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**Export status and SME productivity: learning-to-export
versus learning-by-exporting**

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ABSTRACT

Exporting offers firms the opportunity both to maximise profits from their existing products and services and, through ‘learning-by-exporting’, to identify new innovation opportunities. In this paper, we exploit a unique data source to examine the strategic choices of smaller firms in terms of exporting or non-exporting. We pay particular attention to a substantial group of export-capable firms which state that they have products or services suitable for exporting but have no intention to export. We are able to differentiate these firms from both exporters and other non-exporters who do not have products/services suitable for exporting which we term ‘domestically-focused firms’ (DFFs). Our ability to separately identify export-capable and domestically-focused firms provides new insight into the nature of learning-to-export and learning-by-exporting effects. There are four key results. First, the direct effect of innovation on the probability of exporting is strong, and works exclusively through product innovation. However, the key influence of product innovation is in helping firms to become export-capable rather than in moving from export capability to actually exporting. Second, alongside this direct innovation effect, there is a clear relationship between growth ambition, export-capability and exporting. Third, to the extent that there is any indirect effect of innovation on exporting via productivity, it tends to be negative: export-capable firms exhibit a short-term decline in productivity relative to DFFs, an effect which does not persist into the exporting phase. Fourth, in our analysis there is clear evidence of learning-by-prior-exporting effects on productivity, regardless of firms’ current export status. For current exporters, this means that previous exporting experience provides a boost to productivity compared to other exporting firms without prior export experience. Finally, there is some evidence that export-capable firms with previous export experience are more productive than other-non-exporters due to their prior export experience. This again suggests a learning-by-prior-exporting effect.