The impact of education and training on export performance of SMEs

Sevdie Alshiqi Bekteshi a*,

a-bc University of Prishtina “Hasan Prishtina”, Faculty of economics, Kosovo

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ABSTRACT

Export is considered a significant aspect of the economy regarding to international trade. Many organizations need to improve their staffs’ capacity towards positive export performance. This enrichment of capacity is done through education and skills-specific training. As indicated by Chugan and Singh (2015), upgrading firms’ dedication towards exporting is one of such advance approach guaranteeing effective worldwide ventures by them. It is fundamental for the organizations to fabricate their dedication regard to exporting with the goal that they can guarantee powerful and productive activities. Chugan and Singh (2015) additionally expressed that the role pretended by the company's administration is essential as effective worldwide operations require experienced and persuaded personnel. A significant measure of work has been coordinated to upgrading export performance. Most of the work has concentrated on the export conduct of firms at a residential level. Similar work into export conduct is additionally developing with multinational comparisons, for example, by Beamish, Craig, and McLellan (1993) and also territorial comparison, for example, that by Kaynak (1992). Beamish et al. (1993) showed that these sorts of contrasts help recognize differences and likenesses in exporting that is related with provincial, national and universal impacts.

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Introduction

While exporting is daily becoming more important and more difficult, it is necessary to understand all the factors involved in the trade. Also, exploring the relationship between managerial characteristics, firm-related variables, and exporting in the course of this research will determine how success in exporting leads to the growth of SMEs. Different measures have been used to evaluate export performance Zou, Taylor, & Osland, (1998). The study aims to empirically investigate determinants of SMEs and their impact of these determinants on export performance. This study will analyze the determinants used within SMEs in Kosovo and the impact of them in performance. The study covers trade, manufacturing, and service sectors. Export performance in this study is measured by the percentage of export share in the total sale. This form of measurement has been selected since it allows to evaluate the involvement of firms in export and also to evaluate how successful the firms are at this way of trading. Through results that are significantly related to export performance, managers can take actions to improve export performance and increase the level of export participation in total sales. Many economies in the world can make economic or non-economic gains based on new relationships with foreign countries from international trade. The significance of measuring ability and preparing exporters in functional universal exchange aptitudes is by, and large acknowledged. As per Beamish (1986) and Ross and Whalen (1999), in his call for Canadian exporters to plan for world business, exhorted that extensive business training has a positive relationship with export performance. Welch and Wiedersheim-Paul (1980) suggested a more active pre-export preparation to generate information about the logistics and potential complication about exporting and not only for foreign markets. This preparation should be in the form of training or education on exports generally. It is also possible to give well-targeted, sector-specific education to existing and intending exporters. This will precipitate positive behavioral changes from the learners and could be a factor in determining whether a firm continues as an exporter or not. In the opinion of Ross & Whalen (1999), international business educators have been called for practical knowledge and international experimental education. Beamish & Calof, (1989); Steier, (1990); Ball & McCulloch, (1993). This result in giving more attention to the measure of exporting that is efficient and which enjoys all forms of support theoretically. Cavusgil and Zou
connect marketing technique and export market performance by showing a significant relationship between advertising procedure and firm attributes as basic export performance determinants. They additionally introduce export marketing procedure as being impacted by the firm, item, industry, and export advertise attributes an approach that can be connected similarly to work into practical export aptitude prerequisites. Piercy, Kaleka, and Katsikes (1998) give a more straightforward linkage between exporting abilities and export rate. Competitive aptitudes in exporting are seen to be one of the principal factors affecting export performance.

