The African e-Journals Project has digitized full text of articles of eleven social science and humanities journals. This item is from the digital archive maintained by Michigan State University Library. Find more at:
http://digital.lib.msu.edu/projects/africanjournals/

Available through a partnership with

Scroll down to read the article.
EXPORT ENTRY DECISION AND ORGANISATIONAL CHARACTERISTICS OF TEXTILE AND CLOTHING EXPORT FIRMS: ANALYSIS OF ZIMBABWEAN FIRMS

ZORORO MURANDA

Department of Business Studies, University of Zimbabwe

Abstract

This article reports the results of an exploratory study on export of textile and clothing by Zimbabwean companies. The objective of the study is to investigate the influence of organisational and behavioural characteristics on export entry decision, level of involvement, and hence performance. Observation shows most current textile and clothing exporters have limited exporting experience. Motives for entering exporting centre on the enticing export incentive, the shrinking domestic market, and the need to use excess capacity. During the period 1991 to 1996 there was a strong shift toward increasing exports by textile and clothing firms. Currently most exporters export through foreign agents and are concentrating on the European Union (EU) and neighbouring markets. The EU is strongly preferred because exports enter duty-free and quota-free through the Lome IV Convention but most importantly, it offers market niches that are viable and stable.

The motives underlying pursuance of exporting by an organisation define to a large extent the vigour and commitment with which it undertakes the activity. Several factors have been identified in research as motives for entering export marketing. Da Rocha and Christensen (1994, 114) summarised the motives as follows:

1. Receipt of unsolicited orders or unexpected opportunities;
2. Government export incentives;
3. Saturated domestic market;
4. Seeking more profits;
5. Enhance product image in the domestic market;
6. Market diversification;
7. Management desire to export;
8. Possession of a unique product to export;
9. Increase firm's competitiveness; and
10. Exploiting past goodwill.

According to Da Rocha and Christensen, the commonest motive to actively enter exporting is to escape from a saturated domestic market. This is particularly so in countries that have a small domestic market.
Government incentives also have an important role in the decision to export. However, government incentives become less important for companies that continue to export. This is because other factors help companies already involved to continue dealing with external markets.

Another major incentive noted by Da Rocha and Christensen is receipt of unsolicited orders from foreign buyers or having unexpected opportunities. Other studies have also found unsolicited orders to be an important factor in motivating export operations (e.g. Bilkey, 1978; Bilkey and Tesar, 1977; Brooks and Rosson, 1982). However, researchers such as Johnston and Czinkota (1982), failed to find unsolicited orders as a motivating factor. Bilkey (1978, 39) notes that factors such as emphasis on the “fortuitous order from foreign customers” being responsible for initiating export entry have ignored two critical questions surrounding such stimuli-response explanation. First, why should a firm receive an unsolicited order at all? Second, why should one firm respond to the stimuli while another firm ignores? According to Reid (1980b) this suggests the existence of decision-maker characteristics at the level of the firm which can mediate the impact of the environmental and contextual characteristics in export decision making. Aharoni (1966) noted that market knowledge along with idiosyncratic preferences of the decision-maker appears to play a dominant role in foreign marketing decisions. Similar results have been found by Kolde (1968), Mayer and Flynn (1973), and Carlson (1975). Johanson and Vahlne (1977, 27) emphasise the influence of knowledge on international actions by businesses. In international activities, uncertainty is generally greater than in domestic operations and the difficulties of getting information are normally huge. It is the lack of market knowledge that is the greatest obstacle to the first foreign venture, and it is the access to such knowledge which makes it possible for the internationally experienced firm to extend its activities to new markets.

Exporting is generally regarded as the dominant mode of entry into a foreign market. In this sense, export market motivation can be viewed as a measure of the generalised attitude toward exporting (Reid, 1981, 106). Schooler (1974) has found that not only foreign opportunity attractiveness varies by form of entry but that this variance is affected by firm-strategic variables and managerial factors. Root (1982) identifies three rules that can be followed in deciding on a foreign market entry strategy. First, is the naive rule, that a manager follows by considering only one entry strategy, thus limiting the generation and evaluation of strategic alternatives. While simplifying strategic decision-making this mode often leads to missed opportunities or an inappropriate strategy (Jones, et al., 1992, 234). Second, is the pragmatic rule, that is similar to the incremental approach whereby the firm begins with a low cost entry strategy and if
successful then adopts a more complex and costly strategy. The benefit of the pragmatic rule is that it saves time and costs in gathering and analysing strategic information and in generating and evaluating strategic alternatives. While low in risk, the pragmatic mode fails to identify many opportunities that might otherwise have surfaced had a more systematic decision-making approach been used. Third, is the strategic rule that is comparable to the comprehensive approach. This mode results in fewer missed alternatives.

Decision-makers have often been found to respond to exporting creatively, as in seeking sales growth, or reactively, as in trying to alleviate excess capacity. Arpan (1972) has emphasised the reactive form of export development. He notes that the exporter may sell simply because of excess capacity reasons, because a non-domestic buyer has run short and needs an emergency purchase, or for a number of similar, less planned occurrences. According to Reid (1981, 107) it would seem foreign market orientation can be interpreted as having the following consequences. First, it represents the expression of some differentiation in appropriate cognitive distances between individual foreign markets which, it is suggested, those who are entering foreign markets are more likely to make than those not entering such markets. Second, it depicts some generalised appropriate cognitive distance between the home market and foreign markets as a whole which those not entering such markets are more likely to perceive compared with exporters entering these markets. These cognitive distances represent the two aspects of the market discrimination capacity of the decision-maker.

