FACTORS INFLUENCING EXPORT - A CONCEPTUAL ANALYSIS

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ABSTRACT

Export is a commercial activity, which involves exchange of domestically produced or value added imported goods or services for valuable consideration across national borders. Export is one of the most determinant factor for economic growth, it also helps companies for sales expansion, resources acquisition, minimize competitive risk and diversification. Export in current scenario is prospective business with critical business environment; Social, Technological, Economic, Political, International, Natural, Transport and Organizational (STEP IN-TO) are few of the critical factors influencing export business. Knowledge on export business environment will lead firm to attain competitive edge in international market. This conceptual paper is designed to intimate the significant influence of STEP IN-TO factors, which plays momentous role in export and suggest solution to attain competitiveness with the same. The paper is done with the review of literature and statistical report pertaining to past years of Indian export. STEP IN-TO factors was found to be important ingredient among the many factors in export business environment especially, during entry also, STEP IN-TO factors in export was found to be more opportunity oriented rather than criticism on insight, this is because it helps in; widening the market, reduce the risk, economic growth of world at large, reduced effect of business cycle and optimum utilization of resources, provided proper knowledge, exposure and experience is in need for the export firm.

Key words: Export Business Environment, STEP IN-TO Factors, Indian Export Statistics, Opportunity oriented review.


1. INTRODUCTION TO EXPORT BUSINESS ENVIRONMENT

Business environment involves all those external and internal factors that influence business operation. Business environment includes broad category and varies with industry, among which export is a segment, Export business environment is a combination of Social, Technological, Economical, Political, International, Natural, Transportation and Organizational (STEP IN-TO) (Stern, 2002). Social factor in export environment is misinterpreted that, it is confined to a country or region, people view point thereby are restricted to clothing, ceremony, historical landmarks, art, food and unique natural wealth of the country or region, the answer lies much more complex (Schien, 1984). Social literally defines a group of people, consequently social factor are learned through experience and not inherited. Every people faces and respond to the life challenges arising out of environmental changes, Humans a intellectual social
living being get adapted to change creatively and transfer the knowledge seamlessly to next generation (Kluckhohn, 1952), at this point Social culture emerges which are adaptive rather than inherited. On other hand the survival and success every individual export unit depends on the capability to cope with efficient production process, which are the result from technology (Adeoti, 2005). Theoretical underpinning between investment in technology and export performance was well discovered by (Lall, 2001). Though there have been two extreme viewpoints in relation to export performance and economic growth, many empirical studies have concluded positive relation (Chemeda, 2001). Typically political risk of the region is an important function to be determined prior before setting an export unit (Mustafaoglu D. W., 1978). The parameter are considered to measure action led by political events and its effect on a given export firm for various decision (Fitzpatrick, 1983), hence the political risk of the region greatly influence feasibility study also the functioning of the export firm in particular region, political stability is mostly considered by any industry especially in relation to international business. In global context, multiple sources of external authority, global demand for the product and particular export industry are arising out of international trade liberalization, strategic concern for the export industry are subjective to international trade factors (Nancy, 1992) which determines the organizational behavior particularly in export industry. Natural wealth is unequally distributed around the globe and demand for it is nevertheless decreasing hereby, surplus wealth bestowed by the nature to particular nation when, traded with nation having scarce of particular resources will pave a way for efficient utilization of resources around the globe (S. Rajasekar, 2015). Transportation and organizational are internal factor deciding the business survival and competitiveness of the export firm especially in India, major cost of the export product or service are consumed by the organization and transportation, the measured estimate may range from (60-92)% of the export goods or service, hence concentrating on more efficient process in every system within organization and selecting cost effective transportation model and INCO (International Commercial) terms will lead to better cost advantage within the industry (Daniels, 2013). This paper is designed with an objective to unleash knowledge on STEP INTO factors which is considered as important influential aspects for export business, according review of literature. Data considered in the paper are secondary; Data had been collected from reliable government websites and more recent article papers. Apart information disclosed out of review of literatures, industry experts having; experience and exposure in relevant field were concerned through scheduled interview to produce the reliable paper work and few conceptual diagrams in relation to the topic is enclosed herewith the paper, as per the information conveyed by experts.