**Literature Review**

According to Conant, Mokwa, and Varadarajan (1990) and Matthyssens and Pauwels (1996) opined that the utilization of numerous measurements to conceptualize performance is a truly positive development. The merits and demerits of pitching financial against operational indicators of export performance cannot be overemphasized Venkatraman & Ramanujam, (1986). Hirshey and Wichern (1984) opine "that accounting measures do not reflect the same underlying profitability phenomenon as captured by market measures." The use of several points of reference was proposed by the study of Fiegenbaum, Hart, and Schendel (1996): past versus future and external versus internal. The external reference point involves stakeholders, competitors, and customers, while the internal reference point involves both strategic output and input. Though previous data is only applicable within a stipulated time interval, it may be useful for both comparison and analysis. Present-value measures Barney, (1996) join expected future performance prospects measured right now, and might be suitable to break down long-term result about particularly when an organization is taking tactical activities that might be unfavorable to short-term performance. To measure the growth of a company, effective measures that result in a change in performance indicator is of vital importance, acting as a better predictor of future performance. However, effective measures may help verify progress that might not be generally applicable. For instance, in the initial steps of another action, the comparing of results using the former base might be too little to be significant Calof, (1993). Additionally, when an organization has accomplished a given market position, advance development might be troublesome. In some cases, market development may not be an appropriate metric. Since performance in the future has a significant influence on the performance in the past Bijmolt & Zwart, (1994); March & Sutton, (1997), longitudinal performance pointers may be fitting to obtain such impact. Along these lines, "an individual export venture is effective if the goal/target set are met or surpassed" (Madsen, 1998, p. 82), and must be judged by the individuals who set the objectives, the utilization of both target and subjective measures. Hence, this is in addition to the utilization of relative measures, against some external or internal reference. Based on the adaptiveness, effectiveness, and efficiency of the literature, three perspectives of performance was identified by Katsikes et al. (2000). They are three temporal orientations (historical, current, and future performance). Four frames of references (temporal evolution with time, industry (it's based on the comparison against competitors), domestic (correlation between private performance and export performance) and goals). Three points of view which are customer-focused, internally-oriented, and Competitor-centered. For instance, general firm performance versus contenders or accomplishment of destinations, or saw achievement or fulfillment with the outcomes in general are pointers that appear to catch a bigger picture, and all the while fuse a few imperative viewpoints, other than merely those secured by monetary or market markers alone. Such totaled measurements unequivocally or verifiably weigh and combine different pointers.

It is imperative to study the correlation between the construct of export and its indicator because its performance of is measured best using multiple indicators. In a reflective measurement perspective, it is accepted or thought to be an effect of a latent construct that is underlying. Furthermore, the item used in a formative measurement perspective is assumed or regarded as the effect of a latent construct Bollen & Lennox, (1991); Diamantopoulos, (1999); Diamantopoulos & Winklhofer, (2001). There are significant gaps that exist amongst high and low export entertainers in the ownership of essential aggressive aptitudes in exporting Piercy, Kaleka, and Katsikes, (1998). Working and developing possible help for exportability inquire about that have brought about some push to concentrate on the useful parts of exporting. Kotabe and Czinkota (1992) took a gander at particular export ability competency (which they signified as "export procedural skill") in the whole analysis of the requirements of U.S. industrial firms and the type of government incentives provided. Notwithstanding, they found out that for the more experienced exporters, "the level of their ability is inadequate." However, a comparable shortage of export aptitudes among exporters in the Atlantic and Prairie districts of Canada was reported by the study of Kaynak (1992). Besides, he noticed "a total absence of export firms; a lot of times, this capacity is performed by the local marketing bureau of the organization."

Oddly, the more significant part of the organizations overviewed by Kaynak (1992) had "maintained" export operations with at least ten years of involvement in universal marketing operations. Also, most firms did not effectively build up their export advertise, to some degree amazing discovering given that the organizations unequivocally considered that exporting was attractive and could make an outstanding commitment to their firms. Even though it is not particularly tending to the issue of practical export aptitude significance, Kaynak (1992) reported on exporter view of essential cost contrasts amongst local and export markets and also the impression of real obstacles to export marketing. Expenses related with the offering, pressing and taking care of, shipping, insurance, chance administration, and administrative time required to find clients, arrange sales, and give after-sales benefit were altogether positioned as being higher for exports than local deals. In like manner, credit impediments, cost and quality restrictions, conveyance issues, cargo costs, cash vacillations, and constrained nearby market knowledge were positioned as critical hindrances to export marketing. The higher expenses and more noteworthy saw obstructions related to these practical aptitude regions propose that these organizations would see these practical abilities as essential to their exporting achievement. Some work has straightforwardly
endeavored to recognize the specific ability required to actualize export methodologies. Kedia and Chhokar (1986) studied 96 SMEs the two exporters and non-exporters drawn from an expansive cross segment of foreign enterprises and requesting that they rank 20 export-related aptitudes. Every aptitude was scored as far as seen significance and saw trouble in overcoming. As they characterized their export aptitudes in broad terms, for example, "consenting to government controls," “knowing how to advertise abroad,” and “limiting foreign trade hazard,” the subject of precisely what particular abilities were being measured emerges. Nonetheless, their outcomes demonstrated remarkable contrasts in the apparent significance and capacities amongst exporters and non-exporters a finding reliable with the Kotabe and Czinkota (1992) see that export preparing needs change among exporters in various phases of export advancement. The Batten, Mellor supplement the position that ability prerequisites change among exporters in different aspects of export improvement, and Wan (1993) finding that firm size had the most critical impact on the foreign trade risk administration practices of more prominent Australian firms. Gathering that size was emphatically identified with the complexity of international trade hazard administration, they found that size has an extremely critical effect on the utilization of forwarding contracts, alternatives, money swaps, and prospects.