Other internal factors that have a motivating influence on companies to export have been found by other researchers as:

i. Production of a (domestically) seasonal product;
ii. Availability of excess capacity;
iii. Management’s familiarity with the countries to be exported to;
iv. Management’s familiarity with the language of the foreign market; and
v. Entry of domestic rivals into exporting.

Research is not conclusive as to which factors, internal or external, have more influence in driving the company into exporting. Simpson and Kujawa (1974, 111) conclude from their study that stimuli per se are not sufficient in themselves to bring about the initiation of export activities, since as many non-exporters are exposed to the same stimuli as exporters, but with no positive results. The decision to export is therefore a combination of the proper stimuli and the proper perception of the factors involved in the export process itself.

This article reports on an exploratory study of entry into the export market by Zimbabwean companies in the textile and clothing sectors. It investigates the role of organisational characteristics in the determination
of the export entry decision; and, second, it investigates the influence of organisational characteristics in determining the level of export involvement by the exporter.

METHODOLOGY

The study was exploratory by virtue of its background and the methodological procedures adopted. Due to lack of well-established conceptualisation or measures of relevant constructs in export marketing literature (Aaby and Slater, 1989, 23), an exploratory study was preferred. At the time of initiating the study there were no comprehensive academic studies to use for comparative purposes. Study variables tested in this research were therefore mainly derived from relevant literature based on export studies conducted in other countries.

Sampling

All sample units interviewed in this study were from a single industry. The purpose behind selecting a single industry was to minimise sample heterogeneity. A decision was also made to focus on manufacturing firms currently exporting textile and clothing products.

The general population from which the sample was selected comprised 122 firms in the textile and clothing industry. The 122 were derived from the Zimtrade\(^1\) database. The list also comprised companies not involved in export operations although their industry of operation is textile and clothing.

For a firm to be part of the sample it had to fulfil the following criteria:

i. a manufacturing firm exporting textile and/or clothing products directly to its client(s) in another country or countries; and/or

ii. a manufacturing firm exporting textile and/or clothing products through an agent and/or distributor and/or some such other intermediary to another country or countries; and/or

iii. a manufacturing firm which has a subsidiary in a foreign country or is in a joint venture with a manufacturing partner, or has a sales office in a foreign country through which they export textile and/or clothing products.

When the above criteria were applied only 40 companies emerged as the target population. Although all the 40 companies had been targeted as the study sample, only 31 companies became the final sample. Nine of

---

\(^1\) Zimtrade is Zimbabwe's export trade agency. It operates as an autonomous arm of the Ministry of Industry and Commerce.
the companies refused to participate offering various reasons for their refusal. The response rate in this study was therefore 77.5%. A 1998 study by the Economic Affairs Division of the Commonwealth Secretariat concludes that there are no more than 175 exporters in the whole manufacturing sector in Zimbabwe. The same study also found that only 43 companies (as at 1997) are involved in exporting textiles and clothing (see Lall, et al, 1998, 41). These figures are quite consistent with what was found during the conduct of this study with very minor expected variations showing.

Data collection
A structured questionnaire was used to collect the data. The questionnaire included variables and corresponding measurement scales intended to solicit information on the following organisational characteristics presumed to have influence on export entry decision and level of export involvement:

a. ownership
b. size
c. motivating factors for entering export market
d. export entry modes
e. export experience
f. export commitment.

Based on the pretest, revisions were made to the questionnaire. The reliability of the scales used was evaluated on the basis of the Cronbach alpha. All the scales used in the questionnaire had to have a Cronbach alpha value greater than 0.50, which satisfies Nunally’s (1967) threshold level of acceptable reliability for exploratory research.

Companies interviewed were located in different towns in the country. However, most are located in Harare and Bulawayo, with the latter contributing the larger number. Respondents interviewed in the study were either Chief Executives or Marketing Executives who know about export operations of the company. The focus on executives (key informants) assures reliability of information provided (Huber, 1985).

Questionnaires were first sent to the companies to be involved in the study. This was followed by a telephone call to each company seeking an appointment. A covering letter attached to the questionnaire explained the background and purpose of the study. During interviews probing was widely used to ascertain some unclear responses. Where necessary managers were requested to provide documentary evidence to support responses made in interviews.

Some information was collected from government departments that deal with external trade. The other information was collected from the
Confederation of Zimbabwe Industries, Zimbabwe National Chamber of Commerce, Clothing Council of Zimbabwe, and Central Africa Textile Manufacturers Association. These secondary sources provided substantial background information on the industry.

Variables and operational measures

Variables in this study were grouped into different ‘clusters’ at the time of analysis. However, the sequencing of questions in the questionnaire did not follow the variable grouping which was done at the time of analysis. Grouping questions in the questionnaire according to each variable being investigated was consciously avoided to counter the possibility of the ‘halo effect’. The major dependent variable used was export performance. Export performance is conceived as the accomplishment of strategic as well as economic objectives (Cavusgil and Zou, 1994, 1). The level of export commitment (involvement in international marketing) was used as a surrogate dependent variable in some instances to corroborate evidence of relationships between export performance and the independent variables. Researchers have advocated in the past, use of involvement as a measure of export marketing strategy (Cunningham and Spiegel, 1971; Reid, 1982; Cooper and Kleinschmidt, 1985).

