Research Article

International Success: A Qualitative Study on the Determinants of Moroccan SMEs’ Export Performance

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Abstract

International trade and global openness have been Morocco’s main objectives during the past decades. However, the abrupt changes of the world economy and the increasing competition are hindering firms’ internationalization and export success. The purpose of this research study is to explore the determinants of export performance in small and medium-sized Moroccan enterprises (SMEs). This study adopts a qualitative research design and includes eleven semi-structured interviews with firms’ owners and export managers from different industrial industries around the country. Findings of the interviews show on one hand that firm location, family business, network capability, international Internet marketing are all internal variables impacting firms’ performance. On the other hand, Governmental Export Promotion Programs (EPPs) are highly beneficial but hard to access, while foreign market competitive intensity is also an external variable that firms appear to be cognizant about.

Keywords: Export performance, Economic exchanges, SMEs, Qualitative research
Introduction

Research into international business has shown that exporting has been and remains to this day the most common mode of entry into foreign markets (Ahi and al, 2017; Agarwal and Ramaswami, 1992; Jiang et al., 2020; Paul and Dhiman, 2021) particularly small to medium-sized enterprises, and this is due to the relative easiness of the export process which, compared to other forms of internationalization, involves fewer resources, lower risks, and less costs (Ali Hasaballah et al., 2018). Exports enhance the organizational capabilities, corporate growth and firms’ financial performance, as well as their competitiveness in both their local and target market. It is argued that exporting is no longer a choice but rather an essential strategy for firms' survival and countries' prosperity in both developed and developing countries. (Chandra, Paul, and Chavan, 2020; Hultman, Robson and Katsikeas, 2009; Kahiya, 2013; O'Cass and Julian, 2003).

Despite the great importance of firms' internationalization and export performance, little emphasis has been given to the investigation of factors contributing to the success and export performance of small and medium-sized Moroccan Enterprises (El Makrini and Alaoui, 2013) as studies related to firms’ export performance in emerging markets remain weak and underrepresented (Bianchi, Carneiro, & Wickramasekera, 2018; Morini et al., 2021; Sraha, 2016). This study will attempt to contribute in exploring and examining both internal and external determinants of export performance using a qualitative research design and semi-directive interviews with eleven firms’ owners and export managers from various industrial sectors.

Literature review

Overview of exporting SMEs in Morocco

The success of exporting SMEs all around the world proves that even with a lack of resources (e.g., financial, informational and managerial resources), it is possible to overcome constraints and pursue an exhaustive and wealthy process of internationalization. However, the lack of theoretical frameworks when studying developing countries is making the task of determining the factors behind firms' export success hard to understand (Chen, Sousa, and He, 2016). Recently, the Moroccan export activity has been delayed, mainly by reasons of rapid changes in the international world, lack of international experience of Moroccan Managers (Alaoui, El Makrini, 2013), and more importantly due to the increase of competitiveness from other countries such as Turkey, USA, Germany and China (World Bank, 2020).

According to the foreign exchange office’s report (2022), the number of Moroccan exporters increased between 2011 and 2019 from 5,179 exporters to 7,092 exporters. This results in the continuous progression of the global export turnover with a compound annual growth rate (CAGR) of 6.3%. As for active exporters, they evolved from 3,226 exporters in 2011 to 4,309 in 2019, representing an average share of 62.1% of the total number of exporters in Morocco between 2011 and 2019. Morocco exports to the four corners of the world. The European continent is the first destination for active Moroccan exporters, as it represents 65.9% of active Moroccan exporters in 2019, followed by the American continent with an increase in active exporters with an export turnover of 5.2 billion dollar in 2019. In 2019, Asia welcomed more exporters, however, the turnover decreased from against 4.4 billion dollars in 2011 to 1.7 billion dollars in 2019. Finally, the African continent has counted 858 active Moroccan exporters in 2019 against 550 in 2011 with a 12.9 billion DH export turnover in 2019.

