factors related to resource-based view but also institutional factors. Compared to non-exporters, exporting firms attached more the importance to firm's strategy, exporting activities and management capabilities. In addition, economic indicators such as turnover of profit are suggested to measure Vietnamese SMEs' performance. In these interviews, most Vietnamese SMEs showed a low level of satisfaction with their firms' performance. However, non-exporting firms are more satisfied with their firms' performance than exporting counterparts.

### **5.3. Limitations**

Although this study has achieved its main objectives, it still has some limitations. It just focused on the low and medium tech industries. Therefore, investigating export behaviours of SMEs operating in service and high tech industries may lead to different results. Within low and medium tech industries, not all sectors are included in this study. The year 2012 is regarded as one of the most difficult years of Vietnamese economy. Many firms, especially SMEs at that time refused to talk about their issues and share their information. Therefore, the researcher faced a lot of difficulties in making contact with potential target interviewees. The researcher only conducted 22 interviews. Therefore, the ability to generalize from this study was limited. Increasing

the sample size may be required. Furthermore, this study just focused on Vietnamese firms. Firms from other developing countries (Cambodia, Thailand etc.) may show different exporting behaviours. Moreover, the unwillingness of Vietnamese SMEs' managers to share information related to firms' performance makes it quite difficult to compare and contrast the influence of different factors on these firms' performance. This influence may need further researching in the future.

## **5.4. Recommendations**

### *5.4.1. Recommendations for Vietnamese SMEs' managers*

Based on the key conclusions of this study, some recommendations for managers are suggested in order to help Vietnamese SMEs to improve their firms' performance. Searching and taking advantage of a variety of communication channels to capture business opportunities and do market research on potential foreign markets are essential for Vietnamese SMEs, especially young exporters and non-exporters. Managers also need to develop their social relationship network to enhance their ability to access government supporting funds. Furthermore, maintaining good relationships with current partners and foreign customers may create new opportunities for Vietnamese SMEs. In fact, some firms in this study were able to find new customers based on the introduction of their old customers. Although non-exporters did not emphasize being unfamiliar with export procedures, this difficulty is one of main concerns of young exporters. Therefore, before deciding to conduct exporting activities, non-exporter managers should spend time to understand these procedures.

Moreover, it will be beneficial for SMEs if managers and their employees have opportunities to study in business classes. Through studying, they are able to increase their capabilities of managing business and enhancing their firms' strategy. In fact, managers' capabilities, human resource quality and firm's strategy are important factors influencing Vietnamese exporting SMEs' performance. SMEs managers should proactively make contact and maintain a good relationship with trade associations to get updated information about some possible changes in government policies and seize business opportunities in foreign markets. In addition, for firms who intend to export their products outside the South East Asian region, they may need preparing for a better

understanding about export product quality standards to minimize their loss. Developing good relationships with other firms is recommended in order to share information about foreign markets and increase experience in addressing export barriers.

#### *5.4.2. Recommendations for Vietnamese government and associations*

The Vietnamese government and associations play an important role in increasing SMEs' likelihood of participating in exporting activities and their firms' performance. Based on key findings of this study, some recommendations are provided for the government and associations. Both exporting and non-exporting firms emphasized the influence of management capabilities and human resource qualities in their firms' performance. Therefore, government and associations can assist the firms with improving their performance by organizing workshops, discussion and business training sessions. These activities will enable Vietnamese SMEs to expand their relationships with other firms in the same industries, increase their experience, seize business opportunities and enhance their capabilities in managing their business. The government should develop the link between SMEs and universities to train and provide high quality human resources in accordance with the needs of these firms. Providing appropriate and suitable supporting funds or incentive packages for SMEs, especially who have recently exported their products overseas and potential exporters is required to help these firms overcome limited resources barriers.

Developing a mentoring program is suggested. With this program, it will be easier for the government and associations to understand specific difficulties and situations of each SME in exporting activities. Therefore, the government and associations will be able to provide the necessary support at the right time to help firms overcome their barriers. Although in some sectors, the activities of trade associations are supportive, their support is still not sufficient in other sectors i.e. machinery. Therefore, the increase in support of associations for SMEs, especially for current exporters and potential exporters is still necessary. Furthermore, offering classes introducing export procedures is essential for young exporters. This will help them to overcome the unfamiliarity of



the export procedures barrier. The trade association in each sector should play an active role in informing updated information related to any possible changes in import quality or standard of foreign countries in the world, especially countries outside the South East Asian region.

#### *5.4.3. Recommendations for future research*

When conducting studies based on the Vietnamese context, besides basic factors mentioned in previous literature, researchers may need to consider the influence of some other distinct factors. These factors are derived from the institutional views of the Vietnamese market. Paying more attention to the psychology of SMEs' managers is suggested. In fact, it is relatively difficult to get information from them, especially when discussing issues about firms' performance. Developing a good relationship with these managers before conducting interviews or a survey is essential. In order to increase the generalization capacity, increasing the number of interviews is suggested. The research can focus on only one sector to gain a deeper understanding about the firms' motivations and barriers related to a specific sector.

Another approach is raising the number of firms in each sector. In future research, the exploring of export behaviours of service firms or SMEs in high-tech industries may be interesting for comparison. Future research may make some comparisons between Vietnamese SMEs and SMEs in other developing countries to have a better understanding about the exporting behaviour of SMEs in developing countries. The influence of different factors on firms' performance may be seen clearly if the researcher is able to track firms' activities over time. To gain a better picture about exporting behaviours of Vietnamese SMEs, the combination of qualitative and quantitative research methods may be considered. These combined methods may provide more information for the researcher to build on the findings of the current study.

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