Success Factors of Exporters from Chile

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A regression model based on the relationship between eleven success factors and export performance of thirty-eight successful Chilean exporters revealed that successful Chilean export companies, in conformity with existing literature followed a highly flexible strategy for developing foreign markets. Their entry into foreign markets was driven by consumer needs. They established cooperative alliances and networks with foreign companies. These successful companies gained access to foreign technology and know how through such means as welcoming foreign investment, joint research and development and educational formation in foreign countries. Contrary to existing literature, they were small in size, less likely to position their products in a market, less inclined to use foreign suppliers and to have a strategic plan.

Keywords: Export Performance, Export Management, Predictors of Export Success

1. Introduction

As a result of the increasing tendency towards a global economy and the severities of trade deficit pressures experienced by many countries, firm behavior and performance in export markets has received considerable research attention over the last three decades (De Chiara and Minguzzi, 2002). A major part of this research has focused on the factors underlying a firm's export involvement in developed countries. Certainly, this stream of research has contributed to export management theory by providing empirical evidence of factors contributing to export success. However, less empirical attention has been paid to the export behavior of firms in developing countries, particularly, those located in South America (Ffrench-Davis, 2003). It is possible to increase national exports by stimulating exporting companies to increase their exports (Chen and Wong, 2003). It follows that the export behavior and performance of current highly successful exporters is an area of legitimate interest, and such studies can be of importance to both public and private sector administrators concerned with future export development and success.

A systematic review of the pertinent empirical literature suggests that most of the research efforts have surveyed exporting firms in highly industrialized countries and newly industrialized manufactured products exporting countries. Applying generalizations from the findings of this research to export management contexts in other resource intensive countries, especially those at a different stage of

development and/or with a small domestic market size as is the case in a country like Chile, may be both dangerous and potentially misleading. The validity of these generalizations might be further compromised by differences in economic, socio-cultural, technological and legal factors.

Therefore, this study focuses on exporters with above average performance in a small South American country to empirically test a model of export performance. Specifically, the study deals with the relation between export success and Chilean above average exporters' evaluation of factors related to export performance. First, we discuss Chile as a case for analysis. Second, the relevant literature is reviewed and research propositions are presented. Key theoretical and measurement problems and important issues underlying export performance evaluation are systematically examined. Third, attention is paid to major exporting considerations relevant to Chilean firms and governmental policies, thereby providing a rationale for the study. Fourth, a conceptual model of export performance is developed and research proposition presented. Fifth, the research design and methodological procedures are described. Sixth, the study findings are presented and discussed. Finally, managerial and public policy implications are highlighted.

2. Chile as a Case for Analysis

Chile's gradual shift from heavy reliance on import substitution strategies in the 1960s to contemporary export orientation makes it an interesting test case in Latin America. Many other countries in Latin America such as Argentina, Uruguay, Colombia and Peru are now in a similar stage of development. This is turn enhances the substantive character of this study.

Specifically, export management activities are of vital importance to the survival and growth of Chilean companies. This is ascribed to the relatively small local market size (Welch and Wiedersheim-Paul, 1980**)** and the intensifying competitive climate in Chile as a result of the opening up of frontiers across the world through free trade agreements. Compared to large multi-national companies, Chilean companies are relatively small in size

Chile now has free trade agreements with the USA, Canada, Mexico, the European Union, China, Colombia, and Korea and is currently, is negotiating new free trade agreements with India and Japan (Anonymous, 2006). As a result of the economic reforms that have been in force since the middle of the 1970s, Chilean companies have increased the number of products exported from 200 to 3900 and the number of national markets from 31 to 174. Chilean exports grew by 9% annually during the 1990s. The rate of growth in the volume of non-traditional exports, which primarily encompasses products with a higher value-added, has grown at a rate of around 15% between 1990 and 2001.

Chile has a market-oriented economy characterized by a high level of foreign trade. During the early 1990s, Chile's reputation as a role model for economic reform was strengthened when the democratic government took over from the military in 1990 and deepened the economic reform initiated by the military government. Growth in real GDP averaged 8% during 1991-97. Chile has maintained its reputation for strong financial institutions and sound policy that have given it the strongest sovereign bond rating in South America. Chile's population of 16.5 million

enjoyed a per capita purchasing power gross domestic product of $13, 900 in 2007, the country's official gross domestic product was 164 billion, their current account balance was $60.5 billion, exports were $67.6 billion and imports were $34 billion (CIA 2008). Thus, compared to countries like the United States, Chile is relatively less developed and very small in size.

