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Export Incentives and the International Entrepreneurship of Malaysian Firms

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Abstract

This study explores the incentives to export that Malaysian entrepreneurs face when engaging in international business. The data gathered was based on a survey of 214 Malaysian manufacturing firms. Statistical analysis was carried out using one-way analysis of variance. With the exception of "Decline in the Value of Currency Relative to Foreign Markets" the results indicate no significant differences in the perceptions of exporters and non-exporters towards the various incentives to export. Thirteen of the export incentives tested in this study were deemed to be significant to Malaysian entrepreneurs and they were reduction of tariffs in target countries, attractive export incentives provided by the home country government, presence of export-minded management, expectation of economies of scale resulting from added volume of trade, favourable sales and profit opportunities in foreign markets, chance to diversify into new markets, receipt of voluntary orders from foreign buyers, availability of profitable ways to ship to foreign markets, eased product regulations in target countries, opportunity to reduce inventories, moves by domestic competitors to export, decline in the value of currency relative to foreign markets and entry of foreign competitors into the domestic market.

Key Words: export incentives, export marketing, Malaysia, international entrepreneurship

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1 Introduction

The economic capacity of a country, particularly its industrial and agricultural capabilities, determines the trend that its exports follow. International Trade has always been important for the Malaysian economy. Its importance to the economy has grown stronger over the years. The composition and direction of trade flows have changed significantly, reflecting the dramatic transformation of the primary-producing economy into a rapidly industrialising one. Interestingly, structural changes in the Malaysian economy during the last three decades or so have enhanced the economic openness of the country so much that Malaysia continues to project itself as one of the most open economies in the world. Malaysia's export performance is a major determinant of the state of the economy. Rapid economic growth at the annual average rate of about 7.0 percent since the early 1980s, has much to do with Malaysia's export performance. Imports have also contributed much to the economic development of the country, by providing not only competitively priced consumer and capital goods, but also intermediate inputs for Malaysian manufactures that have rendered Malaysian-manufactured exports competitive in world markets (Central Bank of Malaysia, 1999).

The composition of Malaysia's exports has changed markedly since the 1970s, with primary products declining in importance relative to manufactures. Export-oriented industrialisation initiatives undertaken in the early 1970s have brought about significant changes in the composition of Malaysia's exports, with manufactures playing an increasingly important role. To the extent that in the late 1990's the share of primary products as a percentage of total exports was approximately 30 percent falling from a high of 80 percent in the early 1970's representing a significant change in the composition of Malaysia's exports (Central Bank of Malaysia, 1999).

Malaysia has mostly enjoyed a favourable trade balance in its balance of payments current account. More often than not, the surplus trade balance was large enough to finance the deficit in the services account and also to produce a sizeable current account surplus. However, in the 1990s Malaysia posted serious trade deficits. The large trade deficits incurred in these years were due to the low export prices of primary commodities, high priced imports as a result of the rapid industrialisation in the country, and the appreciation of major currencies especially the Japanese Yen, the Deutsch mark, the Korean Won and the New Taiwan Dollar. Imports of capital goods associated with foreign investment activities in the country have contributed much to the growing trade deficit. In other words, deficits have been financed largely by foreign capital inflows (Central Bank of Malaysia, 1999).

Imports have exceeded exports, despite export-oriented industrialisation in these years, because foreign direct investment in manufacturing activities generated imports of capital goods immediately where export output would begin to flow after a certain period of time. The trade balance should reverse itself, with deficit giving way to surplus once the export-oriented investment projects come on-stream. However, the evidence is inconclusive.

The relationship between imports and exports in recent times has been problematic for Malaysia. Malaysia's reliance on foreign direct investment to make up for the balance of trade deficit shows how fragile this relationship can be. There is a need for an action plan to correct the situation, especially when there are no guarantees that foreign direct investment in a receding global economy will be able to cover the deficit in the trade balance in the future. As such, the action plan needs to include what causes or prevents Malaysian firms from exporting i.e. the various incentives to export Malaysian firms confront when entering the export market.

This knowledge becomes of critical importance if Malaysia is going to start correcting its trade deficit and that is what has driven the need for this study.

2 Literature Review

Exporting has been one of the fastest growing economic activities, consistently exceeding the rate of growth in world economic output over the past two decades (IMF, 1995). A common objective of most countries is to find ways to increase exports.

