
Abstract

In this article an attempt has been made to study the sources of support and training for export oriented Small and Medium Enterprises (SMEs) in Australia. Austrade (a government agency) appears to be the principal source of information, advice and training for a very large proportion of manufacturing SMEs. The type of training that the majority of SMEs undertook was largely related to technical aspects of exporting such as export procedures and export documentation. Many SMEs also appear to have used multiple sources of information to obtain market related information.

Key words: Small and Medium Enterprises, Export, Support, Training, Managerial Capability

Resumen

En este artículo se intentó estudiar las fuentes de apoyo y adiestramiento o capacitación para las empresas menores y medianas (SMs) orientadas a la exportación en Australia. Austrade (una agencia de gobierno) es la fuente principal de información, orientación y adiestramiento o capacitación para un gran número de empresas menores y medianas. El tipo de adiestramiento o capacitación que la mayoría de las SMEs tomaron se relacionó, en su mayor parte, con los aspectos técnicos de la exportación, por ejemplo, los procedimientos y la documentación relativa a las exportaciones. Muchas SMEs parecen usar múltiples medios para obtener información relacionada al mercado.

Palabras claves: Empresas Menores y Medianas, Apoyo, Adiestramiento o Capacitación, Exportación y Capacitación de Gerentes

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The Sources of Support and Training for Export Oriented Manufacturing Small and Medium Enterprises (SMEs) in Australia **

Introduction

One of the important features of the global economy over the last decade and a half has been the process of trade liberalization in both industrialized and developing countries. In most cases the reason for trade liberalization is to expand the production and export base, in particular of manufactures which now account for more than three quarters of world trade in merchandise. For the most part of the twentieth century Australia focused on import substitution by erecting tariff barriers. This naturally led to make firms inward focused, which worked against exporting. Australia's geographical distance from the major world markets in Europe and North America also played its role. However, Australians do travel abroad quite extensively and foreign travel was found to be a significant variable in favors of exporting (see Miesenbock, 1988 for details).

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Australia has been engaged in trade liberalization since the early 1970s but the pace has accelerated since the mid 1980s. Tariff rates have decreased already over the past years and the government aims to completely remove tariff in all industries, except the car industry, by 2005. Within less than a decade has moved from one of the most protected economies to one of the least protected economies among Organization for Economic Co-operation and Development (OECD) countries. The process of trade liberalization has had a profound impact on both large and small manufacturing enterprises.

In an open small economy like Australia, SMEs ability to export has become very crucial for their long term survival. An open economic environment has changed the competitive pressure both at home and abroad. The growing convergence of markets are creating new demands and interesting challenges for manufacturing SMEs in Australia.

The long history of inward orientation of Australian manufacturing has made it difficult for many manufacturing enterprises both large and small to engage in an open trading environment. However, the competitive pressure arising from an open trading environment in the home market has been forcing many manufacturing SMEs to seek business opportunities beyond the domestic market.

Exports have made significant contributions to the growth of manufacturing sales over the last decade. Exports as a proportion of total manufacturing sales stood at 15.7 percent in 1998-99 (ABS, 2000). This figure is much lower than the actual share of exports as a proportion of their total sales as it does not include manufacturing exports undertaken by businesses other than manufacturers and their agents. Despite the success in manufacturing exports, a small proportion of total manufacturing firms export and of which more than four fifths are SMEs. However, it is estimated that large enterprises account for almost three quarters of manufacturing export revenue.

The aggregate export share of the SME output is low because many SMEs are not involved at all in exporting for a variety of reasons. There are good reasons to believe that an SME's ability to export is limited by various factors. Some of these factors are internal to the firm and other is external to the firm. Australian Manufacturing

Council (AMC) (1993) identified a number of such factors that inhibit the growth prospects of emerging exporters. The factors include lack of finance, restricted market access, lack of managerial skills, problems of adequate market representation, difficulties in establishing credibility, access to technology and the challenge of maintaining innovativeness.