Export performance was derived from a constellation of factors rather than a single measurement. The factors used to define export performance were:

1. annual export sales growth over a period of five years (1991-1996);
2. export sales volume; and
3. exports as a percentage of total sales over a five-year period (1991-1996).

The assumption used in coming up with this criterion was that all the three factors had equal weighting in the combination. Profit as a variable is not included as a performance measure due to problems such as different accounting systems (Banhardt, 1968), used by individual organisations in coming up with the final profit figure. Companies tend to vary quite significantly in terms of factors charged to operating profit before coming up with the net profit hence the decision to leave out that variable.

Other export performance measures which are not necessarily complementary but which can be regarded as indicative of growing export commitment, can be regarded as surrogate indexes of export adoption (Reid, 1981). These measures are likely to include growth, absolute level of exports, relative growth of export sales, rate of new market expansion, and rate of new product introduction into foreign markets. They represent common dimensions of export behaviour (Reid, 1980a; Reid and Mayer, 1980). Researchers appear to be converging on the conclusion that studies
which measure export performance along a continuum of success or those that propose a multidimensional approach reflect an improvement over the categorical approach, since a single measure for export activity may indeed be misleading (Reid, 1981; Aaby and Slater, 1989).

**Operational model**

The proposed model in this study is that external (domestic and international) and internal (intra-company) variables operate in co-alliance to influence the level of export entry and level of involvement which ultimately influences export strategic choices and hence performance. See Figure 1 below.

*Figure 1*

**MODEL ON EXPORT STRATEGIC CHOICE**

- **External Environmental Variables**
  1. Trade policies

- **Internal Variables**
  1. Internationalization
  2. Commitment to export marketing
  3. Knowledge of export environment

- **Export entry and level of involvement**

- **Export strategic choice and formulation**

- **Performance**
DISCUSSION OF MODEL VARIABLES

External environmental variables
External environmental variables are those variables that define the set of external influences on the firm. In the model the external environment is looked at both from the domestic and international perspectives. Both are assumed to have a strong influence on export marketing of textile and clothing products. The aggregate environment comprises factors such as political environment, legal environment, economic environment, technological environment and socio-cultural environment. In this study the external factor looked at is trade policies, both domestic and international. Of interest is the influence of trade policies on export strategic choices and behavioural tendencies of exporters. Trade policy is the country’s policy framework that defines policy measures on entry and exit of goods, services, enterprises, and service providers. It is enshrined and reflected in the country’s domestic economic regulatory framework. It is also reflected in the country’s economic and development strategy and is the cornerstone of trade negotiations with other countries. Domestic trade policy has to be aligned with the country’s trade obligations at bilateral, regional, and multilateral levels.

Internal variables
In this variable the focus shall be on three factors: knowledge of export markets being dealt with, internationalisation of operations by the exporter, and commitment to export marketing. The model proposes that knowledge of export markets is the basis of entry and expansion by exporters. Success in export operations will develop into commitment as the exporter focuses more resources into exporting. At each stage of the firm’s export development process, strategic choices will change to reflect the shift in stages.

Export involvement
This variable represents the extent to which the exporter is involved in exporting. This is measured by use of the export ratio. The export ratio represents the ratio of export sales to total sales of the firm. This measurement is a relative measurement expressed in percentage terms.

Hypotheses
The following hypotheses were derived from the model and relevant literature.
H1: There is no significant relationship between export firm size and export market entry mode used by the company.
H2: There is no significant difference between export performance of small and medium textile and clothing exporting companies and large exporting companies.

H3: The export commitment level of a company is positively related with the growth of its export operations.

H4: Export performance is positively related with export experience.

Analysis and interpretation
Relationships in the study were measured using Spearman rank-order correlation (rs) and Chi-square ($x^2$). In situations where chi-square was used Cramer's contingency coefficient (V) was used to assess the degree of association between the two nominal variables compared. Cramer's V was selected because it is appropriate for any size contingency table. In case of a perfect correlation $V=1$, whilst $V=0$ if the variables are independent. Cramer's V has an advantage over other measures of association because other coefficients are only applicable in 2x2 tables and in some the upper limit of the coefficients is below one. In this study, the Spearman rank-order correlation coefficient had to have a significance level of $p \leq 0.05$ to warrant further investigation and thorough discussion. In situations where chi-square was used, both the chi-square coefficient and Cramer's V were considered significant when $p \leq 0.05$.

FINDINGS

Ownership pattern
The ownership pattern in sample companies shows the following features as reflected in the table.

<table>
<thead>
<tr>
<th>Nature of ownership</th>
<th>Frequency (n=31)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family as private shareholders</td>
<td>14 (45.2%)</td>
</tr>
<tr>
<td>Assorted private shareholders (includes partnerships)</td>
<td>8 (25.8%)</td>
</tr>
<tr>
<td>Public shareholders</td>
<td>5 (16.1%)</td>
</tr>
<tr>
<td>Joint ventures</td>
<td>1 (3.2%)</td>
</tr>
<tr>
<td>Subsidiary of a foreign public company</td>
<td>2 (6.5%)</td>
</tr>
<tr>
<td>Subsidiary of assorted foreign private shareholders</td>
<td>1 (3.2%)</td>
</tr>
</tbody>
</table>

Results on ownership show a strong dominance of family ownership in the textile and clothing industry (Family ownership is being defined
with reference to domestic families). With 45.2 percent of the companies involved in exporting being in that category of responses, such an ownership pattern could play a role in explaining organisational characteristics that determine export behaviour and therefore strategic choices in exporting. This argument is based on the assumption that ownership translates to influencing export policy in the companies. A number of reasons can be forwarded for this kind of pattern. Firstly, of all categories of ownership, family ownership has suffered lower impediments. For example, during economic sanctions families could still establish companies without much restraint even though foreign families or companies could not do it without facing international trade policy risks. Secondly, there are no serious capital entry barriers in the textile and clothing industry.

