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## **Problems of Exporting: A Study of Australian SMEs Exporting to Asia\***

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### **ABSTRACT**

There is a dearth of research endeavours in identifying impediments as well as factors responsible for the success of Australian SMEs exporting to Asia. Using a qualitative research method, this study identified a range of impediments and success factors. However, a number of perceived key impediments such as exchange rate fluctuations, political volatility and costs of production were not considered important by respondents. Similarly, some important success factors were not mentioned by the respondents such as overcoming cultural barriers and long-term commitment possibly reflecting their lack of awareness and preparation in the face of potential problems. Overall, the study has created a platform for future research on the promises and pitfalls of exporting activities to Asia for a developed economy country such as Australia.

**Key words:** Australia, Asia, SMEs, Exporting activities

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# Problems of Exporting: A Study of Australian SMEs Exporting to Asia

## INTRODUCTION

For Australian firms, Asia is a destination with enormous market potential (Fitch 1988; Edwards 1996; Dowling, Liesch, Flint, As-Saber, Chan and Innes 2000). In the year ended March 2000, Australia exported A\$47,280 million (US\$27,000 million) worth of merchandise to ASEAN, Japan, Taiwan, Republic of Korea, India and China which accounted for more than half of the total Australian exports of A\$90,858 (Australian Bureau of Statistics 2000).

Nonetheless, exporting is considered to be a complex phenomenon (Daniels and Radebaugh 1998) with firms facing an array of impediments while engaged in exporting activities. Australian exporting firms are no exception (Australian Bureau of Industry Economics 1990; Dowling, et al. 2000). It is important for firms to be aware of the various impediments and their impact on exporting activities. Although numerous studies have been done focusing on this vital issue, there is a lack of research that investigates impediments faced by Australian firms exporting to Asia (Dowling, et al. 2000).

This study utilises qualitative research methods to explore the impediments faced by Australian small to medium sized enterprises (SMEs) when exporting to Asia. A range of measures to overcome these impediments is also taken into consideration.

## **AUSTRALIAN SMEs EXPORTING TO ASIA: AN OVERVIEW**

Exporting activities are considered to be critical to the wellbeing of the Australian economy (Hughes, et al. 1989; Barrett and Wilkinson 1985; Australian Department of Industry, Technology and Commerce 1987, 1992). Australian merchandise export for the year ended March 2000 were A\$90,858 million (Australian Bureau of Statistics 2000). Despite a slight increase in the export figure compared to the previous year, exports still lagged behind imports. Unlike other industrialised countries, export growth, as a proportion to GDP, has not increased over the last few decades. This emphasises the need for Australian exporting firms to stimulate export growth through the use of appropriate strategies (Hughes, et al. 1989).

Although traditionally Australia's exports have predominantly consisted of primary products, a diversification of the composition of Australian exports has steadily been taking place (Conlon 1988; Hughes, et al. 1989; Australian Manufacturing Council and McKinsey & Co. 1993; Australian Bureau of Statistics 2000). As it is becoming increasingly important to consider both primary and manufactured products, the Australian government and business community are putting more effort into improving their competitiveness in both sectors in order to ensure the growth of future exports (Australian Manufacturing Council 1989). Any study that ignores this diversification would only reflect a partial scenario of Australia's export potential.

In recent years, SMEs have been playing a significant role in international trade worldwide (Bonaccorsi 1992; Coviello and Martin 1999; Hahti, Hall and Donckels 1998). These firms are increasingly becoming important to the Australian economy and the make up of Australian exports (Australian Department of Industry, Technology & Commerce 1992;

Australian Manufacturing Council and McKinsey & Co. 1993; Philp 1998). However, few studies have been done on the exporting activities of Australian SMEs, as the primary interests of researchers appear to be confined to large firm activities (Coviello and Martin 1999).

As exporting is considered to be a complex process, firms are likely to face numerous impediments while engaged in the various exporting activities (Daniels and Radebaugh 1998, Dowling, et al. 2000). A study by the Australian Bureau of Industry Economics (1990) identified a number of impediments, including: difficulties in competing on quality, price and costs, access to distribution networks, lack of local market information, exchange rate fluctuations, host government import barriers, waterfront and other transport-related delays, and difficulties in after-sales service. In addition, cultural differences between Australia and the various export destinations may also result in impediments to exporting (Australian Department of Foreign affairs and Trade 1995).

