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Developing SMEs' Export Success Factors for Distribution Reinforcement

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Abstract

Purpose - The purpose of the present study is to discover success factors for small and medium-sized exporting enterprises and to derive factors that can positively influence the export of small and medium-sized enterprises. The ultimate goal is to contribute to the problem solution mentioned above.

Research design, data, and methodology - A total of 258 filled-in questionnaires were collected; afterwards, frequency and cross tabulation analyses were conducted. The PPML analytic technique was applied to the core factors analyzed in Stages 1 and 2 to conduct regression analysis (cause and effect analysis and estimation method), thereby deriving success factors.

Result - Based on detailed factors, a total of 15 success factors directly/indirectly involved in the success of export in small and medium-sized enterprises comprising 9 success factors, three positive effect factors for export, and three governments support policy factors were identified.

Conclusions - The present paper is a rare empirical study paper that found and presented three detailed factors that positively influence on export and three government support policy factors, in addition to the above factors. Therefore, the results can be used by small and medium-sized enterprises that require not only previous studies, but also actual export success factor.

Keywords: Distribution Reinforcement, Export SMEs, Hidden Champion, SMEs' Export Success Factors, Government Export Policy Support Factors.

JEL Classification: C42, D3, F1, G18, L1, M3, N7, O32.

1. Introduction

A global export share of 4%, 495.5 billion dollars is the 2016 export amount of South Korea. Although this is the result of a drop of export ranking by two levels and a reduction of export amount by 27.4 billion dollars as compared to 2015, Korea is still on the 8th level in the world, following China, the United States, China, the United States, Germany, Japan, Netherlands, Hong Kong, and France (WTO secretariat, 2017).

However, out of the South Korean export amount 495.5 billion dollars, the ratio of the export amount of small and medium-sized exporting enterprises is 21.2%, which is lower as compared to that of the United States (24.8%), Canada

(32.4%), and the average of EU member countries (31.2%). Among the EU member countries, Lithuania (53%), Italy (54.2%), Latvia (65.8%), and Estonia (68.5%) are countries where the ratio of export of small and medium-sized enterprises exceeds 50% (OECD, 2014; USITC, 2010), and this is an indicator that explains the growth potential of South Korean small and medium-sized exporting enterprises and the aspect of government roles.

On reviewing the unemployment rate, another relevant indicator, over the recent three years (from 2014 to 2016), it can be seen that, whereas South Korea has experienced increases by 0.1% per year from 3.5% to 3.6% and then to 3.7%, the corresponding rates in major surrounding countries have decreased between 0.2% at the minimum and 1.6% at the maximum, in the following way: Japan 3.6%, 3.4%, 3.1%; the United States 6.2%, 5.3%, 4.9%; and Germany 5.0%, 4.6%, 4.3% (The World Bank, 2017). In particular, the decrease of unemployment rate in Germany, which has 1,307 or 47.8% of 2,734 hidden champions in total in the

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world (Simon, 2009; 2012) and is the origin of Industrial 4.0, can be said to be a statistic that clearly explains the degree to which hidden champions contribute to domestic employment and productivity as well as national economy such as export.

With regard to the general enterprise growth stages (EGS), enterprises start as small enterprises, undergo the states of small and medium-sized enterprises, and grow into hidden champions, which are small in scale, but have powerful competitiveness or strong medium enterprises in terms of scale. Thereafter, some of the enterprises end their lives as strong medium enterprises, while other enterprises grow into large enterprises and some of the large enterprises are positioned as global enterprises that represent their country. As shown by the EGS, an essential stage to grow into large enterprises is the stage of small and medium-sized enterprises. Related statistics convincingly demonstrate that not all small and medium-sized enterprises, but only those small and medium-sized enterprises that underwent the stage of hidden champions have more potential capabilities to grow into large enterprises.

Although South Korea is the 8th largest trade powerhouse in the world (having been the 6th largest in 2015), its ratio of export by small and medium-sized enterprises is lower as compared to other countries, its unemployment rate is higher than that of Germany, which is a representative country of hidden champions, and its number of hidden champions as of 2012 was 23, i.e., only 0.5% of the total number of hidden champions in the world, 2,734 (Simon, 2012). However, based on the results of a survey of the small and medium-sized enterprise status indicators from 2003 to 2008, the production and added value increment of small and medium-sized enterprises were 51.2% and 50.4% of total amounts, respectively. Therefore, small and medium-sized enterprises contributed to economic growth more than large enterprises. In addition, small and medium-sized enterprises account for ca. 86% of the entire number of persons employed (National Statistics Office; Korea Federation of Small and Medium-sized Businesses, 2017).

The present study addressed the problem of the low proportion of export of small and medium-sized enterprises as compared to the status of South Korea as an export powerhouse, the country's higher unemployment rates as compared to Germany that has the largest number of hidden champions in the world, and the hidden champion share of South Korea, which is around the middle level in the world. The purpose of the present study is to discover success strategies and success factors for small and medium-sized exporting enterprises and derive factors that positively influence the export of small and medium-sized enterprises. The ultimate goal is to contribute to solving the problem mentioned above.

2. Literature Review and Present Situation with Exporting SMEs

2.1. Literature review

The present study aimed to derive export success factors for small and medium-sized exporting enterprises. To this end, the results of the present study were compared with those reported in previous research. We also surveyed relevant theories that can be used by small and medium-sized exporting enterprises in order to promote their success.

2.1.1. SMEs and hidden champions

Small and medium enterprises (SMEs) that account for at least 90% of all enterprises in the world and take charge of 50~60% of employment not only have been regarded as seedbeds for industrialization, achievement of more extensive goals, and industrial development, but also have been widely regarded to play an important role in economic and industrial development for a long time (UNCTAD, 2004; Hobohm, 2001).

The concept and definition of SMEs are based on the number of employees in service, sales, and equity capitals. Although the criteria vary across countries, based on the criteria of OECD (2000), the related laws of relevant countries, and the criteria of the Ministry of Government Legislation of Korea (2017), SMEs can be defined as follows:

South Korea stipulated scale criteria by business type under the 「Enforcement Ordinance of the Framework Act on Small and Medium Enterprises」 to specify the ranges of SMEs as enterprises with fewer than 300 full-time workers or with the equity capital not exceeding 8 billion won in the case of manufacturing business and those with fewer than 300 full-time workers or with the equity capital not exceeding 3 billion won in the case of mining, construction, or transport business. In the case of wholesale, retail, or service business, the ranges of SMEs were determined minutely by detailed business type, so that the criteria based on the number of full-time workers are in the range of 50~300 persons and the criteria based on sales are in the range of 5~30 billion won.

