

FACTORS THAT AFFECT THE PERFORMANCE OF EXPORTATIONS ON PYMES: AN EMPIRIC OBSERVATION

INTRODUCTION

This presentation contains the methodology and results of an investigation applied to a group of Costarrican companies located in the province of Cartago which have been categorized as small and medium size companies by the Economy, Industry and Commerce Ministry in Costa Rica according to the guidelines of the country.

The conditions that define the modern global environment suggest the presence of a dispersing effect that is known through the new technologies, these provide small and medium size companies the option to improve their productivity levels and create new job positions as well as to penetrate new external markets. Besides, new information technologies have acquired a growing importance and they have had an important impact in the demand consumers have for personalized products which are common for these companies. Besides, the new products and production techniques in important areas of the industry have replaced existing companies creating as well new spaces for small and medium size industries. PYMES have taken many of these spaces and also the usage of different strategies in innovation field has helped improve their efficiency and it has helped them remain in the global markets.

In this document there are some hypothesis related to four categories or factors known as: Managerial Abilities, Marketing Strategies, Financial Factors and a generic category called Other Factors. To sustain this study, there is also included every aspect such as Methodology in which factors such as sampling source, the methods used to collect data, Data Subject, Type of Investigation, and the Questionnaire are well explained, there is also information regarding Population under study, Subject under Study, Type of Investigation and the procedure used to tabulate and analyze the results. After this, the results are studied under the terms explained in the Methodology utilizing tools such as frequency distributions, liability tests, variance tests and the factorial analysis.

KEY WORDS: COMPANY INTERNATIONALIZATION, EXPORTER PYMES.

NATURE OF THE STUDY

Costa Rica has signed free trades with several countries like Mexico, Chile, Dominican Republic, Panama and Nicaragua, and recently through a national survey the Costarricans have approved the free trade between Costa Rica and the United States of America (CAFTA). The actual Government stimulates the development of the exporting activity as one of the most important roles of companies and small and medium size companies are already discovering that international markets can become an opportunity to raise their operation levels which can come to favor the economic growing of our country.

In a first investigation study there was a review of the pertinent literature and a large group of elements was found by many authors, according to them, these elements or

factors help stimulate or restrict the development of the exporting activities, for this investigation, every discovery was classified into four factors to be called:

- a) Managerial Abilities, these gather those characteristics related directly with the managerial activity and the cultural perception the companies have towards the exportation activity.
- b) Marketing Strategies, is included in this section every activity related to commercializing and planning strategies including also information regarding markets, consumers and the possibility to compete in a global environment.
- c) Financial Conditions, this includes all those elements related to quantity variables for example the resources, costs and prices.
- d) Other Factors, here there is any other element that by its nature is not possible to classify in any of the previous categories.

Chart 1: Factors that affect the performance of exportation on PYMES.

