Chapter 10
Determinants of Trade with Sub-Saharan Africa: The Secret of German Companies' Success

Johannes O. Bockmann

Abstract This paper evaluates the degree to which internal, micro and macro-environmental variables explain why some small- and medium-sized enterprises (SMEs) based in Germany export more successfully to sub-Saharan Africa (SSA) than other firms in the same category. It derives explanatory factors specific to the region from experts. A bivariate correlation analysis identifies relations between (in)dependent export performance (EP) measurements. Stepwise multiple regression equations for firms' overall EP and overall export profitability in the last three years highlight factors with the most significant correlations. As evaluated in previous research and as mentioned by experts, it applies a multidimensional approach, investigating variables according to the resource-based view and the contingency paradigm. This study indicates that SSA has specific requirements for successful exports which differ from other regions. Knowledge about these particular characteristics of the market will enable managers and policymakers to improve trade relations. By focusing on the EP of German SMEs in SSA, this study fills a research gap since no previous study has concentrated on this specific aspect.

Keywords German small- and medium-sized enterprises · Export performance · Comparative advantages · Internal · Micro and macro-environmental factors · Sub-Saharan Africa

J.O. Bockmann (✉)
Department of Economics and Logistics, International School of Management Hamburg, Hamburg, Germany
e-mail: johannesbockmann@gmail.com

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10.1 Introduction

Exports represent the preferred method for entry into foreign markets (Lado et al. 2004; Sousa et al. 2014; Zhao and Zou 2002) since they offer firms a comparatively high level of flexibility with relatively small necessary investments thus permitting a fast entry into new markets (Katsikea et al. 2007; Leonidou 1995; Sousa and Novello 2014). Research on export modalities is of high interest to three major stakeholders: public policymakers, managers, and researchers (Katsikea et al. 2000; Sousa 2004).

Scholars explain the increasing interest in exports on the basis of its positive effect on a country's growth alongside the business opportunities that it offers individual firms (Dean et al. 2000). Public policymakers encourage export activities since they foster the accumulation of foreign exchange reserves, support the development of national industries, create new jobs, and improve productivity (Czinkota 1994). Developed countries see cross-border economic relationships as a necessary instrument for maintaining their standard of living (Baldauf et al. 2000).

A detailed review of 33 articles published between 2000 and May 2015 looking at export performance (EP), we identified 65 internal and 35 external determinants. However, none of them focused on sub-Saharan Africa (SSA). This is surprising since these markets offer great business opportunities. According to data from the World Bank (Catalog Sources World Development Indicators 2015), the region's total GDP grew by 5.72% per year on average from 2000 to 2013. Further, imports of goods and services increased by an average of 12.05% per year from 2010 to 2012 (Catalog Sources World Development Indicators 2015; United Nations Statistics Division 2011, 2014). In 2012, SSA countries imported US$496.50 billion worth of goods and services (United Nations Statistics Division 2014). The increasing demand for foreign products together with a relatively high level of uncertainty in the region makes SSA predestined for exports rather than alternative market entry methods such as foreign direct investment (Boly et al. 2014; Riddle 2008; Sousa and Novello 2014).

Regarding the exporter's home country, only three papers concentrated on Germany although the country was one of the top three merchandise exporters with a share of 7.7% of world trade in 2013 and a trade surplus of US$264 billion (WTO 2014). The main drivers of this success are Germany's small- and medium-sized enterprises (SMEs) (MoAE 2015), a situation which is similar to that in most European countries (Bijmolt and Zwart 1994). According to an EU definition, SMEs include all firms with a maximum of 250 employees (Sousa et al. 2014). However, Katsikea et al. (2007) argue that SMEs are not just smaller versions of large firms but that they operate differently because of their size. Therefore, an insight into the success factors of German SMEs may be relevant for German policymakers and executives interested in the guarantors of EP (Baldauf et al. 2000).

Between 2000 and 2013, exports from Germany to all SSA countries grew on average by 8.8% to US$13.51 billion. 89% of German exporters with experience in Africa plan to expand on their commitments, especially in West and Central Africa (Foly 2013). Politicians too, including the German Chancellor Angela Merkel are showing an increasing interest in Africa. For example, during conferences such as the EU–Africa summit a steady cross-sectoral rise in demand is expected thanks to a growing middle class (Merkel 2014). Consequently, a deeper insight into the factors which influence German EP in SSA is necessary.

Scholars argue that further research is needed to investigate the possible predictors of EP (Baldauf et al. 2000; Fevolden et al. 2015; Navarro-García et al. 2015). A focus on the EP of SMEs is specifically important since they in particular profit from a combination of flexibility with limited resource commitments (Sousa et al. 2014), while their significant contributions to national economies underline their relevance for policymakers (Sousa and Novello 2014). Further, there is a need to investigate the specifics of EP in selected regions/countries (Navarro-García et al. 2015; Rambocas et al. 2015). Concerning Germany, Wagner (2014) maintains that detailed company characteristics should be worked out. Sousa et al. (2008) and Sung (2015) have identified a strong demand for more research on developing countries (DC), such as the ones in SSA, since their share in world trade is increasing thus offering significant opportunities in the present and future global economic order.

In summary, the quoted views substantiate the need for additional research in the field of EP, covering individual regions and explanatory variables. To provide evidence if SSA requires different or additional internal, micro and macroeconomic variables, this study concentrates on the factors relevant for German SMEs targeting this region. The rest of this paper is organized as follows. It first gives a literature review which is followed by a section on methodology. The next section gives the findings and analysis of the semi-structured interviews and questionnaire. The last section gives the conclusions and discusses possible areas for further research.