The United States stipulated around 1,200 criteria by business type in chapter 121 「Small Business Size Regulations」 of volume 13 of the Code of Federal Regulations. The criteria for Small Business are the number of full-time workers in the range of 500~1,500 by detailed business type in the case of manufacturing business, 500 or fewer workers in the case of mining business; 100 or fewer workers in the case of wholesale business; and sales in the range of 6~24.5 million dollars by detailed business type in the case of retail business.

The EU (European Union) applies single regulations without division by business type. Enterprises with 250 or fewer full-time workers and sales not exceeding 50 million euros are defined as medium enterprises; enterprises with 50 or fewer full-time workers and sales not exceeding 10 million euros are defined as small enterprises; and enterprises with 10 or fewer full-time workers and sales not exceeding 2 million euros are defined as petty enterprises.

SMEs with sales smaller than 5 billion dollars that have been settled confidentially so that they are not well known and are ranked within number three in the industry they desire to lead the world market in the industry are called hidden champions. As of 2012, the number of these enterprises in the world was 2,734. Germany has 1,307 of such enterprises, the United States has 366, and Japan has 220. South Korea has 23 of such enterprises and remains in the middle ranks as the number 14 out of 25 countries (Simon, 2009; 2012). These enterprises have special assets to overcome the barriers against their advancement into overseas markets, such as self-R&D activities, self-evaluation of the R&D activities, purchases of technologies from other enterprises, and activities to scout managers equipped with international experiences (Fryges, 2006).

The hidden champions called small string enterprises in South Korea are the desired goals SMEs try to achieve and the direction for SMEs to go. The success factors required to hidden champions include innovativeness, strong manufacturing bases, and cost competitiveness in relation to products, as well as extremely ambitious goals, market leadership, focus on technologies and global markets, value-oriented strategies, and high performance culture (Simon, 2012).

2.1.2. Export strategies and success factors for SMEs

Studies on the methods, strategies, and success factors needed for the products produced by SMEs to have competitive advantages and competitiveness—not only locally but also globally—have been conducted in many countries. The present paper outlines the results of research and investigations by region so that the regional and environmental characteristics and mutually common factors of such methods, strategies, and success factors can be derived and so that differences can be compared and applied.

In South Korea, which represents Asia as an export powerhouse, many studies have been conducted from a long time ago to find our success factors for small and medium-sized exporting enterprises success factors. Through analyses of the cases of SMEs in Germany, a representative country for hidden champions, it could be seen that important factors are ambitious goals, self-production (Huh, 2015), horizontal corporate culture, R&D and concentration (Keizer et al., 2002), strong trust of customers, and globalization (Cho, 2013). All these are substantially the same as the

factors derived in empirical studies conducted with domestic SMEs, such as R&D ratio (Keizer et al., 2002), ownership and management and entrepreneurship (Coviello et al., 1995), expert- oriented technology (Gomez-Mejia et al., 2001), and marketing capability (Han & Jeong, 2013; Park et al., 2012; Cho, 2012; Lee & Son, 1993). Competitive advantage factors for small and medium-sized enterprises' export performance include technological capabilities (Kim, 2012; Kim & Kim, 2011), marketing capabilities (Lee et al., 2017; Han & Jeong, 2013; Qureshi et al., 2011), and export experience (Kim, 2003), furthermore, export marketing capability factors that play core roles are ICT capabilities (Hwang, 2010), global market orientation (Cho & Won, 2012; Mathews, 2008), and network orientation (Coviello et al., 1995; Rhee, 2017). By contrast, export success factors for SMEs such as overseas market development, financial support, the range and strength of overseas networks, specialization and globalization, strategic alliance in terms of systems, patent rights and trade mark rights that cannot be achieved by the capabilities of enterprises require government support in terms of policies (Huh, 2015; Han & Jeong, 2013; Wang et al., 2012).

Among the success factors for small and medium-sized exporting enterprises in other Asian countries, such as Bangladesh, China, and India, government's market development and financial support acted as an important internalization factor (Shamsuddoha et al., 2009). Other export success factors may include technological capabilities, reflection of customer requirements, supply networks, information system, and securing the visibility of information (Zhang et al., 2015; Kian Chong et al., 2011); on top of that, market orientation and international orientation are also important factors indispensable for improvement of export (Javalgi et al., 2011).

In Europe, including Germany (a country of hidden champions), the UK, Austria, Netherlands, Norway, and Italy, managers' decision making, self-R&D activities and evaluation, R&D innovation and the ability to absorb the R&D innovation (Harris et al., 2008), purchase of technologies, and scout of experts with international competence are acting as differentiating assets for success of the export of SMEs (Gnizy et al., 2017; D'Angelo, 2012; Rryges, 2006), and factor such as experience in export markets, commitment to internationalization, product prices, and selection of export areas also have positive effects (Fuchs & Köstner, 2016). Other factors such as unique products, contact of individual buyers, concentration strategies, knowledge and information on markets, efficient use of distribution channels (Moen, 2000; Louter et al., 1991; Gripsrud, 1990), as well as targeting large-scale rather than small-scale enterprises and niche markets rather than general markets can be also included in export success factors (Moen, 2000).

The export success factors for SMEs in North America, including the countries such as the United States and

Canada, may incorporate selection of export areas and industries to which export items belong, as well as independent distribution channels (Mittelstaedt et al., 2006; Katsikeas et al., 1997; Cavusgil & Kirpalani, 1993) and other factors such as the scales of exporting enterprises, product types and culture that fit the target country (Brouthers et al., 2005), state government's support for promotion (Kotabe et al., 1992) affect the success the export of small and medium-sized enterprises (Clausing, 2001; Katsikeas et al., 1997; Selnes, 1996).

Among the export success factors for SMEs in the African regions, such as South Africa and Morocco, joint investments and networks among enterprises, access to information and capitals, education levels, and education for reinforcement of employees' capabilities were found to be important factors on the enterprise level and networking between SMEs and provision of information on international markets were important factors on the national level (Makrini, 2015; Gumede & Rasmussen, 2002).