MANAGERIAL SKILLS	MARKETING STRATEGIES	FINANCIAL CONDITIONS	OTHER FACTORS
<p>Lack of interest and imagination in the executive employees of small and medium size companies.</p> <p>Little interest to export.</p> <p>Worries for the day to day problems.</p> <p>Not ambitious, too cautious and busy men.</p> <p>Passive attitude from the managers.</p> <p>Administrative apathies towards the exportations.</p> <p>Lack of understanding of the international business.</p> <p>Understanding of the international commercial practices.</p> <p>Little interest in developing procedures to export.</p> <p>Worries only for the local market.</p> <p>Wrong perception that local products are not profitable outside the country.</p>	<p>Diversify the market of the company.</p> <p>Knowledge of the goal market for the company products.</p> <p>Insufficient knowledge about the sale opportunities in other countries.</p> <p>Lack of connections in other countries.</p> <p>Inappropriate distribution of the products.</p> <p>Identify the opportunities in the outside market.</p> <p>Appropriate representation in the international markets.</p> <p>Clear and efficient selection of distributors.</p> <p>Insufficient information about the markets.</p> <p>Difficulties distributing products.</p> <p>Appropriate promotion of the products.</p> <p>Customer Service.</p> <p>Small customer's database.</p> <p>Difficulty increasing promotion activities.</p> <p>Difficulty to accomplish dead-lines.</p> <p>Inappropriate post-sale service.</p> <p>Difficulty locating and dealing with commercial agents outside the country.</p>	<p>Financial Insufficiency.</p> <p>Obtaining economic funds to start exporting.</p> <p>High costs transporting and distributing the products.</p> <p>Problems matching the prices with the competitors.</p> <p>Enable credit to buyers.</p> <p>Unable to control prices due to the market share.</p> <p>Impossibility to identify opportunities due to absence of investors.</p> <p>Exchange rate</p> <p>Absence of finance to exportations.</p> <p>Absence of finance for productive expansions.</p> <p>Unable to equal disadvantages with smaller prices.</p> <p>High tax patterns.</p> <p>Dispatch costs.</p> <p>Stability of the economy and politic environments.</p>	<p>Training.</p> <p>Investigation roles.</p> <p>Company structure.</p> <p>Production abilities</p> <p>Laws outside the country.</p> <p>Market conditions.</p> <p>Custom operations</p> <p>Customs barriers.</p> <p>Logistic</p> <p>Difficulties supplying high volume orders.</p> <p>Technology improvements.</p> <p>Country image.</p> <p>Registration of brands and names of the products outside the country.</p> <p>Difficulty to meet the technical specifications.</p> <p>Quality of the RAW MATERIALS</p> <p>Over supplied local market.</p>

Source: Recompilation based on the literature investigation from the first study

Hypothesis

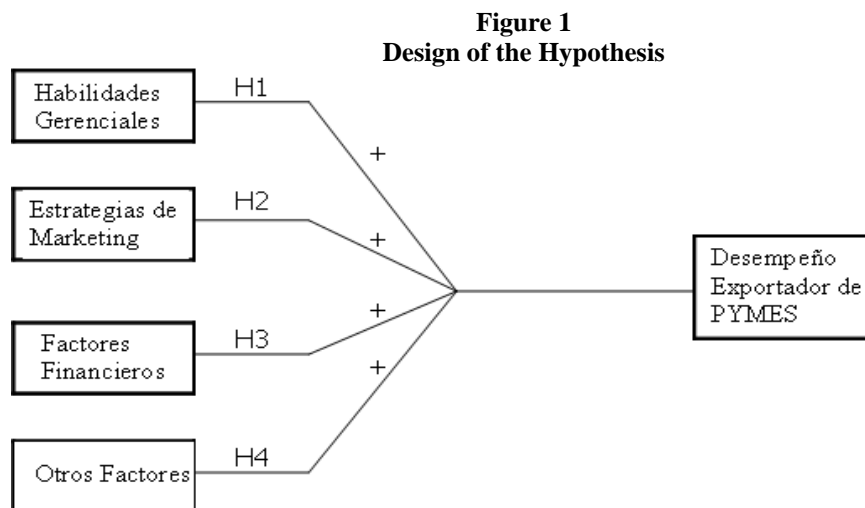
Due to the results found in the first investigation project and in order to be tested in the Costarrican market, the following hypotheses are formulated:

H1: The Managerial Abilities affect positively in the performance of the exporter in small and medium size companies.

H2: The Marketing Strategies affect positively in the performance of the exporter in small and medium size companies.

H3: The Financial Factors affect positively in the performance of the exporter in small and medium size companies.

H4: Besides the Managerial Abilities, Marketing Strategies and Financial factor, there are some other relevant aspects that affect in a positive way the performance of the exporter in small and medium size companies.



Source: Own elaboration based on the items of the first work of investigation.

