

UNCERTAINTY PERCEPTIONS IN EXPORT MARKETING

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Abstract. In recent years, the volume of international trade has increased enormously due to the effects of globalization and liberalization of trade. However, political and economic changes, changes in consumer demand, market structures, product and market life cycles, domestic and foreign competition and the degree of effects caused by these changes became more and more significant. Such changes also cause uncertainty for the firms and thus, the firms making or intending to make business globally are obliged to implement dynamic strategies and action plans due to this volatile environment. Considering above mentioned points, this study aims to explore the uncertainties facing the exporting firms located in Izmir. The topics to be explored in this study will include uncertainties related with external and internal environment of the firms.

Keywords: Uncertainty, export marketing, international trade, exporting firms.

1. Introduction

In the last 25 years, globalization increasingly became a topic of interest in politics, the business world, and the scientific world. Within the context of globalization, lifting of quotas, establishment of free zones, new institutions, introduction of standards, regulations and deregulations, liberalization of financial flows, changing banking system, increasing foreign direct investments and the increase in the volume of global trade created opportunities and threats; increase in revenues, new choices for consumers, price benefits and rising quality. When a company evaluates whether to operate in international market or not, it must determine the best mode of entry. Basic choices are exporting, licencing, franchising, joint ventures and foreign direct investment.

Exporting has been identified as one of the important entry strategies into international business (Terpstra 1988). Exporting is also the simplest way to enter foreign market. The company may passively export its surpluses from time to time or it may make an active commitment to expand exports to a particular market. In either case, the company produces all its goods in its home country. It may or may not modify them for the export market. Exporting involves the least change in the company's product lines, organizations, investments or missions (Kotler, Armstrong 2004). However, exporting, in comparison to domestic business, is considered inherently risky because it involves potential loss of profits or assets as a result of potential changes in political, legal, eco-

nomie and socio-cultural factors in foreignmarkets (Roth 1992). Thus, when decision-makers deciding to go or not to export, they evaluate the opportunities and threats comes form exporting. The decision maker's perception on "more likely to perceive as threat" or "more likely to perceive as opportunity" is very important to decide to go global market or not (Burpitt, Rondinelli 1998).

2. Literature review

When a firm is operating outside the domestic market, dealing with external and internal environment constitutes a more complex reality for a manager. The following general external aspects can be distinguished:

- The export market.
- The home market.
- The influence of the domestic government.

Next to the external environment, the internal environment plays a crucial role in shaping the context in which the exporting activities are conducted and/or the export performance is achieved. firm concept can be divided into (1) *background characteristics* (or demographics) and (2) *firm competencies*. The background characteristics found in this review are (related to) firm size, company age, industry specifics (and the technological complexity of the product), firm structure, and firm culture. Although not exactly the same by definition, competencies are also referred to using related terms, such as capabilities (Evangelista 1994), competitive advantages (Moini 1995), or expertise (Moini 1995). These incorporate

some or all aspects of overall (international) experience, managing, marketing, and exporting competencies.

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 (Johanson 1977). According to Petersen *et al.* (2002), one of the main barriers to international expansion is the uncertainty of foreign markets, and the Internet can be a tool for reducing asymmetric information (facilitating the creation, retention and transfer of tacit knowledge). Uncertainty has had a long history in the economics literature, but is of somewhat more recent concern in the marketing channels literature. Katona (1980) suggests that uncertainty in the economy may be identified with insufficient information or conflicting signals about forthcoming trends. Technological uncertainty, for example, may reduce incentives for integration, while other types of uncertainty tend to increase incentives for integration (Balakrishnan, Wemerfelt 1986). Lorenzi's (1980) description of uncertainty seems cogent: Uncertainty refers to events that cannot be forecasted. It is not merely change or the rate of change, but the unpredictable change, in variables that affect critical dependent relationships.

Lorenzi (1980) further defines perceived environmental uncertainty as the perceptual process mediating a transaction between the individual and the external environment. It has been envisioned and operationalized differently by various researchers (Koberg 1987; Lawrence, Lorsch 1967; Swamidass, Newell 1987), but certain dimensions, such as diversity, dynamism, and capacity seem common to most conceptualizations. Achrol and Stern (1988) appear to have described this construct comprehensively, including diversity, dynamism, concentration, capacity, interconnectedness, interdependence, and conflict in their discussion. Perceived environmental uncertainty is seen as a dynamic process capable of influencing the behavior of the individual and subsequently the organization.

