

# **EXPORTING IN CENTRAL AND EASTERN EUROPEAN (CEE) COUNTRIES: A MODEL OF EXPORT INFORMATION COLLECTION, ANALYSIS AND USAGE**

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## **Introduction and rationale**

In today's economy, information represents one of the most important assets of a company. The process of information collection, selection, processing, analysis and use is essential for the successful initiation and development of international activities (Theodosiou & Katsikea, 2013).

Export is one of the main modes of international market entry because (Young et al., 1989):

- the involvement of the company is minimal;
- the risks can be assessed and avoided;
- there is a strong government support through both macroeconomic and microeconomic policy measures;
- export presents a number of advantages for small and medium-sized firms (SMEs) in comparison with larger companies: the SMEs can react quickly to market opportunities; can co-ordinate the administration of exports easily; the management teams are often stable; they can acquire detailed knowledge of customers; and can access governmental and other support organisations for support and training.

On the other hand, a number of barriers to exporting have been identified, such as firm size, operational problems, finance and lack of information. Despite the apparent simplicity of export operations in comparison with other market-entry modes, exports require the implementation of a complex system of information collection and analysis. Exports often represent the starting point of the company's involvement in a foreign market, and therefore have a high level of risk (Lehmann et al., 2013). This risk should be properly identified and evaluated through market research, and sound managerial decision should be taken in order to implement the most effective market strategy.

The risk of exports increases in countries that do not have a developed and stable market economy, because of two main reasons (Nijssen et al., 1999):

1. The economic systems and procedures active in these countries may be very different from those used in a developed market economy. The business environment of these countries is therefore unfamiliar for the exporting companies, and the 'psychic distance' between countries may be perceived as substantial.

2. The information available for these countries is sometimes outdated, inaccurate and unreliable. They are often characterised by dynamic and unstable environment, with fuzzy procedures, changing legislation and intensive competition.

Despite the fact that most CEE countries are now members of the European Union, Western exporters still perceive a difference between their market environment and procedures, and those from Western European countries. In addition, even between the CEE countries there are often important disparities regarding the size of the market, the purchasing power of local consumers, or the level of institutional corruption. These differences are usually translated into a higher level of perceived risk and insecurity, which lead to a more extensive search for reliable information before any strategic decision is taken and implemented. On the other hand, despite the recognised importance of the 'psychic distance' in influencing and shaping the export process, little research has been done to assess its influence on export information collection and use.

This study investigates, analyses and interprets the experience of 74 French and 77 UK SMEs, regarding the export information collection and use regarding four CEE countries: Bulgaria, Hungary, Poland and Romania, that have a different profile in terms of culture, market size, and level of institutional corruption. On the basis of these data, the study presents a model of export information collection, analysis and usage and identifies the main factors that influence this process. The research objectives of this paper are:

1. to present the export data collection and processing modes;
2. to identify the main usage(s) of export information;
3. to analyse the factors influencing the collection and use of export data;
4. to develop a model of export information processing applied by Western SMEs to initiate operation in CEE countries

### **Research methodology**

To answer the formulated research objectives, we collected and analysed both secondary and primary data. First, we realized an extensive documentary research, accessing a series of articles and market reports related to export information acquisition, processing and usage. This exploratory phase provided a sound theoretical basis for developing our research framework and for constructing a list of questions related to our research objectives. Then, in the second phase of data collection, we identified (using online search engines and the databases of regional Chambers of Trade and Industry) 100 French and 100 UK SMEs, with exporting activities in CEE countries. These firms have been contacted and invited to take part in our study. 81 French and 79 UK SMEs' managers favourably answered this invitation, but in the later phase of data collection, only 74 French and 77 UK managers were available to answer the questions. After pilot testing the list of questions with three French and three UK managers, we interviewed by phone the 151 respondents. The interviews lasted between 20 and 30 minutes. The collected data was then analysed using discourse analysis techniques, in which the main concepts developed by respondents were coded in order to identify the main narrative lines of their answer.