In this study a questionnaire was applied to a representative group of small and medium size Costarrican companies from the province of Cartago to process the results and evaluate the previous hypothesis using the aid of the tool called SPSS

Objectives of the Investigation

Taking as reference the information found in the first bibliographic investigation this study takes the following objectives

a. General Objective

To determine the factors called Managerial Abilities, Marketing Strategies, Financial Conditions and Other Factors that affect positively or restrict the exporting performance of the small and medium size companies to September 2006 in the province of Cartago, Costa Rica.

b. Specific Objectives

- ✓ To detail those Managerial Abilities that influence in a positive way the exporting performance of small and medium size companies also known as PYMES.
- ✓ To analyze the marketing variables that influence in a positive way the exporting performance of small and medium size companies, PYMES.
- ✓ To identify the financial factor that influence in a positive way the exporting performance of small and medium size companies, PYMES.
- ✓ Determine the profile of the small and medium size exporter company in the province of Cartago taking into account information such as locating information, exporting data, and general information from each one.

METHODOLOGY OF THE INVESTIGATION.

This section includes details regarding the methodology applied to obtain the information and the procedure to conclude the objectives.

Variables of this investigation:

This study is an exploring type of investigation, to help get related to the problem and identify the most important variables, to recognize different ways of action and to obtain with certain accuracy ideas and knowledge in a situation where both are needed.

To determine the sampling source a registration of small and medium size companies has been used, it was issued by PROCOMER and MEIC, a questionnaire is been created and the managers were gathered in a seminar activity about marketing for exporters to obtain information, also the questions were sent over the Internet and asked over the phone as well; the managers had the information available on their screens and they responded the questions to the researchers. The person responding the questions was the one in charge of the exportations and this instrument had seventeen questions divided into six sections.

Statistics

The population under study was defined as all those small and medium size exporting companies located in the province of Cartago by September 2006. As the subject under study, it belongs to a small or medium size exporting companies located in the province of Cartago by September 2006, registered in PROCOMER and MEIC. As the data subject it is the General Manager of the company, the Exportations Manager and the Marketing Manager or the person in charge of the exportation process. In the province of Cartago, the total of companies meeting these expectations are 134, from these, 57 were selected to apply this study to.

The type of probabilistic sample selection is called "Systematic Sample including replacements" systematic sampling using replacements. First a random number is chosen from one to fifty, then that subject is chosen from the list and so on with the rest using the K- th element.

RESULTS OF THE INVESTIGATION

Several activities were developed these were qualitative and quantitative as well to obtain the necessary information to evaluate the hypotheses proposed in this study, some of these were the frequency distributions, the liability analysis and the factorial study as well. The following are the results and relevant analysis to be mentioned.

CONSISTENCY WITH THE ITEMS PROPOSED.

It's important to establish if the items considered on each of the general variables are consistent with the rest in order to be used as a reference when concluding about the effect whether positive or negative on the exporting performance of the studied PYMES, the consistency means the accuracy with which each item measures the nature of each variable, to understand this more clearly, each item that belongs to Managerial Abilities needs to demonstrate to be fully related with this term, this is to establish if they all really affect PYMES.

Coefficient "alpha" was used to establish the consistency mentioned above between the items of the three variables defined in this study: Managerial Abilities, Marketing Strategies and Financial Conditions.

Managerial Abilities.

The scale to measure Managerial Abilities was made with 12 items, the results of the liability test in SPSS indicate, after changing and deleting, the coefficient alpha of 0,8508 and achieving the following liable items:

Chart 2: Reliable Factors from Managerial Abilities

RELIABLE FACTORS
Much interest to export.
Active attitude from the managers.
Attitude towards risk expecting guarantees of success from exports outside the country.
Large knowledge of international business.
Understanding international commercial practices.
Excessive interest in the development of processes to export.

Source: Information created based on the statistics

In other words, these are to be understood as the group of items which represent the Managerial Abilities variable.

Marketing Strategies

The scale to measure Marketing Strategy was made with 16 items, obtaining an Alpha of 0,8479 and achieving the following reliable items:

Chart 3: Reliable Factors from Marketing Strategy

RELIABLE FACTORS
Right location of opportunities outside the country.
Appropriate representation in the foreign markets.
Clear and efficient selection of distributors.
Sufficient information about the markets.
Proper promotion of the products.
Excellent Customer Service.
Large Database with potential clients.