Principal sources of perceived environmental uncertainty include variability or instability of resources (Achrol, Reve, Stern 1983), demand, volatility, and interchannel competition (Etgar 1977), dynamism (Achrol, Stern 1988; Jaworski 1988), environmental capacity and diversity (Klein, Frazier, Roth 1990).

Miller divided the internationalization uncertainty into three big classes from the perspective of executives' perception in 1992: General environmental uncertainty, industrial uncertainty and corporate uncertainty. His research formatted the uncertainties into an integrated risk management framework finally. Miller's research did an overall and systematic classification of uncertainties enterprises faced when entering the international market for the first time, the integrated framework proposed "Perceived Environmental Uncertainty", is abbreviated as "PEU" model. In 1996, Keith D. Brouthers, Lance Eliot Brouther and Steve Werner continued to modify Miller's PEU, and offered (1) the uncertainty of government policy, (2) macroeconomic uncertainty (3) the uncertainty of corporate resources and services (4) the uncertainty of demand for products, (5) competitive uncertainties, (6) industry technical uncertainty. The author named the refined evaluation method PEU2 (Hui, 2008).

The theoretical explanation for the relationship between exporting experience and export performance lies in the issue of uncertainty and the way firms cope with it (Erramilli 1991). Less experienced exporters are likely to perceive considerable uncertainty, which in turn might adversely affect their perceptions of potential risks and returns about overseas markets and operations (Agarwal, Ramaswami 1992; Davidson 1982). Nonetheless, with increasing exporting experience, firms are likely to perceive less uncertainty in their exporting activities; have a better understanding of foreign market mechanisms; develop a network of personal contacts and customer relationships abroad; and, consequently, design and implement effective export marketing programmes (Madsen 1989).

3. Methodology and findings

An e-mail survey was conducted in Izmir and used to generate data in order to test the hypotheses. As Turkey's third largest city, Izmir is an important center for manufacturing and trade. With its organized industrial zones and free zones, Izmir is one of the life lines of the Turkish economy. A random sample of 456 exporter firms located in Izmir was selected from the Izmir Exporter's Union and other governmental institutions database system. The sample included businesses from a wide range of industrial sectors. The questionnaires were e-mailed to the firms and expected to be answered by the top managers, export managers and export specialists. Two weeks after sending the e-mails, a follow-up e-mail was sent for non-

responses. In total, out of 156 firms 9 were deemed ineligible (e.g. not properly filled). Thus 147 firms were taken for analysis. Company policies restricting the giving of information to external parties; and time constraints forms the main reasons for non-participation and non-response.

Table 1. Frequency Table I

Sector	Frequency	Valid Percent (%)
Agriculture	47	32
Industry	75	51
Mining	25	17
<i>Total</i>	<i>147</i>	<i>100</i>
Type of Activity		
Producer and Exporter	124	84,4
Only Exporter (No production)	21	14,3
Sectoral Foreign Trade Company	2	1,4
<i>Total</i>	<i>147</i>	<i>100</i>
Year of Establishment		
1987 and before	57	38,8
1988 – 1994	24	16,3
1995 – 2001	31	21,1
2002 and later	35	23,8
<i>Total</i>	<i>147</i>	<i>100</i>
Capital Structure		
%100 Turkish	126	85,7
Percentage of foreign capital (%1- %50)	5	3,4
Percentage of foreign capital (%51- %99)	8	5,4
Foreign Owned (%100)	8	5,4
<i>Total</i>	<i>147</i>	<i>100</i>

From the frequency tables (Table 1 and 2) it can be seen that majority of the firms are dealing with industrial production and also majority of firms are both producer and exporter. The foundation dates of the firms are classified according to turning points in Turkish Economy. 1987 is the year when Turkey applied for the full membership to the European Union, 1994 and 2001 are the years when Turkey passed through economic crisis. 1995 is the year when the Customs Union with the EU came into force. Also from the table it can be seen that majority of the firms are 100 % Turkish.

According to the new Small and Medium Sized Enterprises definition issued by the government in accordance with the EU, the great number of the firms examined in the study can be defined as medium sized. Although majority of the firms are founded before 1987, nearly half of the them (49,7 %) can be stated as less experienced in export marketing (1–9 years of export experience). Despite the fact that almost half of the firms are

less experienced, nearly half of the firms (43.5 %) have high export rates (76 %–100 %), this may show the export orientation of the firms.

