



DETERMINANTS OF FIRM EXPORT PERFORMANCE
IN UGANDA

BY

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ABSTRACT

Firm export performance (FEP) has been a subject of research since 1960s. This is because favourable firm performance as a business activity is important not only to the export company but also the national economy. At firm level, good performance brings about company growth through profit re-investment and development of company's facilities and resources. At industry and national economy level, it results in innovation and quality development, government revenue through taxes, employment, and infrastructural developments among others. All these consequently improve livelihood, standard of living of the citizen and economic development in a country. For these reasons, practitioners and academics remain interested in issues of acceptable level of FEP. Practitioners strive to achieve firm export objectives especially objectives of profitability and growth; and academics want to explain the factors and other issues underlying FEP. The available literature indicates that it is not clear what determines acceptable level of FEP. The literature further indicates that knowledge on FEP is fragmented, contradictory, and full of controversies, lacking consensus and the theory on FEP is still at infancy stage of development. Export corporations are reportedly facing challenges in operationalising their export objectives, leading to continued poor performance. Therefore the objective of this study is to examine the literature to identify the determinants of FEP in the context of Uganda, and then to propose a model to gain insight into the dynamics in order to generate new understanding and explanation of FEP. Examination of literature identified export market orientation, export market environment, and organisational learning as independent variables. In addition, export market information system, export market strategy, and organisational innovations capability were also identified as mediators. Quantitative cross-sectional survey was conducted. Self-administered questionnaires were used to collect data from 250 firms in some industries in the export sector. Psychometric analyses covering reliability, exploratory, confirmatory, and validities analyses were performed. Finally, structural equation modelling was used to validate and analyse the hypothesised relationships in the study. The results indicate that the independent variables indirectly relate to FEP. This implies that an export development or promotion corporation needs to invest in implementation and practice of these variables. The key variable that have been empirically identified as determining FEP include export market orientation, export market environment and organisational learning as independent variables; and export market information system, export market strategy and organisational innovations capability as mediating variables. Appropriate implementation and practice of these variables would create competitive edge hence in export firms, hence, improving FEP. This would consequently enable the firms to realise their export objectives, and other economic benefits due to good export performance. In conclusion, from the perspective of Uganda, good FEP is determined by export market orientation, export market environment and organisational learning. These determinants yield better influence through export market information system, export market strategy and organisational innovations capability as mediators.