Source: Information created based on the statistics

These are to be understood as the group of items which represent the Marketing Strategy variable.

Financial Conditions

In the case of Financial Conditions, 14 items were considered and the liability test found an Alpha of 0,7684, although, the reference Alpha is to be less than 75% as recommended in the consulted literature, this scale needs to be reevaluated. The items that are kept are the following:

Chart 4: Reliable Factors from Financial Conditions

RELIABLE FACTORS
Financial insufficiency
Conditions to obtain funds to initiate Exportations
Low costs transporting and distributing
Problems matching the prices with the competitors
Access to credit to buyers.
High control over prices due to high market share.
Inability to identify opportunities due to the absence of financial resources.
No funds for exportations.
Excess of funding for productive expansion.
Impossible to compensate disadvantages with a lower Price.
Low dispatch costs

Source: Information created based on the statistics

These are then the items from Financial Condition that statistically best represent this variable.

ANALYSIS OF THE VARIANCE TO THE FACTOR CALLED SECTOR.

In this study companies from different sectors were considered, and it is required to identify if among the answers there is, if any, a difference that makes a reasonable doubt about the congruence and precision of this variables. A variance analysis is practiced to it to determine if there is any difference with the behavior among the average. The sectors were the Industrial, Commercial, Services, Agricultural and Agro Industrial.

Managerial Abilities

The analysis for all variables was executed, the homocedasticity which is defined as the guarantee that all answers have no difference among all the sectors according to ANOVA was accomplished by all sectors of this scale.

In the statistical event of Levene, there are significances not lower than 0.01, this allows to accept the null hypothesis that the variances between the groups are equal, understanding then that the answers in the diverse sectors are equal and therefore the answers tend to be more credible due to the answers not reflecting any difference that make doubt on the clarity of the answers.

Market Strategies.

For the scale Market Strategies, the test of Levene indicates that to a 1% of confidence level the item called OCHOA (Sufficient information of the markets) rejects the null hypothesis that the variances between the groups are equal; this is the reason why they must be fit in a later analysis.

According to the study of the ANOVA for the items that do not require adjustment it was found that in all of them the null hypothesis is accepted, the averages of the groups by the factor "sector" are equal.

Financial Conditions.

The test of Levene for the set of liable items associated to the financial conditions shows that again only the item NUEVEB (Excess of financing for productive expansion) gives such a low probability to mistake when rejecting the null hypothesis (0,009) that we must reject the possibility that the variances are equal and apply a later transformation of the variable in order to apply the ANOVA.

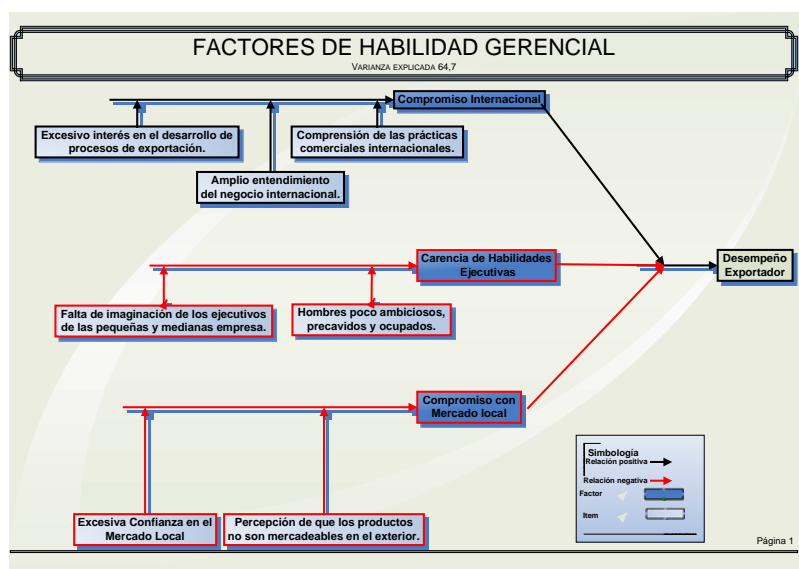
COMPOSITION OF THE VARIABLES

Factors.