Determinants of export performance

Efforts have been made by scholars and academics to provide a structural and suitable conceptual framework using different perspectives and variables, however, despite all the efforts made to assess and contextualize studies into a coherent body, findings remain fragmented and uncoordinated (Zou and Stan, 1998, Sousa et al., 2008, Chen, Sousa, and He, 2016). In order to address this problem, authors classified the determinants of export performance into clear categories: Internal and External determinants.

Internal Determinants

Internal determinants of export performance consist of firm-level variables. They have been cited in the literature as Firm characteristics which include variables such as firm age, size and location. For small and medium sized enterprises, age is positively related to export intensity (Majocchi et al., 2005). Firm location has no generally accepted definition and appears to be a technically and statistically complex concept (Tonev et al., 2017), however, it has been presented in a theoretical perspective as the regional/ metropolitan location (Freeman et al,
Firm capabilities are one of the most essential elements in determining firms' competitive advantage and export performance (Chen, Sousa, and He, 2016) and include variables such as Market orientation, innovative capability, information capability. Network capability is defined as the firm's aptness to use inter-organizational joint-effort in the form of alliances, associations, and cooperation with same-market trade partners for one common purpose (Styles et al., 2008; Gupta and Chauhan, 2020).

Management characteristics include variables such as international experience, propensity, education, managerial commitment and family business. Scholars have vividly discussed the importance of family business and family system as 79% of all firms are family businesses (Chrisman et al. 2004). Lastly, Export marketing strategy includes determinants such as price, promotion, product and distribution strategy adaptation, promotion strategy, and most importantly international Internet marketing, as the impact of technology has grown substantially to affect every industrial sector and international business has got its share and appears to impact firms' export operations from multiple angles starting with a crucial role in enhancing business strategies and transformation allowing firms to achieve a durable competitive advantage in the international business sphere if implemented properly (Gregory et al., 2017; Katsikeas et al., 2019).

External Determinants

External variables present potential opportunities and threats (Zou and Stan, 1998) that proved to impact directly or indirectly firms when conducting international operations, as industry and market conditions influence the selected strategy and hence export performance (Sousa et al., 2008). Among the most studied external variables, foreign market characteristics, foreign market competitive intensity, psychic and cultural distance, and Market dynamism, are determinants that influence export performance (Chen, Sousa, and He, 2016).

Domestic market characteristics are the most studied external determinants. Country level characteristics have been proven to impact export performance (Chen, Sousa, and He, 2016) and include factors such as local market characteristics, institutional environment, domestic demand, and export assistance, as Export promotion programs have been successful in delivering great support of improving SMEs' export performance (Wilkinson and Brouthers, 2006) and marketing competencies (Freixanet and Churakova, 2018).

Methodology

The aim of this research is to identify the determinants of export performance from the point of view of the Moroccan SMEs. Since we are trying to understand the phenomena according to the sense people bring to them (Denzin and Lincoln 2005), a qualitative method is the most suitable. The choice of sampling techniques in qualitative research studies appears to be a flexible and pragmatic process (Marshall, 1996), hence the existence of sampling strategies that allow researchers to identify the best sample to carry out qualitative research.

This study includes judgmental sampling which is one of the most common sampling techniques. It is a more strategy-based technique (Marshall, 1996), allowing to select the most appropriate sample. The selection of participants was made in relation to the different industries, following the stratification proposed by the World Bank in the Moroccan Enterprise Survey (2019) and the geographical regions of the country for a variability in the representation of the sample (Sraha, 2016).

In this study, eleven interviews were conducted with different companies from different sectors. The eleven companies surveyed are all Morocco-owned. Exporters in the Agro/ Food industry (EAI) are represented by two participants, three participants are Exporters in the garments industry (EGI), five are Exporters in other manufacturing industries (EOI) and one exporter in the retail services (ERS). The interviews were conducted using an interview guide consisting of a mixture of open and closed questions in order to obtain a clear view of the subject. The interview guide has been divided into different sections in correlation with what we have already seen in the literature.

The interviews were conducted face-to-face in the premises of the interviewees. They lasted between 40 minutes and an hour during which the interviewees answered all our questions regarding their exporting activities. The interviewees were people in different management positions in the company. We were able to gather information from
a variety of respondents, such as export managers, general managers, and in some cases the CEO.