3. Literature Review

Export companies in developing countries have difficulty competing successfully in this new international environment, primarily because they lack the resources, the stimulating business environment, the competencies, and competitive advantages, that are required if a firm is to compete successfully in the international arena (Lall, 2000).

Econometric studies have demonstrated the positive effect of exports on GNP growth (Ffrench-Davis, 2003). Countries that score high on competitiveness also score high on per capita income and on human development, (Waheeduzzaman, 2002). Export success is more crucial than it has ever been to a nation's economic performance, for it is the primary means of gaining foreign exchange, reaping economies of scale and specialization, accessing new technology, and attracting foreign direct investment (Lall, 2000).

The crucial importance of exporting to the economic prosperity of national economies has stimulated academic researchers to investigate the key issues involved in the development and implementation of successful export strategies (Katsikeas, 2003), thus export management has gained increased recognition among academic disciplines as a legitimate field of inquiry (Zou and Stan, 1998).

A review of the export literature indicates that previous studies have addressed a wide range of topics, including export stimuli: Bilkey and Tesar (1977); export barriers (Cavusgil & Zou, 1994); export promotion programs (Esser, Hillebrand, Messner and Meyer-Stanner(1996); foreign market selection, entry and expansion (Lee and Griffith, 2004); export marketing strategy and export development models (Chen and Wong, 2003); export friendly organizational structure (Zou, Fang and Zhao, 2003); foreign market knowledge acquisition (Lamb and Leisch, 2002); and export performance (Leonidou et al, 1998). Various review and meta-analysis papers focusing on the key research streams identified above are now available: export stimulation (Leonidou, 1995a); export barriers (Leonidou, 1995b); the export development process (Leonidou and Katsikeas, 1996), the managerial, firm-specific, and marketing strategy determinants of export performance (Chetty and Hamilton, 1993; Katsikeas et al, 2000; Leonidou et al, 2002); and the export information system (Leonidou and Theodosiou, 2004). Useful insights about the advances in export research are also provided in other review papers focusing on the broader area of international marketing (e.g. Cavusgil and Nevin, 1981; Douglas and Craig, 1992). A general conclusion derived from these studies is that significant progress has been steadily achieved over the years, and as a result exporting has now evolved into an integrated and systematic field of study (Aulakh and Kotabe, 1993).

Most studies suggest that competitive advantage and superior export performance are derived from a firm's ability to respond successfully to the external environment, especially competitive intensity, by developing and implementing an appropriate

exporting strategy (Zou et al, 2003). More recently, however, export researchers have supplemented the input-output tradition with the resource-based view, which locates the sources of a defensible competitive position in the distinctive, hard-to-duplicate resources the firm has developed (Day, 1994). Recent studies have examined the contribution of such capabilities and resources to the achievement of competitive advantage in export markets as experience, scale, financial and physical resources, and informational systems, relationship building, pricing, distribution, communication, and product development capabilities (Morgan et al, 2004). These studies have certainly enhanced our understanding of the factors that drive competitive advantage and export performance in export markets. Luo (2000) made it clear that for international expansion it is not sufficient to possess the right capabilities or to allocate them to the right place; it is also essential that they be upgraded continuously. The problem–for exporting firms is that when they try to leverage their capabilities across borders, some of their capabilities may not transfer easily. Scholars need to address the issue of capability leveraging and transferability across borders more explicitly. The existing work remains focused on identifying the right type of capabilities that exporters wishing to develop foreign markets need, and little attention is paid to issues relating to transferability and "upgradeability." Although some research on global dynamic capabilities is available (Griffith and Harvey, 2001; Knudsen and Madsen, 2002; Tallman and Fladmoe-Lindquist, 2002; Balbanais, 2005), many issues related to exporting still need to be explored.