The analysis of bivaried correlation, reveals that certain items are strongly associated with others, with the objective to reduce the data to significant dimensions so they could be used as factors in later analyses, main components were applied to explore the dimensions of the factors that affect the exporting performance of the Pymes.

The intention to use this technique was to determine the smaller possible number of dimensions that represent the maximum proportion of the total variance of the data, with this objective a set of factors were statistically defined.

Figure 2: Factorial structures Managerial Abilities

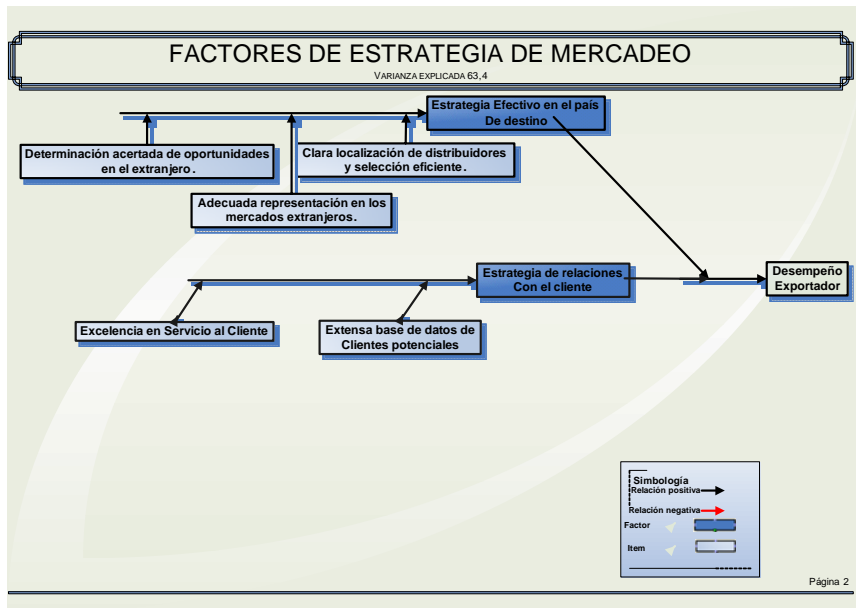


Source: Own elaboration based on the items of the first work of investigation.

All the items evaluated under the denomination of Managerial Abilities were considered, and they are progressively discarded based on the matrix of correlations and the values presented by the test of sample adjustment (KMO), under this scheme three factors are obtained and they are identified like this: international commitment, deficiency of executive abilities and commitment with the local market as shown in figure 2 related to the items whose factorial load allows its association to the factor.

In the case of Marketing Strategies all the associated items are correlated and they are defined as factors: Effective strategy within the destination country and strategy of relationships with the client.

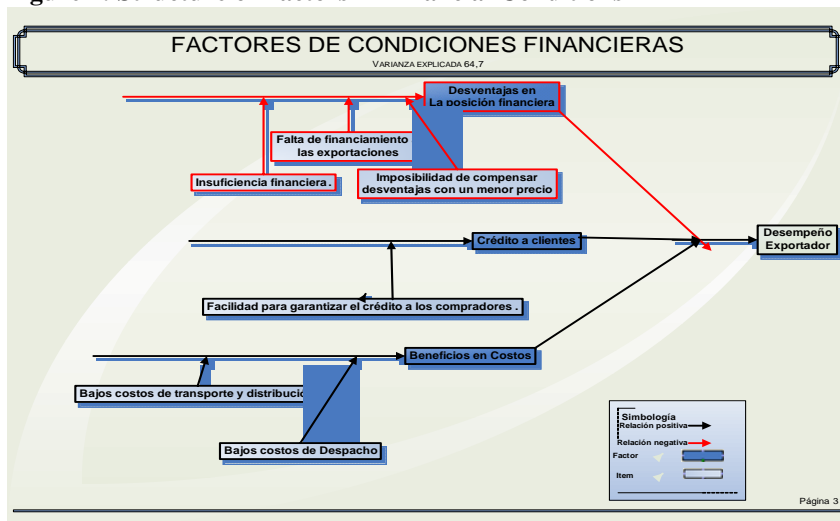
Figure 3: Structure of Factors in Marketing Strategies.