10.2 Literature Background

Research about EP goes back to Tookey's (1964) work about factors associated with success in exporting. In a wider context, it addresses the outcomes of export activities, mostly at the firm or export venture level (Kahiya and Dean 2014). Nowadays, EP is the mostly studied in the field of export marketing (Leonidou and Katsikea 2010). Multiple aspects arise from the fact that the 'Export performance dialogue is spread over a large pan-discipline research landscape which includes

International Businesses, International Marketing, International Entrepreneurship, Small Business Management and International Trade' (Kahiya and Dean 2014: 378).

10.2.1 Measuring EP

Approaches for measuring EP are fragmented and uncoordinated (Kahiya and Dean 2014; Katsikea et al. 2000) and no single view prevails (Sousa 2004). An almost philosophical approach points out that for most export start-ups pure survival is already some measurement of success (Kahiya and Dean 2014). Indicators reflect objective and subjective facts. While objective measures deal with absolute performance, subjective ones are concerned with a firm's expectations or its perceived performance as compared to its competitors (Akyol and Akehurst 2003). Scholars have identified 42 (Katsikea et al. 2000: 497) or even 50 (Sousa 2004: 9) indicators for EP. Since no individual indicator adequately captures the phenomenon of EP (Kahiya and Dean 2014; Lages and Lages 2004; Zou et al. 1998), there is general agreement in favor of a multidimensional approach. Many researchers such as Baldauf et al. (2000) and Papadopoulos and Martín-Martín (2010) prefer a multiple approach.

10.2.2 Determinants of EP

Two major theoretical approaches to classify the determinants of EP stand out. The resource-based view emphasizes a firm's individual competencies as its unique bundles of assets (Conner and Prahalad 1996; Nalcaci and Yagci 2014; Stoian et al. 2011). Accordingly, the success of a company is a result of its acquiring and exploiting its own unique resources such as competence, experience, and size (Zou and Stan 1998). Research also identifies how higher performance can be achieved in comparison with other firms (Barney 2002; Dhanaraj and Beamish 2003; Singh and Mahmood 2014).

On the other hand, the contingency paradigm proposes that environmental factors affect the companies' strategies and EP which is then the result of a specific company context (Sousa et al. 2008). Consequently, exports are considered an organization's strategic response to the interaction of external and internal factors (Robertson and Chetty 2000; Sousa et al. 2008; Yeoh and Jeong 1995).

In the meantime, there is a general agreement that a multidimensional approach including a range of determinants such as managerial, organizational, and environmental aspects is most appropriate (Baldauf et al. 2000; Katsikea et al. 2000; Rambocas et al. 2015). This is confirmed by Morgan et al. (2004) who synthesized the different views into a robust theoretical model.

10.2.3 Internal and Microenvironmental Factors

Thirty-three papers published between 2000 and May 2015 were analyzed and 65 variables were identified. International experience measured in years (21.21% of the reviewed papers), firm size as represented by the number of employees (18.18%), adapting the price strategy to market conditions (15.15%), and the number of foreign markets served by a firm (12.12%) are mostly applied to explain a business' EP.

10.2.4 Macro-environmental Factors

Most scholars extend their research scope by using qualitative and quantitative determinants. In the 33 papers published between 2000 and May 2015, 21 studies covered external variables, identifying 35 external factors. An increasing level of competition in the foreign market influences EP, but there is no consensus if it is positive (9.09% of reviewed papers) or negative (6.06%). Scholars are equally inconsistent regarding the influence of distance. Two papers (6.06%) show that an increasing distance has a positive impact, whereas one paper presents a negative result. Also, the foreign exchange rate plays a multifaceted role: in one paper it has a positive influence, whereas three papers (9.09%) found no significant effect. Customs and tariffs (9.09%) and regulations (15.15%) are frequently named as impacting EP negatively, while one study claimed that they were irrelevant.

10.3 Methodology

10.3.1 Research Philosophy

Our research applies pragmatism, which is not committed to any single philosophy. The lack of studies about EP of German SMEs in SSA leads to pragmatism since it allows a researcher to consider different points of view to get a holistic picture. Consequently, multiple approaches are necessary to gain quantitative and qualitative data (Collis and Hussey 2014; Saunders 2012). Actually, many EP studies (e.g., Freeman and Styles 2014; Rambocas et al. 2015) have applied this philosophy.

10.3.2 Research Approach

Our study is abductive since it combines both deductive and inductive elements. The initial semi-structured interviews aimed at expanding knowledge about EP from experts without reference to the existing theory. The respective results were

merged with the findings from existing literature into one questionnaire. Thus, for German SMEs targeting SSA, the existing theory could be tested and modified by new insights (Collis and Hussey 2014; Saunders 2012).

10.3.3 Research Purpose

To answer the research question, a varied approach (multiple methods) rather than one method was chosen achieving a broader view (e.g., by Freeman and Style 2014; Rambocas et al. 2015; Wagner 2014). First semi-structured interviews were carried out which mainly resulted in qualitative data. Subsequently, a questionnaire survey was done to gain primarily quantitative, but also qualitative data.