The processes by which firms acquire, assimilate, transform, and exploit knowledge to produce a dynamic "organizational capability" (Zahra and George, 2002) hold the key to development of competitive advantages in export markets. Nevis and DiBeIIa (1995, 1996) have dissected the learning capability necessary and explained that organizations have different learning styles or orientations, and that several factors can facilitate learning. Exporting is seen as a vehicle for organizational learning. Yeoh (2000) shows that organizational learning contributes to export performance.

Some research has suggested that the adoption of an entrepreneurial approach to strategy development may be particularly useful in the current turbulent and complex business environment (Knight, 2000; Balabanis and Katsikea, 2003). An entrepreneurial approach involves risk-taking and being proactive and innovative in the way a firm develops strategies. A small amount of empirical evidence has shown that such an approach has a positive effect on export performance (Balabanis and Katsikeas, 2003). Other than on formal planning, little work has been done on the process used for grafting entrepreneurial approaches onto export strategies under different circumstances (Balabanis and Storey, 2003).

As stated earlier, a plethora of studies have been conducted under the aegis of exporting (Balbanais, Theodosious, and Katsikea, 2004) that have identified the many internal and external factors that influence firm behavior and performance in export markets. There has also been considerable discussion about nature and significance of the many variables that determine export behavior and performance (Dominguez and Sequeira, 1993). Subsequently, attention has been is drawn to some important discrepancies relevant to this study:

On a prima facie basis, this diversity of empirical findings gives some credibility to the view that considering the characteristics of the specific exporting context leads to a better understanding of those factors that influence export performance. This specificity implies that it may be difficult to suggest universally valid prescriptions for export success, and that situation-specific elements are recognized and emphasized in the process of designing and implementing effective models of export marketing behavior (Walters and Samiee, 1990).

Nonetheless, several limitations of past research can be identified that are likely to account for many of the inconsistencies in the literature. First, much of the knowledge about successful export activity is fragmented, and the tradition of building on previous findings is not well-established in the export marketing field (Cavusgil and Zou, 1994). By focusing mainly on single factors affecting export behavior, many studies were conducted in isolation. Attention has been paid to such areas as export motivation, export problems, firm size and export performance, and management's personal characteristics. Few efforts have been made to develop and test models that incorporate a relatively wide range of relevant factors.

Second, the vast majority of earlier exporting studies have primarily examined independently the univariate effect of each variable on export behavior without analyzing the effects of these independent variables together (Moon and Lee, 1990). However, it is clear, particularly in the various literature review efforts, that multiple factors play, at the same time, an important role in firms' export behavior. It is thus essential that researchers take into account the interaction among those independent variables and their effect on export performance as has been the case with recent studies.

4. Research Propositions

In the following paragraphs, based on the existing literature linking export success with export success factors, we propose a series of research propositions to provide direction to our research.

Firms in developing countries operate with imperfect knowledge and thus experience difficulty obtaining technology. Moving from a low technology export structure to a high-technology structure requires a cumulative process of learning and business culture development (Lall, 2,000). The core capabilities of small and medium sized enterprises lie in their ability to learn and generate sufficient internal knowledge and their ability to leverage their competencies with other firms, resources, and institutions available externally (Mitra, 2000). Knowledge of a foreign market is a critical means of knowledge acquisition (Lamb and Leisch, 2002). Better a firm's knowledge about a given market, the stronger their commitment to that market. (Aaby and Slater 1989). Therefore,

Proposition 1: Firms who have access to foreign comparative advantages reflected in such factors as: **(a)** foreign investment **(b))** personnel with foreign studies, **(c)** research and development, and **(d)** foreign suppliers, are more likely to be successful in export market than firms that have not.

Cavusgil and Zou (1994) suggest that a firm's export marketing strategy, international competence and managerial commitment are the key determinants of export performance. Namiki (1988) found that competitive pricing, brand

identification, manufacturing capacity for specialty products and customer services are all effective export strategies for small companies. Aaby and Slater (1989) found that market selection was related to export success. Crick and Jones (2,000) asserted that managerial knowledge associated with market positioning and development influences the pace of internationalization. Therefore,

Proposition 2: Firms that have incorporated such market oriented strategies as **(a)** market positioning, and **(b)** market development, are more likely to succeed in foreign markets than firms that have not..

