Value vs Magnitude: Distinguishing Information Sources That Contribute to Malaysian Exporters' Promotion Competency

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Abstract

Firms venturing abroad understand and rarely deny the significant role that information plays in export promotion. Nevertheless, the common misconception that can potentially threaten the business judgment of most exporters is that 'the more information you know, the better it is for your firm'. Unbeknownst to them, it is the value (and not magnitude) of information that will contribute to the success of a firm's ventures. In this paper, the authors attempt to illuminate if not identify the specific information sources providing valuable information that can successfully distinguish between high and low competency exporters. Data was derived from 104 Malaysian firms exporting to China and Asean nations. Results from the discriminant analysis revealed 9 information sources which can determine the competency level of an exporting firm. The findings are further elaborated in this paper.

Keywords: Exporting information, Information sources, Information value, Export marketing, Export promotion competency, Malaysian firms

1. Introduction

A change in the national export policy has resulted in Malaysian firms diversifying their export locations, which have traditionally focused on established markets such as the United States, Japan and the European Union to emerging markets in the Asia Pacific region. However, without proper planning and careful research, entry and expansion into less familiar territories often poses much trepidation, as the risks involved are high. Risks that result from the heterogeneity of foreign business environments, the multiplicity of the parameters involved in selling overseas, coupled with the existence of new variables not present in the domestic market and the high intensity of international competition (Czinkota and Ronkainen, 2001). Hence, enters the crucial role of information, whereby it is able to help firms reduce uncertainties by understanding the targeted markets better and ultimately leading to the formulation of sound export business strategies.

2. Significant Role of Information

Information is one of the strategic resources that could strengthen the organization capabilities and positional advantage (Day, 1994). Most literature on export marketing would stand on one common ground: the undeniable worth of information when exploring opportunities in foreign nations. A review of 34 empirical studies conducted by Leonidou (1995) for instance, confirmed information deficiencies to be the highest factor inhibiting export ventures. Walters (1996) agreed with the fact that information acquisition should be of an important priority for both firms that are less experienced in exporting as well as those who with well established overseas operations. Sufficient acquisition and effective use of information would assuredly be a contributory factor in building a firm's competencies in international marketing. The lack of information, on the other extreme, would lead to a phobia

among would-be exporters as regards to initiating export operations while established exporters would experience certain reservations that may cause them to be hesitant in penetrating foreign markets. A decade later , Leonidou and Theodosiou (2004) again stressed the importance of information in the case of firms transcending national boundaries. Their integrative review of literature on export information revealed that proper information utilization enhances the quality of management decisions and is positively associated with export performance.

3. Research Objectives

Firms consult various sources when seeking out information, be it governmental-related bodies, export-facilitating agencies, the importers of their products, their peers and contacts who have prior exporting experience, external databases through the internet, research agencies and perhaps many others. Indisputably most firms are aware of the numerous sources of information available around them. The question is, do they know the type of information that can most effectively help to single out those competent firms from the less competent ones? Which information providers that competent exporters rely on that have propelled them to success? Huge amounts of information can be impressive but it is the value of the information from those relevant sources that matters. In this respect, this research paper hopes to shed some light to both academicians and practitioners alike on the various information providers that distinguish the high performing firms from the low performing firms in terms of promotion-related competency. We chose to look at the promotion side of marketing competencies primarily for the significance of the promotional aspect in enhancing the firm's exporting activity particularly in creating demand and awareness for the firms' products. In addition, export promotion features as a prominent component of the economic development strategies adopted by developing countries such as Malaysia (Zafar et al., 2002).

4. Methodology

4.1 Population and Sample

The data is derived from a study that investigates the experience of Malaysian firms in exporting to emerging markets (Kim-Soon, 2005). The responding firms are members of the Federation of Malaysian Manufacturers (FMM). The selection is based on the criteria that the firm must export their product to China and other Asean nations (excluding Singapore). Altogether 821 manufacturing companies were selected from a total of 1,965 member companies. The questionnaires were mailed to the attention of the Chief Executive Officers.