The aim of exploratory research is to 'seek new insights into phenomena, to ask questions, and to assess the phenomena in a new light' (Saunders 2012: 670). Consequently, this study started with semi-structured interviews examining the factors known to influence EP as well as searching for additional ones prior to developing a questionnaire. A good reason to include exploratory research as a first step is the positive experience of Freeman and Styles (2014), Lacka and Stefko (2014), and Nalcaci and Yagci (2014) who gained new insights about EP for other regions by conducting interviews.

Explanatory research has its emphasis on clarifying the relationship between variables. The questionnaire supports this purpose by enabling the identification of interrelations between dependent and independent factors of EP and the development of casual relationships between them (Saunders 2012). It tests the interaction between existing measurements for EP relevant in other countries identified during the literature review. The fact that researchers such as Singh and Mahmood (2014) and Sousa and Novello (2014) have applied explanatory research in their EP studies underlines the value of this approach.

10.3.4 Research Strategy

Based on a detailed literature study to gain secondary data and information about the current status of research activities, semi-structured interviews were chosen to extract new insights from experts concerning the factors which influence a firm's EP, thus getting answers to specific key questions while providing the flexibility to react to the flow of conversation (Saunders 2012). Freeman and Styles (2014) have previously used a similar approach.

Subsequently, a self-completion questionnaire (Collis and Hussey 2014) was developed to collect data for empirical tests. The nature of this questionnaire was mainly quantitative and explanatory since the participants were asked to grade the influence of different variables on their firm's EP. By evaluating the data with a bivariate correlation and multiple regression, the relationships were identified, as

previously done, for example, by Castellacci and Fevolden (2014), Fevolden et al. (2015) and Stoian et al. (2011). Moreover, the participants were encouraged to explain their grading and to suggest additional factors influencing EP.

The applied semi-structured interviews and questionnaire fall in the survey strategy which is mostly applied to gain quantitative data, but qualitative information can also be accumulated this way. A questionnaire allows an efficient collection of standardized data from a large population enabling comparisons and further analysis. Moreover, it helps define the relationship between EP's independent and dependent factors. This strategy is generally perceived as authoritative, comparatively easy to explain and understandable for participants.

10.3.5 Semi-structured Interviews

At first, general information about the participants and their firms was derived from answers to closed questions, followed by an inquiry regarding target markets in SSA. Closed questions were used since the participants were surveyed on a specific issue. In the second part, participants elaborated freely on internal and external factors which were perceived to influence their firm's EP (Saunders 2012).

As a sampling technique, a non-probability sample was chosen because 'the probability of each case being selected from the total population is not known' (Saunders 2012: 261). More specifically, purposive sampling based on the scholar's judgment was applied. Although all participants had been in charge of exports to SSA for several years and were therefore a good fit, this approach is not statistically representative. Therefore, it was followed by a questionnaire survey (Saunders 2012). The response rate of 40% was fairly high compared to Sousa's reviews with 30 and 25% (Sousa et al. 2008).

Table 10.1 summarizes the general information, which has been changed to ensure confidentiality about the participants.

10.3.6 Questionnaire Survey

Based on the literature review and the interviews, a Web-based questionnaire was developed. For Easterby-Smith et al. (2015), this is an efficient way to collect data from a large number of people, which was also important for our analysis (Collis and Hussey 2013). First, general information about the respondents was gathered, which was followed by questions regarding their target markets in SSA. Later, the participants were asked to grade their EP and the respective determinants. Finally, they could enter personal data to receive an executive summary of the findings.

The seven-point Likert scale: Answers were graded on a seven-point Likert scale because this allows the gathering of perceptions (Navarro-García et al. 2015).

Table 10.1 Participants of the semi-structured interview

Firm	A	B	C	D
Industry	Trading house, incl. finance	Medical turnkey projects	Medical turnkey projects	Textiles and advertising industry
Interviewee	Senior Executive Project Manager for SSA	Director turnkey projects	Chief Executive Officer	Chief Executive Officer
Employed (years)	4	27	5	9
Target countries (years of export activities)	Ghana (4.5) Kenya (4.5) South Africa (4.5) Angola (4.5) Mozambique (1) Tanzania (1)	Congo (7) Senegal (6) South Africa (1) Zimbabwe (25) Nigeria (4) Ghana (7) Guinea (1)	Ghana (50) Nigeria (35) South Sudan (10)	Several countries in SSA such as South Africa, Congo, Namibia, Liberia, and South Sudan (56)

Further, this extended scale 'has been shown to process valid psychometric measure properties' (Singh and Mahmood 2014: 88) and has been successfully used in previous EP studies (e.g., Rambocas et al. 2015; Singh and Mahmood 2014; Ward and Duray 2000).

Subjective self-reporting was employed because of the expectation (and experience) that firms are unwilling to disclose full data (Leonidou et al. 2002; Singh and Mahmood 2014) and because of a proven correlation between subjective and objective measures (Akyol and Akehurst 2003; Dess and Robinson 1984; Matanda and Freeman 2009; Stoian et al. 2011).

Dependent variables of EP: Since there is no generally accepted definition for EP (Sousa 2004; Sousa et al. 2008; Stoian et al. 2011; Wheeler et al. 2008), the measurements for our study were developed on the basis of existing literature which guaranteed success and facilitated comparisons with previous results.

First, the respondents were encouraged to rate their overall perceived satisfaction with EP in SSA in the last three years on a seven-point Likert scale, ranging from 'extremely dissatisfied' to 'extremely satisfied' (similarly applied, e.g., by Akyol and Akehurst 2003; Cadogan et al. 2012; Freeman and Style 2014; Lee and Griffith 2004; Navarro-García et al. 2015; Sousa and Novello 2014; Sousa et al. 2014). They were told that the overall satisfaction about EP should include the areas of international sales growth, export business profitability, the firm's image in foreign markets, international expansion, and market share (Cavusgil and Zou 1994; Navarro-García et al. 2015; Navarro et al. 2010).