However, if you break the industry into the different stages of production from spinning down to garment (clothing) manufacturing, there is a characteristic of more involvement of family ownership in clothing manufacturing than in textile manufacturing. Of the 14 family owned companies in the sample, 13 (41.93 percent) are into clothing manufacturing. Only one of the companies is a textile mill. Textile manufacturing is more capital intensive than clothing manufacturing which presents an entry barrier to small investors. Family-owned companies in this industry can be mainly categorised as small to medium.

Ownership pattern also shows eight (25.8 percent) of the companies being owned by assorted domestic private shareholders. Six are clothing manufacturing companies while two of the companies have vertically integrated processes. This could mainly be explained by the nature of products the companies are involved in. One of the companies is involved in manufacturing of male socks and it holds a patent from Walt Disney to use pictures of their characters used in their entertainment productions. They are also involved in unique heritage picture designs that use pictures from the country's natural heritage. Because of the uniqueness of the product designs, the company runs an integrated manufacturing system. The other company in assorted private ownership with also an integrated production system is a carpet manufacturing company.

Five of the companies are public companies quoted on the stock exchange. Four are mainly owned by domestic shareholders investing in the stock exchange. The fifth company is not listed on the domestic stock exchange but is on the Johannesburg Stock Exchange.

There is only one company in the sample that is a joint venture. It is owned jointly by the government and a South African company. The South African partner holds the licence to all the labels used by the company on its manufactured designs and styles.
Two companies in the sample are subsidiaries of foreign-based companies. The head office of one of the companies is based in the United Kingdom and the other in South Africa. The last company, which could be categorised on its own, is a consortium of foreign private shareholders.

Ownership appears to have no influence on firm size in the textile and clothing sector. This result is consistent in both large and small exporters. In an industry where family ownership is dominant the result is expected since the dominant ownership pattern transcend both small and large exporting firms (See Table 3).

**Firm size**

Firm size is being defined in this study in terms of employment level. The choice of this criterion is based on the fact that textile and clothing companies in Zimbabwe are known to be still relatively labour intensive. Employment level is therefore a fair proxy of size of all companies for comparative purposes. The size grouping of the companies is as in Table 2 below.

<table>
<thead>
<tr>
<th>Employment level</th>
<th>No. of firms in the sub-sample</th>
<th>No. of employees in sub-sample</th>
<th>Firm size</th>
</tr>
</thead>
<tbody>
<tr>
<td>50-300 employees</td>
<td>16 (51.6%)</td>
<td>2 479 (15.95%)</td>
<td>Small and medium</td>
</tr>
<tr>
<td>301 and above</td>
<td>15 (48.4%)</td>
<td>13 063 (84.05%)</td>
<td>Large</td>
</tr>
</tbody>
</table>

Total 31 (100%) 15 542 (100%)

As Table 2 shows, the number of companies in the two groups seems to be fairly distributed. However, the contribution to total employment of sample companies of each firm size grouping shows large differences between the groups. There is a disproportionately larger contribution to total employment by larger companies than by small to medium companies. The sample standard deviation in employment levels of 808.33 with a skewness of 4.50 strongly shows the influence of large companies on this variable. An examination of the influence of firm size using Spearman rank-order correlation on organisational variables in the table shows the following results:
Table 3
SUMMARY OF THE CORRELATES OF FIRM SIZE

<table>
<thead>
<tr>
<th>Variable/Firm Size</th>
<th>Spearman Correlation Coefficient</th>
<th>Significance Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small and Medium Size Companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export sales ratio</td>
<td>0.2262</td>
<td>0.400</td>
</tr>
<tr>
<td>Export sales growth over past 5 years</td>
<td>0.1254</td>
<td>0.644</td>
</tr>
<tr>
<td>Annual sales</td>
<td>0.5876</td>
<td>0.017*</td>
</tr>
<tr>
<td>Total investment levels</td>
<td>0.1457</td>
<td>0.590</td>
</tr>
<tr>
<td>Investment growth over past 5 years</td>
<td>0.0008</td>
<td>0.998</td>
</tr>
<tr>
<td>Ownership</td>
<td>-0.3101</td>
<td>0.242</td>
</tr>
<tr>
<td>Large Size companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export sales ratio</td>
<td>0.1524</td>
<td>0.588</td>
</tr>
<tr>
<td>Export sales growth over past 5 years</td>
<td>0.1898</td>
<td>0.498</td>
</tr>
<tr>
<td>Annual sales</td>
<td>0.4580</td>
<td>0.086</td>
</tr>
<tr>
<td>Total investment levels</td>
<td>0.6645</td>
<td>0.007**</td>
</tr>
<tr>
<td>Investment growth over past 5 years</td>
<td>0.5993</td>
<td>0.018*</td>
</tr>
<tr>
<td>Ownership</td>
<td>0.3443</td>
<td>0.209</td>
</tr>
</tbody>
</table>

*p < 0.05  
**p < 0.001

As Table 3 shows there is no evidence that firm size (when measured in terms of employment size) is consistently associated with export performance as seen by lack of significant relationship between size and performance variables. This result is consistent among both small and medium sized companies and large companies. Firm size therefore appears to be independent of export performance.