Gripsrud (1990) defined export intention as the motivation, attitude, beliefs, and expectancy about export contribution to the firm's growth. According to Lim, Sharkey and Kim (1991) non-exporters are those who have never exported. Non-exporters have very little knowledge about the process of exporting and have no experience with the incentives to export. Marginal exporters refer to those who are exploring exporting and may have filled some unsolicited orders. Marginal exporters have learned the basics of the export process, but their low level of commitment may also be coupled with frustration that lead to the perception of inadequate export incentives. Active exporters have mastered the technicalities of exporting and have learned that exporting is an important mechanism for achieving organizational goals. Active exporters have taken advantage of the various incentives to export that have been available.

Sullivan and Bauerschmidt (1990) concluded that firms who were exporting on a regular basis were firms that were actively involved in exporting and whose exports over the last three years have averaged at least 10 percent of its annual sales. A non-exporter being defined as a firm not currently engaged in exporting. This includes a company that has never exported or one that exported in a previous accounting period but for one reason or another has decided to phase out its export activity.

According to Czinkota, Rivoli and Ronkainen (1992) export development is highly regarded by both public and corporate policy-makers, due mainly to the substantial macroeconomic and microeconomic benefits derived from external trade. From a macroeconomic perspective, exporting can enable national economies to enrich their foreign exchange reserves, provide employment, create backward and forward linkages, and ultimately, lead to a higher standard of living. Terpstra and Sarathy (1994) clarified the benefit of exporting to an economy in terms of its microeconomic gains. Exporting can give individual firms a competitive advantage, improve their financial position, increase capacity utilisation, and raise technological standards (Terpstra and Sarathy, 1994).

In general, the expansion of a nation's exports has positive effects on the growth of the economy as a whole as well as on individual firms (Julian and O'Cass, 2004). Exporting is of vital economic importance to trading nations and their firms. Exports boost profitability, improve capacity utilization, provide employment, and improve trade balances (Barker and Kaynak, 1992). According to Gripsrud (1990) the growing internationalization of the world economy and the widespread opinion that increased exports benefit society has stimulated research in this area. In the U.S., the growing trade deficit is the most immediate factor behind the interest in this topic. A common objective in most countries today is to find ways to increase exports. This can be achieved either by encouraging exporting firms to export more or by inducing non-exporters to begin exporting. In 1998, the exports-GNP ratio for Malaysia was 84.3 percent indicating how much the Malaysian economy relies on its exports (Central Bank of Malaysia, 1999). "In this globalized world, industries do not survive if they are not export oriented" (Tenbelian, 2003: 23).

One of the most important research questions in the international business literature is why some firms export and others do not? (Ahmed *et al.,* 2004). An explanation offered by previous research is that non-exporters perceive considerable barriers to exporting (Barker and Kaynak, 1992; Kedia and Chhokar, 1986). Thus, before non-exporters can export, a threshold fear must be overcome. However, the findings are inconclusive. Ahmed *et al.* (2004) found largely no difference in barrier perceptions between exporters and non-exporters whereas Barker and Kaynak's (1992) findings indicate that exporters perceive different export barriers than do non-exporters. As such, it is important to ascertain what incentives non-exporters need to become export active and what incentives exporters need to continue to export and to be successful in doing so. This issue is the impetus behind this current study.

Close proximity to foreign markets, diminishing growth opportunities in the home market, expectation of economies resulting from added volume of trade, availability of unused productive capacity, managerial beliefs about the value of exporting, improvement in the growth potential of the product market and the chance to diversify into new markets are the major incentives for entrepreneurial firms to engage in international business (Sullivan and Bauerschmidt, 1990).

According to McClelland (1987), the main reason for entrepreneurial firms to engage in international business is to expand their business activities because their domestic markets are relatively saturated and international expansion might promote increased sales revenues over time. As a result of competition that emerges with trade liberalization, many entrepreneurs (both exporters and non-exporters) consider exporting an easier option than continuing in the intensely competitive domestic market (Chetty, 1999). Even when there is ample scope for expansion within the domestic economy, international expansion might be the preferred strategy if the expected increase in profit on incremental sales abroad exceeds the expected increase in profit on additional domestic sales. Higher net selling prices might be attainable in certain foreign markets because of a weaker degree of competition in those markets. Entrepreneurial firms that were surveyed about their reasons for expanding internationally also indicate that reducing costs is an important motive for international expansion, especially expansion taking the form of establishing subsidiaries abroad. The primary consideration in this regard usually is access to lower cost factors of production.