Second, they were asked about their overall satisfaction with their company's performance in terms of export profitability in SSA in the last three years (similar to, e.g., Cadogan et al. 2002; Dean et al. 2000; Nalcaci and Yagci 2014; Robertson and Chetty 2000; Singh and Mahmood 2014; Sousa and Novello 2014; Stoian et al.

2011). The time frame was adapted from Cadogan et al. (2012) and Navarros-García et al. (2015). Sousa and Novello's (2014) and Sousa et al.'s (2014) approaches to ask for the overall satisfaction with EP and export profitability was employed.

Independent variables of EP: The items applied to measure each construct were based on the earlier interviews with professionals as well as existing literature. Participants were again asked to grade internal, micro and macro-factors on a seven-point Likert scale.

Questionnaire sampling: Only German SMEs exporting to at least one SSA country in the last three years were considered. Following most researchers in the field of EP such as Nalcaci and Yagci (2014), Sousa et al. (2014), and Sousa and Novello (2014), only CEOs and managers with decision making responsibilities regarding exports to SSA were accepted. As shown in Table 10.2, the response rate, when compared with Sousa was quite low, possibly because the authors only/or additionally sent out the questionnaire via post or called all potential participants (Sousa 2008).

To ensure representative sampling, the number of participants should be as large as possible (Cooper and Schindler 2014; Saunders 2012). According to Saunders et al. (2012), a relatively low response rate, however, is not necessarily bad as a sample size of 30 or more represents a high degree of accuracy and reliability. With a useable sample size of 41, this was a given. Moreover, Armstrong and Overton's (1977) extrapolation procedure was applied to ensure that no differences existed between early and late responses (the basic details of the participants in the questionnaire are given in Table 10.3).

10.4 Findings and Analysis: Semi-structured Interviews

10.4.1 Method of Analysis

A content analysis was done to quantify the orally given data. Using this widely applied method, items of qualitative data were systematically converted into numerical data (Collis and Hussey 2014; Easterby-Smith et al. 2015).

10.4.2 Evaluated Macro-environmental Factors

The factors mentioned in an open question to influence EP are given in Table 10.4.

Table 10.2 Comparison of response rates

Sousa's (2000) review of EP papers	Sousa's (2008) review of EP papers	This study
30%	25%	10.96%

Table 10.3 Basic data of questionnaire participants

Total number of participants	58
Number of analyzed participants	41
Company size, range (number of full-time employees)	247.00
Company size, mean (number of full-time employees)	129.62
Industries	Advertising Materials/Textiles; Agriculture; Architecture; Automation Technology; Automotive; Building; Business Services; Cables and Wires; Commodities Trading; Construction; Consulting; Consumer Goods; Energy (Services); Engineering; Export Trade; Finance; Food; Health Services; Healthcare/Medical; ICT/Consulting; IT; Management Consultancy; Manufacture of Welding Consumables; Metalwork; Refrigeration and Air Conditioning; Shipping; Solar energy; Toys; Trading
Key informants	Area Sales Director—Africa and Middle East; Authorized Officer; Chief Executive Officer; Export Manager; General Coordinator Africa; Head of Department International; Head of Sales Department Africa and Asia; Head of Sales Department EMEA; International Business Development; Managing Director; Market Development Manager Africa; Marketing Director/Manager; President Region Africa; Regional (Sales) Manager, Sales Director; Sales Manager; Senior Manager; Shareholder; Speaker; VP International Sales
Head offices	All over Germany
Unit of analysis	Firm
Company age, range (years)	174.00
Company age, mean (years)	63.02

Besides other factors such as export promotion programs and the prohibition of bribery, German politics and the legal environment were also considered to have an impact on EP. A survey by Transparency International (Hardoon 2013) shows that bribe is a serious matter in Africa and that decision makers are willing to accept such payments. For example, 54% of the 2207 households questioned in Ghana in 2013 said that they had paid bribes; politicians were described as corrupt by 76% (Hardoon 2013). A participant in one of the studies stated that for this reason his firm concentrated on private customers. Two others argued that contributions were illegal in all European countries, but Germany was the only country where the law was strictly enforced. France, besides others, was said not to apply existing legislations. In cultures where expensive presents express esteem and where decision makers depend on special payments to support their families and tribes, German companies have no chances of getting contracts. This supports O'Cass and Julian's study (2003) stating that legal and political decisions influence EP. Dean et al. (2000) confirm that governmental agencies may support exports.

Table 10.4 Macro-factors which influence EP

Positive influence	Negative influence
Made in Germany (four times) Export promotion by the German government (once) Local conditions: Some countries are not able to coordinate projects by themselves so they need companies specializing in offering turnkey projects (once)	Difficulties in finding partners to finance big projects (once) Contributions to decision makers are illegal in Germany, but especially offered by firms based in other countries (three times) German politics does not consider the special characteristics of the region, information level does not correspond with the current situation (once) German politics should support German producers by financing exports to the region (once) Competition from China and other countries with cheaper products (twice)

The country of origin referred to by all interviewees as influencing EP has been previously mentioned to be relevant by Lacka and Stefko (2014). The difficulties in finding partners to finance big projects have been addressed by Felbermayr and Yalcin (2013). Identified competition from other countries matches the factor 'market competitiveness' recorded to be significant, for example, by Cadogan et al. (2012), Lages and Montgomery (2005), and Navarros-García et al. (2015).

