



Persistence in exporting: Cumulative and punctuated learning effects

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ABSTRACT

We develop a model of export persistence which is based around different patterns of learning by exporting. Cumulative previous exporting can help lengthen subsequent exporting spells, but this can be compromised by the punctuated learning arising from a pattern of sporadic exporting. Firms with episodic exporting exhibit different learning patterns from continuous exporters, and are less likely to develop the deep routine-based learning that comes from constant exposure to managing export markets. Using data from Spanish manufacturers over a 22 year period we find support for a model of differences in export persistence arising from cumulative and punctuated learning by exporting.

1. Introduction

Exporting has a number of benefits, both for the individual enterprise, and also for the economy of which it is part. Exporting firms tend to be more productive and innovative than non-exporters (Love & Roper, 2015), while exposure to export markets is important in realising the potential of innovative and high growth firms (BIS, 2010). But once a firm sells to overseas markets, what determines how long a period of exporting lasts? This is important both conceptually and practically. Conceptually it matters because although we know a lot about the determinants of entry into export markets we know relatively little about export exit and re-entry (Welch & Welch, 2009), and even less about the persistence of exporting¹. Notably, neither of the main theories of internationalization, the process or stages model (Johanson & Vahlne, 1977, 2009) and the international new ventures approach (Jones & Coviello, 2005; Knight & Cavusgil, 2004), fully addresses the issue of persistence. Export persistence – the period of continuous exporting by a firm – also has practical implications for businesses. There is evidence that persistent exporters derive significant greater productivity benefits from their exporting activity than those which export occasionally (Andersson & Lööf, 2009), suggesting that persistence in exporting matters for firm performance.

At least some of the benefits that exporters accrue arise from learning by exporting. For example, it is well established that learning

by exporting can lead to improvements in innovation and productivity (De Loecker, 2013; Love & Ganotakis, 2013; Salomon & Jin, 2010; Salomon & Shaver, 2005b; Manjón, Mañez, Rochina-Barrachina, & Sanchis-Llopis, 2013; Tse, Yu, & Zhu, 2017; Wagner, 2012). Evidence also suggests that previous experience assists export intensity and the geographical scope of exports (Love, Roper, & Zhou, 2016). However, we know very little about how past exporting experience helps firms survive in export markets. Nor do we know whether experience gained in different ways matters: for example, does a firm with many years of continuous exporting obtain the same benefit from that experience as one which has the same total length of exporting experience but gained in a series of discrete exporting events? There is reason to suspect this may not be the case. Where exporting is continuous, useful routines and capabilities about managing the exporting process are developed which leads to deep routine-based learning. (Argote & Miron-Spektor, 2011). But where the firm is infrequently involved in exporting the benefit of cumulative task performances may be compromised, and thus new episodes of exporting are less likely to lead to new learning. Evidence is lacking on these possible effects.

There is also limited evidence on the role of demand conditions, both domestic and foreign, on export persistence. Exports and domestic sales may be substitutes (e.g. Salomon & Shaver, 2005a; Vannorenberghe, 2012) or complements (e.g. Berman, Berthou, & Héricourt, 2015), with the empirical literature drawing ambiguous

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¹ Sui and Baum (2014) perform a survival analysis of Canadian SMEs in export markets, but do not consider experience effects or the effects of demand changes. The same is true of Deng, Guo, Zhang, and Wang's (2014) analysis of export survival among Chinese manufacturing firms. Analyses of the determinants of different export patterns are frequently unhelpful as they tend to use arbitrary definitions of terms such as sporadic and regular exporters (Samiee & Walters, 2002) or occasional and persistent exporters (Blum et al., 2013).

conclusions on the issue. In addition, [Bernini, Du, and Love \(2016\)](#) show that large and small firms react differently to changes in domestic and foreign demand conditions in terms of the likelihood of exiting and re-entering exporting, with small and medium-sized enterprises (SMEs) reacting to an increase in foreign demand by being less likely to exit exporting. However, we know little of how actual or perceived demand conditions affect export persistence, or how this may differ between firms of different sizes.

To address these issues we develop a model of export persistence and test the model on a large panel of Spanish firms over a 22 year period. Our model hinges on different types of learning effects arising from previous export experience and on the firms' reactions to changes in both domestic and overseas demand. Based on the concept of organizational learning, we differentiate clearly between different types of learning by exporting effects. We argue that firms learn from their cumulative previous export experience in ways that improves export persistence. But we also argue that punctuated spells of exporting lead to a different learning outcome from a pattern of continuous exporting: firms with episodic exporting exhibit different learning patterns from continuous exporters, and are less likely to develop the deep routine-based learning that comes from constant exposure to managing export markets. We therefore differentiate between cumulative and punctuated learning by exporting, and test the hypothesis that the latter has the effect of reducing export persistence, offsetting the benefits of cumulative learning by exporting. We also hypothesise that the growth rates in domestic and foreign demand affect persistence by decreasing and increasing export persistence respectively.