There are also a range of factors that influence the success of an exporting firm. The importance of identifying the determinants of success in the context of exporting firms is already well-recognised (Cavusgil and Zou 1994; Beamish, Karavis, Goerzen and Lane 1999; Naidu and Prasad 1994), although with few exceptions, research in an Australian context is lacking (Evangelista 1994; Dowling, et al. 2000).

In recent years, Asia has emerged as an important export destination for Australian firms with more than half of Australia's merchandise exports destined for Asia (Fitch 1988; Australian Bureau of Statistics 2000). Many Australian companies have already extended their presence into the various Asian markets through exporting. ASEAN countries, in

particular, are extremely important with respect to Australia's merchandise trade. According to Edwards (1996: 23), "ASEAN is a more significant trading partner for Australia than Australia is for ASEAN. In 1994, ASEAN was seven times as important a destination for Australian exports as Australia was for Asian exports".

## **METHODOLOGY**

Quantitative research is primarily concerned with hypothesis testing or other statistical analyses collected through surveys or experiments and theory derived from quantitative research methods is usually causal and deductive (Burrell and Morgan 1979). The research conducted in this paper aims to build theory without consideration of existing relationships and hypotheses and therefore lends itself best to a qualitative research philosophy. In addition, when building theory the consideration of multiple cases is particularly advantageous as this allows for theory development at a higher level and provides a basis for the theory to be empirically grounded (Eisenhardt 1989). Data were collected from multiple face-to-face interviews conducted over several months during the late 1995 and early 1996. Interviews foster open relationships between the researcher and respondents that help achieve insights into the issues relevant to the research investigation (Denzin and Lincoln 1994). The interview protocol was composed of both structured and unstructured segments. In addition to using a structured questionnaire, respondents were asked to indicate their own views with respect to the various impediments to exporting in Asia and how to overcome them. Primarily, open-ended questions were asked during the unstructured interview process. This technique allows for maximal flexibility in generating both expected and unanticipated responses (Denzin and Lincoln 1994; Eisenhardt 1989). All interviews were recorded aurally to facilitate post-interview analyses and information validation. In most cases respondents were key senior personnel, predominantly chief executive officers.

The sample for this study was sourced from the commercially available Australian Exports Database on CD-ROM, published exporter guides from state government trade development departments, and telephone directories. Over 5000 firms were identified of which 71 were selected for in-depth qualitative interviews. Three criteria were used to select firms for this study: country of export destination, industry grouping, and exporting firm's home-country location. In addition, firms must have been exporting, or had exported, to Asia (excluding New Zealand, Papua New Guinea, and India) in the twelve months prior to the time the study was conducted.

Three industry categories were used to both facilitate inter-industry comparisons and to increase the generalisability of results beyond a single industry category. To increase systematic variation in the data, two growth industries (aquaculture and horticulture) and an established industry (processed foods) were chosen. Funding constraints restricted the study primarily to the exporting firms based in Tasmania and Victoria.

## **SAMPLE CHARACTERISTICS**

The three predominant export destination were Japan (38.0%), Singapore (18.3%) and Hong Kong (12.7%) followed by Indonesia (7%), Taiwan (3%), China (2.8%) and Korea (1.4%). For the remaining 11 firms (15.5%), various other Asian destinations were considered to be the dominant countries of export. These results are summarised in Table 1.

**TABLE 1**  
**Dominant Country of Export**

<b>Country of Export</b>	<b>Frequency</b>	<b>Percent (%)</b>
Japan	27	38.0
Singapore	13	18.3
Hong Kong	9	12.7
Korea	1	1.4
China	2	2.8
Taiwan	3	4.2
Indonesia	5	7.0
Other Asian	11	15.5
Total	71	100.0

Of 71 firms, 14 were in the Aquaculture industry, 19 in Horticulture, and 38 in Processed Foods. These results are summarised in Table 2.

**TABLE 2**  
**Industry Representation among Sample Firms**

<b>Industry</b>	<b>Frequency</b>	<b>Percent (%)</b>
Aquaculture	14	19.7
Horticulture	19	26.8
Processed Food	38	53.5
Total	71	100.0

Among the firms interviewed, all but 8.5% of firms were ‘Small to Medium Enterprises’ (SMEs) as defined by the Australian Bureau of Statistics. A distribution of firm size by number of employees appears in Table 3.

