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EXPORT PERFORMANCE IN INTERNATIONAL BUSINESS

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ABSTRACT

The improvement and retention of the competitive advantage of small and medium-sized enterprises on the international market is directly influenced by the effective application of innovation strategies, high quality products and services, and adequate market orientation. Studying the connection between innovation and export performance is one of the prerequisites for the growth and expansion of small and medium-sized companies on international markets, which also contributes to strengthening their market position. The aim of the paper is to analyze the relationship between innovation and export interpreted through the theory of "self-selection" or "learning by exporting". On the other hand, previous studies have shown that the most important barriers to entering the European Union market for Serbian exporters are the complexity of export documentation, poor organization of the company's export department, poor product design and entrance to export markets, high costs of transporting goods and inadequate promotion of the company on export markets.

KEYWORDS

Export performance, innovation, small and medium enterprises, export barriers

INTRODUCTION

International business can be defined as a set of business transactions that take place across national borders. This broad definition includes very small companies that export or import small quantities of products within the territory of only one country, as well as very large global companies with integrated operations and strategic alliances around the world (Cvijanović, Mihailović, 2012). Therefore, it can be said that international trade represents the turnover of goods, services and rights in which the exchange is carried out between subjects of different countries and that is because the object of purchase crosses the customs line and the territory of the seller's country (export) or the buyer's country (import) and that is based on the concluded international foreign trade agreements (Gilić, Perović, 2013).

International business, i.e. trade, is dominated by the effort to introduce the principle of free movement of goods, knowledge and capital over as large a geographical area as possible. The role of international business in the market is influenced by a number of different factors such as: the socio-economic system as the basis for the economic system (market and planned), the level of development of production

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forces and the division of labor and specialization carried out, concentration in commodity and financial flows, diversification and increase in the volume of consumption, types of products and goods in circulation. The movement towards this goal is imposed by the globalization of the market, telecommunications and information, and is under strong pressure from the most developed countries of the world individually or through regional and international associations and other forms of market linking that have already been carried out (Grandov, 2009). The process of globalization is characterized by the increasing mutual conditionality and connection of the economies of individual countries, as well as their aspiration towards the creation of a single, global market (Marković, Lazić, 2008).

In the conditions of globalization, it is difficult for an individual company to remain outside the flow of international business. With the development of international business, different approaches to the internationalization of companies were also developed. The process of internationalization of companies is a frequent subject of analysis in academic literature, and it is defined as the geographical expansion of economic activities of a country (state) beyond its borders. It can also be seen as a process in which the company carries out its activities, such as e.g. strategy, resources, structure, etc., adapts to the international environment or connects with it by establishing a business relationship with subjects of other countries through integration, expansion or penetration (Ruzzier, Hisrch and Antoncic, 2006). Thus this paper aims to analyze the determinants of export performance of the small and medium-sized enterprises (SME) sector, as well as to provide insight into the interrelationship between export performance and innovation in SMEs.

LITERATURE REVIEW

The internationalization of the company through export marketing means the internationalization of the market function of the company, and the basic characteristic of export is the transfer of products to the world market while maintaining production in the country. Export includes the development of business activities in those markets, the establishment of a marketing organization, the realization of business transactions, the transportation of goods to selected markets, the management of documentation, etc. (Đorđević, 2005). It is necessary that the strategy of appearing on international markets has as a basis methods of market selection as well as products for those markets, which are based on a system of collecting, processing and distributing information about export markets. It is also necessary that the performance strategy contains information on the structure of demand in the selected markets, which includes answers to the questions for which products need promotion in relation to their placement on a certain market, as well as to which markets the products should be exported (Vesić, 2010).

When a company selects a specific market (country) based on research and analysis, it must determine the best way to enter that market. Each market entry strategy implies a certain commitment, control, risk, but also the potential for profit (Kotler and Keller, 2006). In addition to increasing sales revenue and profit, increasing market share is considered an important goal of marketing activities in export performance. It is much easier for a company to develop with the growth of the market than to increase its participation in the existing market, especially if it does not have a favorable strategic position at the start (Milisavljević, 2010).