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Hunt (2,000) observes that there is constant struggle among firms to obtain comparative advantage in obtaining resources that will give them competitive advantage in some specific market segments in target countries. Meloan and Graham (1988) point out that essence of sound marketing is to give what customers need, want and will buy. Sri Ram and Sapienza (1991) found that customization of product and direct distribution to satisfy consumer desires lead to a higher market share. Successful international marketing firms have well developed export marketing plans that include aggressive market share strategies and introduction of more products in their target markets (Chen and Wong 2003). Therefore,

Proposition 3: Firms that have incorporated such strategies as: **(a)** export planning, and **(b)** detection of foreign market needs, are more likely to succeed in foreign markets than firms that have not.

Commitment to international activities increases as a firm learn more, and become less uncertain about foreign markets (Bilkey and Tesar 1977).Johanson and Weidersham-Paul (1975) propose an internationalization model where a firm moves from a very passive to a very active role in the export market. This shift to a higher stage is driven by positive experiences (Calof 1993).Competitive advantage of a firm increases as the stage of export commitment increases (Kotabe and Czinkota 1992). Schmitz (2,000) found that Asian and Latin American cooperating firms perform better in the overseas market than non cooperating firms. Shan (1990), Brown (1991) and Van Horn (1990) propose that cooperation is the best strategy for small firms to penetrate foreign markets. This leads to

Proposition 4: Firms that have adopted a strategy of cooperation with foreign companies are more likely to succeed in foreign markets than the firms who have not.

Many authors (i.e. De Noble et al, 1989) maintain that small company size is a restraint to engaging in foreign trade. This is because larger exporters possess more financial and human resources, economies of scale and lower levels of risks in dealing with foreign markets and operations. A firm's long term success in the

foreign market depends on its ability to over come barriers such as firm size and tariff restrictions in an export market (Cavusgil, 1980). Therefore,

Proposition 5: Firms that have managed to overcome such barriers in foreign markets as: **(a)** small firm size, and **(b)** tariff barriers are more likely to succeed in foreign markets than firms that have not.

5. Methodology

5.1 Export Success Measure

Objective indicators such as the annual rate of export sales growth and the overall profitability of exporting activities, and subjective indicators such as managers' perception of export success are often used by researchers as an indicator of export success of a firm (Kastikeas, Piercy and Ioanindis, 1995). For this research, the choice of annual rate of export sales growth as a dependent variable was made on the recommendation previously made by Cooper and Kleinschmidt (1985) and Marsden (1989) for research design such as ours. This is because overall profitability data is hard to obtain in countries like Chile. Also, manager's perceptions are quite subjective in nature.

5.2 Sample Selection

Data for this research were collected through an internet survey of Chilean manufacturers that export, and the target population of the study was export companies in Chile. A list of Chilean export companies supplied by Pro Chile (Chilean Government Agency for Export Development) enabled us to identify an accessible population composed of 4119 exporters. Those companies that met the following requirements were selected for the research sample: their export activity was uninterrupted during the three years between 2001 and 2003 and they were not a mining company. The mining companies were excluded because their export growth was more directly related to world demand than firm characteristics

A total of 2027 companies met these criteria Export companies whose rate of growth was above the average was our target population. A proportionate stratified random sample selection procedure was used to determine the final sample. The selected universe to be contacted was comprised of 160 companies, and a questionnaire was sent by e-mail to each firm. To increase the response rate, the questionnaire mailing was followed up by contacting each firm twice, once by telephone and a second time personally by research assistants. Of the 160 companies in the sample, 38 responded to the questionnaires, yielding a total response rate of 24 %. Given the reluctance of Chilean firms to answer research questionnaires, this response rate was considered satisfactory.

5.3 Questionnaire

To generate items appropriate for testing our research propositions, we created a bank of 68 items based on our survey of the export literature. This bank of items was translated in Spanish. They were revised again with the help of Chilean business professionals. Finally, the research instrument was extensively pre-tested and refined through personal interviews with five export executives in Chile.

The completed instrument, which included 62 five point Likert scale items and twelve open ended company identification items, was administered through the Internet to the chief exporting officer of the companies. . A letter indicating

sponsorship by Pro Chile and explaining the purpose of the study accompanied the research instrument.