Exporting will continue to be essential for SME success in the manufacturing sector in Australia in an increasingly open trading environment. Manufactured products face far less barriers to trade than other goods causing intense competition in the global market. It is well recognized that SMEs face a number of constraints in regard to finance, managerial capabilities, skill development and accessing overseas markets. There is a general feeling that there still is a considerable unused export potentials among SMEs. These potentials can also be harnessed through public support and training programs.

The focus of this paper, however, is on the sources of support and training for export oriented SMEs so that these firms can acquire enhanced export capability. The manager is the key figure in the firm in deciding what support and training are needed. The term *manager* is use in this paper in the sense that the manager is also most likely the owner of the firm but, more importantly, the focus is on the principal decision maker of the firm. This research is based on survey data.

Literature Review

It has long been recognized that small firms face numerous difficulties in exporting. The determinants of export behavior can be broadly disaggregated into two major groups; factors that are (i) external to the firm such as tariffs and quotas, exchange rates, government assistance, financing and the competitive environment both at home and abroad (ii) internal to the firm such as the nature of the firm, the product and the management style (see Gripsrude, 1990). Both these factors can influence the exporting decision of firms as they may either hinder or stimulate exports at different degrees for different firms.

The Australian government has been striving to create an environment for business growth. With this objective in mind it has introduced a series of business support programs to assist in areas like seeking out new market opportunities including overseas markets and the adoption of new technology. The Australian government's various assistance packages are largely used by SMEs. The SME exporters constitute 72 percent of Austrade's clients (Twomey, 1995). This very high level of assistance required by SMEs from the government agencies further highlight that they face more hurdles to exporting than their larger counterparts. Olson (1975) found from his Swedish study that less experienced firms value the effects of government assistance measures as more important than firms which have more experience in this field. Bilkey (1978) also suggests that once a firm is out of the initial export development stage, the export assistance measures become less important. At this stage the firm is likely to be more responsive to external economic incentives.

The key variable in small business internationalization is the decision maker of the firm. He or she is the one to decide starting, ending and increasing international activities. He lays down the goals concerning exporting and determining the organizational commitment (Miesenbock, 1988). The amount and quality of resources, such as managerial resources, education level of the employees, capital capacity are evidently crucial factors in a firm's internationalization process. However differences in managerial capability and orientation are important factors in explaining the exporting behaviour of smaller firms (see Reid, 1983 for detail). It has also been suggested that in many instances that stimuli for exporting largely rest outside the firm. It may be prompted to export as a result of an unsolicited order, excess capacity or recession (see Bilkey and Tesar, 1977, Kanayak and Stevenson, 1982). When the stimulus for exporting lies outside the firm, the management is most unlikely to be fully conversant with all the aspects of export management or operations. Reid (1981) suggested that the export expansion process consist of five stages; export awareness, export intention, trial, evaluation and acceptance. At the final stage the firm becomes an exporter.

Whether the stimulus for exporting originates outside or inside the firm, management capability is crucial in becoming a successful exporter. Managerial characteristics and expectations play an important role in a firm decision to export (see Moini, 1995). Managerial attitudes in exploiting any competitive advantage a firm may have or simply to diversify into foreign markets can lead to exporting decision (see Welch and Widersheim-Paul, 1980). Cannon and Willis (1983) observed that management efforts were positively related to export success.

Exporting requires new knowledge and information, new ways of advertising and selling, familiarity with foreign cultures and ways of doing business (Burpitt and Rondinelli, 2000). The same authors in another article further emphasize that firms that see opportunities in the potential organizational learning may be more likely to continue to export through the difficult early phases than firms that evaluate success strictly in terms of immediate financial benefit (see Burpitt and Rondilleni, 1998).