**Figure 1 Export Business Environment and Its Influencing Factors**

![Image of Export Business Environment and Its Influencing Factors diagram]

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2. AN OVERVIEW ON SOCIAL FACTOR IN REFERENCES TO EXPORT BUSINESS

Export coexist with social factor, (i) Capacity to produce surplus (ii) Motive to undertake international business, and (iii) Knowledge on particular market opportunity stimulates individual entrepreneur to go for export (Pavord, 1975). Making a better look, it is the social environment that is stimulating an individual to carry out export; socio-work environment, personal social environment and knowledge circle are dominating factors. Investigating on the relationship between the awareness on foreign market opportunities and export initiation, export is; Seller initiated, buyer initiated, broker initiated and initiated as the result of trade fair, which comes as the result of socializing (Easton, 1994). Export business stabilizes the consumption level, builds relationship between exporter and importer, strengthens the bond between trading nation in-turn helps economic welfare of the people through global peace, if every country involved in exporting its surplus around the globe. As discussed on how seller are influenced by the social factor so does the buyer in other nation, socialization with respect to specific region creates a culture, culture regulates a need for certain products or service, no matter it is scarce or surplus in their environment, this when inherited to many generations creates demand, ultimately deploying resources available and seeking for more and better quality resources through international trade i.e. export from other nations having particular resources. Thus market need are analyzed and successful exporting activity are carried out (Liang, 1995). Individual interacting with various social environment impart ideas, need, wants and knowledge, Knowing this are the root export success.

![Figure 2 A Conceptual framework of Social Factor in Export Business](image)

3. EFFECT OF TECHNOLOGY AND EXPORT PERFORMANCE

The significance of technology towards economic development is established long back. Investment in technology was a major tool for achieving strategic objectives of the export oriented firms. Empirical study on East Asian economies over last half century reveled that, tremendous benefit were received out policies that actively promoted organizational level investment towards technology (Mathews, 2000). It s known from the conventional theory which, originated during the era when the international trade was separated from the industrial production. Most goods traded were primary and semi-manufactured goods. Ever increasing trade between many countries have created liberal policies increasing competition, specialization, interdependencies, low cost goods for consumption and economies of scale. Though several factors determine firm's export potential, technology investment is the important contributor for building capacity of the export firms (Sanjaya, 2001). The study of export performance of Small Medium Industries (SMIs) in India reported, adoption of e-business and cutting edge technology is an critical factor determining the export performance, competitiveness, survival in global competition and cost efficiency operation of the firm (Lal, 2002). In most export industry technological investment are made to improve quality, reduce cost of production, product production hardware, software supporting ease of use which are making operations better and easy, this in-fact have created less wasted resources, produced quality product and services, increased firm competitiveness, easy operations, profit maximization and better export performance (Soderbom, 2000).
4. ECONOMY AS DRIVING FACTOR FOR EXPORT GROWTH

Export is tightly related to GDP (Gross Domestic Product) and GDP is highly related to economy of the country (Brue, 2008). Knowledge on economic environments of different nations will help a managers to predict how, trends and events affects the future performance of the company. An economic system determines the system of production, distribution and consumption level of goods and services within an country. Economic system which are classified into three types i.e.; planned economy, market based economy and mixed economic system decides the export performance and economic growth intensity of the country (S. Rajasekar, 2015).

The deterministic part of economic development depends on capital formation, availability of natural resources within nation, marketability of surplus, foreign trade policies and economic system (Hill, 2009). Few non-economic factor such as human resources, general education, political freedom, social organization, corruption and desire to develop determines the FDI (Foreign Direct Investment) and export performance which ultimately reflects the economic development within the country through enhanced export performance.

Dr. M. Ayisha Millath and Mr. S. Thowseaf, “Factors Influencing Export - A Conceptual Analysis” – (ICAM 2016)
5. POLITICAL PROBLEM AND PROSPECTS IN EXPORT BUSINESS

Every firm operates in a political environment, thereby it has a direct impact on operations. There is a greater need for exporting firms to understand the political climatic condition of domestic, foreign, and international to reduce the risk associated with it. Political systems in importer countries and exporter countries influence the buying and taxation patterns which are considered to be barriers for exports (Mustafaoğlu D. W., 1978). Political ideology of government, political stability in the country, relation of government with other countries, policies towards international business, treatment of foreign investors, thinking of opposition parties within political systems play a deterministic role in export business. Misunderstanding of political systems may cost the export firm, underestimating the political risks of the country may lead to committing resources to that country which will ultimately cost the firm, similarly overestimating the political risk of the importer and domestic country will make the firm lose its opportunity and ultimately leading to reduced benefit, either case there exists loss to the exporting firm. Thereby it is mandatory for every firm to analyze their political system and try to tap advantage with the same. Political risk and political instability are not same. Slightest increment in instability of the political system may have a huge impact on certain firms and there is a possibility of being the vice versa case too. Every firm should analyze the political system of the both domestic country and the country to which it is planning to export with respect to firm level and particular industry level (Simon, 1982).