Then again, Calof (1994) discovered moderately powerless connections between firm size and export conduct thus supported direct estimation of export abilities, resources, and duty of exporting firms when considering export conduct. The above survey proposes that practical ability necessities may change through the phases of export advancement. It is additionally likely pragmatic that exportability prerequisites will fluctuate by target export market. Social mindfulness and flexibility have for some time been perceived as essential parts of worldwide marketing. Czinkota and Ronkainen (1996) present that "cultural fitness must be perceived as a key for management. Changes should be made to oblige the excellent assortment of client inclinations, and work rehearses by developing the capacity to identify likenesses and take into consideration contrasts." The thought that practical expertise prerequisites may likewise shift by the export market is additionally bolstered by the Beamish et al. (1993) finding that "key achievement factors in exporting" are not the same for Canadian and UK firms because of contrasts, in advertising expansion and universal business practices. For the formation of competitive advantage, knowledge is viewed as an awesome resource. However, this view is known as the knowledge-based view, which is widely accepted and it extends and builds upon the firms' resource-based view Penrose, (1959); Barney, (1991); Grant, (1996). Before the use of asymmetric in knowledge, the resource-based view has addressed the difference in performance among companies Hoskisson et al., (2000). Since knowledge is considered as an excellent strategic resource, the knowledge-based view went through further development. A true believe that is dependent on information which is revered as a high-value sort of information and quick for decisions and actions” Prahalad & Hamel, (1990); Davenport et al., (1998). Foreign market knowledge refers to as “the knowledge of business practices and helps in foreign countries, including knowledge related to local culture, politics, society, and the economy” Bilkey & Tesar, (1977); Wang & Olsen, (2002). According to the writings of various theoretical stages of internalization, Johanson & Vahlne, (1997); Knight & Liesch, (2002), the gradual accumulation of knowledge which constitutes a higher intellectual distance was viewed. Besides, knowledge acquisition was identified by research on international entrepreneurship as a significant factor for expanding SMEs into the international stage Swift, (1991); Kuehmerle, (2002). The skill to interact in the mother dialect of people belonging to their global networks is called manager foreign language knowledge.

In foreign markets and in communicating cross-culturally foreign languages, writings on marketing and international management are of significant importance Mcougall et al., (2003); William & Chaston, (2004). The skills of managers of an enterprise to communicate can be improved, and this opens them to unstoppable access to knowledge about the foreign market. However, this knowledge has an important role concerning the internalization of new enterprises successfully. Equipping managers with various business conditions around the globe opens them up to opportunities internationally Knight & Liesch, (2002). An essential resource for internalization is foreign market information; hence this is required by SMEs that have the poor financial capacity and cannot compete with other established companies with emphasis to their experience and resources Yaprap, (1985). The study of Yaprap (1985) on US SMEs firms’ shows that they are knowledgeable about the recent trend happening in the foreign market in regards to exportation compared to other countries who are not involved in exportation.

Furthermore, Chetty and Campbell (2004) stated that of the vital characteristics of global firms is their quick and fast acquisition of knowledge. There is a particular relationship between foreign market information and knowledge intensity with sales growth rate globally in a new technology-based venture in Finnish Lautanen, (2000). Caneiro et al. (2011) set that there is accord that the company's best chiefs assume an essential part in the company's internationalization procedure from the research on the authoritative forerunners of global business enterprise Miesenbocck, (1988); Zahra & George, (2002).