## Results

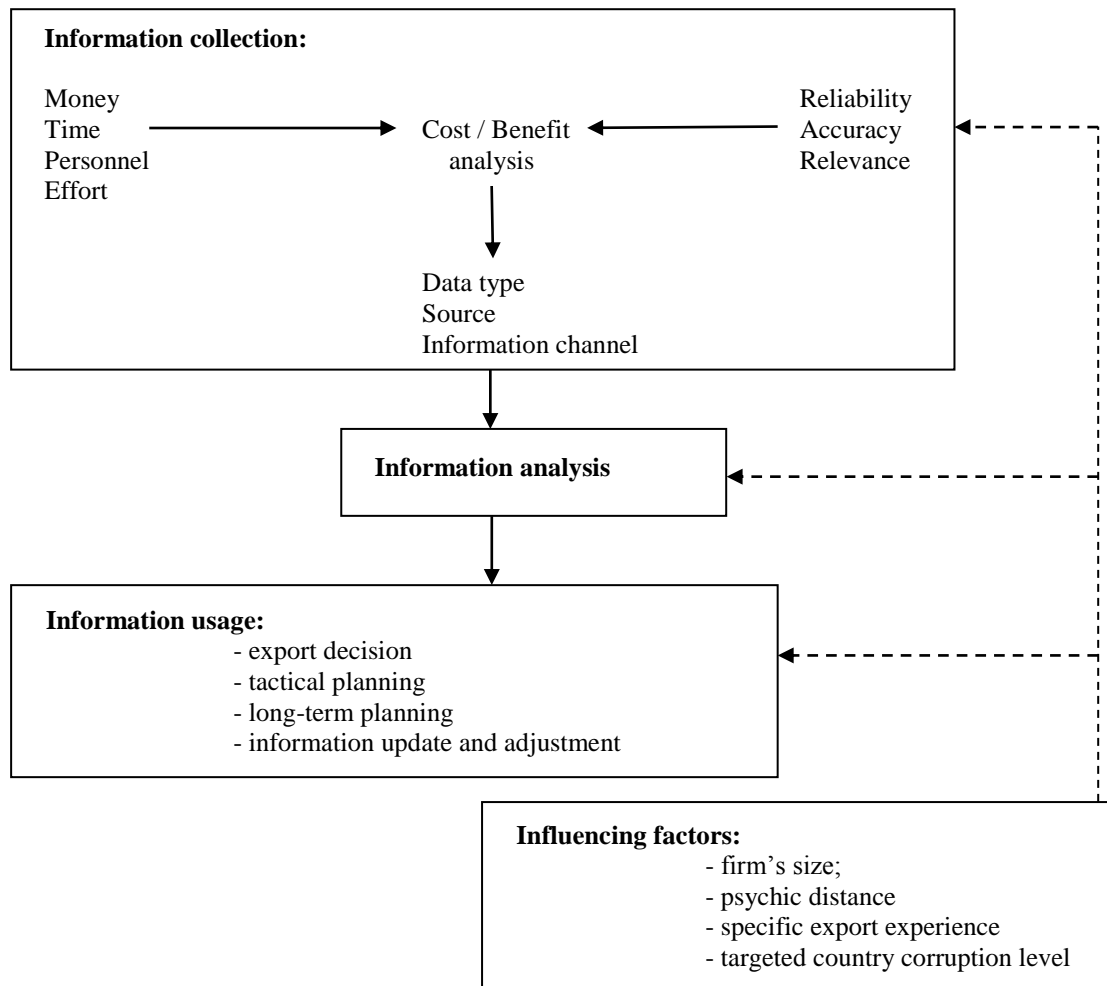
The results indicate that the choice of export information sources regarding the CEE countries is highly subjective, being determined by the perceived psychic distance, the individual experience (and prejudices) of the firm managers and the facility to access various sources. However, it is easy to identify an experience effect, since more experienced exporters are using a more formalized process of data collection and analysis.

The collected information is used for (1) choosing the target country and the export mode, (2) tactical planning, (3) long-term planning, and, finally, for (4) information update and adjustment. The more experienced exporting firms are following a strategic planning approach, and try always to obtain primary data from the targeted markets, despite the fact that this process costs more and takes longer than a documentary research. Medium-sized firms often use intermediaries, which are experienced firms or individuals, that are familiar with the business procedures and environment of the two countries, bridging the knowledge and expertise gap between the exporting firm and the targeted market. These medium-sized firms are also characterized by a continuous process of information collection, that are permanently used to update the existing knowledge and make strategic or tactical adjustments, in comparison with small firms, that use punctual data collection, taking a problem-oriented perspective.

The effectiveness of the information collection and usage process is influenced by the size of the firm (which is directly related to the level of resources allocated for data collection), the perceived psychic distance to the targeted country (a higher perceived psychic distance determining a more extensive data collection process), the specific export experience of the top management team (which is translated into a specific structure of the data collection, analysis and usage process, as well as into the choice of more direct information sources), and finally, the level of corruption of the targeted country, as measured by the Transparency International corruption index (since a higher level of corruption signals a discrepancy between the officially available information, and the real situation in the country).

**A model of export information processing**

Figure 1 synthesizes the obtained results into a model of export information collection, analysis and use by Western European SMEs. The diagram also indicates the direct influence of the four factors described in the previous section, on the three phases of this process.



**Figure 1. The process of export information collection, analysis and use**

**Concluding remarks**

This study compares the procedures used to collecting and using information by exporting companies from two Western European countries (France and the UK) regarding the development of potential export operations in four CEE countries: Bulgaria, Hungary, Poland and Romania. The investigation of the process of collecting, analysing and using export information represents an important step in understanding better the interaction between exporting companies and target markets, and in designing successful export operations in Central and Eastern Europe.

This study provides a good theoretical basis for future research, which should expand the sample of investigated firms and countries, and apply both qualitative (using a case study approach) and quantitative (based on multiple regression or structural equation modelling) techniques.

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