**Figure 6 Three step process of political risk analysis**

1. **Step 1**
   - Determine critical economic & Business Issues relevant to firm.
   - Assess the relative importance of these issues

2. **Step 2**
   - Determine the relevant political events
   - Determine their probability of occurring
   - Determine the cause and effect relationship
   - Determine the government ability and willingness to respond

3. **Step 3**
   - Determine the initial impact of probable Scenarios
   - Determine possible responses to initial impacts
   - Determine the initial and ultimate political risk

**Source:** (black, 2013) (black, 2013)

6. INTERNATIONAL FACTOR: A SPARK DRIVING EXPORT ENGINE

International factor is an aggregate of every factors considered in export and import business environment. International factor imposes different types of constraints and opportunities tied with global and domestic agencies which, frames policies and terms in relation to international trade. WTO (World Trade Organization), Multilateral Trade Negotiation And Agreement, ECGC (Export Credit Guarantee Corporation) of India, Various export promotion Council, DGFT (Director General of Foreign Trade), RBI (Reserve Bank of India), EXIM (Export Import) Bank of India are different organization and agencies influencing operations of various export firms in India. Though the mentioned organization have been built up for up-lifting export and economy, slight change in policy terms or order that changing the mode of operation currently existing may have devastating effect to some particular export industry, this is because of the unanticipated change government regulation possess severe threat to mode of operation of the export firm mostly and the firm may take time to make required changes. As when comes to business it is not just the direct and indirect form of money does matter, it is time, energy and space is also money, no matter it is in relation to living being or non-living being. It is essential to perceive knowledge on organization imparting to export in domestic and importer's countries, perceiving knowledge on organization functioning in cluster countries help export organizations to avoid threats to tap opportunities.
7. NATURE AS CRUCIAL RESOURCE FOR EXPORT SUCCESS

Nearly 1/5th of the world trade merchandise are natural resources (Allsopp C, 2011). It is estimated that, in 21 countries more than 80% of the export are natural resources out of which 9 countries export more than 50% of its GDP (Almoguera P, 2011). Natural resources especially in relation to basic survival and commodities of everyday life have to be imported who have no local supply in order to meet the domestic demand and here export is critically evaluated in importer country. These uneven distribution of natural wealth determines the economy of the country, most demanded natural resources are traded at very high cost also its finished product, thus country processing abundant demanded natural resources and efficient production system to further manipulate the natural resources will stand out in international market (Blanchard OJ, 2007). The leading exporters of natural resources and its contribution to GDP is depicted in Table 1. The report published IMF (International Monetary Fund) stating top 10 GDP countries was mostly coinciding with top 10 exporting counties which, is a sufficient evident that it is the natural wealth of the country determine the economic success and export success, hence concentrating on manipulating natural resources available and through efficient production process better export performance can be made through which GDP increases and country prosperous.

Table 1 Percentage of GDP Export in top 10 Exporting countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Level</th>
<th>Units</th>
<th>As Of</th>
<th>1Y Chg</th>
<th>~5Y Ago</th>
<th>~10Y Ago</th>
<th>~25Y Ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>13.49%</td>
<td>% of GDP</td>
<td>2013</td>
<td>-0.08%</td>
<td>11.01%</td>
<td>9.63%</td>
<td>8.91%</td>
</tr>
<tr>
<td>China</td>
<td>26.40%</td>
<td>% of GDP</td>
<td>2013</td>
<td>-0.92%</td>
<td>26.72%</td>
<td>34.08%</td>
<td>10.60%</td>
</tr>
<tr>
<td>Japan</td>
<td>14.73%</td>
<td>% of GDP</td>
<td>2012</td>
<td>-0.40%</td>
<td>17.71%</td>
<td>11.87%</td>
<td>9.76%</td>
</tr>
<tr>
<td>Germany</td>
<td>50.67%</td>
<td>% of GDP</td>
<td>2013</td>
<td>-1.12%</td>
<td>42.46%</td>
<td>38.55%</td>
<td>24.22%</td>
</tr>
<tr>
<td>France</td>
<td>28.28%</td>
<td>% of GDP</td>
<td>2013</td>
<td>0.20%</td>
<td>24.07%</td>
<td>25.91%</td>
<td>21.48%</td>
</tr>
<tr>
<td>Brazil</td>
<td>12.55%</td>
<td>% of GDP</td>
<td>2013</td>
<td>-0.03%</td>
<td>10.98%</td>
<td>16.43%</td>
<td>8.93%</td>
</tr>
<tr>
<td>UK</td>
<td>29.84%</td>
<td>% of GDP</td>
<td>2013</td>
<td>-0.41%</td>
<td>27.01%</td>
<td>24.36%</td>
<td>22.59%</td>
</tr>
<tr>
<td>Italy</td>
<td>28.56%</td>
<td>% of GDP</td>
<td>2013</td>
<td>0.30%</td>
<td>22.47%</td>
<td>24.05%</td>
<td>18.57%</td>
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<tr>
<td>Russia</td>
<td>28.37%</td>
<td>% of GDP</td>
<td>2013</td>
<td>-1.23%</td>
<td>27.94%</td>
<td>34.42%</td>
<td>21.90%</td>
</tr>
<tr>
<td>India</td>
<td>24.82%</td>
<td>% of GDP</td>
<td>2013</td>
<td>0.82%</td>
<td>20.05%</td>
<td>17.55%</td>
<td>6.90%</td>
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8. TRANSPORTATION MODEL IN EXPORT DECIDES PROFIT OR LOSS