In the case of South America such as Chile and Brazil,

incentives on the company level for performance improvement, improved operation plans, international quality certification, increases in investments for innovation, routinization of innovation, employees having innovation capabilities, strategic alliances for innovation, and procurement of standardized industrial materials act as success factors for SMEs (Maldifassi & Chacón Caorsi, 2014; Christensen et al., 1987).

2.2. Present situation with exporting SMEs

According to a report of the Korea Chamber of Commerce & Industry (2015), four core factors were raised as problems of small and medium-sized exporting enterprises diagnosed by SMEs. The first problem in relation to export was small scales (26.3%), the second problem was the lack of innovation capabilities of members (24.7%), the third problem was dependence on domestic demand, which is relatively safer than export (22.3%), and the fourth problem was lower competitiveness compared to competing countries in overseas markets (21.3%).

<Table 1> Outlines the regional export strategies and success factors for SMEs specified above.

Nations	Export strategy and success factors of SMEs	Classification
Korea(Rep.)	Self-production, entrepreneurship, horizontal corporate culture, R&D investment, trust relationships with customers, ownership and management, regarding technical experts important, marketing strategies and capabilities, strategic alliance, technical innovation capabilities, ICT capabilities, global market orientation, network orientation (range, strength), government support(overseas market development, finance), intellectual property rights(patent right, trademark right)	Asia
Chinese	Technologies, reflecting customer requirements, SCM, information system, government support, maintenance of customer trust relationships	
India	Market orientation, international orientation	
Bangladesh	Government's market development support and financial and financial guarantee support	
Germany	Ambitious goals, self-production, horizontal corporate culture, R&D and concentration, strong customer trust, and globalization	Europe
UK	Concentrated export decision making, R&D and capabilities to absorb R&D	
Germany and UK	Self R&D activities and evaluation, purchase of technologies from other enterprises, scout of managers equipped with international experiences	
Austria	Special experience in export markets, commitment to internationalization, prices, selection of export areas,	
Netherlands	Unique products, good communication with customers and individual contacts, concentrating strategies, positive attitudes, knowledge and information on markets, efficient use of distribution channels	
Norway	Enterprise scale, individual contacts for niche markets	
Italy	R&D Innovation(employment, collaboration)	
US	Selection of export areas and industries, culture of the relevant countries, state government's support for promotion	North America
Canada	Independent distribution channels, enterprise scales, export area, products that fit the relevant countries	
Morocco	Education to reinforce employee capabilities	Africa
South Africa	Joint investment and networks among enterprises, information, education level, government support such as the provision of information for internationalization	
Chile	Enterprise level incentive, improved operation plans, international quality certification, innovation capabilities(increases in investments, employees' ability), strategic alliance	South America
Brazil	Operation of strong quality control department, procurement of standardized industrial durable goods, enterprise scale	

Note: This contents edited above the literature review according to country.

To compare the small scales posited as the first problem of exporting SMEs with those of major other countries, the ratio of small scaled enterprises with 10 or fewer workers to all manufacturing enterprises of South Korea was 82.3% (2013), which was higher than that of the United States (52% in 2012) and that of Japan at (69.2% in 2012) by 30.3% and 13.1%, respectively (OECD, 2014).

This problem of small scales can also be explained by the results of analysis of the productivity of members working at exporting SMEs conducted by OECD (2014), which indicate that the labor productivity per person of workers of small and medium sized manufacturing enterprises in South Korea in 2011 was 35.1 thousand dollars, which is by 30.4 thousand dollars lower than the OECD average labor productivity per person (65.5 thousand dollars).

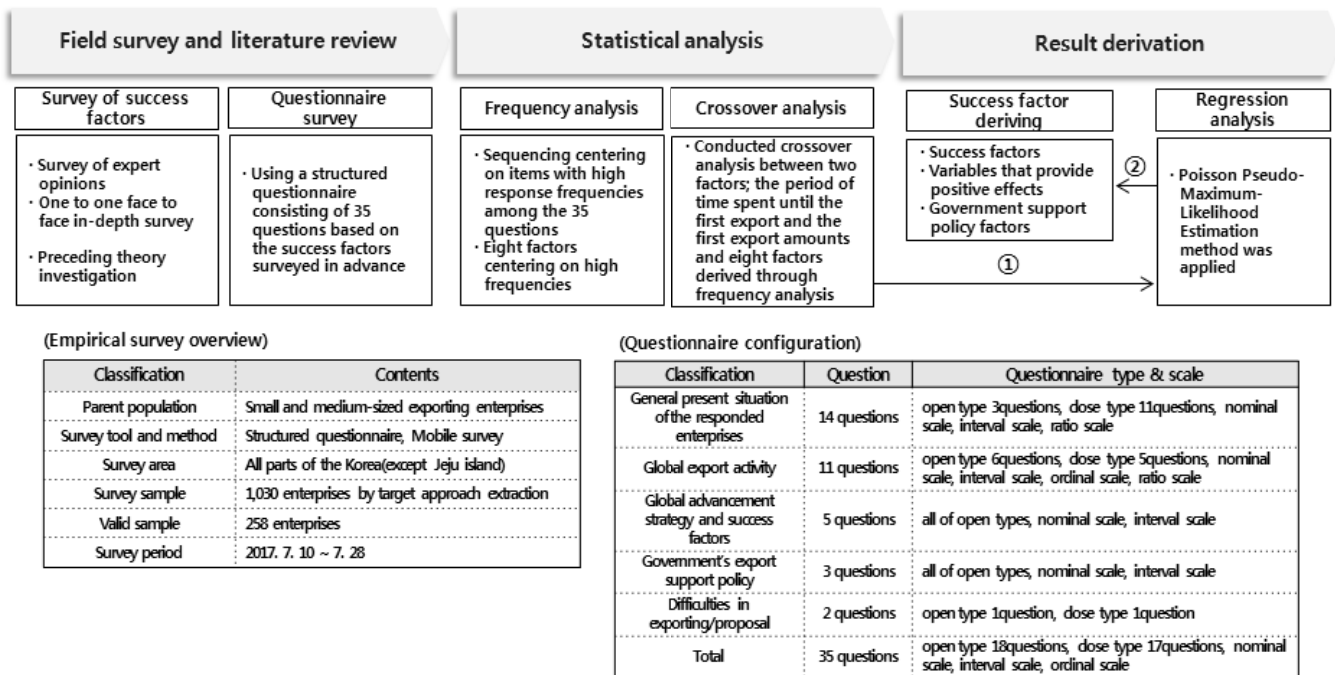
The number of persons employed by SMEs was 1,954,000, reaching 85.9% of the total, and increases in production and added value of SMEs were 51.2% and 50.4%, respectively. Therefore, SMEs contributed to economic growth more than large enterprises (Korea Federation of Small and Medium Business, 2017).