SMEs and Australian Manufacturing

In Australia a business enterprise is generally regarded as small if it has such characteristics as independently owned, most capital is contributed by owners/managers and they are responsible for all principal decision making. However, for statistical purposes small businesses are defined as firms which employ less than 100 persons in manufacturing. This definition has become quite acceptable in Australia in the absence of a clear statistical demarcation between small and medium firms (see, BIE, 1995).

The manufacturing sector in Australia has undergone significant changes since the mid 1980s as a result of substantial tariff reductions. Other economic reform measures such as deregulation of financial and foreign exchange markets have also contributed to opening up the economy to international market forces. The competitive pressure generated as a result of an increasingly open economic environment causing structural changes in the way business is conducted nowadays, increasing number of firms are seeking business opportunities

overseas. Douglas and Craig (1995) noted that growing liberalization, integration and competition in world economies since the post-war period had been responsible for the increasing engagement of firms in exporting activities.

Table 1
SME Activity in the Manufacturing Sector, Australia, 1998-99
(Percent)

ANZIC	Industry	Employment	Turnover	Value Added
21	Food, beverage & Tobacco	31.9	26.9	23.5
22	TCF & leather	63.9	57.2	57.8
23	Wood & paper products	61.2	42.6	41.5
24	Printing, publishing & recorded media	56.6	44.2	44.0
25	Petroleum, coal, chemical & associated products	49.8	35.3	39.5
26	Non-metallic mineral products	55.7	47.9	45.2
27	Metal products	57.6	46.2	n.a.
28	Machinery & equipment	44.4	30.6	33.2
29	Other manufacturing	88.6	84.7	85.7
21-29	Total Manufacturing	51.7	38.4	43.4

Source: Australian Bureau of Statistics (2000), Catalogue No. 8221.0

Manufacturing share of Gross Domestic Product (GDP) in Australia like other industrialized countries has been on the decline over the last three decades and it stood at 12.5 percent in 1998-99. SMEs employed 51.7 percent of labour force and contributed to 38.4 percent of turnover and 43.4 percent of value added of the manufacturing sector in 1998-99 (Table 1).

Between 1990-91 and 1998-99, SMEs increased their share of employment, turnover and value added. SME management units accounted for 97.6 of the total in 1997-98 in the manufacturing sector (see ABS, 2000a). SMEs increased their share of establishments by 2 percentage points between 1990-91 and 1997-98 in the sector.

The relative decline in the share of large firms and employment in those firms in the manufacturing sector is largely due to restructuring necessitated by the increasing openness of the

economy on the one hand and the growing pressure exerted by globalization on the other hand.

The structural shift in the economy has been causing changes to the composition of exports over the last decade and a half. Export of manufactures increased quite substantially during this period marking an attempt to break with the past reliance on primary products. The share of manufactured products to total merchandise exports increased from 20.7 percent in 1983-84 to 31.7 percent in 1998-99.

Exports as a proportion of total sales for manufacturing SMEs was 12.6 percent compared to 17.6 for large enterprises in 1998-99 (ABS, 2000). SMEs in the manufacturing sector have clearly a much lower propensity to export than their larger counterparts. But there is a general feeling that there still is a considerable unused export potentials among SMEs.

Methodology

The study is based on a survey of all manufacturing enterprises in the Western Metropolitan region of Melbourne, capital of the state of Victoria. The questionnaire was sent to the chief executive officer of each of these firms with a covering letter and reply paid envelope. Responses to the questionnaire were voluntary. The sample size was 843 manufacturing establishments in the Western Metropolitan region of Melbourne. The response rate was 16 percent. It is important to point out that the questionnaire was designed to capture many other aspects relating to exporting and importing activities of SMEs.