5.4 Regression Model

We carried out a backward regression analysis using rate of export growth as dependent variable and respondent response to all the survey questions and three classification variables, namely, number of employees, years of exporting, location in country, and primary versus secondary industry as independent variables. Data regarding rate of export growth of the companies were provided by Pro Chile. This analysis yielded 19 statistically significant variables. We used these significant variables to construct a regression model. Eleven variables based on our questionnaire were retained by this model. None of the classification variables included in the research entered the regression model. A testing of this model was carried out. This regression model explains 53% of the common variance after adjusting for the number of variables included in our model. Analysis of variance procedure ANOVA showed that the model is very highly statistically significant, $F(11, 26) = 4.75$, $p = .001$.

6. Results and Discussion

6.1 Sample

Companies with less than 49 employees comprised 45% of the sample; between 50 and 99 employees 19%; and more than 100 employees 36%. Companies with between three and five years of exporting experience make up 13% of the sample; 6 to 10 years 30%; between 11 and 15 years 28%; and those who had more than 16 years, 29%. Santiago the capital of Chile is the location of 53% of the companies, and the remaining 47% are located in other regions of Chile. Companies belonging to the primary industries comprise 67% of the sample, and 29% are from the manufacturing sector. Only 3% of the sample came from the service sector. Comparison of the sample characteristics with that of the universe indicated that our sample adequately represented the universe.

6.2 Results and Discussion

Variables in the regression model that positively affect export growth in successful companies can be ordered according to their relative weight, measured by standardized coefficients, as follows: (1) market development, (2) tariff barriers (3) partnership strategies, (4) foreign investment, (5) research and development, (6) personnel with foreign studies, and (7) detection of foreign market needs.

Variables that negatively affect export growth can be ordered according their relative importance as follows: (1) market positioning, (2) foreign suppliers, (3) export planning, and (4) small company size. Therefore, based on the regression model results our Propositions 1, 2, 3, 4 and 5 were only partially confirmed.

In accordance with proposition 1, three variables were significant and related positively with export growth of successful companies. These variables are: foreign investment, personnel with foreign studies, research and development. Unfortunately, the fourth variable, foreign suppliers were related negatively. Still, our proposition was largely confirmed.

Table 1 *Firm-specific Factors Explaining Export Success (N = 38)*

Variables	B	SE B	B	T	VIF
(Constant)	535.94	117.03			
Foreign Investment (1)	30.94	11.96	.322*	.827	1.21
Personnel with Foreign Studies (2)	19.84	10.46	.294	.531	1.88
Research and Development (3)	20.87	10.10	.303*	.596	1.68
Foreign Suppliers (4)	-42.55	12.12	-.507**	.611	1.64
Market Positioning (5)	-114.54	24.43	-.825**	.413	2.42
Market Development (6)	52.48	17.72	.480**	.486	2.06
Export Planning (7)	-55.42	19.61	-.365**	.766	1.31
Detection of Foreign-Needs (8)	42.33	21.45	.282	.627	1.60
Cooperation with Foreign Companies (9)	40.22	13.98	.445**	.533	1.88
Small Company Size (10)	-33.08	16.10	-.267	.757	1.32
Tariff Barriers (11)	-38.07	11.47	.456**(1)	.676	1.48

Notes: $R^2 = .668$, adjusted $R^2 = .527$; $F(11, 26) = 4.75$, $p < .001$

$p < .10$ *$p<.05$; **$p<.01$.

(1) Polarity of the item was inverted from questionnaire.

Foreign investment received by the firms showed a positive relationship to export growth. Exports rose in companies receiving foreign investment. This finding is consistent with what other researchers have concluded: foreign investment in companies enhances their competitiveness (Lall, 2000).

Chilean companies' attraction of foreign direct investment can be explained by the product trade-cycle model (Vernon, 1966). Companies from developed countries that have created new products and technology need to produce the new product in foreign countries to reduce costs so they will be competitive in export markets, which they are able to do by using foreign comparative advantages, labor, and natural resources. Thus, Chile's successful exporters have exploited opportunities explained by the product trade-cycle model.