3. Study Method and Analysis Results

3.1. Study method and model

The present research unfolded in three stages. Stage 1

was the stage to derive export strategies and success factors through pilot surveys, in which previous theories were studied and export strategies and success factors were examined through exploratory surveys, opinion surveys using structured questionnaires, and one-to-one face-to-face in-depth surveys with experts working at exporting SMEs. Furthermore, Stage 2 was the stage to discover the results of the questionnaire surveys, in which a structured questionnaire was made with 35 questions about the export success factors examined in Stage 1 as core items to be surveyed. A total of 258 copies of effective questionnaire were collected, after which frequency and cross tabulation analyses were conducted. Stage 3 was the stage to verify and discover the factors that shorten the period of time spent until the first export and The factors than increase the first export amount, in which the period of time spent until the first export and the first export amount analyzed in Stages 1 and 2 were set as dependent variables and eight important items judged to affect the dependent variables were matched as independent variables to conduct regression analyses (analysis of cause and effect) using the Poisson Pseudo-Maximum-Likelihood (PPML) analysis method designed by Silva and Tenreiro (2006) for three purpose: first, to verify core factors among the success factors for exporting SMEs discovered in stage 2; second, to derive export success factors for SMEs; and third, to distinguish factors for shortening of the period of time spent until the first export and factors for improvement of the first export amount.



<Figure 1> Study model to derive SMEs export success factors

3.2. Analysis results

3.2.1. Composition of samples and the general present situation of responded enterprises

The collected questionnaire sheets were analyzed to classify the survey sample enterprises into three types, namely: manufacturing business, manufacturing-related service business, and knowledge-based service business including trading business. Manufacturing business was again divided into 11 business types. As a result, a total of 258(100%) copies of questionnaires comprising 232(90%) from manufacturing businesses, 11(4.2%) from trading related service business, and 15(5.8%) manufacturing related service business were collected and statistical analyses were conducted.

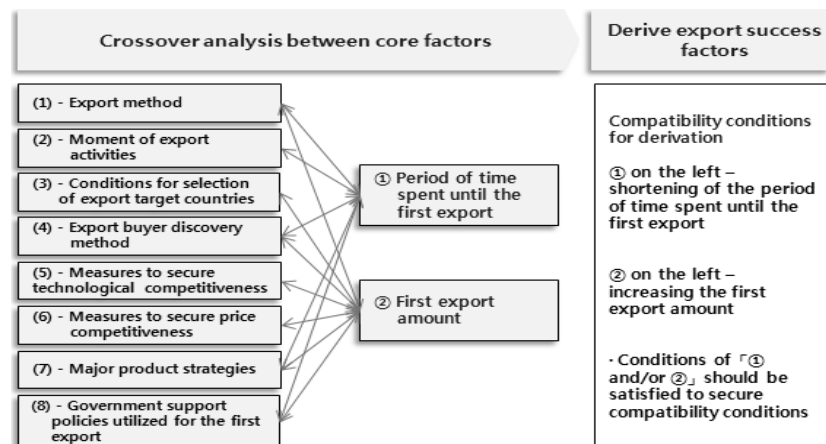
To review the general present situations of the responded enterprises; as for enterprise types, 181(70%) were SMEs and 77(30%) were venture enterprises; among the respondent enterprises, 49(19%) were with 30 or more full-time workers and 209 or 81% were with fewer than 30 full-time workers, while 62%(160) enterprises had a department in charge of export and 38%(98) enterprises had no a department in charge of export. However, even though the respondent enterprises were SMEs, all of them had experts in charge of export; 220 enterprises (85%) had 1~2 experts and 38 enterprises or 14.7% had three or more experts. With regard to the ratio of costs to the sales as the first export, 154 enterprises or 59.7% showed the ratio not lower than 50%, while 104 enterprises or 40.3% showed the ratio lower than 50%. With regard to the first export amount, 52(20.2%) enterprises showed the amount not smaller than 100 million won while 206(79.8%) enterprises showed the amount smaller than 100 million won; furthermore, among the enterprises with the amount not smaller than 100 million won, 7 enterprises(2.7%) showed the amount in a range of 1-3 billion won and 4 enterprises accounting for 1.6% showed the amount in a range of 3-5 billion won. With regard to export methods, direct export(a method for an exporting company to export products produced by it directly

or indirectly under the company's name) methods were used by the largest number of enterprises reaching 138(53.5%), followed by combined direct and indirect export methods (direct plus indirect export) used by 83 enterprises (32.2%), indirect export(a method for a company to export products produced firsthand by it through other exporters) methods used by 23 enterprises (8.9%), indirect export methods at the beginning replaced by direct export methods later used by 13 enterprises (5%), and direct export methods at the beginning replaced by indirect export methods used by one enterprise (0.4%). With regard to the period of time spent after establishing an SMEs until the time of first export, the largest number of the respondent enterprises reaching 143 (55.4%) took 3 years or less, followed by 44 enterprises (17.1%) that took 5 years or less, 40 enterprises (15.5%) that took 10 years or less, and 31 enterprises (12%) that took more than 10 years. Among the respondent enterprises, 64.8% started export activities with 1~2 items and, among payment methods for exported goods, remittance was shown to have been used the most frequently, reaching 84.5%.

3.2.2. Results of frequency analysis and cross tabulation analysis

3.2.2.1. Frequency and crossover analysis models

<Figure 1> and <Figure 2> show the sector model for crossover analysis between core factors based on the study model shown in <Figure 1>. The crossover analysis was conducted between the following two factors: (1) the period of time spent until the first export and (2) the first export amount. Furthermore, eight other factors (namely, export methods, moments of export activities, conditions for selection of export target countries, export buyer discovery methods, measures to secure technological competitiveness, measures to secure price competitiveness, major product strategies, and government's support policy) used for the first export and those latter factors that satisfied both or one of the two former factors were classified into potential export success factor.