Results

Different information related to the sample's characteristics is presented in Table 1. The information includes: the job title, gender of respondent, industry type, years of exporting, management prior international experience, number of employees and geographic export destination. With the exception of two firms with whom the interviews were conducted with the CEO, all the other firms were represented by the import export manager, general manager or a sales manager. Firms' export experience lies between ten and thirty-seven years with the exception of one with seven years of experience.

Table 1: Sample's characteristics

<table>
<thead>
<tr>
<th>Firm</th>
<th>Job title</th>
<th>Nature of ownership</th>
<th>Gender of respondent</th>
<th>Industry</th>
<th>Prior International experience</th>
<th>Years of exporting</th>
<th>Number of employees</th>
<th>Geographical export destination</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERS 1</td>
<td>Sales, Import, Export Manager</td>
<td>Moroccan owned</td>
<td>Female</td>
<td>Retail of equipment</td>
<td>No</td>
<td>11</td>
<td>15</td>
<td>North and West Africa</td>
</tr>
<tr>
<td>EGI1</td>
<td>Export Manager</td>
<td>Moroccan Owned</td>
<td>Male</td>
<td>Garment and textile</td>
<td>Yes</td>
<td>37</td>
<td>200</td>
<td>France, Italy, Germany, Portugal, Spain</td>
</tr>
<tr>
<td>EGI2</td>
<td>General Manager</td>
<td>Moroccan Owned</td>
<td>Male</td>
<td>Garment and textile</td>
<td>No</td>
<td>35</td>
<td>240</td>
<td>France, Spain, Holland, United Kingdom</td>
</tr>
<tr>
<td>EGI3</td>
<td>CEO</td>
<td>Moroccan Owned</td>
<td>Male</td>
<td>Garment and textile</td>
<td>Yes</td>
<td>21</td>
<td>250</td>
<td>Spain, France, Italy, England, Slovenia, Germany, USA, West Africa, Dubai</td>
</tr>
<tr>
<td>EAI1</td>
<td>Sales, Import, Export Manager</td>
<td>Moroccan Owned</td>
<td>Female</td>
<td>Agro/Food industry</td>
<td>No</td>
<td>23</td>
<td>16</td>
<td>Canada, US</td>
</tr>
<tr>
<td>EAI2</td>
<td>Export Manager</td>
<td>Moroccan Owned</td>
<td>Female</td>
<td>Agro/Food industry</td>
<td>No</td>
<td>13</td>
<td>33</td>
<td>Europe, Latin America, North Africa</td>
</tr>
<tr>
<td>EOI1</td>
<td>CEO</td>
<td>Moroccan Owned</td>
<td>Male</td>
<td>Exporters in other manufacturing industries</td>
<td>No</td>
<td>13</td>
<td>45</td>
<td>Africa</td>
</tr>
</tbody>
</table>
Findings and discussion from In-depth Interviews

The results obtained from interviews conducted with owners and managers describe how export operations are handled and how export performance is perceived and measured. The interviews were also used to shed light on other variables that can potentially influence export performance such as the environment level determinants of Moroccan firms.

Internal determinants

“The fact of being a family has allowed us to think from the conception of the company to attack the international markets, nothing scares us anymore, and today we are at 100% of the turnover in the export, we do not make sales on the local market” - EAI2

However, all the family businesses (EAI2, EGI1, EGI2, EGI3, EOI2, EOI3, EOI4, EOI5) answered with confidence that being a family business positively impacts their export activities and performance.

“One of the most frequent advantages is the flexibility in terms of decision making, closeness to the employees and the ability to respond very quickly to market demand.