Our analysis has implications both for theory and practice. First, we distinguish conceptually between different forms of learning by exporting, crucially differentiating between three forms of export experience from which learning can occur: first, the firm's current 'within-spell' exporting experience, as analysed by [Timoshenko \(2015\)](#); second, learning arising from the firm's cumulative export experience, measured by the number of years of previous export experience at the onset of the current export spell; and finally the potentially detrimental effect of punctuated learning, where a firm's cumulative export experience is split into a number of discrete episodes. Second, we analyse how firm's reactions to demand changes, both objective and subjective, affect their export persistence patterns, and investigate whether large and small enterprises differ systematically in the way in which they react to demand changes and in the way in which these reactions affect export persistence. This not only aids understanding of persistence in exporting and of learning by exporting, but also helps shed light on the 'puzzle' of intermittent exporting identified by [Bernini et al. \(2016\)](#). This puzzle relates to the finding that, although exporting represents a major commitment, in practice many (especially small) firms are intermittent exporters, exiting and subsequently re-enter exporting, sometimes frequently. We are able to address this issue using the conceptual framework of cumulative and punctuated learning by exporting. This also allows us to test whether punctuated learning is a particular issue for smaller firms, and how their cumulative exporting experience – even if gained from a series of intermittent exporting episodes – may help offset the drawbacks of punctuated learning by exporting. In addition to its managerial implications for exporters, the analysis has resonance for policymakers seeking to encourage firms to export and to derive the maximum benefit from their exporting experience. Since smaller firms are more likely to be intermittent exporters ([Blum, Claro, & Horstmann, 2013](#)), this also has implications for government policy on supporting exporters in general and specifically on support for SMEs.

The remainder of the paper is structured as follows. Section 2 develops the conceptual model and hypotheses. Section 3 describes the Spanish dataset on which the empirical analysis is based and provides descriptive statistics, while Section 4 outlines the empirical model used in the estimation. Section 5 presents the results of the empirical estimation. The final section discusses these results in the light of IB theory,

and highlights the contribution of the research to theory and managerial practice.

2. Theory and hypotheses

2.1. Export experience, learning effects and persistence in exporting

Not all firms that enter export markets persist in doing so: indeed many firms exit exporting quite rapidly ([Besedes & Prusa, 2006](#); [Blum et al., 2013](#)), suggesting that firm-level factors must be at work in determining persistence in exporting. We hypothesise that learning effects arising from a firm's previous exporting experience and the firm's reaction to home and domestic demand shifts will significantly affect the pattern of export persistence. A key element of this is the learning by exporting hypothesis. The argument here is that exporting exposes firms both to increased competition in overseas markets, and to new customers with different tastes and preferences from those at home. Exporting can provide firms with two types of knowledge, both of which can help improve future performance – knowledge about markets and knowledge about technology ([Love & Ganotakis, 2013](#); [Salomon & Shaver, 2005b](#)). Firms gain market knowledge largely from customers, and so exposure to export markets helps them to alter and customise their product range to the needs of different international markets ([Clerides, Lach, & Tybout, 1998](#)). Firms may also benefit in terms of technology, with information on product development often being provided directly from customers and indirectly from competitors ([Salomon & Shaver, 2005b](#)). This is consistent with the process model of internationalization ([Johanson & Vahlne, 1977, 2009](#)), in which the firm progressively moves to more distant markets (psychically and geographically), and thus learns how to organize production processes, and to adjust its products and levels of service in order to be competitive in international markets ([Andersson & Lööf, 2009](#)). In this context exporting is therefore viewed as a process of knowledge and learning accumulation that takes place within the firm ([Barkema & Vermeulen, 1998](#); [Yeoh, 2004](#)).

There is now considerable evidence that learning by exporting can improve firm productivity directly ([Wagner, 2007, 2012](#); [Andersson & Lööf, 2009](#)) or do so indirectly through its effects on innovation, production capability and human capital ([Love & Ganotakis, 2013](#); [Salomon & Jin, 2010](#); [Salomon & Shaver, 2005b](#); [Tse et al., 2017](#)). However, learning effects can play a role not only in a firm's performance but also in terms of its export persistence. [Timoshenko \(2015\)](#) shows formally that the length of recent export experience induces firms to continue exporting, and thus naturally leads to persistence in exporting. Put simply, experienced exporters have learned more from operating recently in foreign markets than less experienced exporters, and so the profitability derived from a given market typically rises with the length of exporting experience. Hence learning by (recent) exporting leads to persistence in exporting. [Timoshenko](#) tests for this effect using Colombian data for the period 1981–89 and finds that firms' probability of exporting and amount of export sales increase with each consecutive year of (recent) exporting up to four and eight years respectively, suggesting that the effect of exporting experience accumulates over time. This leads to our first hypothesis:

H1a. Export persistence is positively associated with the length of the current exporting spell.

2.2. Cumulative versus punctuated learning by exporting

Despite its apparent emphasis on learning by exporting, the analysis of persistence described in H1a above is restricted exclusively to the learning effects of the *current* period of consecutive exporting: thus it relates to 'within spell' exporting. In our model, we make two key conceptual additions to the role of experience in determining export persistence. Specifically, we allow for learning effects arising from

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