خلاصة البحث

أصبح الأداء التصديري للشركة موضوع بحث منذ 1960. وهذا لأن الأداء الاجابي للشركة كمنشأ تجاري مهم ليس فقط للشركة و لكن للاقتصاد الوطني. على مستوى الشركة يجلب الأداء الجيد نمو الشركة من خلال إعادة استثمار الأرباح و تطوير مرافق و موارد الشركة. و على مستوى اقتصاد و تصنيع الوطن يجلب أيضا منافع منها الإبداع و تحسين الجودة و الدخل القومي من خلال الضرائب، و الوظائف و تطوير البنية التحتية. و كل ذلك يرفع من مستوى معيشة المواطنين و النمو الاقتصادي للوطن. ولذا يسعى الأكاديميون و الممارسين في هذا الحقل جادين لتحقيق مستويات معقولة من الأداء التصديري للشركة. فهم يسعون لأجل تحقيق أهداف تصدير الشركة و خاصة المنوطة بالربح و النمو حيث يسعى الأكاديميون لشرح العوامل و الأمور الأخرى التي تفوق وراء الأداء التصديري للشركة . و مع ذلك، إن المؤلفات المتوفرة قاصرة في تحديد المستوى المقبول للأداء التصديري للشركة حيث تشير هذه الكتابات إلى تجزأة في معرفة الأداء التصديري للشركة و تناقضات مع عدم إجماع على مفهوم الأداء التصديري للشركة و أن النظرية للأداء التصديري لاتزال في بداية تطورها ، و أن شركات التصدير تواجه تحديات في تنفيذ أهداف التصدير الأمر الذي يؤدي إلى استمرار الأداء الضعيف. و بناء على هذا، تهدف هذه الدراسة إلى تحديد عوامل الأداء التصديري للشركة في أوغندا لتقترح نموذجا لاكتساب نظرة ثاقبة من أجل توليد فهم جديد للأداء التصديري للشركة. و أظهرت الأدبيات أن توجه سوق التصدير، و بيئة سوق التصدير، و التعلم التنظيمي هي متغيرات مستقلة. و أن نظام معلومات سوق التصدير، و استراتيجية سوق التصدير و قدرة الإبداع التنظيمي كلها حددت كوسطاء . و على هذا، تم توزيع استبيان هذه الدراسة لجمع البيانات من عينة بلغ عددها مائتين و خمسين شركة من قطاعات التصدير. و تم إجراء تحليلات تناسب الاستبيان من صدق ثباتها لتحديد أبعاد متغيراتها و تحليل عوامل إثباتها و صلاحيتها. و أخيرا، تم استخدام نموذج المعادلة الهيكلية لاختبار و تحليل فرضيات العلاقات في الدراسة. و تشير النتائج إلى أن المتغيرات المستقلة ترتبط بشكل غير مباشر بالأداء التصديري للشركة. و هذا يعني أن شركة تنمية الصادرات أو الترويج تحتاج للاستثمار في تنفيذ و ممارسة هذه المتغيرات. كما تم التعرف على المتغيرات الرئيسية تجريبيا و تشمل تحديد الأداء التصديري للشركة و توجه سوق التصدير و بيئة سوق التصدير و التعلم التنظيمي كمتغيرات مستقلة؛ و نظام معلومات سوق التصدير، و استراتيجية سوق التصدير و قدرة الابتكارات التنظيمية كمتغيرات توسطة و من شأن التنفيذ المناسب و ممارسة هذه المتغيرات خلق ميزة تنافسية في شركات التصدير، و بالتالي، و بالتالي تحسين الأداء التصديري للشركة. و هذا من شأنه تمكين الشركات من تحقيق الأهداف التصديرية، و الفوائد الاقتصادية الأخرى بسبب أداء الصادرات الجيد. في الختام، من وجهة نظر أوغندا، يتم تحديد الأداء التصديري الجيد للشركة من خلال توجه سوق التصدير و بيئة سوق التصدير و التعلم التنظيمي. هذه المحددات تسفر عن تأثير أفضل من خلال نظام معلومات سوق التصدير، و استراتيجية سوق التصدير و القدرة الابتكارات التنظيمية و وسطاء و نظام معلومات سوق التصدير، و استراتيجية سوق التصدير و قدرة الابتكارات التنظيمية كوسائط.

APPROVAL PAGE

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DECLARATION

I hereby declare that this dissertation is the result of my own investigation, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degree at IIUM or other institutions.

Amandu Yassin Is'haq

Signature.....

Date.....

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

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Dedicated to my family and academic community of IUIU and IIUM

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LIST OF ACRONYMS AND ABBREVIATIONS

Acronyms & Abbreviations	Full Version
FEP	Firm Export Performance
USA/US	United States Of America
IUM	International Islamic University Malaysia
Prof	Professor
UNCTAD	United Nations Conference On Trade And Development
CIS	Common Wealth Of Independent States
CCS	Centre for Chinese Studies
EU	European Union
BOT	Balance Of Trade
UCDA	Uganda Coffee Development Authority
PTA	Preference Trade Area
NAFTA	North American Free Trade Agreement
ASEAN	Association Of Southeast Asian Nations
AGOA	Africa Growth And Opportunity Act
RTA	Regional Trade Agreements
COMESA	Common Market For Eastern And Southern Africa
EAC	East African Community
TBET	Tanzania Board Of External Trade
EPCK	Export Promotion Council Of Kenya
UEPB	Uganda Export Promotions Board
IMF	International Monetary Fund
UBS	Uganda Bureau Of Statistics
SMEs	Small And Medium-Sized Enterprises
SADC	Southern African Development Community
ECOWAS	Economic Community Of West African States
H-O-S	Heckscher-Ohlin-Samuelson Model
MNE	Multinational Enterprise
FDI	Foreign Direct Investment
KFC	Kentucky Fried Chicken
OLI	Ownership Location And Internationalization
LSE	Location-Specific Endowment
OSE	Ownership-Specific Endowment
IA	Internationalization Advantages
U-Model	Uppsala Internationalization Model
RBV	Resource-Based View Theory
UK	United Kingdom
SEM	Structural Equation Modeling
ANOVA	Analysis Of Variance
EMS	Export Marketing Strategy
FCC	Firm Characteristics & Competence
FMC	Firm Management Characteristics
DMC	Domestic Market Characteristics
NEP	Network Export Performance