**TABLE 3**  
**Firm Size Measured by Number of Employees**

<b>Total Full-Time Employees</b>	<b>Frequency</b>	<b>Percent (%)</b>
1 to 19	37	52.1
20 to 99	22	31.0
100 to 499	6	8.5
500 or more	6	8.5
<b>Total</b>	<b>71</b>	<b>100.0</b>

To be classified as an SME in Australia, a firm must have less than five hundred employees - a criterion which is consistent with that used in Europe and North America. For the sake of generalisability, a small number of larger firms (8.5%) were also taken into consideration. Among the sample firms, a substantial number of firms had more than 20 employees (47.9%). However, the median value for the number of employees is 19, indicating that firms interviewed in this study are generally small in size, this supports the focus of this paper upon small to medium-sized enterprises.

Among the responding firms total export sales are reasonably widely distributed. 22 firms indicated an annual sale ranging between A\$1,000,001 and A\$5,000,000 each, while another 25 firms earned A\$1 million or less each. The remaining 22 firms earned in excess of \$5 million each. The median class for total export sales was A\$1 million - A\$5 million. A distribution of export sales of firms in this study is presented in Table 4.

**TABLE 4**  
**1995 Total Export Sales (A\$)\***

<b>Total Export Sales</b>	<b>Frequency</b>	<b>Percent (%)</b>
\$0 - \$250,000	11	15.5
\$250,001 - \$1,000,000	14	19.7
\$1,000,001 to \$5,000,000	22	31.0
> \$5,000,000	22	31.0
<b>Total</b>	<b>69</b>	<b>97.2</b>

\* 2 (2.8%) firms retained sales information as confidential



The percentage or the ratio of export sales to total sales is a frequently used measure of export intensity (Dalli 1994; Cavusgil and Zou 1994; Hoang 1998). Firms with higher export intensity are more likely to place greater emphasis on export operations because of the relative importance of export sales to the firm's overall sales proceeds. Table 5 categorises the firms in this study into three classifications based upon their export intensity.

**TABLE 5**  
**Importance of Exporting to Firms as Measured by Export Intensity\***

Export Sales / Total Sales	Frequency	Percent (%)
0-30%	28	39.4
31-60%	14	19.7
61-100%	27	38.0
Total	69	97.2

\* 2 (2.8%) firms retained sales information as confidential

Of a total of 71 firms interviewed, two did not provide information regarding export sales/total sales ratio. Among the remaining firms, 27 had export sales greater than sixty percent of total sales, highlighting the importance of exporting to those firms and their relevance to this study. A total of 14 firms indicated a ratio of export sales/total sales between 31% and 60%. The remaining 28 firms had an export intensity ratio of 30% or less.

## FINDINGS AND DISCUSSION

The structured questionnaire was only used to gather information regarding firm-specific characteristics, while the open-ended questions were utilized to gather qualitative information. The constant comparative method (Glaser and Strauss 1967) was employed to identify and establish the prevalence of emergent themes in the respondents' narratives. The responses, therefore, are perceptual in nature. The respondents were not asked any leading questions. With respect to the two major concerns involving exporting (impediments and

success factors), they were asked two open ended questions: (a) what were the impediments (if any) they faced while exporting to Asia? and (b) what, according to them, were considered to be the success factors in exporting to Asia? Accordingly, the findings of the study are two-fold. First, it identifies a set of impediments faced by Australian SME while exporting to Asia. Second, it has elucidated on a range of success factors that could be used to overcome these impediments.

### **Impediments to Exporting Firms**

Barriers to exporting in this category were focused primarily upon country-specific differences and difficulties in overcoming these differences. As respondents were asked an open ended question on whether they faced any difficulties while exporting to Asia, the emerging response set indicates only the number of mentions in each of the categories. Accordingly, each firm is capable of having more than one response, or no response at all. The nature of this ‘impediment’ classification meant that the 6 different categories of impediments mentioned were beyond firm control or at best marginally controllable. The prevalence of these impediments is presented in Table 6.