Rakita (2005) states that export represents the fastest, most widespread and simplest form of internationalization of a company or its entry and operation in a selected international market. One of the approaches to internationalization is the network approach, according to which internationalization is defined as the process of establishing and building relationships with partners in a horizontal and vertical chain abroad. In this way, a network of business relations is formed and developed on an international scale and the advantage of joint collection of relevant information is gained, and thus access to a wider base of knowledge, resources and abilities, which affects the improvement of competitiveness on international markets and the acceleration of the process of internationalization (Cavusgil, 1980).

The role and importance of international trade in the economic life of every country is great and is reflected in the following:

- in supplying the domestic economy with products that it cannot produce or does not produce in sufficient quantities to satisfy domestic consumption,
- contributes to the world division of labor, and thus to the reduction of production costs, and facilitates the movement of capital and
- increases competition and prevents the creation of monopolies and the deformation of commodity prices.

Due to the great importance of international trade for the economic development of the country, the nature of business, the riskiness and political sensitivity of any international business - this activity is subject to control in all countries and is carried out in accordance with the concept of the economic system (Grandov, 2009).

In order to develop and improve production and international trade, it is necessary to have capable entities that will be their carriers. Subjects in the international economy are divided into:

- those who directly perform production and international business – production and service companies,
- those who perform financial operations – banks, stock exchanges, investment funds and insurance organizations i
- those who determine economic conditions with a system of economic instruments – states and state administration bodies, including international institutions (Unković, 2007).

Two opposite groups of companies operate on the international market today – very large, such as multinational and transnational companies, and small and medium-sized companies. The role of transnational companies is of particular importance in international trade because they influence the volume of international trade by concentrating a large part of world production. However, this activity is not limited only to production because with their power and activity they influence not only the position of domestic companies, but can also influence the overall political and economic structure of the domestic state (Vukadinović, 2005). Despite the fact that the experiences of developed market economies show that transnational companies play a decisive role, the world market offers great opportunities and plenty of free space for successful export and other forms of international business for small and medium-sized companies (Todorović, 2007).

Both in production and in consumer goods, every society has a certain structure of needs. Needs, i.e. consumption, are met partly from domestic production and partly from imports. Also, part of domestic production is consumed in the country, and part is exported and sold to consumers in other countries. Based on the above, the conclusion is reached that "import represents a part of national consumption (work tools, raw materials, consumer goods) that is satisfied by the purchase of foreign goods", and "export represents a part of national production that is sold to foreign entities (non-residents) in with the aim of meeting certain of their needs" (Unković, 2010). Import and export represent an integral part of the relationship in the social reproduction of every country, regardless of its economic structure, level of development and the social system it develops. Exports show which products and industries have comparative advantages, while imports show which domestic industries are uncompetitive or insufficient to meet the needs of consumers on the domestic market. It is very important that every country has a continuous and stable export orientation and that it represents a necessary factor of development. On the other hand, it is necessary to take care not to fall into great dependence on other countries when importing. It is concluded that it is necessary to maintain a balance and to combine import and export policies well in order to contribute to growthproductivity, standard of living, employment and income (Unković, Kordić, 2015).

There is a certain relationship between the market structure and the way companies behave. The market structure, determined by the conditions of supply and demand, shapes the behavior of sellers and buyers, which affects the bottom line performance. Companies strive to find a defensive position in relation to the competition. In order for them to succeed, it is necessary to create a competitive advantage. In order for a company to operate successfully both on the domestic and international markets, it is necessary to achieve certain results on the market - sales volume, sales growth, competitive market share and strength of market position (Milojević, 2011).

In order to achieve good results on the international market, it is also relevant to establish quality relations with participants on the international market, i.e. with consumers/customers and industrial customers. It is necessary to fulfill the basic marketing goal of the company, to ensure an increase in sales and profits in the long term by satisfying the needs and wishes of consumers. The consumer should be in the center of attention because information about consumer behavior and their satisfaction is a real basis for planning the company's marketing strategies, such as product differentiation, setting up an adequate product mix, etc. (Novaković Rajčić, 2005). Before deciding to buy, the consumer gathers information about a certain product, and often about its manufacturer, and it is of great importance that the manufacturer has a positive reputation in order to leave a positive impression on the consumer, creating trust and facilitating his purchase (Salai, Jovičić, 2010). Customer satisfaction has a very large impact on retaining and attracting new customers. The cost of losing customers usually exceeds the cost of efforts to improve their satisfaction. Loyal consumers or consumers who repeat purchases represent the most profitable group of consumers, and their satisfaction is achieved with relatively small marketing efforts, which enables high profitability (Ljubojević, 2002). Therefore, special emphasis in the work is placed on consumer perception related to product quality, retention of regular and acquisition of new customers, and their satisfaction.