Research and Methodology

The data used in this study were obtained from 500 companies operating in Kosovo. The selected exporting companies represent 100, which made a total sample of 500 companies. The data was collected using a structured questionnaire and face to face interview was conducted with the main managers of the selected companies. The obtained data covered information on business experience, number of employees, percentage of export share in total sale, knowledge on information technology, foreign languages, international experience, marketing, legal infrastructure and fiscal policy. The respondents were asked for degree of agreement with a series of statements on an item measure. The LIKERT scale was introduced and deemed to determine the intensity with which respondents feel about asked questions. The descriptive statistics were calculated to give an overview of the distribution, mean and the standard
deviation of the data set. Internal consistency and reliability analysis for LIKERT scale variables was performed using Cronbach’s Alpha coefficient. In the second stage regression analysis such as linear, probit and tobit models were performed in order to find out the relationship and how other factors considered in the study determine and explain the behavior of a company being engaged in export as well as variation of the percentage of export share in total sale of a company.

**Problem statement**

SMEs can use the different source as a way of training such as consultancy companies, universities, chamber of commerce, a ministry of trade and industry and other institutions or helping centers, in assisting export companies.

Out of total interviewed managers 86.0 % were male. In regard to education, majority (54.3 %) of the main managers have completed bachelor degree, 37.9 % were with master and only 3.2 % with doctoral degree. Around 32.1 % of the interviewed managers stated that they attend training programs regularly. The attendance of training programs was proved to be statistically dependent on the level of manager’s education ($\chi^2=23.50; df=3; p=0.00$). Managers with completed bachelor degree had tendency to attend more training programs compared to those with master and doctoral degree.

![Figure 1: Attendance of trainings according to the education level of managers](image)

In the last decade the knowledge on information technology (IT) has had a tremendous development creating much more complex environment for businesses. Therefore, majority of the interviewed managers’ (57.4%) confirmed that knowledge on IT was highly important for business performance as well as for export. The given statement on the importance of IT knowledge was proved to be statistically dependent on the level of manager’s education ($\chi^2= 41.17; df=6; p=0.00$) and the group age ($\chi^2=68.50; df=6; p=0.00$). Study results has shown that managers belonging to the group of age 20 to 40 had tendency to weight up the IT knowledge to the highest importance (57.4%) which was contrary to the statement given by the managers of group age 41 to 60, where none of them weighted as very important.

![Figure 2: Stated importance on the IT knowledge](image)

About 18 % of the interviewed managers declared that knowing foreign languages was very important for the export of company.
The results of item-total statistics showed that if one item is deleted from data base the Cronbach’s Alpha coefficient will decrease for all LIKERT scale variables included in the reliability analysis, except for infrastructure and financial barriers. The last column of table 26 shows that if foreign language is removed from the data set for LIKERT scale variables the reliability results will increase from 0.799 to 0.834 (Cronbach’s Alpha if foreign language deleted 0.834 - Cronbach’s Alpha coefficient 0.799 = 0.035).

Using data and models

The probit model was performed to find out the relationship between exporting status of the firm and the other explanatory variables presented in Table 2. In the following table the results from the estimated probit model are reported.

### Table 2: Results of probit estimation for initial model and with omitted variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>0.434909**</td>
<td>0.478962**</td>
</tr>
<tr>
<td>Training</td>
<td>1.263148***</td>
<td>1.298775***</td>
</tr>
<tr>
<td>Log-likelihood</td>
<td>-105.35</td>
<td>-110.6780</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.581</td>
<td>0.560</td>
</tr>
</tbody>
</table>

Note: Significance is denoted as follows: *P < 0.05; **P < 0.01; ***P <0.001.

Implication

Development policy should be made towards the added value and growth of competitive competencies of SMEs in the domestic market and the external market, as well as through this process to take facilitating steps in exporting promotional activities. Agency for Supporting Small and Medium Enterprises should coordinate activities to improve the conditions for exporting enterprises by allowing access to public infrastructure. The Ministry of Trade and Industry, working with the private sector and business agencies, should increase the level of investment in technology, use of information technology, raw material supply, research investment, and R&D development to improve the quality of exported products. Support the development and intensification of marketing and research-development activities that would increase the level of innovation in the industry to penetrate into new markets and attract potential customers. The Ministry of Trade and Industry through the cooperation with the trade associations and donors should make the support of exporting enterprises through promotional activities, such as systematic drilling and participation at international fairs for exporters.