Dr. M. Ayisha Millath and Mr. S. Thowseaf, “Factors Influencing Export - A Conceptual Analysis” – (ICAM 2016)
Deciding right transportation model and INCO terms is the blood stream of export companies deciding the profitability or even the loss value of the company. Decision on INCO terms are more complex than transportation mode, the reason behind it is, it lays a total burden either on importer or exporter hence, improper negotiation may cost. Transportation mode is broadly classified into airways, roadways and shipways, Choosing best or multimodal according to the requirement is mostly based on cost, environment, risk and attitudes (Limbourg, 2008). INCO terms of different types which are depicted in figure 8, Delivery on time of quality product or services as prescribed by the importer and proper INCO terms satisfying both the parties will give long term relation and business survival (Kreutzberger, 2008).

Figure 8 List of INCO Term

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<th>INCO Terms</th>
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<tr>
<td>CFR</td>
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<td>FCA</td>
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<td>FOB</td>
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Were
- CFR – Cost and Freight
- CIF – Cost, Insurance and Freight
- CIP – Carriage and Insurance Paid to...
- CPT – Carriage Paid to
- DAF – Delivered At
- DDP – Delivered Duty Paid
- DDU – Delivered Duty Unpaid
- DEQ – Delivered Ex
- DES – Delivered Ex
- EXW – Ex
- FAS – Free Along
- FCA – Free Carrier
- FOB – Free on Board

9. ORGANIZATIONAL BARRIERS

Competitive human resources, efficient production processes, skilled operation management team, standard organizational structure and system helps break through organizational barrier. Accurate job analysis, Recruitment, selection to training phase stringent rules have to be adopted to identify potential employees and tap benefit out of them. On other hand right technological selection, process flow and operation flow have to be adopted for standardization. On Insight, Export business are not standard but making close to standardization requires years of exposure and experience. Appropriate organization structure will give hand to control in every aspect. Planned Internal operation in organization reduces rework, saves time, energy of man and machine also paves a way to organizational competitiveness.

Every individual behavior towards organization and work decides the successfulness of the organization, hence it is important that top management should after selecting and training the potential employees should not only concentrate on market capturing and profit maximization but also to satisfy the requirement of every individuals behind the scene. It is ethical norms of every organization to look every employees from every angle and frame suitable policies and compensation, making the skilled employees attached to the company is way to move further towards vision. Best way to keep the customer satisfied is keeping the employee interacting with the customer satisfied. Hence personal, psychological, organizational, and environmental factors have to be considered to understand the requirement of the individual and the organization should try to satisfy the same through properly framed policies terms and compensations.
CONCLUSION

Exporting is a natural step to market reach and profit. But, as with most things in business, theoretically it is easier than practical. Exporting poses different set of barriers than other businesses. Exporting from India without any contextual knowledge on STEP IN-TO factors and other relevant information may lead to expensive errors. A comprehensive research on intended market before parting will always saves cost and bring innovation to the product or service. Every exporting individuals or firm follows a business strategies to capture export order which are, the basic entity for firm, deciding existence or survival or success. With technological advancement discussed in STEP IN-TO factors one can simply capture market in this digital world, contacting foreign buyers is herculean task and the possibility of success is not deterministic. Best ways to reach and attract the customer is through creation of websites stating clearly of business product, service and quality, secondly, is to perform SEO (Search engine Optimization) on website, try getting linked with various social media website and promoting the product and services. Posting articles in E-Magazines and websites will project the yourself and your company caliber giving possibility for business orders. Effective communication is an important tool, provided quality and cost of communication does also matters, every order initiate with asking for samples. Samples have significant value, there is difference between asking nominal sample for quality checking and also there exists possibility of fraud asking more than the required amount, being aware will always do good to firm, it is always advisable to draw two set of samples and send one sample to customer, this helps in matching the sample product retained later purpose. Once purchase order confirmed it always a better option to build a professional relationship for further contact and business order. Attending trade fair, getting registered with export promotion agencies, Government embassies for extended services, personal meeting with clients and Appointment of agent in targeting countries will help gain competitiveness to business. But, most important is STEP IN-TO knowledge, action without knowledge in export field will always end up in cost. STEP IN-TO factor raises considerable amount of questions to attain competitiveness through strategic planning in export business to achieve success over the long run.

REFERENCES