The most common impediments elicited using the qualitative interviewing were Australian federal government support, prohibitive Australian regulations and freight costs. The following discussion will provide some insights into a range of impediments identified by the respondents. These are presented in six different categories (see Table 6).

***Category 1: Transportation*** Transportation is considered to be one of the major impediments to a firm’s exporting activities (Hill 2000; Jeannet and Hennessey 1998). In the Australian context, respondents have identified two transport-related factors: freight

**TABLE 6**  
**Prevalence of Export Impediments\***

<b>Impediments</b>	<b>Number of Mentions**</b>	<b>%</b>	<b>Ranking as per the Frequency of Responses</b>
<b>1. Transportation</b>			
Freight Costs	10	14.1	3
Waterfront Conditions	3	4.2	8
<b>2. Overseas Regulatory Environment</b>			
Overseas Regulations	8	11.3	4
High Tariff Barriers	6	8.5	5
Non-Tariff Barriers	3	4.2	8
<b>3. Australian Regulatory Environment</b>			
Prohibitive Australian Regulations	11	15.5	2
Lack of Federal Government Support	13	18.3	1
<b>4. Supply factors</b>			
Inconsistent Flow of supply	6	8.5	5
Quality of Supply	1	1.4	10
<b>5. Time Dimension</b>			
Length of time required to prepare	2	2.8	9
Length of time required to establish	4	5.6	7
<b>6. Cultural Environment</b>			
Cultural Barriers	4	5.6	7
Cultural Tastes	3	4.2	8
Cultural attitudes of the Asians	5	7.0	6
Australian Attitudes	4	5.6	7

\*Open-ended data

\*\*Each respondent may have provided more than one suggestion

costs and the competitiveness of the Australian waterfront. As Australia is an island nation, these are perceived to be the two primary concerns for Australian exporters (Australian Economic Planning Advisory Council 1990; Australian Manufacturing Council 1989).

Freight costs are critical to exporting and relate to the situation where the exporter directly attributes an impediment to exporting as coming from the freight charges in transporting goods to overseas markets. Respondents put considerable emphasis on the importance of freight costs. As an impediment, this factor was the third most prevalent response. Despite a relatively close proximity of Australia to its Asian neighbours, freight-related costs appear to be a notable impediment to Australian firms exporting to Asia.

Nonetheless, these results were obtained prior to the recent stevedore's dispute in Australia that has resulted in a reduction in union labour on the waterfront, and it is likely that freight costs have reduced since this domestic labour dispute. The predominant representation of firms from Tasmania and Victoria may also be responsible for the high role of freight costs as an impediment, as firms in these states are geographically more isolated. Tasmania, in particular, has a less developed transport infrastructure than other Australian States. Also, coast to coast freight costs within Australia (e.g. from Hobart to Sydney) are very high when compared internationally (Australian Manufacturing Council 1989).

Another transport-related problem identified by some respondents was related to waterfront conditions. Despite recent reforms resulting in a reduction in union labour, the Australian waterfront is still known to be relatively inefficient compared to its major regional competitors, such as Singapore. A study conducted by the Australian Manufacturing Council (1989) found that one multinational company with plans to invest in a multi billion dollar undertaking in the Asia Pacific region choose to establish a plant in Singapore instead of Sydney because of their unsatisfactory past experience regarding the reliability of Sydney as a port. Respondents, however, did not put much emphasis on this factor. Only three responses were registered for this issue, making it one of the least important impediments.

***Category 2: Overseas Regulatory Environment*** The legal environment in a foreign market is extremely important to any sort of international marketing activities (Usunier 2000). In addition to tariff and non-tariff barriers, it may include matters such as the approvals by the local authority and the signing of formal contracts according to the local legal requirements. Respondents identified three such impediments faced by Australian

companies exporting to Asia. These include overseas regulations, high tariff barriers and non-tariff barriers.

With respect to overseas regulations, the respondents referred to the difficulties associated with the approval procedures and health and quarantine checks. One respondent mentioned:

It is not easy to get an approval from the Thai government to export something to Thailand. There are many other restrictions imposed by the Thai authorities which are often difficult to overcome.

There were eight firms that mentioned this problem which made it the fourth most recognised export impediment. This result is consistent with the findings of a survey conducted by the Australian Bureau of Industry Economics (1990).