<Figure 2> Cross tabulation and analysis model

3.2.2.2. Relationships between export methods, the period of time spent until the first export, and the first export amount

Cross tabulation analyses were conducted with the period of time spent after establishment until the first export not exceeding three years and, according to the results, 136 enterprises (52.7%) succeeded in exporting goods within the relevant period and, among the enterprises, 73 (53.6%) used direct export methods, 9 (6.6%) used indirect export methods, 5(3.6%) used indirect export methods at the beginning and changed the methods into direct export methods later, 1(0.7%) used direct export methods at the

beginning and changed the methods into indirect export methods later, and 48 (35.3%) used direct export methods and indirect export methods in parallel with each other. Therefore, direct export was the most frequent. The first export amount was analyzed with yearly sales and according to the results, the ratios of direct export were 108 (52.1%) out of 207 enterprises with yearly sales below 100 million won, 22 (55%) out of 40 enterprise with yearly sales below 1 billion won, 7 (63.6%) out of 11 enterprises with yearly sales not smaller than 1 billion won(see also <Table 2> and <Table 3>).

<Table 2> Periods of time spent after establishment until the first export

Export method	Number of samples	Division	1 year	2 years	3 years	4 years	5 years	6~10 years	More than 10 years	Total
Direct export	137	enterprise	37	22	15	8	18	22	15	137
		%	27	16.1	10.9	5.8	13.1	16.1	10.9	100
Indirect export	23	enterprise	3	2	6	1	3	3	5	23
		%	13	8.7	26.1	4.3	13	13	21.7	100
Change from indirect → direct export	13	enterprise	1	4	2	1	1	3	1	13
		%	7.7	30.8	15.4	7.7	7.7	23.1	7.7	100
Change from direct → indirect export	1	enterprise	1	0	0	0	0	0	0	1
		%	100	0	0	0	0	0	0	100
Indirect +direct export methods in parallel with each other	84	enterprise	21	18	11	2	10	12	10	84
		%	25	21.4	13.1	2.4	11.9	14.3	11.9	100

N value: 258.

<Table 3> First export amounts by export method

First export amount	Number of samples	Division	Direct export	Indirect export	Change from indirect → direct export	Change from direct → indirect export	Indirect +direct export methods in parallel with each other	Total
1~9	78	enterprise	45	5	4	1	23	78
		%	57.7	6.4	5.1	1.3	29.5	100
10~99	129	enterprise	63	16	7	0	43	129
		%	48.8	12.4	5.4	0	33.3	100
100~500	38	enterprise	22	1	1	0	14	38
		%	57.9	2.6	2.6	0	36.8	100
501~999	2	enterprise	0	1	0	0	1	2
		%	0	50	0	0	50	100
1,000~2,999	7	enterprise	4	0	1	0	2	7
		%	57.1	0	14.3	0	28.6	100
3,000~5,000	4	enterprise	3	0	0	0	1	4
		%	75	0	0	0	25	100

N value: 258, export amount unit: million won.

<Table 4> Moments of export activities

Division	No. of samples	Necessity to develop new markets	CEO(owner)'s will	Identification of high success potential of the enterprise's products	To avoid business and management risks	Other moments
No. of enterprises	258	196	120	103	30	10
Share		75.9%	46.5%	39.9%	11.6%	3.8%

N value: 258, multiple responses were allowed.

Results of the analysis of export methods and <Table 2>, <Table 3>.

Among the five methods (namely, direct export, indirect export, change from indirect → direct export, change from direct → indirect export, and indirect and direct export in parallel with each other, the direct export method) was verified to be much more effective as compared to other methods for both the periods of time spent from the establishment of SMEs until the first export and the first export amount.

3.2.2.3. Relationships between the moments of export activities and the periods of time spent until the first export

According to the results of frequency analysis of the moments of SMEs' export activities shown in <Table 4> and the analysis of the relationship with <Table 2>, the most frequent moment was necessity to develop new markets, followed by the will of the CEO and the identification of high success potential of the enterprise's products in order of precedence.

Results of analysis of moments of export activities and <Table 2>, and implications.

Since the results of verification with crossover analysis also reflect the results of frequency analysis, the moment (reason) for SMEs to begin export activities can be concluded as the necessity to develop new markets among various moments. Since this necessity was selected by 58 (69%) out of 84 enterprises that spent one year until the first export, 18 (60%) out of 30 enterprises that spent two years until the first export, and 17 (77.2%) out of 22 enterprises that spent three years year until the first export, the analysis results convincingly demonstrate that the necessity of and aspiration for export of managers and members (Simon, 2012) with entrepreneurship (Coviello et al., 1995) based on horizontal corporate culture (Keizer et al., 2002) is a factor that can shorten the period of time necessary for success.

3.2.2.4. Relationship between conditions for selection of export target countries and the first export amount

The conditions considered first by SMEs when they select export target countries were identified as (1) the size and growth potential of the market of the relevant product-153 enterprises (59.3%), (2) niche market and needs capture-55

enterprise (18.2%), and preference for South Korea and South Korean products (47 enterprises, 18.2%).

Results of analysis of conditions for selection of export target countries and <Table 3>, and implications

The first factor that should be considered as the most important when SMEs select export target countries was found to be the size and growth potential of the market of the relevant product, as this factor was selected by 119 (57.4%) out of 207 enterprises with the yearly export amount smaller than 100 million won, 28 (70%) out of 40 enterprises with the yearly export amount smaller than 1 billion won, and 6 (54.5%) out of 11 enterprises with the yearly export amount not smaller than 1 billion won and consistent results were derived when this factor was cross-analyzed with the first export amount. These analysis results underscore the important of international orientation or export products (Javalgi et al., 2011), as well as knowledge and information on overseas markets (Louter et al., 1991; Gripsrud, 1990).

3.2.2.5. Relationships between export buyer development methods and Table 2-3

Among buyer development methods for export success, the participation in domestic and overseas exhibitions (206 enterprises, 79.8% was found to be the method used the most frequently, followed by the utilization of government's export support policies, 159 enterprises (61.6%)」, and 「holding technology related assets such as patents-63 enterprises (24.4%)」.

Results of analysis of export buyer development methods and <Table 2>, <Table 3>, and implications

SMEs with shorter periods of time spent until successful export of products selected participation in domestic and overseas exhibitions as a core factor more frequently and the same results were obtained when this factor was cross-analyzed with the periods of time spent until the first export (67 enterprises with the period shorter than one year, 79.8%), 24 enterprises with the period shorter than two years (80%), 18 enterprises with the period shorter than three years (81.8%), and first export amounts (169 enterprises with the amount smaller than 100 million won 81.6%, 27 enterprises with the amount smaller than 1 billion won 67.5%, 10 enterprises with the amount not smaller than 1 billion won). These results indicate the fact that participating in domestic and overseas exhibitions held by domestic and overseas institutions to develop export buyer

is strongly correlated with export success factor and this factor can be said to be an aspect of global market orientation (Cho & Won, 2012; Mathews, 2008) and network orientation (Coviello et al., 1995) suggested by previous studies through the visibility of information (Zhang et al., 2015; Kian Chong et al., 2011).