4.2 Measurement

Review of exporting literature and interviews with some exporters have resulted in 17 sources of information being identified. These are the common sources when Malaysian exporters solicit for information. The frequency of each of the source used by the responding firms to acquire export-related information was measured on a 5-point scale (1=never to 5=always). Responding firms were also required to evaluate the degree of usefulness of the 17 sources of information on a 5-point scale (1=not useful to 5=very useful) to their export ventures. Subsequently, the value of export information was calculated from the multiplication of frequency of information source used and the degree of usefulness of the information source used. Ten statements pertaining to the promotion competencies of the firm were elicited on a 5-point Likert scale, ranging from 1= no improvement to 5 = substantial improvement.

5. Empirical Findings

5.1 Exporters' Profile

At the end of the cut-off date, a total of 141 survey questionnaires were returned out of the 821 questionnaires which were mailed out. Only 104 were usable for the purpose of this study thereby yielding a response rate of 17.2 percent and a usable response rate of 12.7 percent. Approximately 30.8% of the responding firms indicated China as their most significant market, followed by Thailand (23.1%), Indonesia and the Philippines, each with a total of 19.2%, Vietnam (6.7%) and lastly Myanmar (1%). In terms of export experience, approximately 63.5% of the participating firms have been exporting their products to these markets between 6 to 20 years. The responding firms comprise of an equal number of small and medium-sized enterprises (44.2%) and large-sized firms (55.8%).

5.2 Discriminant Analysis

Discriminant analysis was performed to examine the relationship between the information sources and promotion competency. Firms were categorized into high promotion competency firms (n=45) and low promotion competency firms (n=59) based on the median score obtained from the descriptive analysis which was carried out on the promotion competency items. The sample was further divided into two groups based on a 70-30 ratio with the first group functioning as the analysis (for estimation purposes) and the second group forming the holdout sample for validation purposes (see Ramayah et al. 2004; Ramayah et al. 2006). With reference to Table 1, 2 and 3, the predictive accuracy for the model for the analysis sample and holdout sample of each competency was 83.6% and 67.7% correspondingly. Thus, it can be deduced that the responding firms can be classified according to their

competency level, i.e. high competency firms or low competency firms.

From the discriminant function loading, it was discovered that of all the 17 information sources listed, only informal business contacts, MATRADE, business publications, foreign embassies, export training seminars, MITI, SIRIM, FMM and importers of the firms' products were found to rank relatively important in determining the promotion competency level of the firm. The top five information sources that are associated with high competency firms are informal business contacts, MATRADE, business publications, foreign embassies and export seminars (see Table 5).

6. Discussion

Findings from the analysis have discerned the following sources to be effective discriminators of export promotion competency: informal business contacts, MATRADE, business publications, foreign embassies, export seminars, MITI, SIRIM, FMM and importers. Information derived from the above-mentioned sources have been proven to be of much value, useful and effective in helping to build a firm's competency in export promotion, giving the firms an edge over their competitors. Accordingly firms which aspire to excel in promoting their products overseas namely in emerging markets are advised to concentrate on soliciting information from a combination of these sources. However, too often exporters tend to rely more on informal and opportunistic methods of foreign data collection, which comparatively loses out in the scientific rigor that is present in objective information, thereby raising the issue of the relevance, accuracy and impartiality of the data acquired (Leonidou & Theodosiou, 2004). In this manner, finding the right mix of information sources that can successfully provide both objective data and experiential knowledge is compulsory in gaining an all-round picture of the targeted export market and taking the correct marketing actions. Ultimately the right mix of sources will distinguish between the highly competent and the low competent exporters.