STUDIES ON EXPORT PERFORMANCE

The complexity of business expansion to foreign markets, in the first stages usually through export, requires new competencies and new knowledge of employees. In addition to the numerous requirements of international business, they are also more complex organizationally. In order for companies to adequately respond to consumer demands, they need to constantly innovate their products and services. New products and services are not only the result of the technological innovation process, but also the impact of intangible resources in the company.

The innovativeness of the company was seen as a very important driver of international business back in the 60s of the last century. The impact of innovation on exporting companies has been the subject of many studies (Van Beveren, Vandenbussche, 2010; Roper, Love, 2002) in which the existence of a positive relationship between innovation and export has been proven. Vapa-Tankosić, Vapa (2017) point out the actuality of the dilemma citing two generally accepted positions in the literature: innovations that stimulate exports ("self-selection" theory – Figure 1) or, on the other hand, exports stimulate innovations ("learning by exporting" theory - Figure 2).

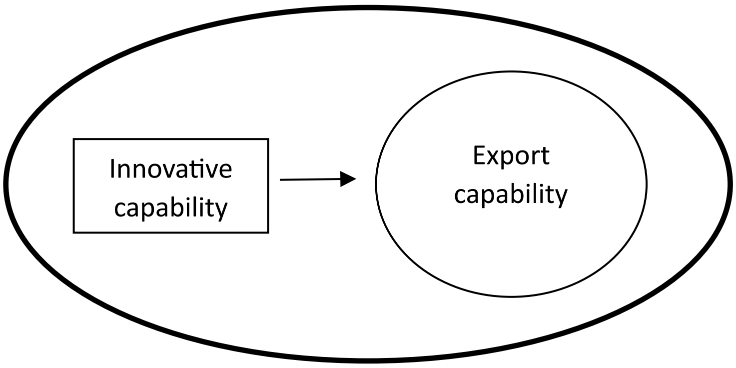

Figure 1. Graphic representation of the theory of self-selection
Source: Vapa-Tankosić, Vapa, 2017.

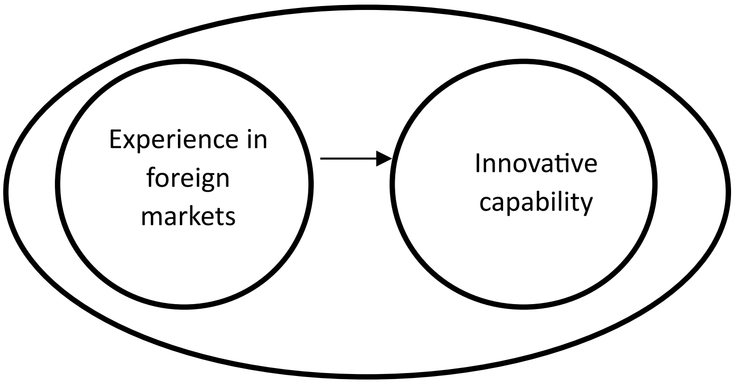

Figure 2. Graphic representation of the theory of learning by exporting
Source: *Vapa-Tankosić and Vapa, 2017*

Certainly, learning through export, through increased interaction with partners and customers on the foreign market, contributes to increasing the competitive advantages of small and medium-sized enterprises. On the one hand, the improvement of export experience and performance on the foreign market has a direct impact on innovation. On the other hand, innovative companies have a significant export competitive advantage. Thus, in the research conducted in Serbia, the connection between export and innovation was shown. It was established that (Cerović, Mitić, Nojković, 2014):

- exporters introduce a greater number of innovations in all segments of the marketing mix compared to companies that do not export,
- exporters, compared to non-exporters, develop all categories of new products more often, starting with the improvement of new products and ending with the creation of new products for the foreign market and
- a greater number of exporters are more successful than non-exporters in introducing new products compared to direct competition.