The choice of the sample region has largely been determined on the basis that manufacturing has always played a dominant role in the economy of Victoria. It's accounting for manufacturing turnover, industry value added and employment by 32.6 percent, 33.1 percent and 32.3 percent, respectively in 1998-99. The percentage contribution by Victoria to total Australian manufacturing turnover was the highest among all states during the same year (see ABS 2000b). During the same year, the manufacturing sector contributed

17 percent to Victoria's gross state product compared to the national average of 13 percent and Victoria also accounted for 33 percent of total manufacturing employment in Australia (see ABS, 2000c). The Western Metropolitan region of Melbourne is the hub of manufacturing activity in Victoria. On that basis, it can safely be assumed that the region is quite representative of Australian Manufacturing.

It must be pointed out that there are limitations in the survey methodology used. The questions were asked in a straight-forward manner given that complexities are very difficult to explore in mail out questionnaires. Secondly, quantitative answers were avoided to save management time and effort with the hope that it would increase the response rate. The decision to do so was based on the pilot survey results. Despite those limitations and once allowance is made for that, quite clear results emerge from the survey.

Results

SMEs constitute 78 percent of the sample. *Machinery and equipment, metal products and food and beverage* appear to dominate SME manufacturing activity accounting for 53 percent, 20 percent and 12.5 percent respectively of total manufacturing establishments.

There has been a significant positive change in attitude towards exporting since the mid 1980s. *The machinery and equipment, metal products and food and beverage industries* dominated in terms of their shares of total manufacturing exports undertaken by SMEs during the survey period. SMEs in these industries accounted for 36 percent, 17 percent and 14 percent respectively of the total in 1995-96.

The period covered by the survey also coincided with increasingly opening up of the Australian economy to the global competitive forces. It appears that an open economic environment is likely to have contributed to SMEs accelerating their export drive as competitive pressure started to build up in the economy. It is true that an open economic environment will not affect all of them in the same way. SMEs with exporting as their long term business strategy or with niche products will take further advantage of the

open economic environment. But for many other SMEs it can be a challenge in a number of ways. Exporting is the most common form of internationalization process pursued by SMEs but for many SMEs exporting is fraught with many difficulties. These difficulties usually arise from complexities involved in dealing with shipping and trade documentation. They are also faced with problems relating to market information. Even when they can identify markets, they are not adequately equipped to deal with marketing and promoting products within those markets.

The survey results reveal that SMEs see a number of factors that inhibit their ability to fully exploit their export potential. These include obstacles such as intense competition in overseas markets, lack of export initiative, tariff/non-tariff barriers, lack of government assistance, limited information to locate and analyze overseas markets, high shipping costs, lack of managerial/personnel time, different product standards overseas, unfavorable exchange rates, difficult and slow collection of payments from overseas, inadequate or untrained export staff, difficulties in handling documentations, insufficient production capacity, inadequate transport and lack of finance. Seventy nine percent of respondents did not use any computer packages to assist with the export process.

It is obviously clear that many of the difficulties faced by SMEs could not be overcome by training. Some of the problems are beyond the control of the firm such as trade barriers, exchange rates and competitive pressures in overseas markets. Also a number of difficulties identified by respondents do not require training, but need only gathering information from appropriate government agencies and industry organizations.

Many of the problems identified by firms could be mitigated by training such as how to improve their ability to gather market information, and how to process export documentations more efficiently, which includes training in the use of the relevant computer packages. Also training can definitely better equip export staff to deal with all aspects of exporting including new production technology and product adaptation, and time management. Training can be provided also for financial and foreign exchange risk management.

Table 2
Support, Advice and Training Received by SMEs
to Establish Export Markets
(Percent)

	Austrade	Ausindustry	Government Agency	Non-Government Agency
Training in Export Procedures	31	10	12	28
Training in Export Documentation	18	8	14	31
Language Training	0	0	5	16
Training in Different Cultures	10	2	10	18
Overseas Market Information	49	13	18	23
Information on Financial Support	27	18	12	22
Finding Agents/Distributors	37	3	11	23
Identifying Exhibitions	38	12	12	19
Arranging Exhibitions	31	8	10	10
Translation Services	12	5	8	18
Export Planning	20	11	5	19
Advice on Logistics	12	5	17	21
Promotional Materials	24	5	10	19
Information about Product Standards	21	11	22	19