However, results tend to show a positive correlation between annual export sales level and firm size for small and medium size firms. Such a relationship does not exist for large companies. An explanation for this apparent contrast is that export sales ratio and export growth levels over the past five years do not explain the internal limitation of production capacity because the two are relative measures. Annual sales show that characteristic because they are an absolute measure. There is a limit as to how much a company can export per year if all exports it markets are assumed to originate from its own production facilities. Smaller companies will therefore tend to have more upward room for the amount they can export in terms of annual sales growth (in volume and nominal terms) when compared to larger companies. The result seems to indicate that as...
the firm grows there is a certain optimum level after which the relationship between annual sales and size of the firm ceases to correlate. This may not necessarily be the case. A closer look at the results shows some large companies had relatively small amounts of exports compared to their capacity while on the other hand some small companies had relatively quite high exports for their size thus the apparent contrast.

As Table 3 above shows, there is a positive correlation between firm size and present total investment in production for large firms. There is also a positive relationship between firm size and investments in production over the past five years among large companies. There is no relationship among these variables in small and medium sized companies. These relationships appear to reflect the fact that larger companies in terms of employment size tend to have larger investments in production facilities. Even though companies can be labour intensive especially as in the textile and clothing sector in Zimbabwe, there also has to be a balance between investment in machinery and the labour force that operates that machinery. The results in Table 3 above appear to show firm size in exporting more as a surrogate for advantages associated with economies of scale (in production) rather than any other export performance variables.

**SOLICITATION AND EXTERNAL INFLUENCE TO EXPORT**

In going international respondents were asked whether they had actively solicited or did not solicit their first export orders. Results show 58.1 percent indicating that they actively solicited for export orders. The other proportion of respondents (41.9 percent) report entering export market as a result of receiving unsolicited orders. Indeed the closeness between the two responses gives weight to both forms of initial entry into exporting.

Firms were asked to indicate whether they had had outside contacts involved in the initial export business or they had had no starting influence from any other source. The assumption in this question is that the first order is strongly influenced by the desire to learn the exporting process without risking the future reputation of the firm as an exporter. Because of risk avoindce, both firms that actively solicit for initial orders and those that accidentally end up exporting as a result of unsolicited enquiries tend to rely on some other information and institutional intermediaries in filling the orders. External contacts reported by respondents are placed in categories below using the criterion of response frequency to each category.

*Category 1:* Zimtrade (26.8 %); General inquiries from importers (21.4%); Export Agent (19.6%).
Category 2: Foreign distributors (8.9 percent); Zimbabwe National Chamber of Commerce (7.1%); Ministry of Industry and Commerce (5.4%); Confederation of Zimbabwe Industries (5.4%).

Category 3: Bank (3.6%); No initial assistance from any source (1.8%).

As results show the national trade agency, Zimtrade, general enquiries from importers, and export agents constituting 67.8% of the responses have played a significant role in motivating textile and clothing firms to start exporting. Zimtrade appears to be a strong change agent in stimulating firms to export. This could be explained by the strategic position of the organisation. It is not only a source of information for the exporter but also an important source of contact for importers. Exporters who manufacture products that are on the Zimtrade enquiries list are therefore likely to get information through the agency. General enquiries from importers and export agents are also playing a significant role in the initiation of exporting by firms. Although the term general enquiries does not reveal the source of the enquiry — whether the originator of the enquiry is an importer — results in this study show export agents not only playing a role in motivating firms to start exporting but also becoming an important channel for the exporters.

The second category of external change agents involved in motivating firms to start exporting comprises distributors, the Zimbabwe National Chamber of Commerce (ZNCC), The Confederation of Zimbabwean Industries (CZI) and the Ministry of Trade and Commerce. Although distributors would be expected to play the same role as export agents, the study shows their role being minimal and limited to only stimulating initial exports but do not seem to play any other active role in subsequent relationships. The two chambers of commerce and the ministry appear to be playing a weak role in stimulating initial exports. Although the three institutions have a lot of experience in acting as a source of information for domestic trade, their role in export marketing seems to be relatively weak.

The third category consists of the banks and externally unassisted initial export contacts. Although banks play a role in providing export finance, their role in acting as a contact for aspiring exporters in the textile and clothing industry is quite weak.

**FACTORS CONSIDERED AS MOTIVATING INFLUENCES**

Companies which had actively solicited orders were requested to rank ten motivating factors each of them between 1 — important motivating factor for going into exporting, 2 — not so important and not so unimportant, and 3 — not an important motivating factor for going into exporting.
These factors can be divided into two groups. Benefits from incentive scheme and domestic competition can be regarded as external motivating factors. This is based on the fact that the influence of the two factors act as an external stimuli in the export decision function to exporting companies. On the other hand excess production capacity and financial gain are internal determinants i.e. they can be regarded as internal stimuli to the export decision function.

Benefits from the incentive scheme tend to have been a strong motive for exporting for two reasons:

i. The scheme provided cash remittance that could benefit even unprofitable exporters. The remittance was based on the free-on-board value of exports which had nothing to do with other measures of performance. Textile and clothing firms could therefore export nominal amounts with the objective of earning the subsidy.

ii. The incentive scheme tended to be used as a strategic tool for competing in price sensitive markets such as the EU where most exporters have tended to focus.