Analyzing the types of innovations in the Republic of Serbia, it is observed that the participation of innovators is greater in manufacturing than in service companies (Kokeza, 2016). Also, the success of international export business, the definition and implementation of an adequate export marketing strategy dominantly depend on human resources, their knowledge, competences and abilities (Mitić, 2014).

In a study on export performance in a reduced sampling frame of 49 SMEs with the majority of firms that have answered the questionnaire were clients of Development Bank of Vojvodina in Novi Sad and Serbian ECA (AOFI, Belgrade) and classified as SMEs with up to 50 employees with a turnover less than EUR 2,5 m and balance sheet total less than EUR 1 million (Vapa Tankosić et al., 2015). After a descriptive analysis the following results were obtained.

The results from the Table 1 indicate that the exporters consider the ineffective national export promotion programmes (As=4.27), red tape in domestic public institutions (As=4.00), lack of government assistance in overcoming export barriers (As=3.98) and the existence of a strong international competition (As=3.82).

Table 1. Export Barriers values

Export Barriers	Mean
Ineffective national export promotion programmes	4.27
Red tape in Serbian public institutions	4.00
Lack of government assistance in overcoming export barriers	3.98
Strong international competition	3.82
High transportation costs	3.37
High cost of capital to finance exports	3.33
Insufficient information about overseas markets	3.18
Inadequate promotion in export markets	3.18
Inability to self-finance exports	3.04
Complexity of export documentation requirements	3.04
Lack of competitive prices	2.69
Lack of education on foreign currency exposure products	2.53
Difficulty in meeting importer's product quality standards	2.33
Lack of "experts" in export consulting	2.29
Lack of personnel qualified in exporting	2.00
Ineffective communication with overseas customers and language barriers	1.98
Poor product design and style for export markets	1.92
Poor quality in export packaging	1.90
Poor organization of firm's export department	1.84

Source: Vapa Tankosić et al., 2015

Once again, the crucial role that the government can play in the development of successful export activities, this finding gives credibility to the importance of those studies focusing on the appraisal of public policy programmes for export promotion (Kotabe, Czinkota, 1992; Seringhaus, 1986; Seringhaus, Botschen, 1991). On the other hand, the results suggest that the exporters consider their staff to be qualified for the exporting arrangements (As=2.00), to have effective communication with overseas customers with no language barriers (As=1.98), that product design and style for export markets is satisfactory (As=1.92), of proper quality in export packaging (As=1.90) and that the export department organization is absolutely satisfactory (As=1.84).

Table 2. Export Strategy values

Export Strategy	N	Mean
Company has set export goals for export operations	49	4.02
Company has in the last three years increased the number of export products	49	3.86
Company has identifies target countries as part of the export strategy	49	3.65
Company has good resources and knowledge on gathering information and promotion on foreign markets	49	3.63

Source: Vapa Tankosić et al., 2015

CONCLUSION

SME sector is of great importance for the economy of the entire country. Access to financial resources and the relationship with the financial sector as a whole is of key importance for the SME sector. For the most part, most countries in transition have accepted that SMEs are an essential part of economic reforms. The transition to a market economy has a strong connection with the development of the private sector, and especially with SMEs, which play a major role in the reform process.

The competitive advantage of SMEs on the foreign market can be contributed by the effective application of the strategy of incremental innovation, high quality of products and services, as well as focusing on specific markets (Vapa et al., 2018). The strategy of continuous incremental innovations achieves the advantage of SMEs, which is reflected in flexibility and adaptation to consumer demands in a fast and efficient manner. Continuous improvement of production through innovation ensures that these companies achieve a competitive advantage over their rivals on the market, and achieve positive business results.

An important prerequisite for the realization of this strategy is the availability of quality and trained workforce. The superior quality of products and services can to a certain extent level the price competitiveness of large enterprises based on the effects of scale. One of the most effective ways to retain consumers and ensure their loyalty is precisely the high quality of the product. Focusing companies on certain export markets is a very important strategic move that can improve their competitive advantage. Further study of the connection between innovation and export is one of the preconditions for the better positioning of SMEs on the international market.

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