Several researchers (eg., Bijmolt and Zwart, 1994; Petersen, Welch and Liesch, 2002; Westhead, 1995) have found that other motivators which have been found to be correlated with initial export involvement are receipt of unsolicited foreign orders, aspirations for higher profit, sales growth, the desire to spread research and development costs across a wider volume, the need to make use of excess manufacturing capacity and the desire to achieve stability through diversification. According to Globerman (1986) the rationale for any business to engage in international business is to improve net earnings or profit for the company. Undertaking international business activity may be beneficial to a firm's shareholders because it enhances the value of sales revenue and it contributes to lower costs.

According to Meredith (1984) international expansion may allow large firms to spread overhead costs over a large volume of output. Effectively, international business may allow the firm to fully exploit available economies of scale. Meredith (1984) also argued that the owners of a firm would benefit if that firm spreads its sources of income over a set of activities that are diversified internationally. The idea is that the firm's income stream will be less volatile by conducting business in a variety of countries rather than in a single country.

Exports cannot flourish on individual initiative alone. Efforts made through organizations pursuing combined interests could lead to more efficient long-term outcomes. Creating an export board, formed mainly by private sector representatives, could facilitate and encourage export activities through the promotion of an overall development and marketing plan for

Malaysian goods. An effective export board requires close collaboration of professional associations, chambers of commerce, and public institutions.

To better face the challenges of the global village, Malaysian entrepreneurs need to get ready and target export markets and adopt a global vision of business development. Malaysian entrepreneurs should be aware of the limits of protection and the necessity to innovate and promote quality. This can be attained by developing an outward-oriented strategic vision and a so-called, export culture.

Effort is needed to help promote and advertise Malaysian products and services in foreign markets. Some of the proposed solutions include the use of trade delegations and participations in fairs and exhibitions. Furthermore, the presence of a large expatriate community abroad and their entrepreneurial spirit is an advantage to benefit from. A collective promotion strategy, based on partnerships and formal channels, would present increased chances to realize the complete potential of the Malaysian network.

The importance of international trade to the Malaysian economy can hardly be exaggerated. Trade represents a lifeline for the Malaysian economy. Trade has brought much prosperity to the Malaysians. Export oriented industrialisation has converted the labour-surplus economy into a labour-deficit one. The incidence of poverty has fallen from 42.4 percent in 1976 to 17.1 percent in 1995. Trade has also contributed much to the structural transformation and modernisation of the economy. For example, the manufacturing share of the GDP has risen steadily from 12.2 percent in 1970 to about 28.8 percent in 1995. Had Malaysia been a closed economy, Malaysia would have shared the same fate as some other less developed countries that remain economically backward. Its external trade policy has paved the way for greater inflows of foreign direct investment, as foreign direct investors are not so much interested in serving the small domestic market as serving the vast external market. The large inflows of foreign direct investment have conferred positive effects on the domestic economy. These include technological improvements, broader production spectrum, and new market dimension. The developments in the export sector have also contributed directly and indirectly to the development of the non-trade sector such as the construction sector. All this has meant significant improvements in the overall living standards for the Malaysians. Internationalisation has provided employment opportunities, thereby raising their living standards through higher and more stable earnings.

As such, the research questions that drive this study include, firstly, what are the key incentives to export as perceived by Malaysian entrepreneurs? Secondly, do exporters and non-exporters differ in their attitudes towards the different incentives to exporting? Thirdly, does the share of exports over total sales affect the attitudes towards the different incentives to exporting?

3 Methodology

This study investigates the key incentives to export as perceived by Malaysian entrepreneurs. The sample of firms came from a wide cross section of industries including, food and beverage, tobacco, leather, wood, paper, rubber, plastics, metal-working, machinery, electronics, textiles, petroleum, marble, chemical and pharmaceuticals. The sampling frame was provided by the Federation of Malaysian Manufacturers (FMM). In order to obtain valid and reliable measures of the variables, previously validated scales were used for all of the constructs in this study. The questionnaire was developed and pre-tested using a small sample of exporters with the final instrument mailed to the sample. All items measuring incentives to export were measured via five-point bipolar scales with scale poles ranging from strongly disagree (1) to strongly agree (5).

