

The Study of Export Capacity Factors on Small and Medium Businesses (SMEs)

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ABSTRACT

The aim of this research was to study the influence of export capacity factors on small and medium business exporting fruits. According to the objectives, this research could be considered as a practical one, and according to the methodology; it could be considered as descriptive. There were 1 main hypothesis and 10 alternative ones for this research. The statistical society included all 35 top managers of small and medium businesses in Khuzestan Province, from which all were selected as sample, using census. The data were collected through library research, and the data regarding export capacity were collected through questionnaire. The validity and reliability, using alpha coefficient was 0.74, and it indicated that questionnaire has accepted. Then the data needed were analyzed through SPSS software (version 18). Results from hypotheses showed that, on the whole there was a significant and powerful relationship between factors of export capacity and small and medium businesses. Nevertheless, when all the variables were studied separately, only three variables of trade companies' size, networks trade communications, and outside markets had no influence on small and medium businesses.

KEYWORDS: Small and Medium Businesses, Export, Capacity of export, and productivity.

INTRODUCTION

Export of each country is one of the most important financial factors in each period of time. The export capacity is also of important matters that clear up the notion of economy for each country. In the economical crisis it is the export capacity which defines the level of the economy. The level of economy is also influenced by small and medium forms of businesses.

Small and medium forms of businesses as the motivating factor of economy and society play very important roles in the development and progress of a community. We cannot ignore the role of these sizes of businesses in the progression of the country and nation. In fact, these types of organizations are the framework of creating job and consequently increasing the financial capacity of a country. On the other hand, they are considered an introduction to establish big sizes of businesses. Therefore, it is necessary to pay a very deep attention to these types (dailyjojo 2013).

Establishing small and medium types of businesses in the field of fruit export in Iran needs to create a kind of healthy competition and market, decreasing costs, increasing quality, and increasing the amount of exports which lead to the increasing of national economy. Therefore, the main framework of economic progress is to establish a good and proper economical freedom policy and also the development of small and medium businesses.

On the other hand, establishing a good and wealthy economic policy in the field of fruit export needs a very detailed analysis of all aspects of theory and performance regarding small and medium businesses. Khuzestan, which is located in the south-west of Iran, has a very good and strategic situation in terms of exporting fruits. It has a long shore which can be used to export fruit to Kuwait and also it has two ways of Shalamchah and Chazabeh that can be used to export fruit to Iraq. The capacity of this type of export is about 25 percent of the whole export to this country.

Therefore, in this research, the researchers try to study the export capacity influencing factors on the small and medium types of businesses in Khuzestan province. Moreover, the weak points are supposed to be identified and then improved.

LITERATURE REVIEW

Small and Medium Businesses: This type of business refers to "some small economical units that are not very influencing on their field of activity (production) and are founded, started, and controlled by the entrepreneur easily" (AmirKabiri 2010, p. 429). In Iran, the very small types of businesses may only have 1 to 9 employees; small ones may have 10 to 49, and medium ones may have 50 to 149 (AmirKabiri 2010, pp. 434-435).

European Union defines SME as the following: small types contain 0 to 9 employees, small types contain 10 to 49, medium types contain 100 to 250, and big types contain more than 250 employees (Vernon 2009, pp. 291-292).

Capacity of production: It refers to the number of the product that can be produced which is usually measured according to unit of time. There is another unpopular meaning for it which refers to the ability to run the business.

Design Capacity: This capacity is equal to the highest amount of output when all the elements and the situation are in their ideal condition. Such a kind of capacity is different from Actual Capacity which refers to what is expected to be performed.

Normal Capacity: It also differs from Ideal Capacity. This kind of capacity is measured according to other outsider elements and their pressure such as need of product and providing primary materials.

Excess Capacity: This kind of capacity is meaningful when the need of market is reduced comparing the condition. This also can be used as a tool in order to block the competitioners to enter the business. In other cases, it can be used as intangible possessions such as trade mark (Vernon 2009, p. 64).

Export: It refers to the transportation and transformation of products and goods from one place to another place (Gouhariyan 2000).

There are 3 elements which distinguish small and medium businesses from big ones including: (1) *Outside environment*, (2) *Organizational Order and Regulations*, and (3) *Managerial Features*.

Outside Environment: It refers to a kind of condition by which the business reaches its goals and aims. It consists of customers, sellers, competitioners and other adjustment elements.