3.2.2.6. Relationships between measures to secure technological competitiveness and price competitiveness and first export amounts

First, measures to secure technological competitiveness were surveyed and, according to the results, new technology development and commercialization, in 150 enterprises (58.2%), was preferred by the largest number of the respondent enterprises and the same result was obtained when this factor was cross-analyzed with the first export amounts as this factor was selected by 58.4% (121/207 enterprises) of enterprises with yearly sales smaller than 100 million won, 62.5% (25/40) of enterprises with yearly sales smaller than 1 billion won, and 36.3% (4/11) of enterprises with yearly sales not smaller than 1 billion won.

When the measures to secure price competitiveness were verified with the same method used for measures to secure technological competitiveness by verifying the results of the results of frequency analysis with cross-analysis, cost reduction was found to be the first factor.

Implications provided by the results of analysis of measures to secure technological competitiveness and price competitiveness and <Table 3>

For new technology development and commercialization that emerged as an export success factor SMEs, not only the expansion of the ratio of R&D and concentration of R&D (Keizer et al., 2002), but also the ability to use R&D (Harris et al., 2008), regarding experts in technology important (Gomez-Mejia et al., 2001), and reinforcement of technical capabilities (Kim & Kim, 2011; Hwang, 2010) are necessary in management. In addition, the analysis results explain that cost reduction requires the procurement of standardized parts (Christensen et al., 1987), efficient securing and use of distribution channels (Cavusgil & Kirpalani, 1993; Gripsrud, 1990), reinforcement of technical capabilities and reflection of customer needs, and use of appropriate ICT and information (Javalgi et al., 2011; Hwang, 2010).

3.2.2.7. Relationships among major product strategies, periods of time spent until the first export, and the first export amounts

Frequency analysis was conducted to find out major product strategies for export success and, according to the results, product quality (215 enterprises, 8.3%) was identified as the most important factor and the same result was found when this factor was cross-analyzed with the periods of time spent until the first export: less than one year, 72 enterprises, 85.7%), less than two years (26 enterprises, 86.7%), less than

three years (17 enterprises, 77.3%) and the first export amounts (yearly sales not exceeding 500 million won (82.8% · 203/245, yearly sales exceeding 500 million won 92.3% · 12/13).

Implications given by the results of analysis of major product strategies and <Table 2>, <Table 3>

The results of analysis of exporting SMEs' product strategies indicate that the possibility of success can be enhanced when product quality, which is a proper aspect of products, is supported. In addition, as explained earlier based on the analysis results, this success factor closely correlates with various activities for technical innovation, such as regarding technical manpower important (Gomez-Mejia et al., 2001), and enhancing the ratio of R&D (Keizer et al., 2002).

3.2.2.8. Relationships between government's support policies utilized for the first export and <Table 2> and <Table 3>.

The following government's support policies used by at least 50% of the respondent enterprises were identified: domestic and overseas exhibitions (70.5%, 182/258), export market development groups and trade missions, 51.9% (134/258), and the same results were derived through cross-analysis conducted with factors in <Table 2> and <Table 3>.

Implications given by the results of analysis of government's support policies utilized for the first export and <Table 2>, <Table 3>

Although SMEs' own efforts for export are important, among government's support policies, not only the pursuit of global market orientation (Cho & Won, 2012; Mathews, 2008) and network orientation (Coviello et al., 1995) that will enable SMEs to supplement their weaknesses, search for opportunities, and foster strengths (Rhee, 2017), but also the benefits provided by the government, such as overseas market development capabilities, financial support, strategic alliance support, and the use of intellectual property rights (Huh, 2015; Han & Jeong, 2013; Wang et al., 2012; Shamsuddoha et al., 2009) should be used as leverage for export success.

3.3. Results of regression analysis (PPML analysis)

3.3.1. Results of frequency analysis and cross tabulation analysis

This regression analysis applied *mutatis mutandis*, the enterprise growth model (Huynh & Petrunia, 2010) as shown in <Table 5>. The empirical estimation model was applied with the Poisson Pseudo-Maximum-Likelihood (PPML) regression analysis (cause and effect estimation method) designed by Silva and Tenreiro (2006) to control the heteroscedasticity occurring between the estimations of Eq. (1)-(2) that follow lognormal distribution.

<Table 5> Form of the enterprise growth model

$$X_1 = exD[c + In E_1 + In Age_1 + (In Age_1)^2 + Z_1 + D_1 + In \mu_1] \quad (1)$$