“I think that a family business has greater advantages than a non-family business. Why? For two reasons. The first reason is that a company that is not family owned cannot be flexible in terms of decision making and currently the market. The first reason is that a company that is not family owned cannot be flexible in decision making. The second asset is at the level of investment…. the family decides on the level of investment, so it’s easier” – EGI3

“This is undeniably true…. our main vector competitiveness is our ability to respond very quickly to market demand, ultra-flexible, and very fast in decision-making, and this is a vector that is missing more and more in multi-nationals and large groups where everyone is a manager, and no one is responsible. With us, to answer a problem of a customer or a market, it is around a cup of tea and within 30 minutes were all set” – EOI5

Except for three firms (EAI1, ERS1, and EOI1) that are not family businesses, five firms (EGI2, EGI3, EOI2, EOI3, EOI5) responded that being a family business was not a motive to start exporting as they either started with other partners or because they think that it was a logical development of their business. Three remaining firms (EAI2, EGI1, EOI4) stated that being a family business allowed them to feel powerful and gave them more motivation to internationalize.

Source: Description of Sample characteristics elaborated by the authors
Firm characteristics: Firm age and location

All firms examined are SMEs. The difference in the firms’ years of exporting varies between ten and thirty years (EAI1, EAI2, EGI3, EO11, EO12, EO13, EO14), with the exception of one firm with seven years (EO15) and two above thirty years of experience (EGI1, EGI2).

A total of ten firms (EAI1, EGI1, EGI2, EGI3, ERS1, EO1, EO12, EO13, EO14, EO15) stated that being located in a metropolitan area is beneficial to their export activity. Although two of them (EGI1, EGI2) have addressed that it is becoming less beneficial especially in terms of unavailable workforce; being close to their suppliers and to both the port and airport is extremely important for the development of their export activities. The remaining firm (EAI2) argued that being located in an urban area is better for their activity as the workforce is cost-effective and more available.

"Absolutely not, everything is going well, it is not an obligation to be stuck in the port to be efficient. In addition, in urban areas, there are more available workers, especially women, who work without complaining and with joy and good humor “– EAI2

Firm capabilities: Network capability

A total of nine firms (EAI1, EAI2, EGI1, EGI2, EGI3, ERS1, EO11, EO12, EO13) stated that being a member of an association, aggregation or a network of exporters is crucial for the development of their export operations. All of the firms affirm having benefited from different events and seminars, and trainings, benefiting from sharing economic, legal, regulatory and other forms of intelligence and also benefiting from consultancy missions offered by associations.

"YES (with certainty), The more united we are the better, if you stay alone, you can’t go very far. Create synergies, develop links that can be beneficial for us. We have always been open, more in sharing than closing ourselves and hiding our knowledge. “– EGI2

Two firms (EO14, EO15) stated that being part of a network of exporters or associations is not beneficial and that they prefer working alone.

Export marketing strategy: International Internet marketing

All of the firms (EAI1, EAI2, EGI1, EGI2, EGI3, ERS1, EO11, EO12, EO13, EO14, EO15) affirmed having a website for more visibility. Five of them (EGI3, ERS1, EO11, EO14, EO15) stated using social media. The remaining one is planning on redesigning their digital marketing tools and rethinking their digital strategy.

External determinants

Export promotion programs

Five out of the eleven firms (EGI2, EGI3, EO11, EO12, EO15) did use governmental or non-governmental export promotion program to benefit from grants of prospection, special credit rates, assistance during export operations and training programs.

"No. Simply because it’s hell to access these programs. Incredible administrative barriers... They make us change documents for a comma, or a title that does not have the right font... for ridiculous things”– EGI1

Foreign Market competitive intensity
All of the firms affirm encountering obstacles when it comes to exporting. Most interviewees mentioned the fierce competition in the international market. According to EAI 1, competition leads to market saturation, and therefore to the risk of price changes. All companies, despite the difference in their sector of activity, have competition from Turkish, Tunisian, Chinese, and European competitors. Another obstacle mentioned by EGI 1, EOI 1, EOI 4 and EOI 5 is the help that foreign competitors get from their governments such as Turkey and other European countries when it comes to the compensation on the shipment or manufacturing costs. Also, the depreciation of some competitor's currency was listed as an obstacle that gives export advantage to these companies over the Moroccan ones. All of them mentioned the complexity of the papers required for export, the slowness of customs' formalities, as well as the slowness of administrative, banking and bank management procedures.