Questionnaire

To ensure valid and reliable measures, questionnaire development followed several steps. First, the relevant literature was reviewed to identify existing measures of the constructs. Second, to ensure content validity, several exporters reviewed the questionnaire and provided input for revision. Third, the questionnaire and covering letter were translated into Bahasa (Malaysia's national language) and then back translated into English following the procedures outlined by Douglas and Craig (1983). The use of only two languages reduced the potential for errors resulting from multiple translations of the questionnaire. Minimising the diversity of languages also helped insure construct equivalence and data comparability (Johnson *et al.,* 2001). During these stages, the potential influence of Malaysian cultural tendencies on questionnaire responses was addressed. Fourth, the Bahasa and English versions of the questionnaire were pre-tested by personal interviews with the Managing Directors of 10 exporting firms located in Malaysia. In the pre-test, the measures performed consistently suggesting only minor refinement for the final version of the questionnaire. A major emphasis in all steps was on ensuring that the constructs being investigated were culturally equivalent and not bound to any particular culture (Johnson *et al.,* 2001).

To reach the most knowledgeable key informants, the questionnaire was directed to the Managing Director of the firm. From the results of the pre-test, it was expected that the Managing Director would be the person most knowledgeable about the organisation's performance and the various export incentives. The case, where the Managing Director was not knowledgeable about the various incentives to export it was expected that the Managing Director, as Chief Executive Officer, would re-direct the questionnaire to the appropriate executive within the organisation.

The instrument contained items identified by the literature as measuring incentives to export such as a reduction of tariffs in target countries, attractive export incentives provided by the home country government, presence of export-minded management, expectation of economies of scale resulting from added volume of trade, favourable sales and profit opportunities in foreign markets, the chance to diversify into new markets and the receipt of voluntary orders from foreign buyers (Sullivan and Bauerschmidt, 1990). Other incentives to export included in the research instrument were the gain of foreign expertise to improve domestic competitiveness, availability of profitable ways to ship to foreign markets, availability of unused productive capacity, adverse domestic market conditions, provide a hedge against an economic downturn in the domestic market, opportunity to better utilise management talent, eased product regulations in target countries, opportunity to reduce inventories, ability to easily modify products for foreign markets, close proximity to foreign markets, moves by domestic competitors to export, decline in the value of currency relative to foreign markets and entry of foreign competitors into the domestic market (Sullivan and Bauerschmidt, 1990).

Sample

After the pilot test the questionnaire, with both Bahasa and English equivalents, was mailed to a purposeful sample of 214 manufacturing firms, yielding 166 useable questionnaires being returned accounting for an effective response rate of 77.6 percent and considered to be more than adequate (Groves, 1990).

4 Data Analysis

Prior to analysing the data a description of the sample is provided. The sample consisted of 166 respondents of which 133 were males (80.1% of the sample) and 33 were females (19.9% of the sample). This was as expected given it reflects the results of a recent survey conducted by the Federation of Malaysian Manufacturers (FMM).

In relation to the respondent's age, 12.6% of the respondents were 25 years of age and under, 28.3% were between 26 and 35 years of age, 38.0% were between 36 and 45 years of age and 21.1% were 46 years of age and above. Regarding the firms in the sample, average annual increase in sales for the past three years saw 63.8% of firms experience a net increase in sales of 10% or greater with 22.3% experiencing an average annual sales increase of between 5% and 10%. Only 13.9% of the sample experienced an annual increase in sales of between 0% and 4% or a net decrease in sales. This meant that 86.1% of the firms in the sample experienced marked increases in net sales.

As far as export activity was concerned approximately 40.4% of firms were engaged in export with 26.9% of these firms being involved in international business for the past 7 years or more. However, only 13.8% of these companies export to more than 5 countries. Thereby, indicating a lack of experience in international business by most of the firms in the sample. Furthermore, 24.1% of the exporters in the sample exported to countries within North and South East Asia. This was to be expected, since intra-regional trade for many countries in South East Asia has been on the rise (Julian and O'Cass, 2002).