Personnel with foreign studies had a positive relationship to export growth for successful companies. This variable took into account professionals who had studied abroad. These managers enhance a firm's ability to manage foreign markets. They provide better knowledge about foreign markets and their cultural requirements, technology applied to processes and products, and modern management techniques. Moreover, companies were able to access the competitive diamonds defined by Porter (1990) from other countries in order to gain competitive advantages through personnel that had studied in the developed countries. The importance of human capital to the acquisition of competitive advantage has been highlighted by many researchers (Mitra, 2000) and the findings of this research confirmed what these scholars have found.

The research and development variable refers to research and development projects conducted jointly with foreign companies. The model showed a positive and

important relationship between research and development and export growth for successful companies. More joint research and development a company had with foreign companies, the higher its export growth. This finding confirmed what many researchers have asserted (Dunning, 1993; Lundval, 1999; Porter, 1998a; Wint, 1998). Research and development makes possible innovation which, in turn, is the main source of responsiveness to customers needs, creating competitive advantages for innovating firms.

The foreign supplier variable refers to the extent to which foreign suppliers affect export levels. The model showed an important and negative relationship between foreign suppliers and export growth for successful companies. Higher the level of export growth, lower the level of foreign supplier contribution. The explanation for this finding is that most of the products exported by Chile's companies are based on natural resources, such as fruits, lumber, pulp and paper, fish and other agricultural products, so their dependence on foreign suppliers for ingredients was not heavy. Companies belonging to the primary industries comprise 67% of the sample for this study. National suppliers (perhaps because of their lower cost) seem to be more relevant than foreign suppliers. This confirms Porter's (1998b) suggestion about the importance of related and supporting local industries in obtaining competitive advantages in the export markets. .

Following our proposition 2, two variables were significant for successful companies: market positioning and market development. Both are related to benefits the companies expected to reap from exporting to foreign markets, but contrary to our proposition, market positioning exhibited a negative relationship. Thus our proposition was only partially supported.

Market positioning refers to the extent to which executives pursue the strategy of seeking an increase in sales through positioning their products in foreign countries to meet the needs of specific target segments. Our findings show that successful Chilean exporting companies had little expectation of positioning their products in their target markets. An explanation for this phenomena may be that in the last 30 years, as a consequence of the economic reforms that began in the mid-1980s, Chilean companies increased the number of products exported, from 200 to 3900 and the number of national markets from 31 to 174 (Ffrench Davis, 2003), Thus, they were focused on worldwide market expansion rather than on pursuing a nation-specific market positioning to increase sales.

Market development refers to the extent to which executives expected to improve export competitiveness by developing foreign markets. Its positive relationship with export growth means that successful export companies improved their competitiveness by developing new markets. As stated earlier, Chilean companies were driven by the goal of market expansion rather than market positioning to improve their export sales. This confirms assertion by Kotabe and Czinkota (1992) that firms increase their level of internationalization when the management has a favorable expectation regarding the attractiveness of foreign markets. It also supports Moini (1995)'s conclusion that the willingness to search for foreign markets is one of the determining factors of export success.

Following proposition 3, the variables export planning and detection of foreign market needs entered the regression model. Export planning considers the

competence of firms in export planning. Contrary to our proposition, export planning exhibited a negative relationship with respect to export growth, which means that the greater the export growth of the firm, the lesser export planning. In this case, export planning must be understood in the context of strategic management rather than export operations. This is a surprising finding, but it can be interpreted to mean that those companies that are very flexible in strategic management, experience greater export growth. These firms endeavor to make sales anywhere at anytime. Fruit exporters typically behave in this manner; they change the target market when export goods are leaving port and when the market changes. Our results confirmed what Chen and Wong (2003) found. They discovered that successful South East Asian companies have aggressive market objectives and informal structures and planning procedure. On the other hand, we failed to confirm what many other researchers have found based on studies conducted in developed countries, i.e. international firms that have good planning systems for new product development perform better in the market place (Baird & Lyles, 1994).

Leonidou and Katsikeas (1996) have pointed out that as firms arrive at more advanced export stages, their commitment to planning becomes more intense. Perhaps, this lack of export planning by successful export companies in Chile suggests that Chilean companies are stalled at a primary stage of exporting. . Only 29% of the companies in our sample are are from the manufacturing sector. Companies belonging to the primary industries comprise 67% of the sample The companies included in the sample do in fact have extensive export experience with 87% having more than six years exporting experience. As stated earlier, a majority (79%) of these companies belong to the primary productive sectors that require an export strategy quite different from manufactured products. Ffrench-Davis (2003) called attention to the fact that the rate of growth in the volume of products with higher value-added, has been declining in Chile; down 22% in the period 1986–1989; 15% between 1990 and 1995; 13% between 1996 and 2000; and 10% in the period 2000–2001.

