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**EXPORT – WHAT CONDITIONS ARE  
NECESSARY  
FOR ENTREPRENEURS TO GO ABROAD?**

Dissertation thesis

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## 1. INTRODUCTION

What are the main factors affecting international trade concerning the attitude of entrepreneurs? What can be done from different sides - both politically and economically - to provide positive influences? The entrepreneurs, their psychological distance and attitude towards exporting, their worries, fears, attitudes and desires are the focus of this study. The external view - on the sensibilities of the entrepreneurs, the available consultancy and service offers as well as the prospects for the foreign markets - are related to each other through the involvement of the trade commissioners.

Derived from the research question - what conditions are necessary for entrepreneurs to go abroad? – and the mentioned topics, the following hypotheses are examined:

1. Exporting to neighbouring markets is seen as the first step in foreign trade.
2. Entrepreneurs recognise globalisation an opportunity for the export business.
3. Entrepreneurs evaluate the opportunities and risks of foreign trade as balanced.
4. Entrepreneurs perceive bureaucracy, taxes and duties as aggravating the export business.
5. Successful exporting-entrepreneurs are pioneers and, as such, are perceived as role models by other companies.
6. Lack of government funding is seen as an obstacle to the export economy.

The study focuses on the Austrian district Burgenland which has 17,000 companies. Nearly 5% of them are engaged in exports, compared to the Austrian average of 10%.

## 2. OVERVIEW OF CURRENT RESEARCH STATUS

Export? Why not? - asked Groke & Kreidle (1967, p. 7) more than five decades ago. Already at that time, they found that foreign market information is one of the most important factors in successful exporting. The "perfect" functioning of the market is, according to Garcia-Parpet, not due to market mechanisms or to an "invisible" hand restored by the application of non-interventionist principles of laissez-faire. Instead, it is the result of the work of a number of individuals who have an interest in the market, and the acceptance by others, who also see themselves as an advantage in keeping to the game. (Garcia-Parpet, 2017, p. 72)

Psychic and cultural distance are two concepts that are widely used in the business

literature. A large number of studies uses the concepts interchangeably with no clear distinction between them. Sousa and Bradley (2006) propose a new model to assess cultural distance and psychic distance separately. According to Brouthers and Hennart (2007, p. 419), foreign market entry is a multilevel phenomenon that plays itself out at the parent, subsidiary, industry, and home and host country levels. Entrepreneurs have individual assets that help them recognize new opportunities and assemble resources for new ventures (Alvarez & Busenitz, 2001, cited in Ruzzier et al. 2007, p. 16). The entry choice is not a decision, which is made at a specific point in time, but rather an iterative process unfolding over time (Pettigrew, 1997).

### **3. OBJECTIVES**

The main goal of the study is to find out what factors are necessary for entrepreneurs to export.

Secondary goals are:

- learn more about the attitude of entrepreneurs concerning export
- inquire about attitude of entrepreneurs to current export promotion measures
- explore export-promoting motifs
- localise obstacles that prevent entrepreneurs from entering into business relationships with foreign partners
- develop advice on export promotion measures for governmental institutions and trade associations
- comparison of the attitude and view of entrepreneurs to experts who know the situation abroad, in that case the trade delegates of the Austrian Chamber of Commerce

### **4. METHODOLOGY AND RESEARCH METHODS**

Quantitative and qualitative methodological approaches were used in conducting a descriptive, exploratory and transversal empirical study, via a questionnaire answered by entrepreneurs, exporters, non-exporters, and trade delegates who advise and support entrepreneurs in export matters, as well as through expert interviews and focus groups in these target groups. Within the study, 10 expert interviews with exporters and non-exporters were conducted. The export activity of two entrepreneurs had been monitored during three years of the study.

Among the topics investigated the attitudes towards exports, the development of the entrepreneur's own firm, export quotas and strategies, the motivation to export or not, possible support and supporters, expectations and plans were in focus. In addition, seven expert interviews were done with employees of the Foreign Economic Department of the Austrian Federal Economic Chamber. The focus of the questions was on the estimation of market potential in foreign markets for Austrian products, the ideal framework for exporting activities, the tension between globalisation and regionalisation, the obstacles in the way of the export economy and areas, which should be expanded to vitalise it. They were also asked for advice for first-time exporters. The results of the survey and the expert interviews with the trade delegates were included in the focus group of entrepreneurs from the field of foreign trade and reviewed in the discussion on their validity and reliability. The questions focused on statistical data, e.g. the branch, export quota, region, the estimations concerning export, the importance of export for their business and recommendations for successful export business.