Responses show respondents indicating that in most markets they cannot charge a mark-up higher than 15 percent without jeopardising their competitiveness. In fact the response of exporters is that “there is no easy money in exporting”. A 9 percent free-on-board cash remittance was therefore a cushion for undercutting competitors in the same export market niches.

Excess production capacity ranks second as a motivating factor for going into export marketing. Since the early 1990s companies have been involved in re-equipping their production systems presumably because of easier access to foreign currency to import the capital goods. However, during this same period the domestic market has suffered serious downward purchasing power surges due to a number of factors such as high inflation, frequent droughts, and high interest rates. As a strategic move to deal with slack in manufacturing, textile and clothing firms have diversified into exporting.

Due to a liberalised import policy, competition has intensified in the domestic market primarily from three sources. The first source has been cheaper but in some instances high quality imports by domestic competitors. The second source has been imports (new and second-hand) by ordinary consumers who now have access to imported textile and clothing products for personal use. The third source has been new entrants into the market who have increased in the recent years as shown by results on firm establishment. A potential reason why domestic competition has a lower relative significance in the ranking as a motivating factor could be attributed to tariffs which have to some extent acted as a
protective cushion against competition from imports although this has
dismally failed to reign in on illegal imports.

Although revenue and profitability would be expected to be the main
motive to push firms into exporting, results seem to show this as a
secondary consideration. This result apparently seems to show that
given a strong and stable domestic market most firms who are into
exports may move back to the more familiar and secure market where
they have the opportunity to charge higher margins. The result also
underscores the perception of management of exporting firms about the
risks in exporting.

EXPORT ENTRY MODES USED BY TEXTILE AND CLOTHING EXPORTERS

There are various ways of entering foreign markets, both direct and
indirect. Results in this study show 71 percent of the textile and clothing
exporters having used export agents in entering the export market. Of
the export agents used, only one is a local agent. Other exporters have
used methods such as direct contact with the buyer, using a trading
company, etc. High preference of the same entry mechanism could be
explained by the fact that textile and clothing exporters from Zimbabwe
are relatively small by global standards. Exporting through agents is
therefore a strategic choice to hedge against lack of market information
and the risks of competition in unfamiliar channels. Fifty percent report
they did not have exclusive information on foreign markets they entered.
However, this interpretation is weakened by the fact that even experienced
firms have continued to use export agents. Exporters tend to prefer
direct rather than indirect exporting. They also prefer agents and
distributors as channel intermediaries.

Given the structural nature of the Zimbabwe textile and clothing
sector, there are various explanatory reasons why there are limited
options that have been used by exporters to enter foreign markets.
Firstly, the choice of markets by the textile and clothing exporters appear
to be on two extremes and concentrated on two regions. The main
destination of the exports, the European Union, has a different environment
when compared to neighbouring countries who are also the other major
destinations. Regional markets appear to have suited entry by direct
exporting because of their small size. Except for the South African market,
the other markets, i.e. Malawi, Zambia, Botswana, and Namibia happen to
be smaller than the Zimbabwean market. Entry through setting up
production facilities in these countries would require that there be other
benefits to such entry mode that would override the weaknesses of the
small size of the markets. The individual markets in the European Union
on the other hand are quite large by themselves when compared to the
home market. However, these markets being highly developed, present high production costs for manufacturers. Companies of relatively small and medium size such as the ones found in Zimbabwe would find it difficult, if not untenable, attempting entry through setting up of production facilities in such markets. In fact, this would be counter logic considering that textile and clothing companies in EU markets are moving out to set up their production facilities in developing markets especially in Asia where labour costs are still low and there is an abundance of skills. Although the domestic market is small, the differential cost structure between attempting to produce the export product in the host market and in the home market logically favours the latter option.

Secondly, most exporters of textile and clothing products are only targeting niche markets in their export markets. In the European Union exporters from Zimbabwe have a market share no more than 1 percent. This is quite a small proportion of the market and therefore the entry decision naturally favours exporting against other modes. The EU market is very competitive and the sales potential for small and medium exporters are limited. It presents less risk then to export into that market than attempting other expensive entry modes especially those that may require putting up manufacturing facilities.

Thirdly, both the EU market and the regional market have favourable import policies. Zimbabwean exporters into the EU do not pay duties and their exports are not subject to quotas as preferential treatment under the Lome IV Convention. In the region exports to neighbouring countries either have a preference through the regional Common Market of Eastern and Southern Africa (COMESA) or through bilateral arrangements. These arrangements tend to favour exporting as an entry mode other than other modes that may be subject to restrictions.

**EXPORTING EXPERIENCE**

The exporting experience of textile and clothing companies in the sample show a low experience level for a globally mature industry as this one. The experience of exporters in this study appears highly concentrated on the lower side. The modal group, which is the 1 to 5 years, contains a disproportionately higher frequency of 41.9 percent of all the respondents. When combined with the 6 to 10 years category, the two categories constitute 67.7 percent of the exporters. The results therefore show that the largest proportion of textile and clothing exporting companies in Zimbabwe are relatively lowly experienced in exporting (See Figure 2 below).
Results on number of years the company has been in operation show young companies in the sample established within the last 15 years (35.5 percent) having taken the initiative to move into exporting at a much earlier stage of their operations than the older companies. Exporting experience is therefore being strongly influenced by the company establishment pattern.

\[(\text{Influencing factor}) \rightarrow (\text{Export market entry timing}) \rightarrow (\text{Establishment pattern}) \rightarrow (\text{Choice to enter exporting}) \rightarrow (\text{Experience pattern})\]

Strongly noticeable in the results is the empty category of experience years between 16 to 19 years i.e. the years between 1977 and 1980. Companies with the highest experience have been placed in the above 20 years and above category. A number of explanations can be offered for the experience pattern arising out of these results.