Small businesses often act in one field of business and their marketing share is small; therefore, they have a different nature from big businesses. Big ones enter into trade different branches and their products have a good range of varieties. Moreover, those big ones are tent to be the pioneers in their field of business. On the whole, these differences in the working conditions create the competition.

Organizational Structure: The organizational structure of small businesses is not defined completely. This structure is based upon close relationships and is mostly informal. Moreover, because of the limited number of employees, the duties are not fixed and they are changing alternatively. The hierarchical structure is not defined or if it does, it is not more than 4 levels. Therefore, they do not possess a formal nature. The decisions are made by the owner and the structure is also defined by him/her. Nevertheless some secret and vital information are kept by the owner. There is no mutual effect but there might be some negative results raised up from the competition of the members.

Management characteristics and values: One of the ways in order to distinguish small and medium businesses is the management values, motivations and behavior that determine the working routine. The managers of such types of businesses are known as person with the ability and risk taking and these characteristics distinguishes their businesses.

The Factors of Success in Small Businesses: There are 4 factors related to the success of small businesses including; Job Opportunities, Leadership Skills, Enough Investment, and Principles of Control and Innovative Methods.

Job Opportunity is the most influencing factor in the success of small businesses. It is divided into two categories of providing good products or services and cheap selling. In fact, both of them are reachable in small businesses, but there should be some cautions. They must prove that their products or services are good enough and should consider customers' needs and desires. When a buyer thinks of a low price as a bad product, it is the failure of business. Therefore, having only one element is not enough to be successful. On the whole, before each economical year, there should be planned some policies and strategies to consider both of them. It can be concluded that being devoted to only one method is very dangerous.

Chances taken from market: Small businesses possess some advantages and the best one is to have a close connection with customers who give suggestions and ideas. In order to be in the process and challenge of business and also to ask the question and the idea that customer wants the best qualified product with the lowest price can be considered as one the best opportunities and chances taken from market.

Leadership Skills: Technical ability, intelligence, wisdom, good relationships, motivation, innovation, creativity, courage, entrepreneurship, risk taking, future anticipation and foretelling, analytical mind, decision making, authority, and the quality of ownership are the characteristics that make a small business successful. Therefore, a good manager should know how to adjust human resource, money, time and machinery. He should be aware about be management, organizing, planning, and controlling.

Enough Investment: Considering the element of successfulness, investment is also important. At the beginning of the business, the investment needed should be exactly measured and budgeting should be completed. Moreover, we should consider the problems regarding getting the loans in order to run the business.

Principles of Control and Innovative Methods: Businesses should employ the best and the most proper ways in order to be successful. This is because of the reason the decreasing the costs has many advantages and controlling guarantees the activities. These principles entail the analysis of all activities such as employing systematic and scientific methods, selecting the best option, planning and evaluation (AmirKabiri 2010, pp. 449-454).

Financial Resources: Budget means a determined amount of money for a known period of time in order to reach the goals and it contains incomes, costs, and investments. Budgeting is one of the tasks of planning and it is a part of tools, but the decision to use the budget is made by control process. Therefore, there are 4 factors in order to determine the budget:

The size of business: It influences the structure of the business. For instance, big businesses that act in different markets and have different products cannot use a simple structure or set of tasks.

Technology: It is a branch of knowledge which refers to practical type of knowledge. In management theories, it is known as knowledge, tool, technique and activities that are used to change the inputs to outputs. The type and the complexity of the technology influence the organizational structure.

Environment: It influences the organizational structure because of its mutual relationship. Organizations should adapt themselves with the environmental changes. For instance, a stable structure is good for stable environment and an alternative structure is good for alternative environment.

According to such issues, there have been done many researches in Iran and outside of Iran. Ardestani and his co-workers in 2007 studied the marketing of fruit in north of Iran. The results showed that there are many elements such as very high share of money for the intermediate buyers, low price for producer, high cost for marketing and high amount of tax. Another research is done by Wilt from 1971 to 1990 on the market of apple using dynamic model which contains planting, producing, and determining the special and certain markets. At the end, he concluded that if there was 10 percent of increasing for the price of exporting, there would be 10 percent increasing for the total price of apple and also 10 percent of decreasing for the amount of imported apple juice.