A check for non-response bias was also conducted. An 'extrapolation procedure' technique was used to assess non-response bias. This assumes that the groupings of actual respondents by an identified criterion are similar to the 'theoretical' non-respondents (Armstrong and Overton, 1977). Frequencies and independent *t*-tests were used to determine whether significant differences existed between the sample and the target population based on industry classification. No significant difference was identified between the sample and the target population for this classification variable. Therefore, as there appears to be no significant difference between respondents and non-respondents then the sample can be considered sufficient to draw conclusions about incentives to export for Malaysian firms.

A reliability analysis was conducted to evaluate the multi-item incentive scales. Cronbach's alpha was used for the reliability analysis. The results of the analysis revealed a Cronbach's alpha of 0.87 for the multi-item incentive scale indicating satisfactory internal reliability.

To test the Malaysian entrepreneurs' attitudes toward the different incentives to export, a one-way analysis of variance was conducted (see Table 1). From Table 1 it was concluded that Malaysian entrepreneurs had neutral feelings towards the following incentives to export: gain of foreign expertise to improve domestic competitiveness, availability of unused productive capacity, adverse domestic market conditions, provide a hedge against an economic downturn in the domestic market, opportunity to better utilize management talent, ability to easily modify products for foreign markets and close proximity to foreign markets.

Also from Table 1 it was concluded that Malaysian entrepreneurs had significant feelings towards the following incentives to export: reduction of tariffs in target countries, attractive export incentives provided by the home country government, presence of export minded management, expectation of economies of scale resulting from added volume of trade, favourable sales and profit opportunities in foreign markets, chance to diversify into new markets, receipt of voluntary orders from foreign buyers, availability of profitable ways to ship to foreign markets, eased product regulations in target countries, opportunity to reduce inventories, moves by domestic competitors to export, decline in the value of currency relative to foreign markets and entry of foreign competitors into the domestic market.

"Table 1 About Here"

Do Malaysian exporters and non-exporters perceive the same incentives to export to be important? In other words, does the share of exports over total sales affect the attitudes towards the importance of the different incentives to exporting? To answer this question, twenty one-way ANOVA tests were conducted to analyse the effect of share of exports over total sales (independent variable) on the twenty incentives to exporting (dependent variables). The objective being to determine whether the attitudes towards these 20 incentives to export differ according to the share of exports over total sales. The results are reported in Table 2. From Table 2, it is evident that the *p*-values are greater than α (0.05) in 19 of the 20 items. Thus, it can be concluded that exporters and non-exporters largely agree in their views of these incentives to exporting.

"Table 2 About Here"

After examining Table 2, it is evident that share of exports over total sales does affect the attitudes towards one export incentive that incentive being "Decline in the Value of Currency Relative to Foreign Markets". Thus, it is concluded that exporters and non-exporters do not agree in their views of this export incentive.

5 Discussion

This study is concerned with an empirical investigation that explores the incentives to export that Malaysian entrepreneurs' face when engaging in international business. The data gathered was based on a survey of 166 Malaysian manufacturing firms. Statistical analysis was carried out using one-way ANOVA. Statistical analysis of the gathered data has revealed several useful insights. First, thirteen of the twenty export incentives tested in this study were identified as being significantly important to Malaysian entrepreneurs when deciding to export or not to export. Seven export incentives tested in this study were deemed to be not significant to Malaysian entrepreneurs when deciding to export or not to export and those export incentives were identified as gain of foreign expertise to improve domestic competitiveness, availability of unused productive capacity, adverse domestic market conditions, provide a hedge against an economic downturn in the domestic market, opportunity to better utilize management talent, ability to easily modify products for foreign markets and close proximity to foreign markets.

The thirteen export incentives identified as being significantly important to Malaysian entrepreneurs in this study included reduction of tariffs in target countries, attractive export incentives provided by the home country government, presence of export minded management, expectation of economies of scale resulting from added volume of trade, favourable sales and profit opportunities in foreign markets, chance to diversify into new markets, receipt of voluntary orders from foreign buyers, availability of profitable ways to ship to foreign markets, eased product regulations in target countries, opportunity to reduce inventories, moves by domestic competitors to export, decline in the value of currency relative to foreign markets and entry of foreign competitors into the domestic market.