Firstly, if looked at graphically the results show potentially an explanation of the impact of international trade policy, domestic trade policy, and the political environment. The reason for high concentration of companies in the 1 to 5 years experience could be related to the shrinking of the domestic market which has characterised the market for
textile and clothing products over the past five to six years. As a sign of a poorly performing domestic market a sizeable number of companies in this industry has been liquidated. Companies have therefore been taking the initiative to move into export marketing as an alternative to relying on the shrinking domestic market.

Secondly, the empty experience category between 16 and 19 years (1977-1979) could be because of tightened economic sanctions that stopped domestic companies from trading with foreign companies. The absence could also be a result of the import-substitution policy that was in operation during the corresponding period.

Thirdly, another potential explanation is that the national export promotion agency (Zimtrade) which was set up five years ago could have played a strong motivating factor for the 1 to 5 years exporting experience category.

In order to validate whether exporting experience has any influential relationship with export performance variables a correlation analysis was performed. In conducting the correlation analysis the exporting experience variable was divided between less experienced firms, namely, 10 years experience and below and more experienced firms covering 11 years and above. As Table 4 shows the only significant correlation for less experienced companies is between exporting experience and export ratios for 1991 and 1993. Such a relationship is not showing for more experienced companies.

The positive relationship for less experienced companies could be explained by the fact that a lot of companies moved into exporting during the early 1990s (See also discussion on export intensity below). The domestic economy also shrank quite noticeably during this period providing an external drive for the companies to move into exporting. Lack of a relationship for more experienced companies could be explained by the fact that most are already having their export sales nearer or at maximum levels they prefer not to exceed. Despite the external factor influences discussed above which were a drive for less experienced companies, most experienced companies did not shift around their export ratios.

A positive correlation is also showing between experience and the number of exported product lines. Basically the relationship is showing that most experienced companies in this industry tend to export a relatively higher number of lines than less experienced companies.

Two more significant relationships are showing with exporting experience but are failing to discriminate between less experienced and more experienced companies. Year of establishment is showing a negative relationship with experience ($p = -0.4046; p \leq 0.05$). This relationship reflects what the results showed on export entry. The older companies
moved into exporting at a much later stage of their life span. Young companies appear to have taken an early initiative to enter exporting.

Exporting experience also shows a positive relationship with number of export markets (countries) the company is exporting to ($p = 0.5059; p \leq 0.05$). This relationship is not discriminating between less experienced and more experienced companies. In general it appears that companies tend to diversify their markets as they accumulate exporting experience. It should however, be noted that this interpretation would be stronger if correlation could discriminate between less experienced and more experienced companies.

### Table 4

**CORRELATES OF EXPORTING EXPERIENCE**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Spearman Correlation Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Less experienced companies</strong></td>
<td></td>
</tr>
<tr>
<td>Export growth over past 5 years</td>
<td>0.1549 (NS)</td>
</tr>
<tr>
<td>Export ratio in 1991</td>
<td>0.5808**</td>
</tr>
<tr>
<td>Export ratio in 1993</td>
<td>0.6650**</td>
</tr>
<tr>
<td>Export ratio in 1995</td>
<td>0.2253 (NS)</td>
</tr>
<tr>
<td>Number of product lines in the company</td>
<td>0.0468 (NS)</td>
</tr>
<tr>
<td>Number of product lines being exported</td>
<td>0.3871 (NS)</td>
</tr>
<tr>
<td>Risk perception</td>
<td>0.1246 (NS)</td>
</tr>
<tr>
<td><strong>More experienced companies</strong></td>
<td></td>
</tr>
<tr>
<td>Export growth over five years</td>
<td>-0.1387 (NS)</td>
</tr>
<tr>
<td>Export ratio in 1991</td>
<td>-0.0468 (NS)</td>
</tr>
<tr>
<td>Export ratio in 1993</td>
<td>0.3236 (NS)</td>
</tr>
<tr>
<td>Export ratio in 1995</td>
<td>0.3915 (NS)</td>
</tr>
<tr>
<td>Number of product lines in the company</td>
<td>-0.1857 (NS)</td>
</tr>
<tr>
<td>Number of product lines being exported</td>
<td>0.6705*</td>
</tr>
<tr>
<td>Risk perception</td>
<td>&quot;.&quot; (cannot be calculated)</td>
</tr>
</tbody>
</table>

$^* p \leq 0.05$

$^{**} p \leq 0.01$

NS = Not Significant

**EXPORT COMMITMENT**

Commitment to exporting is being measured in this study by:

i. Investment patterns;

ii. Purchasing of production equipment;
Training of staff;
iv. Organisational position of the export marketing function; and
v. Export intensity.

As discussed above the investment pattern into production as a result of exporting increased but with varying degrees in the sample.