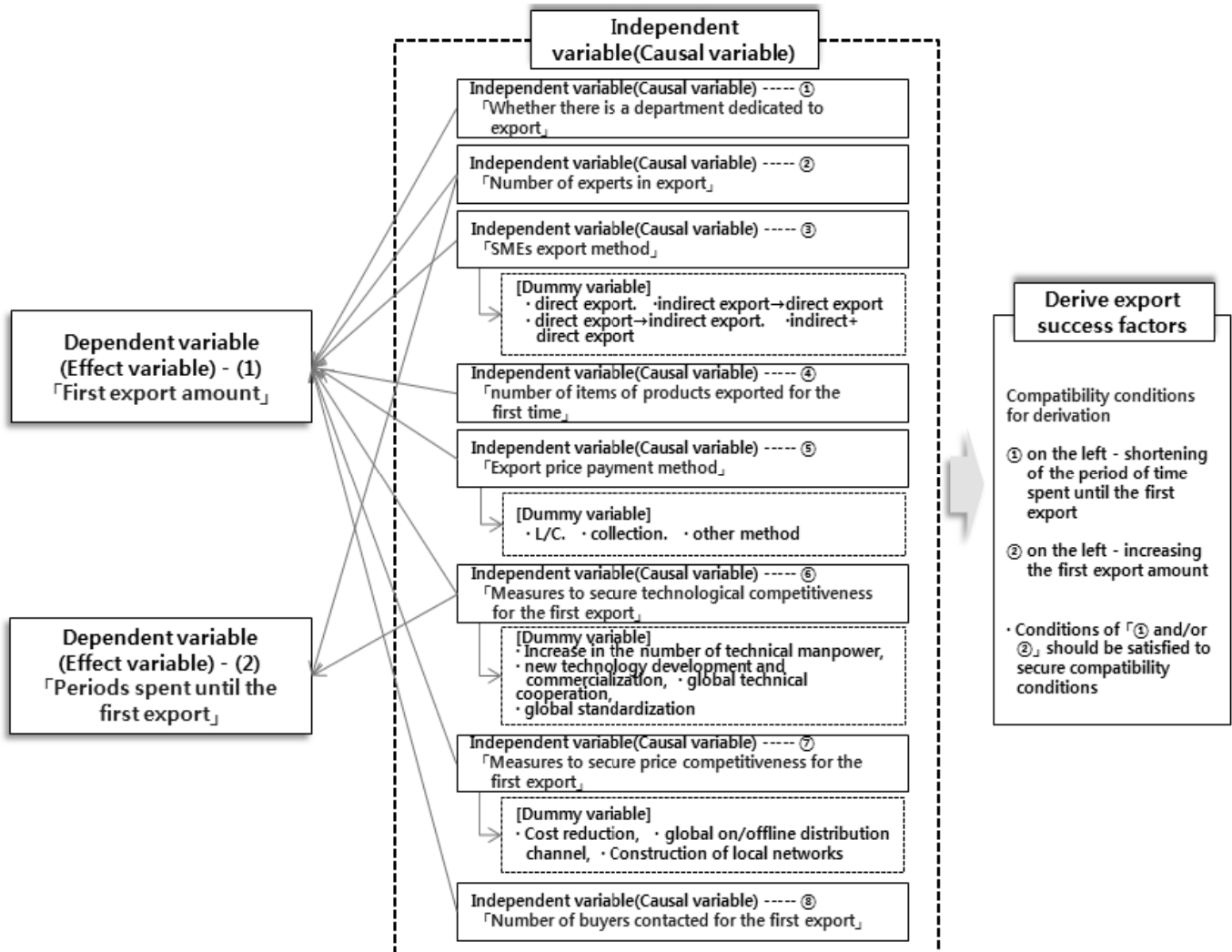
$$P_1 = exD[c + In E_1 + In Age_1 + (In Age_1)^2 + Z_1 + D_1 + In \mu_1] \quad (2)$$

- ① X_1 is the first export amount of enterprise i , and P_1 is the periods of time spent by enterprise i after establishment until the first export.
- ② E_1 is the number of full-time workers of enterprise i and indicates the size of the enterprise.
- ③ Age_1 is the business history of enterprise i and the reason why the business history was square was to control the nonlinearity as explained by Huynh and Petrunia(2010).
- ④ Z_1 is the variable of interest and means the influential factors for the first export amount or the period of time spent after establishment until the first export of enterprise i .
- ⑤ D_1 is an industrial dummy intended to control the endogeneity of the model.

3.3.2. Results of frequency analysis and cross tabulation analysis

The regression analysis model for verification and derivation of SMEs export success factor shown in <Figure

3> is a sector model intended to execute <Figure 1>. As already explained in the above study method, this regression analysis (cause and effect analysis) is conducted for three purposes

**<Figure 3>** Regression analysis model for verification and derivation of SMEs export success factors

3.3.3. Results of the regression analysis

All the results of this regression analysis were analyzed in the same method as shown in <Table 6>, only one analysis table will be presented and all remaining results will be just described.

- Results of the analysis of the relationship with the dependent variable 「first export amount」

① Relationship between the first export amount (dependent variable) and whether there is a department dedicated to export (independent variable).

<Table 6> Results of regression analysis of the first export amount and whether there is a department dedicated to export

Division	Dependent variable : First export amount	Analysis results and Implication
	PPML estimation method	
Number of full-time workers(log)	0.241 (1.20)	When there is a department dedicated to export the first export amount is larger by 112.3% than when there is no department dedicated to export.
Business history(log)	-0.933 (-0.96)	
Business history ^2(log)	0.166 (0.63)	
Department dedicated to export dummy	1.126*** (3.01)	
Number of observations	257	
R-Squared	0.076	

Note: ① *: significance level within 10%, **: significance level within 5%, ***: significance level within 1%

② The value in the bracket refers to the z-value.

③ Although the dummies and constants by business type were included in the analysis, the results were not presented.

② The relationship between the first export amount (dependent variable) and the number of experts in export (independent variable) was analyzed and according to the results, when the number of experts in export increased by 1%, the first export amount increased by 2.146%.

③ The results of analysis of the relationship between the first export amount (dependent variable) and the enterprises' export methods (independent variable) indicated that when the direct export methods were selected, the first export amount was higher by 120.1% than when the indirect export method was selected.

④ In the analysis of the relationship between the first export amount (dependent variable) and the number of items exported first (independent variable), when the number of exported items increased by 1%, the first export amount increased by 0.696%. This result can be said to again verify again the results of the frequency analysis, indicating that, among the 258 samples, 167 enterprises (64.7%) exported two

items and 57 enterprises (22.1%) exported five or more items.

⑤ In the analysis of the relationship between the first export amount (dependent variable) and export price payment methods (independent variable), the first export amount was smaller by 166.4% when export prices were paid by collection of bills than when export prices were paid by remittance (provided that, in this case, the basis of comparison of dummy variables is remittance).

⑥ In the analysis of the relationship between the first export amount (dependent variable) and measures to secure technological competitiveness (independent variable), when SMEs selected global standardization to secure technological competitiveness for the first export, the first export amount was larger by 172.6% than when source technologies were secured (provided that, in this case, the basis of comparison of dummy variables is securing source technologies).

⑦ In the analysis of the relationship between the first export amount (dependent variable) and measures to secure price competitiveness (independent variable), when SMEs selected cost reduction to secure technological competitiveness for the first export, the first export amount was larger by 98.2% than when strategic alliance was made with a global enterprise (provided that, in this case, the basis of comparison of dummy variables is strategic alliance with a global enterprise).

⑧ The results of analysis of the relationship between the first export amount (dependent variable) and the number of buyer contacted (independent variable) indicated that when the number of export buyers contacted increased by 1%, the first export amount increased by 1.447%.