This study's findings provide support for the findings of Sullivan and Bauerschmidt (1990) and colleagues who found that the chance to diversify into new markets was an incentive for the firm to engage in international business. Furthermore, adverse domestic market conditions is an incentive for firms to engage in international business. This finding supports the finding of Beamish (1990), when he found that the reason for the firm to engage in international business was because of adverse domestic market conditions. Julian and O'Cass (2004) and Cavusgil and Zou (1994) contended that the international business attitudes of the top management of a firm may determine the degree of the firm's international business orientation. This view received support from this study's findings, whereby, managerial beliefs about the value of exporting was a significant incentive for the firms in the sample to engage in international business. According to Sullivan and Bauerschmidt (1990), one of the main reasons cited by firms for expanding their international business activities is that their domestic markets are relatively saturated and international expansion might, therefore, promote increased sales revenues over time. Sullivan and Bauerschmidt (1990) also reported that declining domestic market shares is a strong motivator for the initiation of export marketing activities. These findings were contrary to the current study's findings where adverse market conditions were not a significant incentive for the firms in the sample to engage in international business.

Beamish (1990) found that firms engage in international business because it could make a major contribution to the firm's sales and profitability. Beamish's (1990) finding is similar to the findings of this study, whereby favourable sales and profit opportunities in foreign markets was a significant incentive for the firms in the sample to engage in international business.

Petersen, Welch and Liesch (2002) and colleagues found that the receipt of unsolicited orders from foreign buyers was a significant incentive for the firm to engage in international business. This study's findings provide support for Petersen, Welch and Liesch (2002) and colleagues findings whereby the receipt of unsolicited orders from foreign buyers was a significant incentive for the firms in the sample to engage in international business.

Finally, do exporters and non-exporters perceive the same incentives to export to be important? From the findings presented in this study it was concluded that exporters and non-exporters largely agree in their views of the various incentives to exporting that were tested here.

However, it was evident that exporters and non-exporters had different attitudes towards one export incentive that incentive being "Decline in the Value of Currency Relative to Foreign Markets". Thus, it was concluded that exporters and non-exporters do not agree in their views of this export incentive. Furthermore, from the multiple comparisons test conducted on this export incentive for those who export 11% to 40% of their total sales and those who export 41% or more of their total sales the attitudes towards this export incentive were significantly different from each other. Those who export between 11% and 40% of their total sales perceive "Decline in the Value of Currency Relative to Foreign Markets" as a more important incentive than those who export 41% or more of their total sales. This is not surprising given that firms that export a small percentage of their output to foreign markets will not be able to take advantage of economies of scale and a decline in the value of currency relative to foreign markets is likely to have a greater perceived impact on their financial performance than those firms that export a larger percentage of their output to foreign markets because they are more likely to be able to take advantage of economies of scale and can spread their exchange risk across a number of different country markets. Furthermore, firms that export a smaller percentage of their output to foreign markets are likely to export to a smaller number of markets than firms that export a larger percentage of their output. Again, those firms that export a larger percentage of their output are able to spread their exchange risk across a number of different country markets. As such, this export incentive is not as important to those firms that export a larger percentage of their output to foreign markets as it is to those firms that export a smaller amount of their output to a smaller number of country markets.

6. Managerial Implications

This study has identified some important managerial implications for those Malaysian firms contemplating exporting and those already exporting. First and foremost, the study identified thirteen incentives to export that are significantly important to firms either already engaged in exporting or to those contemplating exporting. Malaysian government policy makers need to be aware of those incentives to export and develop government policies that induce non exporters to commence exporting and that encourage existing exporters to continue to export by focusing on those thirteen export incentives and making them more attractive to Malaysian entrepreneurs. For example, one of the thirteen incentives to export that were significantly important to Malaysian entrepreneurs was a reduction of tariffs in target countries. As such, the Malaysian government should set about developing bilateral trading relationships with Malaysia's key export destinations with the aim of encouraging bilateral trade through the reduction of tariffs in certain industries. Also the Malaysian government should continue to provide attractive export incentives to those firms that export developing training programs for key personnel in firms that export. That way the Malaysian government is doing its part in creating an export culture endeavouring to overcome its balance of trade deficit.