High tariff barriers are generally perceived as a major impediment to exporting activities (Hill 2000; Usunier 2000; Mahoney, et al. 1998). In the context of this research, this factor refers to responses by exporters who specifically mentioned the difficulty in overcoming tariff barriers while entering into an Asian market. A total of 8.5% of responses identified this factor to be an impediment making it the 5th most important factor. One of the respondents made the following remark about one important Asian destination, Indonesia:

...They (Indonesia), in some instances, have import tariffs up to 40 percent. This can make the price of the product so inhibitive that most of the local consumers cannot even afford to buy it.

Non-tariff barriers (NTBs), such as quotas, subsidies and administrative practices of the importing nation could become significant impediments to a firm's exporting activities (MacCormack, et al., 1997; Hill 2000). However, respondents did not put much emphasis on these impediments. Only three responses were received from the Australian exporters that indicated the negativity of this factor.

***Category 3: Australian Regulatory Environment*** As indicated by the respondents, Australian regulatory environment is comprised of two major components: the lack of federal government support and prohibitive Australian regulations. There were 13 and 11 mentions of these factors respectively making them the 1<sup>st</sup> and 2<sup>nd</sup> most negative factors. It is interesting to note that the respondents were very critical of the role of the Australian government.

With respect to prohibitive Australian government regulations, respondents primarily addressed the issue of Australian government requirements for exporting firms. One of the respondents mentioned:

We are required to submit heaps of information and documentation before we are given approval. We also need to sign a form which is not easy to fill in. It is a waste of time and energy. It increases the level of pressure on the exporter as well.

Lack of support from the Australian federal government is the number one impediment as indicated by the respondents. It is important to mention here that government ancillaries such as the Australian Trade Commission (AusTrade) and the Department of Foreign Affairs and Trade (DFAT) are said to assist Australian exporters in various ways. In addition, since the 1970s, there have been at least two important government initiatives in order to support Australian exports internationally: (a) the export market development grant (EMDG) scheme (introduced in 1974) to help promote products into a new export market and (b) the export expansion grant (EEG) scheme (introduced in 1978) to support already established exporters. However, the EEG scheme was scrapped in June 1983 (National Export Marketing Strategy Panel 1985). It is interesting to note that despite the presence of these government endeavours, respondents considered government support of their activities insufficient. Most of the respondents in this category were highly critical of the

inefficiencies and bureaucracy involved in the process of receiving assistance from the government.

From these results, it is clear that much work is needed to reduce the bureaucracy that impedes the operations of Australian exporting firms. Australia's own government is perceived to be a bigger impediment to exporting for Australian firms than governments from the country of export destination (see category 2). Ironically, the existing literature does not show much support for this factor as most of the publications in this area are either written or sponsored by Australian government agencies (eg., Australian Bureau of Industry Economics 1990; Australian Department of Industry, Technology and Commerce 1992; Australian Economic Planning Advisory Council 1990; Hughes, et al. 1990).

***Category 4: Supply Factors*** Two supply-related factors were identified by the respondents: inconsistent flow of supply and the quality of supply. Both of these factors are related to either the input of the product or the product itself. These have long been considered to be a problem for Australian exporters (Australian Bureau of Industry Economics 1990).

Inconsistent flow of supply, in this respect, relates primarily to the agricultural products which Australian companies export to the overseas markets. At times, the supply of specific agricultural products (e.g., fish or fruits) depends on a particular season of the year and this seasonal variation could impede the firm's exporting activities. In addition, the continuity of exporting activities often depends on other independent suppliers of inputs or raw materials within and outside Australia. This supply chain does not always provide necessary inputs and raw material on time. Because of constraints such as coast-to-coast shipping within

Australia and transportation from overseas, the supply chain becomes expensive as well as time-consuming. A total of 8.5% of respondents mentioned this factor as an impediment, making it the 5<sup>th</sup> most negative factor.

Quality of supply is another concern. It is argued that because of the perishable nature of some Australian exports, it is difficult to maintain quality of supply. In addition, sometimes the quality of ingredients or raw materials imported from the various overseas markets is not reliable which may impact on the quality of the product. Nonetheless, this problem was identified by only one respondent making it one of the least important impediments.