The web survey, expert interviews and the focus group were selected as research methods. Secondary data provides an important complementary basis for the analysis. The databases and communication channels of the Economic Chamber Organisation were used as a base and secondary data source as well as the analyses of Statistik Austria. The evaluation of the data sets was carried out with PSPP, the expert interviews were analysed according to Mayring.

## **5. RESEARCH RESULTS**

The entrepreneurs, their attitude and willingness to export are the object of investigation, regardless of the industry in which they are active or to which specific destination they want to export or they already have trade relations abroad. In this context, six hypotheses were tested.

### **Hypothesis 1. Exporting to neighbouring markets is seen as the first step in foreign trade.**

The study has shown that, according to the respondents, an export business venture is not considered to be more or less likely to be successful if is not in a neighbouring country. For the future of exports, it is very important that export markets in other countries with high economic growth are also being pursued. Austrian firms should actively engage in those regions, which are better off in economic terms than the

European economic area. As a result, Austrian export promotion programmes are also an overseas priority.

**Hypothesis 2. Entrepreneurs recognise globalisation an opportunity for the export business.**

The recognition of the opportunities of globalisation depend on the branch, the products and the consumer behaviour. One example for the consumer behaviour is the export of coloured muzzles, which can also be ordered online. The less it is stigmatised in the export country that dogs carry muzzles, the easier it is to enter the market. The interviewed entrepreneurs recognise and value the opportunities offered by globalisation, especially in the field of communications, the Internet and transporting.

**Hypothesis 3. Entrepreneurs evaluate the opportunities and risks of foreign trade as balanced.**

The study shows that entrepreneurs perceive the opportunities offered by the export economy.

Entrepreneurs, who say that Austria is integrated well into the international economy due to its infrastructure, see higher opportunities for exports.

**Hypothesis 4. Entrepreneurs perceive bureaucracy, taxes and duties as aggravating the export business.**

The study shows that these items are not seen as main problems. The hypothesis cannot be accepted.

**Hypothesis 5. Successful exporting entrepreneurs are pioneers and, as such, are perceived as role models by other companies.**

Entrepreneurs and trade delegates rated the existence of “Successful Pioneers” as the least motivating suggested drivers for export. The presentation of successful entrepreneurs in the media is not a motivation factor for the export business. On the other hand, the study asserted that successful exporters open up export opportunities for other entrepreneurs and enable them to gain business partners for foreign business. Following this consideration, the hypothesis must be approved.

## **Hypothesis 6. Lack of government funding is seen as an obstacle to the export economy.**

The majority of the trade commissioners rank the importance of subsidy programmes to engage in export as “important”. Entrepreneurs do not attach importance in such a big scale to subsidy programmes.

## **6. DISCUSSION**

The economy of the Austrian district of Burgenland was the focus of this study. As a former Objective 1-Region of the European Union, the economy of this district acts under special conditions. It is important to consider whether the study results obtained are also applicable to other Objective 1-Regions under the same conditions of competition. It would also be interesting to see whether similar results are obtained for other regions that do not benefit from specific support programmes.

### **6.1. Suggestions**

Further studies will be necessary to answer the following questions:

- Are the results also applicable to other regions or countries?
- How much do the findings depend on economic conditions?
- What is the situation in times of recession? And in times of boom conditions?
- How will conditions change in future years and how will this influence the attitude of entrepreneurs over time?

Other countries have different economic characteristics and develop in their own dynamic way. The question is, are the study results also valid for other countries, comparatively in developing countries or in emerging markets?

- How will the further development of the world economy affect things? (aspects of interdependence)
- How do future trends, such as digitisation, influence attitudes towards exporting? (development aspects, forecast)
- Do entrepreneurs in other countries have different needs for their entrepreneurial commitment?
- Do entrepreneurs have the same needs to start exporting? (cultural aspects)



Due to increasing globalisation and the democratisation of travel, there is obviously a shift in psychological distance. It is questionable to what extent the changing travel behaviour affects export volumes and the composition of the exported goods, especially in view of the demographic change of society and the expected trends of the consumers of tomorrow (e.g. emphasis on sustainability of consumer items in relation to international value chains).