Detection of foreign market needs refers to the competence of firms in promptly identifying new needs in foreign markets. Our analysis showed a positive relationship between timely foreign needs assessment and export growth among successful companies. Thus, the more effective a company is at identifying new needs in foreign markets, the greater is its export growth. This positive relationship affirmed the importance that Meloan and Graham (1998) attribute to the ability of companies to discern what customers need, want, and will buy. Timely foreign-needs assessment generates an increase in exports when it encourages innovations that make it possible to respond to consumer wishes with new products. Innovation capabilities (Dunning, 1988), manufacturing capabilities for specialty products (Christensen, Da Rocha, & Gertner, 1987; Namiki, 1988), capabilities for new product development (Bilkey & Tesar, 1997), and organizational learning (Argyris & Schon, 1978; Lamb & Liesh, 2002) are the core competencies required for an appropriate, prompt response to customer needs.

The variable cooperation with foreign companies representing proposition 4 entered the regression model positively as proposed. This variable involves strategies for cooperation and forging alliances with foreign companies. Export growth showed a positive relationship with partnership strategies; that is, successful companies

increase their exports when they formulate strategies for cooperation and alliances with foreign companies. The fact that partnership strategies contributed to export success confirms what many researchers have already pointed out (Brown, 1991; Crick & Jones, 2000; Shan 1990; Schmitz, 2000; Van Horne, 1990). Partnership strategies help companies overcome cultural distance, obtain market knowledge, share the effort involved in entering a new market, achieve economies of scale, access new technologies, and improve quality and delivery speed to consumers.

Cartwright (1993), drawing on his own research, emphasized his finding: close working relationships with foreign distributors and customers is an important factor for explaining competitiveness and performance improvements. Bonaccorsi (1992) found that cluster-collective experience of small exporting firms reduces entry barriers to foreign markets, facilitates access to foreign markets information, and encourages imitative behavior. The relationship found between export growth and partnerships strategies for successful Chilean exporting companies confirmed the findings of both these researchers. The importance of partnership strategies confirmed what Mitra (2000) emphasized when he pointed out that a core capability of small and medium enterprises is to leverage their competencies with other firms, resources, and institutions available externally. Companies with less than 49 employees comprised 45% of our sample; between 50 and 99 employees 19%.

Two variables included in our proposition 5, namely, company size and tariff barriers entered the regression model, but the relationship of company size was negative. So our proposition was only partially confirmed. Both variables refer to the degree to which they restrain companies from entering foreign markets. Cavusgil (1980) pointed out that a firm's long-term commitment to exporting depends on how successfully management overcomes these restraints.

Small company size exhibited a negative relationship to export growth for successful companies. This result means that the smaller the company, the greater the export growth. Thus, rather than being a restraint, small size is, in fact, an advantage for successful Chilean companies. This finding is somewhat controversial because many scholars who have investigated this relationship (Aaby & Slater, 1989) maintain that small company size is a restraint to engaging in foreign trade. However, Bonaccorsi (1992), studying small Italian firms, found that large firm size contributes positively to becoming an exporter, but export intensity had no relationship to company size. A number of authors have stated that firm size exhibits no significant relationship to export growth (Leonidu and Katsikeas 1996):

The experience of many small Chilean companies indicated they have been operating in foreign markets more easily than they operate in the national market. This was not always the case. Advances in communication technology, reductions in transportation costs, and diversified and developed distribution channels in target markets explain how small companies can go abroad more easily now than they could in the past. Big companies that are comfortable with their positioning in the local markets sometimes have difficulties adapting to foreign market requirements without losing their local competitive advantage.