RESEARCH METHODOLOGY

According to the objectives, this research could be considered as a practical one, and according to the methodology; it could be considered as descriptive. There were 1 main hypothesis and 10 alternative ones for this research. The statistical society included all 35 top managers of small and medium businesses in Khuzestan Province, from which all were selected as sample, using census. The data were collected through library research, and the data regarding export capacity were collected through questionnaire (extracted from a research done by John Adams 2010).

The validity and reliability, using alpha coefficient was 0.74, and it indicated that questionnaire has accepted. Then the data needed were analyzed through SPSS software (version 18). Results from hypotheses showed that, on the whole there was a significant and powerful relationship between factors of export capacity and small and medium businesses. Nevertheless, when all the variables were studied separately, only three variables of trade companies' size, networks trade communications, and outside markets had no influence on small and medium businesses.

FINDINGS

According to this framework, the hypotheses of the research can be enumerated as follows:

The main hypothesis

H₀: There is no relationship between export capacity and the performance of small and medium businesses.

H₁: There is a relationship between export capacity and the performance of small and medium businesses.

Table 1 (regression test on the correlation between export capacity and the performance of small and medium businesses)

Model	Correlation coefficient	R	R ²	Deviation
1	0.82	0.67	0.53	0.092

As it is shown in table 1, the correlation coefficient is 0.82 which means that there is a relationship between the dependent and independent variable. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. It means that there is a relationship between export capacity and the performance of small and medium businesses.

Moreover, here we have the regression coefficients between the factors of export capacity and the performance of small and medium businesses.

Table 2 (the regression coefficients between the factors of export capacity and the performance of small and medium businesses)

Model 1		Nonstandard coefficient		Standard coefficient	T	Significancy
Dependent variable	Independent variable	B	Deviation	Beta		
Small and medium businesses	Constant	1.635	0.228		7.161	0.000
	Top managers experience	0.073	0.032	0.384	2.281	0.03
	Government financial support	0.052	0.025	0.356	2.086	0.04
	Cultural differences	0.086	0.034	0.418	2.523	0.01
	Domestic and foreign markets	0.031	0.026	0.211	1.185	0.24
	Geographical place	0.213	0.100	0.36	2.116	0.043
	Financial sources	0.068	0.026	0.435	2.647	0.01
	Price and quality of products	0.149	0.058	0.149	2.455	0.020
	Managers skills	0.149	0.058	0.149	2.455	0.020
	Size of trade companies	0.133	0.145	0.164	0.913	0.369
	Network trade relationships	0.031	0.049	0.116	0.638	0.52

According to table 2, the significancy and other numbers, it can be concluded that there is a relationship between the dependent and independent variable. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. It means that there is a relationship between export capacity and the performance of small and medium businesses.

The 1st alternative hypothesis

H₀: There is no relationship between export capacity and price and quality of products.

H₁: There is a relationship between export capacity and price and quality of products.

Table 3 (regression test on the correlation between export capacity and price and quality of products.)

Pearson	N	Significancy
0.40	32	0.02

As it is shown in table 3, there is a relationship between the dependent and independent variable. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. It means that there is a relationship between export capacity and price and quality of products.

The 2nd alternative hypothesis

H₀: There is no relationship between export capacity and financial resources.

H₁: There is a relationship between export capacity and financial resources.

Table 4 (regression test on the correlation between export capacity and financial resource)

Pearson	N	Significancy
0.43	32	0.013

As it is shown in table 4, there is a relationship between the dependent and independent variable. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. It means that there is a relationship between export capacity and financial resource.

The 3rd alternative hypothesis

H₀: There is no relationship between export capacity and size of companies.

H₁: There is a relationship between export capacity and size of companies.

Table 5 (regression test on the correlation between export capacity and size of companies)

Pearson	N	Significancy
0.16	32	0.16

As it is shown in table 5, there is no relationship between the dependent and independent variable. Therefore, the null hypothesis is accepted and the alternative hypothesis is rejected. It means that there is no relationship between export capacity and size of companies.

The 4th alternative hypothesis

H₀: There is no relationship between export capacity and managers' skills.

H₁: There is a relationship between export capacity and managers' skills.

Table 6 (regression test on the correlation between export capacity and managers' skills)

Pearson	N	Significancy
0.40	32	0.02

As it is shown in table 6, there is a relationship between the dependent and independent variable. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. It means that there is a relationship between export capacity and managers' skills.