Source: Own elaboration based on the items of the first work of investigation.

For the set of items related to the studied financial conditions in the investigation the following factors were defined: Disadvantages in the financial position, credit to clients and benefits in costs

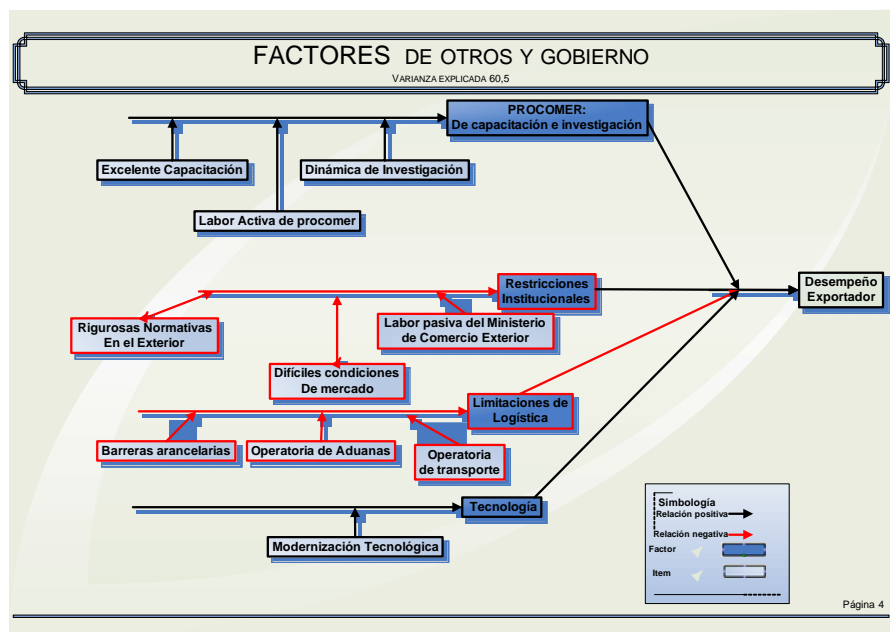
Figure 4: Structure of Factors in Financial Conditions



Source: Own elaboration based on the items of the first work of investigation.

In the case of the category determined as “others” the factors to evaluate would be: PROCOMER, Governmental Restrictions, Limitations of logistic and technology.

Figure 5: Structure of Factor: Other Factors



Source: Own elaboration based on the items of the first work of investigation.

The factors were selected with the criteria of the self-value so that each factor serves at least to explain the variance of a variable (self-value greater or equal to 1). In order to assure the significance of the factorial analysis, factors have been extracted that explain at least 60% of the total variance, in addition, the corresponding graphs of sedimentation were analyzed and there was a march with the previous obtained results.

For the interpretation of the factors the matrix rotated of the factors was used using the procedure called Varimax obtaining factorial loads greater than 70% in the majority of the cases that were associated to each factor. The results obtained for the variables are high and allow inferring representativeness of the variances in the solution of the selected factors. The interpretation of the factors obeys to a criteria based on consulted literature.

Tests of hypothesis

Once established the corresponding factors it is time to prepare the different tests from hypothesis associated to the interests of the investigation, developing tests to compare data with the economic sectors and the size of the company according to the number of employees. The following related tests were applied to the respective studies:

a. Comparison with economic sector.