**Conclusion**

The main objective of this research is to present a better insight on the determinants of export performance in small and medium-sized Moroccan enterprises. Due to its growing importance, export performance is now a crucial field of research for firms' survival in international markets. However, not enough literature related to the Moroccan context is available (El Makrini and Alaoui, 2013), hence, the use of a qualitative approach.

Regarding firm location, being close to the port and the airport is the most important characteristic for Moroccan exporters. The findings confirm the literature review as firms located in Metropolitan areas benefit from circumstances inherent to their central location. They make the most of their location to access specialized and dynamic human resources, financial and banking services, specialized business-related services, information and networks of other already established exporters (Westhead et al., 2004). Firms located in central areas benefit from information exchange from industrial clusters and business-oriented events and infrastructures (Din, Ghanı and Mahmood, 2009; Freeman et al., 2012; Ganotakis and Love, 2012) and can reduce the chances to start exporting (Gaigne and Maricas, 2013).

Family businesses is also a determinant that appears to grant firms a competitive advantage through “Familiness” capitals (Liu et al., 2012), although, for most of them being a family business was not the real motive to engage exports, it has been clearly a real advantage in terms of flexibility, proximity to the employees and freedom of financial investment.

Firms appear to fully benefit from their network with other exporters with the exception of two firms that appeared not being interested in sharing their experience or learning from and with others. Having a solid and well-built interconnection amid trade partners appears to be highly beneficial as the transfer of knowledge not only enhances firms' export decision making and performance but reduces the cost of several steps of the export process yet more importantly reduces the risk of potential missteps (Spence, 2003; Lages and Lages, 2004; Paul and Rosado-Serrano, 2019).

The use of the Internet and digital tools is a less common practice within Moroccan exporters. Although all of the firms are using a website to promote their products and businesses, few adopted a full digital strategy using social media even for firms adopting business to business (B2B) activity. However, the importance of such approach is strongly acknowledged and highly considered among all of them. Several authors investigated the relationship between the Internet and export performance (Mathews and al., 2015; Morgan-Thomas, 2009) arguing that the Internet is an internal resource that helps improving international marketing activities and business processes by implementing specific Internet marketing capabilities, and the immediate use of different Internet based tools, e.g., online sales through e-commerce, advertising using different social media, customer relationship management and market research, (Al-Zyoud, 2018) which is a valuable lever for smaller firms who suffer from a lack of resources, capabilities and knowledge of export activities (Mathews and al., 2015).

Export Promotion Programs (EPPs) appeared to be hard to access as some firms stated the different obstacles faced while trying to benefit or just to find a way in. However, EPPs are important as firms assisted by these programs show higher export intensity and propensity (Comi and Resmini, 2019). Results of the findings show that firms that benefited from EPPs also benefited from financial support, trainings and consultancies which enhanced their export expansion strategies and export marketing strategies (Francis and Collins-Dodd, 2003).

Foreign market competitive intensity has also been cited during the interviews and appeared to be in fact an important external characteristic that may hinder firms' export activities (Chen, Sousa, and
He, 2016). However, from our understanding of the findings, firms are not facing a simple competition in terms of higher rivalry between sellers and buyers in the target country which is considered normal and helps firms improve their competitiveness, hence their ability to sustain and improve their position towards competitors (Kaimakoudi, Polymeros an Batzios, 2014), but more of an “unfair” competition, as reference to protectionist practices.

The main contribution of this study is the expansion of the actual knowledge on export and the different variables determining the performance of firms and especially small and medium sized enterprises, as studies regarding the internationalization of firms from emerging countries remain underdeveloped. Furthermore, this study can also provide managers and policy makers with useful insights regarding different determinants on firms’ export performance.

Limits and recommendations for future research

The present research has two main limitations that should be mentioned. First, although it is important to understand and explore the determinants of firms’ export performance, the use of a qualitative approach limits the generalizability of its findings. Second, this study acknowledges that more variables should be used for each of the internal and external determinants. In this regard, it is highly suggested for future studies to consider a quantitative or mixed method using additional variables.

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