***Category 5: Time Dimension***

This includes the length of time required to prepare for exporting (including the selection of a strategy) and the time needed to become established as an exporter in a foreign market. According to the respondents, both aspects are time consuming. However, there were only two mentions regarding the long preparation time compared to four with respect to the long establishment period. This scenario is not uncommon in the international marketing environment. Both preparation and establishment are important components of export marketing. It is likely that a firm will take considerable time to address these issues. Future success of an exporting firm relies considerably on the efficient management of these factors (Hill 2000).

***Category 6: Cultural Environment***

Culture is important to companies active in any kind of international marketing activity (Fletcher and Brown 1999; Hill 2000; Usunier 2000; Gibson 1995; Lee and Jang 1998; Piercy, Katsikeas and Cravens 1997). However it is not easy to understand a foreign culture and act accordingly. As Asian culture is markedly different to Australian culture, it is likely that Australian companies will find Asian culture



difficult to understand and vice versa. This was reflected in the responses of some Australian firms. The respondents identified four different factors within the cultural environment that negatively impact upon their performance while exporting to Asia. These include cultural barriers, cultural tastes, Asian cultural attitudes and Australian attitudes.

Cultural barriers, in general, mean the various components of culture that tend to impede the smooth functioning of exporting activities. Various cultural dimensions as illustrated by Hofstede (1980) indicate the intricacy of cultural differences across nations. Nonetheless, only four responses were received with respect to this factor. In this research context, the respondents identified three issues that impeded their exporting activities to some extent. These include different languages, religion and social structure. With respect to language, one of the respondents mentioned:

Difficulty in understanding a different language can be disastrous. Although on most occasions, they speak English, it is often impossible to understand the meaning of the expression because of different accent and inappropriate use of specific terms.

In many Asian countries, it is not the task of the younger managers to contribute to important company decisions. This is reflective of Asian social hierarchy and stratification. One respondent made a comment about the Asian attitude towards the role of elders in their society:

Delegations out here (Australia) from Japan are comprised of the old cronies – they are almost on their bloody walking sticks when they get here, and here they are making a judgement about whether to eat meat pies.

Tastes and preferences of the local customers play an important role in international marketing. Failure to meet this requirement is often a major impediment to export success (Karafakioglu 1986; Kaynak and Kothari 1984; Mahoney, et al. 1998; Hill 2000; Fletcher and Brown 1999). Three respondents identified this problem. All of these respondents were

from the food processing/meat industry. They specifically indicated problems such as different food habits and the implications of religion on the consumption of specific food items.

Asian cultural attitudes were perceived to be a significant impediment to export performance. Five Australian firms indicated that they were not comfortable with some Asian cultural attitudes, such as a lack of emphasis on contractual obligations, low importance given to time deadlines, and the frequent incidence of bribery.

Four respondents indicated that they believed Australian cultural attitudes and beliefs were responsible for the lack of success of many Australian exporting firms. This is reflected in the following comment made by one of the respondents:

Because most of our people (in Australia) have a very comfortable life, they don't want to work hard. They also want to earn quick money without offering sufficient effort. On the other hand, people from Europe, USA and Japan work really hard on producing and marketing a product. This eventually contributes to their competitiveness with respect to higher quality and lower costs.

***Missing Factors?*** During the study, a number of important factors were not rated as important by the respondents. These factors include exchange rate fluctuations, political volatility, demand conditions, costs of production (producing in a relatively high-cost location such as Australia and exporting to the various low-cost locations in Asia) and the impact of regional groupings (e.g. ASEAN). This reflects the ignorance or indifference of many Australian SME exporters regarding some of the important segments of the international marketing environment. These firms may suffer from unpreparedness because of such ignorance or indifference.

## Success Factors

There has been an array of literature focusing on the factors contributing to successful export performance (Evangelista 1994; Fitch 1988; Louter, et al. 1991; Cavusgil 1993; Madsen 1989; Aulakh, et al. 2000). In this study, an attempt has been made to come up with a list of such factors based on the perspective of respondents. Similar to the interview process maintained in the previous section, open-ended questions were asked to collect data on the various factors responsible for the success of Australian exporting firms in Asia. On the basis of responses from the participating firms, four categories of success factors were identified. These are research endeavours, relationships, finance and quality and control. These are shown in Table 7.