Tariff barriers exhibited a negative relationship to the dependent variable export growth (relationship inverted in Table 1), which means that higher tariff barriers imply lower export growth for successful companies. This finding is consistent with

the findings of other researchers reported in the literature about trade barriers. Of particular importance is the fact that tariff barriers generate a tax effect on demand thus decreasing consumer purchases. Competencies in overcoming barriers do help companies reduce the negative effects of barriers on export growth.

To summarize, successful Chilean export companies followed a highly flexible strategy for developing foreign markets. Their entry into foreign markets was driven by forecasted consumer needs, they opted not to focus on positioning in each one, and they took care to establish cooperative alliances and networks with foreign companies. Additionally, these successful companies gained access to foreign comparative advantages, or foreign "diamonds," (Porter 1990) through such means as receiving foreign investment, joint research and development, and human capital formation in foreign countries.

7. Limitations, Conclusions and Implications

7.1 Limitations

The major limitation of this research is that it was carried out in only one South American country with a rather limited sample size. Future studies may seek larger sample sizes in other newly emerging countries such as Argentina and Peru located in South America. Secondly, limitation of this study is that the sample does not distinguish between companies that would behave more like manufacturing based Asian companies and traditional resourced based Latin American companies. Thirdly, we dealt only with firm based success factors as dependent variables. Future studies may also include country based success factors as dependent variables. Fourthly, success factors were not adapted to reality of a small resource based country like Chile. Future studies may take into account the specific situation of a country studied in selecting factors of success.

7.2 Conclusions

Results of this study indicate that the relationship between Chilean exporters' success factors and export growth are both similar to and different from what current literature would suggest.

Above average Chilean exporters did not behaved in entirely-predictable way. They did not aim for positioning in foreign markets as one might have expected them to do. Rather they aimed to develop markets worldwide by pursuing a strategy that dictated paying prompt attention to the needs of foreign consumers. Moreover, Chile's successful exporters did not plan their exporting strategies; rather, they followed emerging strategies (Mintzberg, 1994) with great flexibility.

Cooperation and alliance strategies, foreign investments, joint R & D with foreign companies, and executives who had studied abroad facilitated entry into foreign markets. The small size of the companies was an advantage rather than a disadvantage. Foreign suppliers did not contribute to the increased export growth of these companies. Tariff barriers, however, constituted important restraints.

Thus, the above average Chilean exporters follow a highly flexible strategy for developing foreign markets. Their entry into foreign markets is driven more by forecasted consumer needs than on positioning their products in each target market by establishing cooperative alliances and networks with foreign companies.

7.3 Managerial and Public Policy Implications

A practical implication of this study is that companies in small countries endowed with comparative advantages based on natural resources can become successful exporters by imitating Chile's thriving export companies. Export success factors for small, resource based countries like Chile are somewhat different from large developed countries. Therefore, lessons learned from the developed country export success need to be modified before they are applied to a small resource based country like Chile

Based on our results, the exporters from small natural resources based countries are recommended to adopt a highly flexible strategy for developing foreign markets. When entering new markets they are advised to assess the present needs of their potential clients and attempt to meet these needs rather than trying to a develop market for their products by positioning them in potential target market segments. This may be done by establishing cooperative alliances and networks with firms in these foreign markets and engaging in joint research and development with these firms. .

Our results also indicate that in Chile small firms showed a stronger growth in exporting activities than the larger firms. Therefore, it is recommended that resource based countries that wish to diversify their export activities through such means as encouraging development of non traditional export products, should provide special aid and incentives to small and medium sized firms to engage in export activities. This may be done by providing adequate financing for their export activities, help in and timely assessment of foreign market needs and generous support for research and development activities..

When the free trade agreements with the U. S. A., the E. U., Canada, Mexico, China, and India, to which Chile has subscribed to, become completely implemented, Chilean export companies will be able to avoid the tariffs that are obstructing access to the main foreign markets. Moreover, these free trade agreements will encourage foreign investment, facilitate joint research and development with companies abroad, and promote the movement of qualified human resources and partnership strategies. Free trade agreements are creating conditions that reinforce the notion that companies need to apply the strategies followed by successful exporting companies. Joint research and development, foreign investments, and partnership strategies should help Chilean export companies upgrade the technological content of their exports and thereby increase the value-added portion of their exports. Therefore, governments in other small resource based countries are advised to follow Chilean example and pursue free trade agreements with their present and potential export markets.

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