EXPERF	Export Performance
APEV	Annual Performance Of Export Venture
STEP	Short-Term Export Performance
LDC	Least Developed Country
IICT	Internet, Information Technology, And Communication
EMIS	Export Marketing Information System
EMO	Export Market Orientation
OIC	Organizational Innovation Capability
OL	Organisational Learning
EME	Export Market Environment
MNCs	Multinational Corporations
MD	Managing Director
CEO	Chief Executive Officer
SPSS	Statistical Package For Social Sciences
AMOS	Analysis Of Moment Structures
CFA	Confirmatory Factor Analysis
EFA	Exploratory Factor Analysis
ML	Maximum Likelihood
ADF	Asymptotic Distribution Free
WLS	Weighted Least Square
GLS	Generalised Least Square
OLS	Ordinary Least Squares
MCAR	Data Missing Completely at Random
MAR	Missing at Random
MNAR	Missing not at Random or Non-Ignorable
DRC	Democratic Republic of Congo
KMO	Kaiser-Meyer-Olkin
MSA	Measure of Sample Adequacy
CFI	Comparative Fit Index
RMSEA	Root-mean-square error of approximation
TLI	Tucker-Lewis Index
PNFI	Parsimony normed fit index
AVE	Average Variance Explained
MSV	Maximum Shared Variance
ASV	Average Shared Variance
CR	Construct Reliability
GoF	Goodness of Fit
UIA	Uganda Investment Authority
PhD	Doctor of Philosophy

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Exporting as an economic activity in general and firm business in particular, remains a central element in the modern national economy. Owing to its economic benefits, exporting shapes people's economic worldviews, citizens' standards of living, family lives, economic growth, and politics, in many countries (Adu-Gyamfi & Korneliussen, 2013). In addition, Brad, Ryan and Nick (2013, p.1) state, "Exports have played an outsized role in the nation's post-recession economic recovery." For centrality of exporting in an economy, many countries make concerted efforts to ensure that firms that engage in exporting succeed in their export operations (Leonidou, Palihawadana, & Theodosiou, 2011). Despite such efforts, many firms in different countries do not seem to achieve their planned objectives (UNCTAD, 2013). Failure in achieving such export objectives bears profound economic consequences on the economies. Failure of firms in achieving acceptable levels of export performance has intrigued international business scholars. It appears that poor firm export performance (FEP) is a time immemorial phenomenon.

As a result of this failure, research into FEP issues has been widely sparked off since 1960s (Bilkey, 1979), and all along, the research interest has been sustained as seen in a multitude of publications on this subject. In responding to the growing research interest in the studying FEP, Emami, (2013, p. 15606), states that "Vital role of exporting to the world and countless benefits of export for firms and countries cause the increasing attention to the determinants of firm export performance."

To demonstrate the growing research interest in this field, Leonidou, Katsikeas, and Coudounaris (2010) indicate that in 1960-1979, 43 articles; 1980-1989, 187 articles; 1990-1999, 313 articles; and 2000-2007, 258 articles have been steadily published in a number of referred academic journals on FEP. Yet, notably, this record may not be exhaustive. Despite the tremendous growth in publications and research interest in this field, research findings have been characterized by contradictions, controversies, fragmented details, and lacking consensus on some findings and varied suggestions on the same findings (Leonidas et al., 2010; Leonidou & Katsikeas, 2010; Emami, 2013). Attesting to this characteristic nature of knowledge on export performance, Bilkey stated:

A substantial body of literature has developed on the subject since the early 1960s, but it is so widely scattered and difficult to obtain that few analysts appear to be aware of more than a portion of what has been written. No common model has been developed for the various empirical findings on the export behaviour of firms (Bilkey, 1979, p. 33).