Table 2. Frequency Table II

Number of Employees	Frequency	Valid Percent (%)
1-49	52	35,4
50-249	61	41,5
250 and over	34	23,1
<i>Total</i>	<i>147</i>	<i>100</i>
Market orientation (Foundation of the Firm)		
Founded primarily for domestic market	66	44,9
Founded primarily for export markets	48	32,7
Founded both for domestic and foreign markets	33	22,4
<i>Total</i>	<i>147</i>	<i>100</i>
Export Experience		
Export Experience Between 1-9 Years	73	49,7
Export Experience Between 10-19 Years	37	25,2
Export Experience Between 20-29 Years	20	13,6
Export Experience 30 Years and More	17	11,6
<i>Total</i>	<i>147</i>	<i>100</i>
Export Sales /Total sales		
0%-25%	40	27,2
26%-50%	27	18,4
51%-75%	16	10,9
76% - 100%	64	43,5
<i>Total</i>	<i>147</i>	<i>100</i>

The questionnaire consisted questions to find out the characteristics of the exporters and likert scale of 5 items (1= not important at all... 5= very important) were developed to determine the uncertainty perceptions of the firms. Then the 5 item likert scale was transformed into 3 item scale (not important to important) in order to more meaningful results and better interpretation. Following this transformation, analyses were made.

After the application of reliability test for external factors, cronbach's alpha value for N = 9 was found as 0.736 > 0.60. This gives the consistency of the external factors between each other.

To find out the tendency about external factors causing uncertainty for perception of the exporter firms located in Izmir, one sample t-test was applied. The indifference point (mean) was chosen as "2" and Ho hypothesis was set up as follows:

Ho = The effects of external uncertainties are not different from the indifference point (mean) among the exporters located in Izmir.

The external uncertainties were different than the mean except for "uncertainties due to teror". The uncertainty that may be caused by teror was stated as "neither unimportant nor important" with

a mean of 1.91 ($t = -1.214$, $df = 142$ ve $P = 0.227$). However, uncertainties caused by other external factors were stated as important and thus H_0 hypothesis was not rejected.

After the application of reliability test for internal factors, cronbach's alpha value for $N = 9$ was found as $0.821 > 0.60$. This gives the consistency of the external factors between each other.

Majority of the firms (80.3 %) have export departments and according to independent sample t-test, differences were found between the firms having an export department and the degree of their export sales/total sales ($t = 0.02$, $df = 145$, $sig = 0.002$). From the analysis, it can be seen that when the export sales/total sales increases, the number of firms having export department increases.

To find out the tendency about internal factors causing uncertainty for perception of the exporter firms located in Izmir, one sample t-test was applied. The indifference point (mean) was chosen as "2" and H_0 hypothesis was set up as follows:

$H_0 =$ The effects of internal uncertainties are not different from the indifference point (mean) among the exporters located in Izmir.

The internal uncertainties were different than the mean and thus H_0 hypothesis was rejected.

Sub sectors consisting the exporters were gathered into three main sectors i.e. agriculture, industry and mining in accordance with the classification of Undersecretariat of Foreign Trade of The Republic of Turkey.

To test the differences between groups for the external and internal uncertainties one-way ANOVA test was applied. Null Hypothesis for external factors was:

$H_0 =$ The degree of importance related to external factors are not different among sectors

Within 95 % confidence interval, one way ANOVA test was applied to the groups for the values $F = 3.558$, $df = 2$ ve $p = 0.31$. For the external factors the differences between the groups were found for uncertainties for technological conditions and terror from the descriptives. Thus null hypothesis was rejected.

Considering the terror, the mean for agriculture sector was 2.15 and for the mining sector the mean was 1.64 which means the exporters of agricultural products tend to give higher importance for the uncertainties in conditions related with technology. This may be due to the worries for several factors (i.e. changes in price levels, demand etc.) in case of a terror event or threat. Although the prices and demand may change for the agricultural products, mining

sector may not be affected because of the nature of the products.

Considering the technology, the mean for agriculture sector was 1.95 and for the industry sector the mean was 2.24 which means the exporters of industrial products tend to give higher importance for the uncertainties in conditions related with technology.

However, considering the uncertainties caused by the changing conditions in competition, the degree of importance varies between agriculture and mining. The mean for agriculture sector was 2.82 and for the mining sector the mean was 2.54 which means the exporters of agricultural products tend to give higher importance for the uncertainties in conditions related with competition.

Null Hypothesis for internal factors was
 $H_0 =$ The degree of importance related to internal factors are not different among sectors.

Within 95 % confidence interval, one way ANOVA test was applied. For the internal factors the differences within the groups were not found. Thus null hypothesis was not rejected.