- Results of analysis of the relationship with the dependent variable 「the periods of time spent until the first export」

① The results of regression analysis of the relationship between the periods of time spent until the first export (dependent variable) and the number of experts in export (independent variable) indicated that when the number of experts in export increased by 1%, the periods of time spent from the establishment until the first export decreased by 0.251%.

② The relationship between the periods of time spent until the first export (dependent variable) and the measures to secure technological competitiveness (independent variable) was analyzed and the following results were obtained. When the method "increase in the number of technical manpower" was selected to secure technical competitiveness for the first export, the period of time spent from the establishment until the first export was shorter by 22.7% as compared to securing source technologies. In addition, when the method "new technology development and commercialization" was selected to secure technical competitiveness for the first export, the period of time spent from the establishment until the first export was shorter by

13.6% compared to securing source technologies (provided that, in this case, the basis of comparison of dummy variables is securing source technologies).

4. Conclusions and implications

4.1. Summary and conclusion

The purpose of the present study was to obtain the results that can be used to help South Korean policy makers increase the ratio of export by SMEs of South Korea to fit the international status of South Korea, the 11th largest economic power and a traditional export powerhouse, so that to foster hidden champions to reduce the unemployment rate relatively higher than that of Germany, No. 1 for hidden champions, and help countries dreaming of becoming an export powerhouse with export as a major arm. To that end, questionnaire surveys were conducted with 1,030 exporting SMEs actually exporting products through mobile using a structured questionnaire made centering on success factors surveyed in advance and 258 effective questionnaire sheets were used to develop the export success factors for SMEs through frequency analysis, cross tabulation analysis, and regression analysis (cause and effect analysis).

To obtain objective research results, the frequency analysis results were verified by crossover analysis to derive success factors. In order to quantitatively verify the effect of the major factors on export, concrete numbers were presented by applying PPML regression analysis. In addition, the analysis results and implications were presented in the body so that the SMEs export success factors of other countries can be learned and compared.

The results of the study are as follows.

First, those factors that were commonly included in the results of the crossover analysis and the results of the

regression analysis and the factors derived through the regression analysis were identified and named as SMEs export success factors.

Second, among the success factors derived through the crossover analysis, factors that were not verified by the regression analysis were identified and named factors with positive impact on SMEs export.

Third, although the export-support policies of the government are the results of crossover analysis, since the targets, ranges, effects of support may vary depending on the will of the government; They were separately identified and named as SMEs export support policy factors.

The above study results are set forth as the following 15 detailed factors (see <Table 7>).

Among the derived success factors shown in <Table 7>, those factors that have similar functions or were commonly included in the period of time spent until the first export and the amount of first export were identified as one and those factors that were commonly included in the results of the crossover analysis (factors with positive effects on export in <Table 7>) and the results of the regression analysis (export success factor in <Table 7>) were identified as export success factor as they were verified by the regression analysis.

First, the export success factors for SMEs are nine in number: operation of a department dedicated to export, securing experts in export and technical manpower, direct export, the number of export items, remittance, cost reduction, the number of buyers contacted, new technology development and commercialization, global standardization.

Second, the following three factors have positive effects on SME exports: market size and growth potential of relevant products, participation in domestic and overseas exhibitions, and product quality.

Third, there are three types of government support factors: Domestic and overseas exhibitions, export conferences, and market development groups and trade missions.

<Table 7> Export success factors and factors with positive effects for SMEs derived through empirical studies

Division		Period shortening factor	Amount increasing factor	Period +amount factor
Export success factor	Representative factor	Experts in export	Department dedicated to export, experts in export, export method, export item, payment method, measures to secure price competitiveness, buyers contacted	Measure to secure technological competitiveness
	Detailed factor	Number of experts in export	Has an department dedicated to export, number of experts in export, direct export, number of export items, remittance, cost reduction, number of buyers contacted	Increase in the number of technical manpower, new technology development and commercialization, global standardization
Factors with positive effects on export	Representative factor	Moment of export activities	Conditions for selection of export target countries, measures to secure technological competitiveness, measures to secure price competitiveness	Export method, export buyer development method, product strategies, domestic and overseas exhibitions,
	Detailed factor	Necessity to develop new markets	The size and growth potential of the market of the relevant products, new technology development and commercialization, cost reduction	Direct export, participation in domestic and overseas exhibitions, product quality, domestic and overseas exhibitions
Government support policy factor		Domestic and overseas exhibitions, export conferences, market development groups and trade mission, all of which are all factors that shorten the periods of time spent until export and increase the first export amounts		

Note: representative factors are items and detailed factors are the kinds of factors that explain the items.

4.2. Implications in terms of management and implementation

The present study, aimed to find out success factors for exporting SMEs, provides implications in terms of the enterprises that firsthand export goods and the government that supports the enterprises with policies to promote export.

First, in terms of SMEs, SMEs lacking many measures for competition, such as experts in export, funds, technological power, overseas market information; furthermore, unlike large enterprises, they also need methods to enhance success probabilities, success factors, core resources, and information so that they can minimize trials and errors and succeed in the shortest possible time. In this respect, the export success factors in the results of the present study conducted with SMEs that actually export goods are naturally the targets of benchmarking and utilization.

In addition, SMEs should operate a department dedicated to export consisting of experts, make effort to contact as many export buyers possible, advance into export markets with at least two items rather than a single item, and receive export prices through remittance rather than telegraph transfer, document against payment or document against acceptance, letter of credit.

Second, in terms of the government, the government's policy support is characterized by the fact that it simultaneously serves two functions: enabling SMEs to first shorten the periods of time spent until export and, second,

to increase the first export amount. The government should not only operate domestic and overseas exhibitions, export conferences, market development groups, and trade missions so that more SMEs can participate when they want, but also expand the scale of financial support and provide market information so that to minimize SMEs' burdens for technology development and export success. In addition, the fact that the government's policy support should be continuous and consistent instead of being one-off should be customized, should enable the reinforcement of markets and distribution channels, and should include support for education to cultivate experts; furthermore, support for the acquisition of international certification should be recognized and reflected in policy support.

Third, we are confident that, if the factors presented exclusively in the present study, such as those that are involved in the shortening of the periods of time spent until the first export, those that are involved in the improvement of the first export amount, and those that are involved in both of the foregoing are used to fit the characteristics and needs of SMEs, this will greatly contribute to SMEs' export success.

Finally, the present study investigated export success factors of SMEs in the country and continent, which contributed academically to the study, enabling them to study academically. However, it is the limit of this manuscript that target country is not plural states.

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