10.4.3 Evaluated Internal and Microenvironmental Factors

The variables mentioned in an open question to influence EP are given in Table 10.5.

The relevance of product quality falls in line with the importance of the product strategy. Previously, O'Cass and Julian (2003) and Shoham et al. (2002) have identified its significance for Australian firms, Lee and Griffith (2004) for South Korea, and Piercy et al. (1997) for Britain.

The influence of price has been highlighted by various scholars such as Lado et al. (2004), Morgan et al. (2004), and Sousa et al. (2014). However, Sousa and Novello's study (2014) found that there was no influence of the price strategy.

Factor market knowledge or rather know-how and social competencies emerged significant in studies by Kahiya and Dean (2014) and Ling-yee (2004).

Also, company size matters. Besides others, Kahiya and Dean (2014) and Lado et al. (2004) describe it as fundamental and Lee, and Griffith (2004) mention that a certain size is necessary to export successfully. For example, one participant mentioned that his firm as a medium-sized company concentrated on smaller projects. There is no consensus, however, about its relevance. For instance, Lee and Griffith (2004) and Stoian et al. (2011) could not prove any influence.

Table 10.5 Internal and micro-factors which influence EP

Positive influence	Negative influence
Concept of sustainability, for example, not only building a hospital but also training employees and finding qualified staff (once) Continuous physical presence in the target market (twice) Network in the industrial sector in the firm's home country (once) As a medium-sized company concentration on smaller projects (once) General willingness of the firm to deal with risks in Africa caused by insufficient experience in the region (once) Cooperation with local partners (once) High local market knowledge (once) Company image (once) Employees: Know-how and social competence (twice) Competence not only to offer good quality, but also good prices (twice) Product quality (once)	Initially mistrust toward the region, it was necessary to build trust in different departments such as risk control and accounting (once)

General willingness of firms to deal with the aspect of risk in Africa has not been mentioned in previous studies.

Two participants said that time spent in abroad or rather continuous physical presence in the target country was essential. However, Stoian et al. (2011) could not prove any relevance of this for Spanish exporters.

Employees' principle mistrust toward SSA was mentioned as influencing EP negatively. The attitude of employees toward a target market has been previously researched by Nalcaci and Yagci (2014).

10.5 Findings and Analysis: Questionnaire

10.5.1 Method of Analysis

Data were imported from the online questionnaire provider into IBM SPSS. From 58 given datasets, 41 emerged as valid, once they were edited following Brase and Brase (2010) and Pallant (2013). The included datasets fulfilled the mathematical requirements for analysis and fit into the target group:

- Except firms larger than 250 employees (SME threshold),
- Except unfinished datasets, and
- Including individuals who are involved with their firms in exports to SSA.

First, a none-response bias was ensured by an extrapolation procedure. To isolate those regions of SSA where the results of the analysis were applicable, the information provided by the participants was evaluated by means of descriptive statistics. EP's dependent variables were studied regarding their frequency and possible bivariate correlations to ensure their validity for further analysis. Then the independent variables were looked at with the Pearson correlation and Spearman. Later, for both EP measurements a stepwise multiple regression analysis was carried out.

10.5.2 Target Regions

Figure 10.1 gives the regions served by at least 20% of the participants' firms.

Countries colored green (Ghana, Nigeria, and South Africa) enjoyed the patronage of more than 60% of the German SMEs exporting to SSA. However, this was almost equally true for the orange zone (Cameroon, Angola, Namibia, Mozambique, Tanzania, Kenya, and Ethiopia), with a total of 50–60% of the companies having export activities there.

Obviously, all areas colored in green and orange (except Ethiopia) are located by the sea. German SMEs prefer exporting to countries that are easily accessible and they avoid landlocked markets.

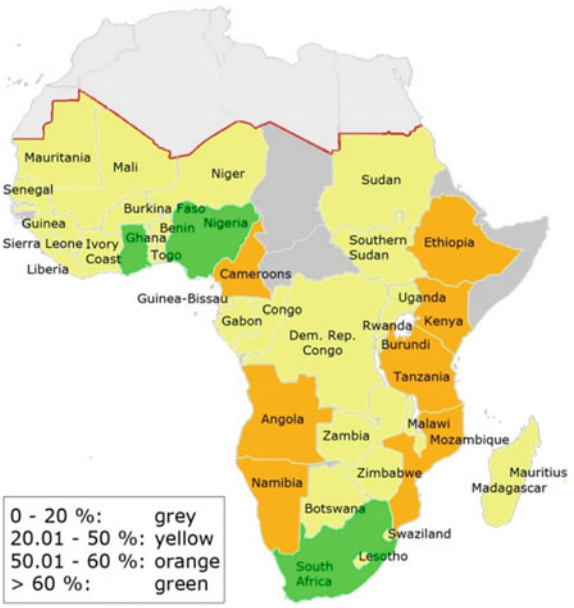

Fig. 10.1 Markets served by participants' firms in SSA

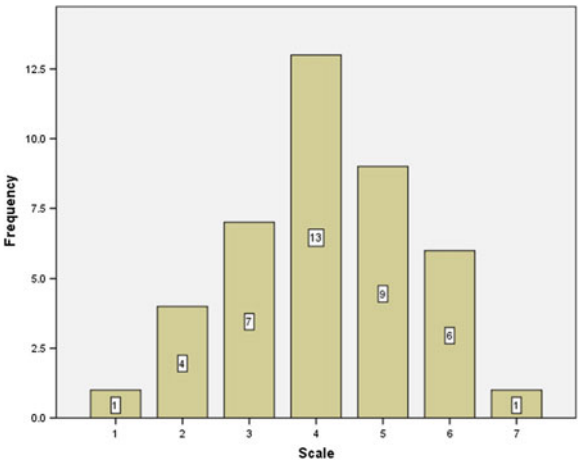

Fig. 10.2 Overall EP–frequency distribution (n = 41)