Furthermore: Fraudsters are targeting exporters. Does this affect the image of exports? The confidence of entrepreneurs is damaged when the media report stories about attempts to defraud exporting foreign companies. The question is: do such incidents influence the attitudes of entrepreneurs towards beginning exporting?

Information in general, counselling and information services are an important part of the export process, as studies have shown in the past (Aharoni, 1966; Johanson & Vahlne, 1977). In this context, which effects can be achieved with efficient knowledge management and what requirements are necessary to enable efficient knowledge management for companies should also be examined. A further study should clarify whether and to what extent an improvement of the information level would encourage entrepreneurs to export.

In this study, the circumstances concerning the export of goods were investigated. Nevertheless, are the results also applicable to service and knowledge exports? (Transferability of results)

Study results confirm that the exclusion of imports and the singular focus of many past studies on just the role of exports as the engine of growth may be misleading or at best incomplete (Awokuse, 2008, 18). There is a feedback effect between exports output growth and imports output growth (Ramos, 2001, 613). It may be useful to extend the analytical framework used in this study to the topic of import to show the relation concerning the attitude of entrepreneurs concerning import and export. Are entrepreneurs who are active in import business more open to export? Does this circumstance change the attitude or the behaviour in the export business?

One of the two companies, which were accompanied during the study, moved their location to a conurbation at the end of the study period. Further studies are to be carried out to determine whether foreign companies' outsourcing affects their mobility, i.e. whether companies that are successful in export are more likely to migrate to large

cities. In examining the mobility flows of successful export companies, the focus will be placed on the sector and the form of the company, whether commercial or production. Service exports are of growing importance.

In further studies, it is to be clarified whether the assumptions made in this study apply to both goods exporters and service exporters. Further studies will also analyse the motifs leading to the exit from the export business. An increase in the survival rate of new export relations would be conceivable if the reasons for the failure were found. (Stöllinger, 2015, p. 9)

## **6.2. Pro - Confirmation of results from the literature**

Al Halbusi and Tehseen (2018, p. 33) analysed the the importance of the behavioural approach to decision-making concerning Foreign Direct Investments. The present study shows, that their results are also transferable to foreign trade decisions.

Oortwijn (2012) summarises in her studies that the local partner plays a crucial role in entry-level selection. In her view, this is an influencing factor, which has been largely ignored by scientists so far. The present study is a contribution to fill this gap. The results show that establishing relations to local partners is very important to affiliable business contacts, especially in the export area.

Ruzzier, Antoncic, Hisrich and Konecnik (2007, p. 26) concluded after an investigation by Slovenian companies that the rapid globalisation of markets requires that certain firms compete internationally, virtually from the outset. This is also confirmed in the present study of Burgenland's entrepreneurs.

According to Bernard & Jensen (2001, p. 20), state government export promotion has no noticeable effect on export rates.

## **6.3. Contra – rejection of results so far**

The current study has shown that theories that were previously valid, such as the simplified start of export efforts in a neighbouring country as described in the Uppsala model, must be discarded in times of globalisation.

The research has also shown that the opinion and attitude of respondents on certain export-related topics is not guided by objective criteria and that attitudes are always the

subjective view of a situation or a problem. A circumstance that is especially important when it comes to motivating new exporters or entering new markets.

Morosini, Shane and Singh (1988, p. 137) describe how firm age and size relate to increasing commitment in foreign entry. Their findings suggest that researchers and practitioners should incorporate national cultural distance into cross-border acquisition decision-making and research. The present study shows that in times of the Internet and globalisation cultural and spatial distances are no longer perceived as obstacles of entrepreneurs to the same extent as a few decades ago.

Regard to the studies of Sousa and Bradley (2006) who showed that “cultural distance and psychic distance are both concepts are conceptually different. Psychic distance is determined by cultural distance and the individual values of the managers” – Based on the results of the study, the concept can be accepted, but the perception of cultural differences is changing in times of democratisation of travel and the spread of the Internet.

