

Are non-exporting firms all the same? An exploratory study on the heterogeneity of non-exporters

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A constant policy concern is that '*not enough UK firms export, and trade as a share of the UK economy has grown more slowly than in the rest of the G7 competitors over recent decades*' (Industrial Strategy Green Paper, 2017; p.19). Hence, an interest exists in designing and implementing effective policy schemes aimed at helping non-exporters become exporters and exporters to remain exporters. To address this challenge, research and policy efforts have been concentrated in identifying factors that not only distinguish exporters from non-exporters but are also able to secure a long term export status.

However, it may be the case that non-exporting firms may make a strategic decision not to export but still achieve high productivity (Gkypali and Tsekouras, 2015). At any given pre-export stage firms may exhibit various degrees of export readiness and choose either to move forward with, or postpone or even abandon their exporting plans. This in turn suggests that non-exporting firms are heterogeneous in terms of goals and strategies adopted to achieve these goals. Put differently, it may be the case that, at any given time, non-exporting firms may or may not be willing or able to export (Roper et al., 2017).

In this research we focus on the heterogeneity of non-exporters and we exploit unique information provided by Longitudinal Small Business Survey (LSBS) for the period 2015-2016 to distinguish three groups of firms: (i) firms planning to export, (ii) firms able to export (i.e. which have suitable products or services) and (iii) firms that are neither willing nor able to export. As a first stage in our analysis, we ask what features distinguish export each non-exporting state in terms of strategies, ambition and demographics. We then proceed with exploring the pre-exporting transitions within a two-year period and finally we investigate whether transitioning from one (pre)export stage to another is linked with firm performance (i.e. productivity)

Based on our empirical results we confirm previous empirical findings that exporters are more productive than non-exporters irrespective of pre-export stage. Firms that plan to export are massively ambitious and young but less productive compared to the rest of non-exporters. Furthermore, for firms that are able but unwilling to export, innovation matters and to some extent the same applies for other investment. Turning to the mapping of the transitions between (pre)export stages empirical results confirm a persistence of the state of exporting and the state of unwillingness and inability to export while a turbulence is observed in the rest of pre-export phases. This suggests that the internationalisation process is a dynamic process and intermediate pre-export phases serve as a transit to a more steady state. Finally, empirical results suggest that the initial pre-export phase matters for attaining productivity benefits only when switching to another state, however this is not the case for exporting firms which are better off when they remain exporters.

References

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