**TABLE 7**  
**Frequency of Firm Success Factors while Exporting to Asia\***

Success Factors	Number of Mentions**	%	Ranking as per the frequency of Responses
<b>1. Research Endeavours</b>			
Market Research	20	28.2	1
Industry Research	1	1.4	10
<b>2. Relationship</b>			
Choice of a Good Overseas Agent	16	22.5	2
Personal Contact	7	9.9	5
Close Relationships with Local Agent	3	4.2	9
<b>3. Finance</b>			
Financial Capital	12	16.9	3
Importer's capacity to Pay	6	8.5	6
<b>4. Quality and Control</b>			
Quality/Control in General	8	11.3	4
Product Quality	8	11.3	4
Service Quality	1	1.4	10
Price Control	4	5.6	8
Supply Control	5	7.0	7

\*Open-ended data

\*\*Each respondent may have provided more than one suggestion

The three most prevalent success factors across four categories were identified as market research, choice of a good overseas agent, and access to financial capital. Market research reduces uncertainty when conducting business in overseas operations and is valuable in

determining the appropriate marketing mix (Cavusgil 1984, 1993; de-Wilde and Simpson 1988) and good overseas agents aid in effective distribution which is also important in export operations (Cavusgil 1993; Bonaccorsi 1994; Hart, Webb and Jones 1994; Aaby and Slater 1989; Miller, Becker and Crespy 1993; Cavusgil and Zou 1994), while the need for financial capital is the focus of many government assistance programs such as Austrade's Export Market Development Grants Scheme (EMDG), International Trade Enhancement Scheme (ITES), and the Australian federal government's assistance through the Export and Finance Insurance Corporation (EFIC). The maintenance of products/services quality and the control of price and supply were also given considerable emphasis by the respondents.

***Some Concerns:*** As mentioned earlier, the need for cultural understanding and its positive effect on a firm's export operations is well established in the extant literature (Gibson 1995; Lee and Jang 1998; Piercy, Katsikeas and Cravens 1997). Despite this recognition, both in the literature and by the firms surveyed in this study, no mention was made by respondents of steps taken to address this concern. Strategies for reducing cultural distance in order to improve business relationships were not mentioned explicitly by firms in this study, although the relatively small size of most firms examined in this study may preclude the allocation of resources to address this concern.

Another concern is with respect to long-term commitment in the export market. Some respondents identified long preparation and establishment time as impediments as opposed to recognising the need for long-term commitment in the export market. The attitude of the responding firms, in this respect, seems to be centred around earning a quick profit from the potential market. This appears to be inappropriate, especially in the Asian market where establishing a long-term relationship precedes any successful business deal (Lasserre and

Schütte 1999; Fletcher and Brown 1999). A study by Wilkinson and Barrett (1987) on the 1996 Australian Export Award winners found that long-term commitment was one of the dominant characteristics of the award winning firms.

## **CONCLUSIONS**

Despite the importance of Asia to Australia's exporting activities, there has been a dearth of research endeavours on various problems and success factors faced by Australian companies. This paper overviews these aspects in relation to Australian firms' exporting activities to Asia. Using a qualitative approach, this paper makes an attempt to identify the prevalence of the various impediments and success factors as recognised by the respondents. During the study, six different categories of impediments were identified and the extent of their negativity was discussed. The three most important impediments identified across six categories were the lack of support from the Australian federal government, prohibitive Australian regulations and freight costs. Ironically, the respondents considered the Australian government a bigger barrier to exporting than the governments of their Asian counterparts. However, a number of perceived key impediments such as exchange rate fluctuations, political volatility and costs of production were not given any emphasis by the respondents. These findings to some degree reflect the lack of awareness and/or preparation of many Australian SME firms exporting to Asia.

The study also identified four categories of factors responsible for the success of Australian firms exporting to Asia. The three most significant success factors across these four categories were identified as market research, the choice of good overseas agents and access to necessary financial capital. Despite the fact that cultural barriers and the time required for preparation/establishment of exporting activities were considered to be impediments by the

respondents, no suggestions were made by the respondents with respect to overcoming these problems. The lack of awareness and preparation of many Australian SME firms are reflected in these perceived potential problems. Overall, the study has created a platform for future research on the promises and pitfalls of Australian SME exporting activities to Asia.

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