Already more than five decades ago, Groke & Kreidle (1967, p. 7) found that foreign market information is one of the most important factors in successful exporting. The present study has shown that there is still a great need for information. Nowadays, entrepreneurs have easier access to the information and know where to find it.

## **7. CONCLUSION AND RECOMMENDATIONS FOR ACTION**

This work was intended to provide recommendations for institutions, politicians and companies to promote export growth. Measures will only be effective if information and knowledge gaps can be closed, an issue that concerns knowledge of service and consulting offers, information about possible target markets and the communication of intercultural skills. Direct contacts are of particular importance for export promotion, whether by business partners or central authorities.

A change in economic structure entails changes in export behaviour. If one focuses on entrepreneurial personality – as shown in this study – to increase export volume it is of particular importance to put measures in place in the area of the structure and content of service and consulting offerings, as well as in the field of knowledge management and by directly targeting potential or already successful exporters. Non-exporters

consider entry into foreign markets especially if information about the target market, and ways of exporting are made available from institutional or private level and when opportunities for finding new business partners are offered.

The following factors are beneficial for exporting companies concerning the volume of export and the intensity of the export relationship, when entrepreneurs offer their business partners the opportunity to work together with them on international markets.

**Overview of suggested measures to support businesses:**

- Promoting contact between exporters and non-exporters
- Promoting distant markets, outside of the EU
- One-stop-shop for exports
- Export coaching / export coaches / developing a personal contact list of potential exporters
- Personal assistance and support
- Look out for synergies, e.g. sell wine and water

**Measures to develop the structure of the regional economy:**

- Funding business settlements
- Analysis of the potential of possible exporters
- Acquisition of potential exporters
- Encouraging traditional companies
- Support for networking of business partners

In general, it may be said knowledge and networks are the key components for SMEs. Studies in other countries also come to this conclusion (e.g. Siawsurat *et al.*, 2011, p. 66). One important, additional result of this study is that the influence of political framework conditions is evaluated in a varying way. Entrepreneurs feel affected by media reports about political events and trade agreements, once as consumers and again as entrepreneurs. This should be considered in information and communication. Patience and a long-term perspective are important to be successful in the long term, as well as good preparation and strategy. Entrepreneurs must be aware of this.

It must also not be overseen that the provision of temporal and financial resources is necessary.

Furthermore, potential exporters must leave the office. It is necessary to know the specifics of the export market. Export does not happen by accident. Financial and

human resources must be built up in the company. Without any doubt, in order to implement these plans, financing is an important issue. The establishment of a regional service institution costs money, as does the promotion of network meetings or the exchange of information, both online and offline.

This study shows that the entrepreneurs towards sustainable business connections are neglecting the financing of these measures. With regard to communication, it is recommended that the focus is placed on the content of information. Entrepreneurs are aware that the export business creates new opportunities that surpass the risks. As has been shown in this study, a coherent strategy is often lacking. Sustainable networks can be the starting point for the start or expansion of an export business. In the literature, there are increasing numbers of studies advocating deepening studies for the establishment of networks.

One aim of this study is to search for measures to improve the offers for entrepreneurs concerning representations of interests, e.g. the Austrian Economic Chamber. This study shows that trust-building measures are particularly motivating for exports. Better networking, beyond providing services, can be a first step in establishing business relationships abroad.

As this study shows, the personal business contact still plays an important role in confidence building in the process of business initiation, even in the age of digitalisation. Even if production and business processes are changed by means of digitalisation and robot applications, the entrepreneur as the human being is at the core of the decisions. Financial support can contribute to the building, existence and expansion of networks. This study shows that investing in trust-building measures in entrepreneurs is a way of raising awareness that their commitment is likely to be successful. Confidence-building measures relate mainly to the home country, as the influence of the political situation in the target markets is less likely to be borne by entrepreneurs, for example in comparison with the opinion of the trade commissioners who live and work in the export country.

As a conclusion of her study, Köstner recommends the exchange of experiences with people who already have experience with the export country concerned in order to find out about the general circumstances of life, the cultural differences to the home country and the problems that arise. She also recommends co-operation with other companies

from a psychologically distanced export country to reduce the psychological distance. As result of the present study, both recommendations can also be underlined. The same applies to their recommendation to entrepreneurs to participate in international trade fairs as a cost-effective variant of new customer acquisition.