The nature of knowledge development on firm FEP has been, since long, described in such undesirable terms as being uncoordinated and fragmented (Aaby & Slater, 1989; Cavusgil & Zou, 1994; Zou & Stan, 1998); lacking assimilation and synthesis (Leonidou & Katsikeas, 1996); having no consensus on seemingly crucial determinants and measurements of export performance (Zou, Taylor & Osland, 1998); and lacking agreement on conceptualisation and operationalization (Diamantopoulos, 1999). Studies on FEP have continued to be re-echoed, as stated in Emami (2013, p. 15606), that “..... despite numerous published works on determinants of firm export performance, determinants lead to inconsistent and opposing findings”. Additionally, export performance is claimed to be the least understood phenomenon in marketing discipline (Leonidou et al., 2010).

Furthermore, Leonidou et al., (2010) indicate that theory development in export performance is still at early stages; and that most of the researches conducted on export performance seem to concentrate in developed industrial world. In addition, to conclude prudent complete knowledge development that can aid advancement of stable theory that passes the test of time, widening the scope of research in export performance to cover developing countries is desirable. In this regard, future research into FEP needs to comprehensively include experiences and perspectives from the developing world; and other sectors and/or types of the economy, especially agricultural, as opposed to the extant situation – industrial sector only (Leonidas, Leonidou & Katsikeas, 2010). This new position would probably enable informed generalization of findings without fear of contradiction.

Based on characteristics of knowledge on FEP, the literature appears to strongly recommend particular research directions to intervene in what seems to be undesirable developments in the direction of FEP research. In this regard, Aaby and Slater (1989) recommended the formulation of new research questions, re-examine export environment, extend research from the domination of North America, especially United States of America (USA) and Canada, to developing economies. This would encourage cross cultural studies to identify and test more determinants of export performance. In addition, Sousa et al., (2008) and Leonidou et al., (2010) recommended that the impact of domestic market, market orientation, and multi-cultural environment; conduct of research in non-developed world environment; effects of mediating variables; re-examining relationships among determinants and multiple indicators for export performance should be adopted and tested in future research in export business.

As noted earlier, export performance studies date as far back as 1960s, and there exists evidence for continued interest in export performance to date. Despite several studies conducted to identify the factors that influence export performance, very few, if not none at all, have been done to investigate the phenomenon in Africa, especially in Uganda (Cavusgil & Zou, 1994; Leonidas & Katsikeas, 1996; Julian, 2003; Leonidou & Katsikeas, 2010 and Leonidas et al., 2010). This missing link makes knowledge on FEP flawed as there is no empirical perspective a great economic region – Africa.

This study is therefore designed to explore and investigate factors that determine firm export performance with reference to Ugandan export firms - a developing economy. Therefore, the main objective of this study is to review the extant relevant literature to reconceptualise firm export performance from a developing agricultural economy perspective. This entails attempting to develop and empirically test a FEP framework. This would generate a new understanding of firm export operation dynamics, challenges and prospects in such a developing country environment. The following section highlights the picture and trends in firm export performance globally and in Uganda. It also underscores the general importance of a successful export operation in an economy like of Uganda.

1.1.1 Trends in Export Performance in Selected Economic Regions

To gain insight into export performance, it is necessary to examine key selected economic regions of the world. According to the United Nations Conference on Trade and Development (UNCTAD), virtually exports stagnated all over during the last few years (UNCTAD, 2013). This phenomenon was not only observed in developing economies, but also in both developed and transition economies. It is intriguing that

exports from the USA, European Union, Japan, as well as exports from emerging economies have remarkably decelerated in the recent years (UNCTAD, 2013). Generally, this overall downward trend in international business highlights the challenge of how vulnerable developing nations continue to be (WTO, 2013). This is probably an indication of the unfavourable external trade situation over the foreseeable future. Owing to the importance of export trade, this situation suggests a need to understand the dynamics of export operations to improve firm export performance.

A review of export marketing literature on export performance of various major economic regions and categories shows a general trend of weak export performance. The trend, as captured for 2008-2012, indicates that the average of total world export performance takes a downward direction. The totals of developed, transition and developing economies reflect the same phenomenon. The developed world countries considered here include United States of America (USA), Japan, and some European Union (EU); transition economies include South-East European and the Commonwealth of Independent States (CIS) including Georgia; and developing countries include all countries or territories not specified above (UNCTAD, 2013). Table 1.1 presents the current global trends in firm export performance as reflected in regional totals.