For the comparison of the economic sector, the behavior of the sectors to which the companies belong is going to be evaluated: Agricultural, Industrial, Commerce, Services and Agro-Industrial, the statistical f was applied for the study of the ANOVAS having the following significances.

Chart 5: Statistical F for resistance of economic sector

VARIABLES EMPLOYEES	STATISTICAL F	SIGNIFICANCE
International commitment	1,53	0,22
Deficiency of executive abilities	1,66	0,19

VARIABLES EMPLOYEES	STATISTICAL F	SIGNIFICANCE
Commitment with the local market	3,54	0,02*
Effective strategy in the destination country	2,57	0,06
Strategy in the relationship with the client	0,95	0,42
Disadvantages in the financial position	2,26	0,09
Credit to clients	1,85	0,15
Benefit and costs	1,11	0,35
Procomer training and investigation	0,14	0,93
Institutional restrictions	0,67	0,57
Limitations of logistic	0,94	0,43
Technology	0,68	0,57

Source: Own elaboration

As shown, only commitment with the local market, gives an inferior result to 0.01, the rest seem to offer equal average.

b. Comparison with the size.

In order to compare the size according to the number of employees, two groups were considered: the companies with 50 or less employees and the companies that have more than 50 collaborators. The statistical T was used, to study the independence of averages, and the following results were obtained:

Table 6: Statistical T for comparisons according to the number of employees

DEPENDENT VARIABLES	STATISTICAL T	SIGNIFICANCE
International commitment	0,96	0,34
Deficiency of executive abilities	0,49	0,63
Commitment with the local market	-0,60	0,55
Effective strategy in the destination country	-0,96	0,34
Strategy in the relationship with the client	1,35	0,18
Disadvantages in the financial position	-0,36	0,72
Credit to clients	1,86	0,07
Benefit and costs	-1,3	0,20
Procomer training and investigation	2,28	0,03*
Institutional restrictions	-1,66	0,10
Limitations of logistic	-2,32	0,02*
Technology	0,01	0,99

Source: Own elaboration

Only Procomer item and limitations of logistic offer an inferior value to 0.01, the rest indicate different averages between the company groups.

CONCLUSION AND DISCUSSION

Presented the results of the investigation made in 57 companies of the province of Cartago, it is to illustrate the main findings from the point of view of the verification of the raised hypotheses and to make the corresponding discussion.

Considerations based on the distribution of frequency.

1. Most of the exporter Pymes from the province of Cartago is developing international activities and in simultaneous form they take care of the local market. They have more

than 20 years of experience concentrating the beginning of operations in years 80's and 90's. It was found that its main reason for the internationalization of operations was the increase of the yield of the businesses (Answer offered by more of the 50% of the interviewed companies). On the other hand, more than 60% of it made an initial investment inferior to 14 million colons and in their greater proportion legally organized as joint-stock companies and work mainly in the agricultural and industrial sector.

An important activity is possible to be developed by means of the Chambers of Commerce and Industry of the province, these Chambers group a great amount of exporting companies with the support of the Instituto Tecnológico de Costa Rica and PROCOMER, with the help of both it is possible to establish a consultant's office program and training directed to create exporters in the province and of course there has to be an evaluation of the necessities of the companies that at the moment are conducting foreign operations to take care of to them in specific form.

2. From the point of view of Managerial Abilities, according to the definition of this study, most of the companies have determined that the interest in exporting that it exists in the company, the active attitude of the executives and the understanding of the international business are the main factors that have positively stimulated the exports, thanks to this, it must be understood as positive elements those that have motivated the companies to enter the international markets. On the other hand, they have considered that the lack of ambition and the excessive occupation in the local activities have significantly limited the development of foreign operations, whereas the risk and the perception of which the products are not able to be trade have produced motivations but they have not either considered them like limitations for the operations.