To exemplify using the right information mix, exporters can seek out the services of government funded export promotion agencies like MATRADE for participation in trade fairs/exhibitions and trade missions, MITI and foreign embassies for assistance in supplying the necessary international trade statistics. At the same time, person-to-person information gathering from informal business contacts that can help impart some tried-and-tested promotional wisdom and know-how's should not be neglected (and neither should they be depended on entirely). A note of caution though, for exporters planning to resort to the services of more expensive sources such as consultants and international trade agencies, to ascertain the credibility and capability of the sources in providing solid information before hiring them. Despite claiming to be professionals, some consultants have failed to live up to their reputations and failed to deliver the results that their clients are expecting from them. As for other as agencies in the likes of SMIDEC and SMI Help Desk, efforts should be seriously taken to reassess the value of information currently provided and in the process improve in providing truly helpful, significant and more timely information.

7. Concluding Remarks

Over the years, many contributions have either directly or indirectly stressed on the valuable role of business intelligence in facilitating export initiation or expansion. In consequence, relevant and timely information has often been regarded as an important factor in raising the confidence level of export-decision-makers in undertaking foreign marketing – across the whole range of activities (Yaprak, 1985). It is hoped that the findings of this study contribute (if not, just a little) in raising their confidence level of future as well as current exporters especially those in Malaysia as in guiding them to seek for information from the right sources.

Note: Acronyms used in the text

1. MATRADE – Malaysia External Trade Development Corporation

2. MITI – Ministry of International Trade and Industry

3. SIRIM – Standards and Industrial Research Institute of Malaysia

4. FMM – Federation of Malaysian Manufacturers

5. CCI – Chamber of Commerce and Industry

6. SMI – Small and Medium Industries

7. SMIDEC - Small and Medium Industries Development Corporation

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Table 1. Hit Ratio for Cases Selected in the Analysis

Actual group	Category	No. of cases	Predictive group membership	
Low competency	1	40	34 (85.0)	6 (15.0)
High competency	2	33	6 (18.2)	27 (81.8)

Percentage of "grouped" cases correctly classified: 83.6%

Table 2. Hit Ratio For Cross Validation* (Leave One Out Classification)

Actual group	Category	No. of cases	Predictive group membership	
Low competency	1	40	30 (75.0)	10 (25.0)
High competency	2	33	14 (42.4)	19 (57.6)

Percentage of "grouped" cases correctly classified: 67.1%

* In cross validation, each case is classified by the functions derived from all cases other than that case.

Table 3. Hit Ratio for Cases in the Hold Out Sample

Actual group	Category	No. of cases	Predictive group membership	
Low competency	1	19	14 (73.7)	5 (26.3)
High competency	2	12	5 (41.7)	7 (58.3)

Percentage of "grouped" cases correctly classified: 67.7%

Table 4. Comparison of Goodness of Measures

Measure	Value	Hit Ratio for Holdout Sample
Maximum Chance	61.3%	67.7%
Proportional Chance	52.6%	67.7%
Comparison with Hair et al. (1998). 25% higher than proportional chance	65.75%	67.7%
Press Q Table Value		3.841
Calculated Value		3.903*

* $p < 0.05$

Table 5. Summary of Interpretive Measures for Discriminant Analysis

Independent Variable (Sources of information)	Discriminant Loading Function 1 (rank)	Univariate F Ratio	Significance
Informal business contacts	*0.577*	*16.012*	*0.000**\ *
MATRADE[1]	*0.534*	*13.692*	*0.000**\ *
Business publications	*0.510*	*12.478*	*0.001**\ *
Foreign embassies	*0.461*	*10.204*	*0.002**\ *
Export training seminars	*0.431*	*8.917*	*0.004**\ *
MITI[2]	*0.402*	*7.770*	*0.007**\ *
SIRIM[3]	*0.400*	*7.680*	*0.007**\ *
FMM[4]	*0.332*	*5.305*	*0.024*\ *
Importers	*0.305*	*4.464*	*0.038*\ *
CCI[5]	0.269	3.482	0.066
Trade associations	0.263	3.327	0.072
Consultants	0.211	2.132	0.149
Internet	0.132	0.708	0.362
Banks	0.112	0.606	0.439
International research agencies	-0.043	0.087	0.768
SMI[6] help desk	0.027	0.034	0.854
SMIDEC[7]	0.007	0.002	0.961

*$p < 0.05$, **$p < 0.01$