Result and Discussion

In Table 1 are presented estimates of probit model for initial model where all variables presented in Table 2 were included and after testing redundant variables were omitted from the initial model. The estimated parameters for age, gender, number of years since the
firm was established, place, price, innovation and financial barriers, all of these explanatory variables displayed negative sign of estimated coefficients and were proved to be statistically significant. Even though many empirical studies showed that older firms have higher probability in terms of exporting goods and services (e.g. EFIGE, 2010), in our study age of firm was not proved to be statistically significant variable. For developing countries with short transition period of time, several studies have related such result to the tendency of state control firms in the past to be less export oriented. Previous employment of manager before starting work at actual firm was positively related but it was not proved to be statistically significant. The estimated coefficient related to the education level of manager displayed a positive sign and it was statically significant at 1% level. This shows that probability of exporting for a company is positively related to the education level of manager. The firm size was shown to be highly statistically significant and positively related, indicating thus the importance of economies of scale in the probability of firm being engaged in export. The positive sign and statistically significant of the estimated parameters related to the attendance of training, knowledge of foreign languages and having international experience from manager of a company increases the probability of exporting. All these three explanatory variables were statistically significant at less than 1% level. The marketing strategy variable also displays a positive sign at 1% level of statistical significance, showing that probability of exporting increases with better marketing strategy from a company. Four other explanatory variables such as promotion, place, price and financial barriers were omitted in the best fitted model as they were not proved to be statistically significant determinants of exporting probability. As it was expected infrastructure was proved to be positively related and statistically important determinant of exporting probability.

Surprising result was obtained in the case of variable for innovation, for which the estimated parameter was negatively and statistically significant determinant of exporting probability. The probit model was further extended into Tobit model. In the probit model we were interested in estimating the probability of a company being engaged in export as a function of a number of variables fitted in the model. In the Tobit model we were concerned in finding out the level (amount) of export by company in relation to specified variables in the model. If a company does not export we do not have data of export share in total sale for such companies. The data were available only on companies who actually export. Therefore, companies were divided into two groups, the first group consisting of 100 companies for whom the information on regress and other regressors were existing and the second group consisting of 400 companies for whom only information on the regressors were available.

Table 3: Results of tobit estimation for initial model

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>z-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>0.257049</td>
<td>0.093147</td>
<td>2.759606</td>
<td>0.0058</td>
</tr>
<tr>
<td>Training</td>
<td>0.792547</td>
<td>0.132184</td>
<td>5.995778</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Table 4: Results of tobit estimation with omitted variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>z-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>0.303714</td>
<td>0.093100</td>
<td>3.262243</td>
<td>0.0011</td>
</tr>
<tr>
<td>Training</td>
<td>0.830558</td>
<td>0.133193</td>
<td>6.235759</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Further, the analysis was extended to a second approach which aimed capturing the export intensity for companies actually engaged in export. In the initial hierarchical multiple regression model the percentage of export share in total sale was regressed against age, gender, previous employment, number of employees, training, IT knowledge, knowledge of foreign languages, international experience, marketing strategy, promotion, place, product, price, innovation, the establishment year of the company, difference from establishment to starting export. While controlling for confounding covariate variables such as infrastructure, financial barriers. The obtained coefficients of the initial regression model are presented in Table 3.

Conclusions

Many variables can be considered to be determinants of the export share in total sale of a company. The empirical evidence from the study has shown that within managerial characteristics education, age, and training were negatively correlated to the company’s export share in total sale. P – value related to these variables education and trainign are 0.488 and 0.331, that means these hypothesis rejected. Eventhough, in many cases, education level has positive relationship with performance in export Sousa, Martinez – Lopez and Coelho (2008). They showed that managers are more successful in exporting when they have higher education level. Most of company benefits from some advantages of staff as educated managers, because educated managers have more experience and are able to apply their knowledge, experience, in planning, organizing and deciding for new opportunities in new export markets. This
positive relation of these variables, educated managers can help companies to utilize and leverage preventing international threats and finding new international opportunities Moghaddam (2013). High level of education is useful and essentials factors in export markets and can influence better export performance because educations of managers have positive effect on total export sales, profits, growth and evaluation of export performance Moghaddam (2013).

References