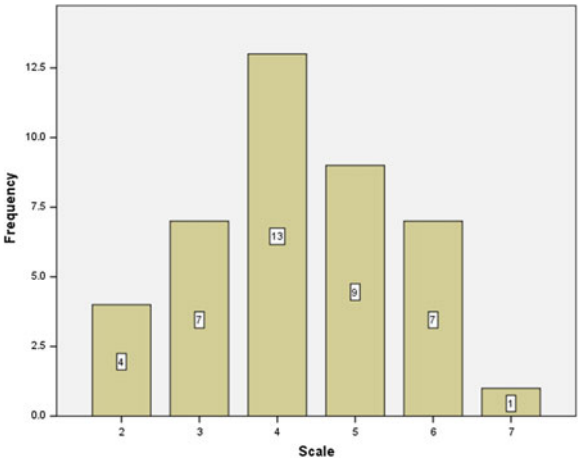

Fig. 10.3 Export profitability–frequency distribution (n = 41)

10.5.3 Influence of Determinants on EP

Dependent variables

The dependent variables over all of EP and export profitability were graded by all participants on a scale from one (extremely dissatisfied) to seven (extremely satisfied). The results are symmetrically bell-shaped thus representing normal distribution (Figs. 10.2 and 10.3).

To test the null hypothesis if there is no correlation between overall EP and export profitability of German SMEs, a Pearson product-moment correlation coefficient was established following Anderson et al. (2014). Since the significance (2-tailed) is less than 0.05, the correlation is significant. The Pearson correlation actually shows a strong positive relationship between the variables (0.682), that is,

Table 10.6 Pearson correlation with overall EP and export profitability

		Overall EP	Export profitability
Overall EP	Pearson correlation	1	0.682**
	Sig. (2-tailed)		0.000
	N	41	41
Export profitability	Pearson Correlation	0.682**	1
	Sig. (2-tailed)	0.000	
	N	41	41

Note *Correlation is significant at the 0.01 level (2-tailed)

higher levels in one variable are associated with higher values in the other. A shared variance of 46.51% can explain each other's variance. In view of these results, there is significant evidence to reject the formulated null hypothesis (Pallant 2013) (Table 10.6).

Independent variables

The participants were asked to grade the influence of different macro-factors on their company's EP in SSA from one (none) to seven (substantial). Internal and microenvironmental factors were graded from one (much worse) to seven (much better) in comparison with major competitors in the market.

Both measurements for EP were tested with each factor by a bivariate correlation to describe the strength and direction of their relationship following Anderson et al. (2014) and Pallant (2013). The following hypotheses were tested:

H0a: There is no correlation between overall EP and the 'independent variable.'
H1a: There is a significant correlation between overall EP and the 'independent variable.'
H0b: There is no correlation between export profitability and the 'independent variable.'
H1b: There is a significant correlation between export profitability and the 'independent variable.'

In case of $p < 0.05$, the correlation is significant at the 0.05 level (2-tailed) and H0 can be rejected. If $p < 0.01$, the correlation is even significant at the 0.01 level (2-tailed) and H0 can be rejected (Pallant 2013). The relationships were characterized depending on '*r*' (Table 10.7).

Table 10.8 summarizes the results on internal and microenvironmental factors.

Table 10.9 summarizes the results on macro-environmental factors.

Table 10.7 Guidelines for interpreting the correlation coefficient based on Pallant (2013)

Small positive relation	$r = 0.10$ to 0.29
Medium positive relation	$r = 0.30$ to 0.49
Large positive relation	$r = 0.50$ to 1.0
Small negative relation	$r = -0.10$ to -0.29
Medium negative relation	$r = -0.30$ to 0.49
Large negative relation	$r = -0.50$ to -1.0

Table 10.8 Pearson correlation/Spearman of internal and microenvironmental factors with overall EP/export profitability