Many SMEs actually tried to address the problems they had identified by seeking support, advice and also sometimes undergoing training from both government and non-government agencies. Table 2 illustrates what types of training advice and assistance they had received during the period of survey. Austrade (a federal government agency) appears to be the principal source of information, advice and training for many SMEs followed by non-government agencies. Many SMEs appear to have used multiple sources when it comes to gathering information. However, it appears that respondents who underwent some training mostly concentrated in the technical aspects of export procedures and export documentation. Training in different cultures featured more prominently than foreign languages. This

rather lends support to the widely held view that English has become the language of international business. The elimination of language barriers has not led to homogenization of international business cultures. Countries closer to Australia in the Asia Pacific region such as New Zealand, Papua New Guinea, Hong Kong and Asian countries are the principal destinations for SME exports accounting for 60 percent of the total. Given the cultural diversity in the region it is not surprising that managers need some awareness about this diversity. Cultural barriers are still a very important factor for exporting firms in Australia and many SMEs are trying to familiarize themselves through training in different cultures they are likely to encounter in their export markets. Training programs must emphasize that SMEs to succeed must recognize that exporting in itself is a learning process, a process that can bring significant financial benefits to the firm.

The most important support and advice respondents sought out were relating to overseas market information, identifying exhibitions, information on financial support, finding agents, distributors and information about product standards. SMEs must be made aware of the transaction costs involved in gathering information; therefore, the importance of processing those information correctly. It is of crucial importance how managers interpret the available information in making their business decisions.

It is clear that training many SMEs undertook was largely limited to technical aspects of exporting. They have also used various agencies both government and non-government to gather information to help exporting. Despite obtaining all this information and training many respondents still consider that they face various exporting obstacles. This raises the questions of how effective the training they get is. Training programs must help SMEs to overcome their perceived impediments to exporting. There is a very high degree of reliance on public sector agencies to provide information and training. This is also supported by the Australian Bureau of Statistics that indicates that only 10 percent of small enterprises used private training consultants in 1997-98 (see ABS, 2000a).

Conclusions

This paper focuses on the sources of support and training for export oriented manufacturing SMEs in Australia. The aggregate export share of manufacturing SMEs is low because many of these firms are not involved in exporting for a variety of reasons and more importantly they are unable to deal with complexities involved in exporting. Those SMEs that export also in many instances do not fully utilize their full export potential. It is well recognized that SMEs face a range of other constraints in exporting. The importance of obtaining information about market opportunities in overseas countries and developing new skills and organizational capabilities has been well recognized in stimulating export drive for SMEs.

Managerial capability and expectation play a very crucial role in the firm's decision to export. The manager is also the key person to identify the problems that the firm face in its exporting endeavour, and he/she is the key decision maker who decides what training and support are needed to overcome those problems so that the firm can sell more effectively in overseas markets to achieve its business goals. The manager also ought to be able to sift through all the available information from various sources and use such information effectively to make strategic choices.

The provision of training assists in the acquisition of new knowledge, skills and the upgrading of existing skills. Learning, when combined with business goals, can enhance managerial capability significantly. This will lead the firm to pursue its business goals through more vigorously exporting. In this respect appropriate support and training could significantly improve the learning process which will enhance the managerial capability of SMEs to become more proactive exporters.

Overall it is important that the provision of information and training must be geared to ensure that managers are able to overcome the perceived impediments to exporting, are able to interpret all the relevant information correctly and use them effectively and also to help raise the awareness of full export potential. In this way, export oriented SMEs are likely to benefit from any training programs to achieve their business goals through exports. Furthermore, exporting

in itself is also a learning process. Overtime the firm must be able to appropriate the knowledge gathered from its exporting experience and to use such knowledge to further enhance the exporting capability.

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