The other key managerial implication to come from this study was that exporters and non-exporters view the incentive to export decline in the value of foreign currency relative to foreign markets differently. As such, when developing its export promotion programs the Malaysian government needs to direct different messages to exporters and non-exporters when it comes to this export incentive because these groups perceive this incentive differently. If they don't this incentive could turn out to be a disincentive and discourage Malaysian firms from being export active. Finally, by considering this finding and the decline in the value of foreign currency relative to foreign markets the Malaysian government may be able to develop monetary and trade policies that will assist in overcoming this negative perception for firms already export active and those contemplating exporting in the near future.

7. Limitations and Directions for Future Research

In spite of the important findings, the study still has a number of limitations particularly related to sampling procedures. Convenience sampling was the sampling technique used in this project. Although the abovementioned technique has many advantages, it also has serious limitations. Many sources of selection bias are present, including respondent self-selection. Moreover, convenience samples are not representative of any definable population. Therefore, it would not be theoretically meaningful for us to generalize to any population from a convenience sample, and convenience samples are not suitable for marketing research projects involving population inferences.

Future research should attempt to employ a more sophisticated definition of export. While the relatively basic measure of export employed in this study served to highlight some important differences between exporting and non-exporting firms, more refined and multi-dimensional export measures could offer interesting insights. Although in this study we established that certain variables are positively related to each other what we still do not know is which variable is an antecedent of the other. The investigation of this issue is put forward as an agenda for future research. There is a need to empirically investigate which variable causes the other in order to properly guide Malaysian entrepreneurs. Finally, the measures used in this study should be replicated elsewhere to ensure that the measures used in this study have cross-national reliability and validity and that the findings here are not just confined to Malaysia for country-specific reasons.

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Table 1 Entrepreneurs' attitudes toward different incentives to exporting (α=0.05)

Incentives to exporting	*p*-value	Sig. at 0.05
Reduction of tariffs in target countries	0.024	Yes
Attractive export incentives provided by the home country government	0.000	Yes
Presence of export-minded management	0.040	Yes
Expectation of economies of scale resulting from added volume of trade	0.025	Yes
Favourable sales and profit opportunities in foreign markets	0.049	Yes
Chance to diversify into new markets	0.041	Yes
Receipt of voluntary orders from foreign buyers	0.007	Yes
Gain of foreign expertise to improve domestic competitiveness	0.185	No
Availability of profitable ways to ship to foreign markets	0.035	Yes
Availability of unused productive capacity	0.075	No
Adverse domestic market conditions	0.530	No
Provide a hedge against an economic downturn in the domestic market	0.062	No
Opportunity to better utilize management talent	0.061	No
Eased product regulations in target countries	0.002	Yes
Opportunity to reduce inventories	0.029	Yes
Ability to easily modify products for foreign markets	0.680	No
Close proximity to foreign markets	0.120	No
Moves by domestic competitors to export	0.042	Yes
Decline in the value of currency relative to foreign markets	0.045	Yes
Entry of foreign competitors into the domestic market	0.002	Yes

Table 2 Effect of "share of exports over total Sales" on attitudes towards incentives to export

Incentives to Exporting	F-Value	p-value	Decision at 0.05 Level
Reduction of tariffs in target countries	0.794	0.457	No Support
Attractive export incentives provided by the home country government	1.247	0.295	No Support
Presence of export-minded management	1.893	0.160	No Support
Expectation of economies of scale resulting from added volume of trade	1.122	0.333	No Support
Favourable sales and profit opportunities in foreign markets	2.814	0.069	No Support
Chance to diversify into new markets	0.696	0.503	No Support
Receipt of voluntary orders from foreign buyers	0.448	0.641	No Support
Gain of foreign expertise to improve domestic competitiveness	0.672	0.515	No Support
Availability of profitable ways to ship to foreign markets	0.931	0.400	No Support
Availability of unused productive capacity	2.498	0.092	No Support
Adverse domestic market conditions	1.105	0.338	No Support
Provide a hedge against an economic downturn in the domestic market	0.432	0.651	No Support
Opportunity to better utilize management talent	0.321	0.727	No Support
Eased product regulations in target countries	0.599	0.553	No Support
Opportunity to reduce inventories	1.624	0.207	No Support
Ability to easily modify products for foreign markets	1.609	0.209	No Support
Close proximity to foreign markets	2.389	0.101	No Support
Moves by domestic competitors to export	0.862	0.428	No Support
Decline in value of currency relative to foreign markets	4.364	0.017	Support
Entry of foreign competitors into the domestic market	0.716	0.493	No Support