		Overall EP	Export profitability
Age of firm in years	Pearson correlation	0.010	−0.052
	Sig. (2-tailed)	0.948	0.748
Total number of full-time employees	Pearson correlation	−0.008	−0.009
	Sig. (2-tailed)	0.959	0.954
Years your firm has been exporting in general	Pearson correlation	0.074	−0.020
	Sig. (2-tailed)	0.646	0.901
Years your firm has been exporting to sub-Saharan Africa	Pearson correlation	0.161	0.041
	Sig. (2-tailed)	0.314	0.797
Number of languages spoken in the export department (fluently or better)	Pearson correlation	0.019	0.093
	Sig. (2-tailed)	0.905	0.562
Number of countries in the sub-Saharan Africa region that your company serves	Pearson correlation	0.183	0.178
	Sig. (2-tailed)	0.253	0.266
Adaptation of product strategy to the markets of sub-Saharan Africa	Pearson correlation	0.333*	0.470**
	Sig. (2-tailed)	0.034	0.002
Adaptation of price strategy to the markets of sub-Saharan Africa	Pearson correlation	0.168	0.317*
	Sig. (2-tailed)	0.294	0.044
Adaptation of promotion strategy to the markets of sub-Saharan Africa	Pearson correlation	0.280	0.456**
	Sig. (2-tailed)	0.076	0.003
Adaptation of distribution strategy to the markets of sub-Saharan Africa	Pearson correlation	0.338*	0.491**
	Sig. (2-tailed)	0.031	0.001
Firm characteristics: federal state the company is located in	Spearman's rho Correlation coefficient	0.066	−0.135
	Sig. (2-tailed)	0.681	0.399
Firm characteristics: company's image in sub-Saharan Africa is …	Pearson correlation	0.219	0.357*
	Sig. (2-tailed)	0.169	0.022
Firm characteristics: willingness to deal with risks in sub-Saharan Africa caused by insufficient experience in the region is …	Pearson Correlation	0.463**	0.542**
	Sig. (2-tailed)	0.002	0.000
Firm characteristics: product/service quality	Pearson Correlation	−0.001	0.187
	Sig. (2-tailed)	0.996	0.241
Firm characteristics: product/service sustainability	Pearson correlation	0.034	0.157
	Sig. (2-tailed)	0.831	0.326
Firm characteristics: our firm keeps up to date with relevant export market information	Pearson correlation	0.322*	0.282
	Sig. (2-tailed)	0.040	0.074
Firm characteristics: research and development	Pearson correlation	0.076	0.119
	Sig. (2-tailed)	0.635	0.458

(continued)

Table 10.8 (continued)

		Overall EP	Export profitability
Firm characteristics: resources in managerial, financial, and staff endowments	Pearson correlation	0.093	0.257
	Sig. (2-tailed)	0.564	0.105
Managerial characteristics and relationships: network in the industrial sector in the home country	Pearson correlation	0.033	0.135
	Sig. (2-tailed)	0.837	0.401
Managerial characteristics and relationships: export commitment and support	Pearson correlation	0.086	0.319*
	Sig. (2-tailed)	0.591	0.042
Managerial characteristics and relationships: international business knowledge	Pearson correlation	0.100	0.350*
	Sig. (2-tailed)	0.533	0.025
Managerial characteristics and relationships: social competencies	Pearson correlation	0.356*	0.426**
	Sig. (2-tailed)	0.022	0.006
Managerial characteristics and relationships: access to information about foreign market/opportunities	Pearson correlation	0.242	0.399**
	Sig. (2-tailed)	0.128	0.010
Managerial characteristics and relationships: attitude toward the region in involved departments	Pearson correlation	0.267	0.518**
	Sig. (2-tailed)	0.091	0.001
Relationship with foreign intermediaries: commitment/cooperation with intermediaries	Pearson correlation	0.377*	0.198
	Sig. (2-tailed)	0.015	0.216
Relationship with foreign intermediaries: trust in intermediaries	Pearson correlation	0.359*	0.245
	Sig. (2-tailed)	0.021	0.123
Relationship with foreign intermediaries: information exchange	Pearson correlation	0.311*	0.142
	Sig. (2-tailed)	0.048	0.377
Relationship with foreign intermediaries: output control	Pearson correlation	0.290	0.094
	Sig. (2-tailed)	0.066	0.557
Relationship with foreign intermediaries: process control	Pearson correlation	0.289	0.147
	Sig. (2-tailed)	0.067	0.358
Relationship with foreign intermediaries: flexibility	Pearson correlation	0.423**	0.296
	Sig. (2-tailed)	0.006	0.060
Relationship with foreign intermediaries: relative dependence on intermediaries	Pearson correlation	0.058	−0.044
	Sig. (2-tailed)	0.720	0.786
Relationship with foreign intermediaries: integration	Pearson correlation	0.267	0.088
	Sig. (2-tailed)	0.092	0.584
Relationships with customers and customer characteristics: need of bribery to get contracts	Pearson correlation	0.018	−0.033
	Sig. (2-tailed)	0.913	0.836

(continued)

Table 10.8 (continued)

		Overall EP	Export profitability
Relationships with customers and customer characteristics: continuous physical presence in the foreign market	Pearson correlation	0.353*	0.387*
	Sig. (2-tailed)	0.024	0.012
Relationships with customers and customer characteristics: price sensitivity of customers regarding product/service	Pearson correlation	0.332*	0.479**
	Sig. (2-tailed)	0.034	0.002
Relationships with customers and customer characteristics: customer sensitivity concerning product origin/image of company's home country …	Pearson correlation	0.141	0.483**
	Sig. (2-tailed)	0.380	0.001
Relationships with customers and customer characteristics: power of customers	Pearson correlation	−0.135	0.156
	Sig. (2-tailed)	0.399	0.330
Relationships with customers and customer characteristics: developing and maintaining relationships with export customers	Pearson correlation	0.263	0.496**
	Sig. (2-tailed)	0.096	0.001
Concerning your exports to sub-Saharan Africa: do you sell more proactively or reactively?	Spearman's rho Correlation coefficient	−0.239	−0.242
	Sig. (2-tailed)	0.132	0.128
Do you provide after sales services?	Spearman's rho correlation Coefficient	0.305	0.384*
	Sig. (2-tailed)	0.052	0.013

Note
**Correlation is significant at the 0.01 level (2-tailed)
*Correlation is significant at the 0.05 level (2-tailed) $n = 41$

10.5.4 Multiple Regression Analysis with Dependent Factor of Overall EP

Stepwise multiple regressions were carried out using SPSS. As suggested by Anderson et al. (2014), for all multiple regressions a 0.05 alpha was used to add and 0.10 to remove determinants. Further, an appropriate procedure was guaranteed thanks to a sample size of at least 40 participants, multi-collinearity and singularity, ensuring no influence of outliers as well as normality and linearity (Pallant 2013).