To test the relations between the uncertainties caused by the external and internal factors and the age of the firms as well as the years of experience in exports, correlation analysis was made. The Null hypotheses were:

$H_{1a} =$ The degree of importance stated for the uncertainties caused by the external factors is not related with the age of the firm.

$H_{1b} =$ The degree of importance stated for the uncertainties caused by the external factors is not related with the experience in exports.

$H_{2a} =$ The degree of importance stated for the uncertainties caused by the internal factors is not related with the age of the firm.

$H_{2b} =$ The degree of importance stated for the uncertainties caused by the internal factors is not related with the experience in exports.

Within the 95 % confidence interval the degree of importance stated for the uncertainties caused by the external and internal factors was found as not being related with the age of the firm as well as the export experience. According to this, regardless of their ages and export experiences firms perceive the uncertainties indifferently.

To test the differences between groups for the importance given to external uncertainties related to the internationalization processes, one-way ANOVA test was applied. Null Hypothesis was:

$H_0 =$ The degree of importance given to external uncertainties is not different depending on the internationalization process of the firm.

Within 95 % confidence interval, when one way ANOVA test was applied to the groups for the values $F = 3.713$, $df = 2$ ve $p = 0.27$, since differences were found between groups for the internationalization process, H_0 was rejected. Differences were found between the firms that were founded primarily for domestic market and the firms that were founded primarily for exports about their statements for the uncertainties caused by terror.

The firms that were founded primarily for domestic market gives less importance to the uncertainties caused by terror (mean: 1.71), where the firms that were founded primarily for exports gives more importance to the uncertainties caused by terror (mean: 2.12). The main reason for this may be the fear to lose export markets due to the terror events.

Within 95 % confidence interval, when one way ANOVA test was applied to the groups for the values $F = 3.416$, $df = 2$ ve $p = 0.36$, since differences were found between groups for the internationalization process, H_0 was rejected. Differences were found between the firms that were founded primarily for domestic market and the firms that were founded primarily for exports about their statements for the uncertainties caused by the changes in customer expectations.

The firms that were founded primarily for domestic market and the firms founded primarily for foreign markets give more importance to the uncertainties caused by the changes in customer expectations (mean: 2.74), where the firms that were founded both for domestic and foreign markets give less importance to the uncertainties caused by the changes in customer expectations (mean: 2.43). The main reason for this may be that the firms operating both for domestic and foreign markets feel themselves secure for being able to balance the sales in case of any change in the shift of customer expectations and demand.

To test the differences between groups (Export Sales/Total sales) for the external uncertainties one-way ANOVA test was applied. Null Hypothesis for external factors was:

H_0 = The degree of importance related to external factors are not different among the firms with various Export sales/Total sales.

According to the results of One-way Anova test, the degree of importance related to external factors were different among the firms with various export sales/total sales. So, H_0 hypothesis was rejected.

To test the differences between groups (Export Sales/Total sales) for the internal uncertainties

one-way ANOVA test was applied. Null Hypothesis for external factors was:

H_0 = The degree of importance related to internal factors are not different among the firms with various Export sales/Total sales.

According to the results of One-way Anova test, the degree of importance related to human resources management was found different among the firms with various export sales/total sales for $F = 2.905$, $df = 3$ ve $p = 0.37$ value between groups. So H_0 hypothesis is rejected. The firms having 51-75 % export sales/total sales (mean = 2.85) give higher importance to human resources management compared to other firms with different export sales/total sales percentages. These firms may try to increase their export sales and for this objective they may need qualified employees to gain stability and improvement in their export sales.

4. Conclusions

Firms appear to experience greater impact, greater perceived internal and external uncertainty, in their export activities, compared to their domestic activities.

The possibility of a successful internationalisation depends on the characteristics of the firm explained by its different resources and capabilities for creating a competitive advantage. Some key factors that affect the foreign trade of firms, and how they determine different behaviour patterns in their export behaviour may be the country and the sector to which the exporting firm belongs, the characteristics of the firm, its export level, size, organisational structure, human resources, international experience, export sales/total sales rate and nature of the products to be traded. Some factors e.g. terror may also appear as important external for the firms as presented in the study. Some factors such may be considered more important than commonly known factors such as export experience, age of the firms.

Besides these, effective exporting requires development of comprehensive and flexible export strategies that take into consideration the changing external and internal environment.

Firms should more intensively manage their export activities, compared to their domestic channels, for improving performance. And thus the managers of exporting firms should be educated and trained to anticipate the dynamics of the internal and external uncertainties in which they will be operating before being faced with decisions to be affected by uncertainty.

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