Firstly, investment pattern over the past five years appear concentrated on the $1m to $9,99m range which constitutes 48.4% of the responses. The modal group of the pattern is the $1m to $4,99m. In comparison to the total investment size of individual companies, which is also concentrated between $1m and $9,99m with 71% of the companies in this category, the investment pattern could be interpreted as having strongly impacted on the exporting decision function. The investment commitments shown above strongly explain one reason why the exporting experience is mainly within the 1 to 5 years range. From a strategic perspective the extra investment could mean long term commitment to exporting in future as long as there is excess production capacity the domestic market cannot absorb.

A second measure of commitment is to study purchasing of equipment and its age status at the time of purchasing during the same five-year period. Responses to the question of the age status of equipment brought in during the past five years show 67.7% saying they brought in new equipment and 71% of the equipment was imported. Although not empirically supported by research results in this study, imported equipment is usually assumed superior to equipment manufactured in the domestic market. Due to weaknesses in the capital goods manufacturing sector in developing economies such as Zimbabwe, the superiority of the imported equipment and machinery as compared to domestic manufactured equipment is not ruled out. In any case such equipment is normally more expensive due to added duties. Investment in such equipment is therefore taken as a well-calculated decision.

A third way of looking at commitment to exporting is by looking at the training of export marketing staff to enhance marketing effectiveness. The assumption here is that training produces better export marketers. Results show two significant divisions on the question of training. A set of 45.2% of respondents use in-house training whilst on the other hand, another 45.2% say they do not conduct training of export staff. Such a prominently high lack of training of own export staff underscores the weak marketing capacity among the exporters. This is however, interpreted cautiously given that some companies may have the resources to recruit well-trained export managers and forego the need for training.

A fourth way to look at commitment to exporting is by looking at the structural position which export marketing is given. Responses to the question show a strongly divided approach to handling of exports. On
one hand 38.7% indicate that they have an export department which systematically seeks and fills export orders. On the other hand, another 38.7% indicate that nobody in the company is assigned to handling the export market. The marketing department tends to handle both the domestic and international markets as the situation arises. In 12.9% of the responses exporters have another company handling their export marketing. As results show there is no one prominent pattern coming out of structure as sign of commitment.

A fifth measure of export commitment is to look at export intensity (measured as the ratio of export sales to total sales) over a five-year period. The pattern of export intensity shows a strong shift toward higher commitment to exporting by textile and clothing firms. The three graphs below attempt to show how the shift from lower levels of export involvement to higher levels has occurred.

As the three figures below show, there has been block shifts in export intensity since 1991. In 1991 most exporters were mainly in the 0-10 percent with another smaller block of exporters being in the 16-30 percent region. By 1993 the 0-10 percent group of exporters appear to have decreased but shifted quite substantially into the 30-40 percent ratio. This continued and by 1995 a substantial number of the exporters had shifted their export ratios upward to over 40 percent leaving smaller

![Figure 3](https://via.placeholder.com/150)

**Figure 3**

**EXPORT RATIOS FOR 1991**
numbers of exporters in the 16-30% export ratios. A study by Lall, Wignaraja, Sellek, and Robinson (1998) concludes that between 1990 and 1995, export in textile and clothing by Zimbabwean companies grew by 10.6%. This conclusion corroborates the increased involvement reflected in the above graphs.
CONCLUSIONS

Ownership of most exporting firms in textile and clothing is by family private companies. In terms of capitalisation, textile producers tend to be larger in size than clothing manufacturers. However, in terms of relative export involvement, there is no distinct difference between large producers and small producers. Ownership shows no significant influence on export entry decision or level of involvement. Much depends on individual company commitment to exporting.

Most textile and clothing exporters have low export experience irrespective of firm size. This conclusion is strongly linked to the pattern of entry into exporting. Most textile and clothing exporters entered exporting in the late eighties and early nineties thus the low experience. The low experience has to a large extent acted as a restraint into high-level export involvement by the textile and clothing firms.

The motive to enter exporting by textile and clothing exporters in Zimbabwe is strongly influenced by four factors. These are benefits that were associated with export incentives before the scheme was abandoned, the need to channel excess production capacity to profitable use, escaping from intensifying domestic competition mainly arising from imports, and the possibility of lucrative profits from exporting. Export incentives had a major influence toward higher export involvement by Zimbabwean companies. Even companies that originally did not have a real urge to export other than for reasons of getting a share of the incentives ended up committed exporters after realising the benefits of exporting. After the removal of the incentive scheme most companies have entered exporting due to loss of the domestic market. Others have done so to re-channel the excess capacity saddling them. It is these negative factors that have led to increased interest in export in the recent past.

Exporters have mainly favoured entering exporting through use of foreign agents and distributors. These channels are mainly preferred because of ease of control. Most exporters are targeting specific market niches through the identified agents and distributors. The use of foreign agents and distributors as channels has led to increased export involvement mainly because the two channels are quite knowledgeable about international markets. They normally come with firm orders thus reducing the risk of producing without confirmed markets.

Over the period 1991 to 1996, exporters showed a strong shift toward increasing their involvement in exporting. This increase was a result of investment in production facilities that also took place during the same period. Sustainability of the increase in export will depend on replacement of old technology currently commonly in use in the industry. Failure to take the initiative to bring in new production technology will soon mean reduction in export involvement as clients seek new competing suppliers.
References

Aharoni Y. (1966), The Foreign Investment Decision Process (School of Business Administration, Harvard University, Boston, Massachusetts).


Carlson, S. (1975), How Foreign is Foreign Trade (Uppsala University, Uppsala, Sweden).