These findings are excellent because they direct the attention to the formation of executives towards the fortification of attitudes and knowledge of the international markets to continue increasing the exports, but more important still, allows the universities and state institutions to understand what is the subject of attention, the excessive attention in the local activities, one of the elements mentioned by the company managers that prevents them from developing activities abroad.

From the perspective of the marketing, the managers interviewed have been in agreement with the knowledge of the receiving markets and the right determination of opportunities, as well as the information of clients and the excellence in the service have positively affected the development of international activities and that the lack of connections and the difficulty to fulfill the terms on time have limited the exporting performance. It is evident that the strategy of the company in terms of marketing research variables influences the exporting performance; a company that wishes to internationalize itself must have visualized its market and established the suitable connections. The variable of the handling of the prices in the foreign market will have to be necessarily compensated with variations in the services and auxiliary supports to the clients in the outside.

4. The financial relationships also represent aspects of high importance for the small and medium size companies, according to the study, the facility obtaining credits and the facility to offer guarantees are factors that affect the exporting performance positively.

Nevertheless the insufficiency of resources and the difficulty to compensate the prices in the foreign countries, adjoined with the high tax rates are elements that make difficult or limit the performance of operations of international nature. It is imperative that the greater amount of financial benefits are settled down so that the Pymes risks to enter the international markets, the financial institutions mainly the state financial institutions (Banco Credito Agricola de Cartago, Banco Nacional de Costa Rica and Banco de Costa Rica) must be oriented towards the creation of risk capitals.

5. There are other excellent elements for the Pymes in the international development of the operation, the technological modernization, the good image of the country, the high quality of the raw materials and the active work of PROCOMER have been described as items that motivate the exporting performance as well, and, on the other hand, the low abilities of production and the difficulty to take care of greater volumes next to a passive work of the Ministry of Economy, Industry and Commerce have been described as variables that limit the performance.

Final conclusions.

After considering the descriptive and statistical analyses integrated in this study, it is to conclude that the raised hypotheses are certain and that indeed, the Managerial Abilities, the Marketing Strategies, the Financial Conditions and Other Factors studied in this investigation affect positively the exporting performance of the small and medium size companies of the province of Cartago in Costa Rica.

The exporting performance was defined in this study like the incidence of some of the factors, in the motivation of the development of international activities, nevertheless in the statistical evaluation it was also determined that it is important to measure the exporting performance through variables of quantitative nature, with the purpose of managing to use with greater efficiency the applications available of software in the data processing, this, in order to assure greater consistency to the extracted information, reason why it becomes essential to consider this element, in future investigations related to the subject of small and medium size exporting companies by means of a modified tool of data collection, to make the prudent changes detected in this first investigation on subject.

Considering the results of this study, the development of several investigations are feasible associated, within which there are:

- A study that covers all Pymes within Costa Rica, that identifies the factors of Managerial Abilities, Marketing Strategies, Financial Conditions and Other Factors that by their nature are not feasible to include in the mentioned categories and that affect the exporting performance. Considering within the dynamics of this investigation the Pymes that do not export, with the objective to make an integral comparison between both small and medium sectors of companies, those that make activities in the outside and those that do not.

An element of extreme importance in this investigation will be the identification of parameters of quantitative measurement of the exporting performance. The level of exports has to be considered from the perspective of financial volume and

percentage that those exports represent in function of the total volume of the operations of the business.

It will also be excellent, to analyze the financial growth of the company measured based on the variation of its economic relations, before and after the beginning of international operations, to evaluate the financial effect that was obtained with the introduction of the business in export processes.

- A great scale investigation that involves the sector of the great companies and the transnational companies that work inside the country, to identify which are the factors that affect them and to compare the results with the national Pymes. The financial growth variable will have to be included in this study that is obtained measuring the yield before and after the process of exports.
- Another excellent investigation must be developed contemplating the deep study of exporting companies. Taking a group of national Pymes and a representative group of other exporters, which by their characteristics can be classified as great companies. Their performance must be evaluated from different perspectives, looking for to find important contributions to the investigation and teaching areas.

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