It also considers that foreign stays are necessary to reduce the psychological distance to the export country. The so called “Economic mission journeys” offer efficient possibilities for interested entrepreneurs. The present study also shows that measures are needed to reduce the psychological distance to export markets. Self-awareness concerning the economic performance of their own firm and the nation’s economy in general encourage entrepreneurs to start in new markets abroad. This, however, is counteracted by negative reports such as, for example, on trade agreements, even if the entrepreneur feels - primarily because of their psychological distance from the export country – like a consumer rather than a business owner.

### **Empirical findings at a glance:**

- Entrepreneurs who are aware that their nation is well integrated into the international economy are more optimistic about the export business.
- This study has shown that entrepreneurs who are engaged in exports are more optimistic about their economic future. This is also the result of investigations carried out over the same period with the same target group (Economic Barometer 2017, Location Dialogue/Standortdialog 2016).
- The tension between globalisation and regionalisation can be observed in many countries of the world.
- Entrepreneurs do not consider the political situation as an influencing factor for exports to the same extent that trade commissioners do.
- Above all, when entrepreneurs gain their knowledge from mass media, they are more likely to be affected by changing political situations in neighbouring countries or trade agreements as a private person.
- Entrepreneurs who are already active in the export business see opportunities for further internationalisation and have a disposition to establish new offices with their business partners abroad.
- Trust in business partners and the opportunities created by them in the export business are important key factors for the acquisition of new exporters and the expansion of the export business.

- There is less emphasis on direct promotion programmes for entrepreneurs. Trade commissioners also attach greater importance to other issues, such as currency hedging. This topic is considered more important by the delegates than promotion programmes.

The types of “nudge” interventions that governments are now adopting alter people’s decisions without coercion or significant changes to economic incentives. Benartzi, Beshears, Milkman, Sunstein, Thaler, Shankar, & Galing (2017) conclude that nudging is a valuable approach that should be used more often in conjunction with traditional policies, but more calculations are needed to determine the relative effectiveness of nudging. The export economy supports the chances of economic growth. Further deepening studies that support this trend help to make the economy fit for the future.

## 8. OWN PUBLICATIONS

1. Granabetter, D. (2015), Export between the Poles Globalisation and Regionalisation, Conference Proceedings: 26th IBIMA Conference, Madrid/Spain, IBIMA-Publishing, ISBN: 978-0-9860419-5-2
2. Granabetter, D. (2016), Export between the Poles Globalisation and Regionalisation-using the Case of the Austrian District Burgenland, Journal of EU Research in Business, IBIMA-Publishing, Article ID 900383, 6 pages, DOI: 10.5171/2016.900383  
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5. Granabetter, D.M. (2017), Immigrant Entrepreneurs: A Stimulus for the Export Economy?, Journal of EU Research in Business, IBIMA-Publishing, Article ID 772828, 12 pages, DOI: 10.5171/2017.772828,  
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**Further Conference Proceedings:**

9. Granabetter, D. (2015), Measuring Export Expectations in Burgenland. Using Web Surveys – Limitations and Drawbacks, Conference Proceedings: The 1st International Scientific Conference for Doctoral Students and Young Researchers, Eisenstadt/Austria: University of Applied Sciences, Eisenstadt/Austria
10. Granabetter, D. (2016), Once an Agrarian Country – Always an Agrarian Country: An analysis of export participation in the Austrian district of Burgenland, Conference Proceedings: The 2nd International Scientific Conference for Doctoral Students and Young Researchers, Eisenstadt/Austria: University of Applied Sciences
11. Granabetter, D. (2017), Why do firms (not) export – An analysis of the attitudes to opportunities and risks, Conference Proceedings: The 3rd International Scientific Conference for Doctoral Students and Young Researchers, Eisenstadt/Austria: University of Applied Sciences
12. Granabetter, D. (2016). Trade agreements – A stumbling block or a stepping stone for the small-scales regional economy? An analysis using the example of the Austrian region Burgenland. Conference Proceedings: Europe: Economy and Culture, Sopron, Hungary: University of West Hungary