The 5th alternative hypothesis

H₀: There is no relationship between export capacity and top managers' experiences.

H₁: There is a relationship between export capacity and top managers' experiences.

Table 7 (regression test on the correlation between export capacity and top managers' experiences)

Pearson	N	Significancy
0.38	32	0.03

As it is shown in table 7, there is a relationship between the dependent and independent variable. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. It means that there is a relationship between export capacity and top managers' experiences.

The 6th alternative hypothesis

H₀: There is no relationship between export capacity and networks trade relationships.

H₁: There is a relationship between export capacity and networks trade relationships.

Table 8 (regression test on the correlation between export capacity and networks trade relationships)

Pearson	N	Significancy
0.11	32	0.52

As it is shown in table 8, there is no relationship between the dependent and independent variable. Therefore, the null hypothesis is accepted and the alternative hypothesis is rejected. It means that there is no relationship between export capacity and networks trade relationships.

The 7th alternative hypothesis

H₀: There is no relationship between export capacity and government financial and informational support.

H₁: There is a relationship between export capacity and government financial and informational support.

Table 9 (regression test on the correlation between export capacity and government financial and informational support)

Pearson	N	Significancy
0.35	32	0.04

As it is shown in table 9, there is a relationship between the dependent and independent variable. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. It means that there is a relationship between export capacity and government financial and informational support.

The 8th alternative hypothesis

H₀: There is no relationship between export capacity and domestic and foreign markets.

H₁: There is a relationship between export capacity and domestic and foreign markets.

Table 10 (regression test on the correlation between export capacity and domestic and foreign markets)

Pearson	N	Significancy
0.21	32	0.24

As it is shown in table 10, there is no relationship between the dependent and independent variable. Therefore, the null hypothesis is accepted and the alternative hypothesis is rejected. It means that there is no relationship between export capacity and domestic and foreign markets.

The 9th alternative hypothesis

H₀: There is no relationship between export capacity and cultural differences.

H₁: There is a relationship between export capacity and cultural differences.

Table 11 (regression test on the correlation between export capacity and cultural differences)

Pearson	N	Significance
0.41	32	0.01

As it is shown in table 11, there is a relationship between the dependent and independent variable. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. It means that there is a relationship between export capacity and cultural differences.

The 10th alternative hypothesis

H₀: There is no relationship between export capacity and geographical place.

H₁: There is a relationship between export capacity and geographical place.

Table 12 (regression test on the correlation between export capacity and geographical place)

Pearson	N	Significance
0.36	32	0.04

As it is shown in table 12, there is a relationship between the dependent and independent variable. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. It means that there is a relationship between export capacity and geographical place.

CONCLUSION

As the German economist Hans-Heinrich Bass says:

Empirical research on SME as well as policies to promote SME have a long tradition in (West-) Germany, dating back into the 19th century. Until the mid-20th century most researchers considered SME as an impediment to further economic development and SME policies were thus designed in the framework of social policies. Only the ordo-liberal school, the founding fathers of Germany's social market economy, discovered their strengths, considered SME as a solution to mid-20th century economic problems (mass unemployment, abuse of economic power), and laid the foundations for non-selective (functional) industrial policies to promote SMEs (Bass: 2006)

It can be deduced that SMEs are one the most important parts of worlds development and they should be paid more attention than before. Therefore, according to what is said and the economist mentioned, the aim of this research was to study the influence of export capacity factors on small and medium business exporting fruits. According to the objectives, this research could be considered as a practical one, and according to the methodology; it could be considered as descriptive. There were 1 main hypothesis and 10 alternative ones for this research. The statistical society included all 35 top managers of small and medium businesses in Khuzestan Province, from which all were selected as sample, using census.

Then the data needed were analyzed through SPSS software (version 18). Results from hypotheses showed that, factors such as price and quality of products, financial resources, managers' skills, top managers' experiences, governmental supports, geographical place, and cultural differences have their influence on export capacity. But domestic and foreign markets and network trade relationships have no influence on export capacity.

On the whole there was a significant and powerful relationship between factors of export capacity and small and medium businesses. Nevertheless, when all the variables were studied separately, only three variables of trade companies' size, networks trade communications, and outside markets had no influence on small and medium businesses.

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