Table 10.10 gives details about the variables selected for the stepwise multiple regression analysis. Three different models with either one, two or three independent variables were constructed.

Table 10.9 Pearson correlation/Spearman of macro-environmental factors with overall EP/export profitability

		Overall EP	Export profitability
Germany: availability of export financing programs	Pearson correlation	−0.186	−0.046
	Sig. (2-tailed)	0.244	0.776
Germany: availability of export guarantees	Pearson correlation	−0.310*	−0.053
	Sig. (2-tailed)	0.048	0.741
Germany: offset agreements between Germany and SSA	Pearson correlation	0.044	0.215
	Sig. (2-tailed)	0.786	0.176
Germany: export assistance	Pearson correlation	−0.101	−0.061
	Sig. (2-tailed)	0.530	0.705
Germany: home country's legal environment	Pearson correlation	0.027	−0.162
	Sig. (2-tailed)	0.867	0.312
Germany: home country's political influence	Pearson correlation	−0.035	−0.119
	Sig. (2-tailed)	0.826	0.459
SSA: environmental turbulences	Pearson correlation	−0.233	−0.212
	Sig. (2-tailed)	0.143	0.183
SSA: local partners to finance projects	Pearson correlation	0.020	0.075
	Sig. (2-tailed)	0.899	0.641
SSA: bribery to fulfill contract obligations	Pearson correlation	−0.089	−0.283
	Sig. (2-tailed)	0.578	0.073
SSA: customs and tariffs	Pearson correlation	−0.138	−0.417**
	Sig. (2-tailed)	0.390	0.007
SSA: ecological environment	Pearson correlation	−0.326*	−0.220
	Sig. (2-tailed)	0.037	0.167
SSA: economic policies	Pearson correlation	−0.153	0.068
	Sig. (2-tailed)	0.338	0.674
SSA: foreign exchange rate	Pearson correlation	0.174	0.301
	Sig. (2-tailed)	0.275	0.056
SSA: legal influences	Pearson correlation	−0.025	0.161
	Sig. (2-tailed)	0.875	0.316
SSA: political influences	Pearson correlation	0.100	0.238
	Sig. (2-tailed)	0.536	0.134
SSA: social environment	Pearson correlation	−0.043	−0.036
	Sig. (2-tailed)	0.789	0.825
SSA: technical environment	Pearson correlation	−0.095	−0.155
	Sig. (2-tailed)	0.554	0.334
SSA: GDP	Pearson correlation	0.018	−0.083
	Sig. (2-tailed)	0.910	0.604
SSA: infrastructure	Pearson correlation	0.118	0.083
	Sig. (2-tailed)	0.462	0.605
SSA: level of competition	Pearson correlation	0.391*	0.074
	Sig. (2-tailed)	0.011	0.646

(continued)

Table 10.9 (continued)

		Overall EP	Export profitability
SSA: psychic distance	Pearson correlation	0.021	0.119
	Sig. (2-tailed)	0.899	0.457
SSA: market distance	Pearson correlation	−0.087	0.013
	Sig. (2-tailed)	0.588	0.937
SSA: mining/export of oil and rare earth elements	Pearson correlation	0.081	0.069
	Sig. (2-tailed)	0.613	0.670
SSA: regulations	Pearson correlation	0.157	0.089
	Sig. (2-tailed)	0.327	0.579

Note
**Correlation is significant at the 0.01 level (2-tailed)
*Correlation is significant at the 0.05 level (2-tailed) $n = 41$

Table 10.10 Variables entered/removed during the stepwise multiple regression analysis (dependent factor overall EP)

Model	Variables entered	Variables removed	Method
1	Firm characteristics: willingness to deal with risks in sub-Saharan Africa caused by insufficient experience in the region is …	.	Stepwise (criteria: probability-of-*F*-to-enter $\leq$ 0.050, Probability-of-*F*-to-remove $\geq$ 0.100)
2	SSA: level of competition	.	
3	SSA: ecological environment	.	

As recommended by Pallant (2013), for relatively small sample sizes the model summary is evaluated regarding the adjusted R square which helps understand the degree to which each model represents the variance of the dependent variable. It turns out that Model 1 explains 19.4%; Model 2, 31.9%; and Model 3, 41.1% of the variance of overall EP. See Table 10.11.

To determine the statistical significance of the three models, the ANOVA tables were checked. All three models reached an overall statistical significance since in each case $p < 0.01$ (Pallant 2013). In each of the three models, all independent variables had a significance value of <0.05. This indicates that all variables made a significant statistical contribution to the prediction of overall EP (Pallant 2013).

According to Pallant (2013), an adjusted R square of 0.411 for Model 3 is quite a respectable result since it explains 41.1% of the variance in overall EP. The Mastery Scale of the third-factor ecological environment in SSA has a part-correlation coefficient of −0.32. The squared value 0.1024 indicates that 10.24% of the variance in overall EP is attributable to the ecological environment. The same procedure shows that the level of competition makes a unique contribution of 11.09% and that of willingness to deal with risks in SSA 22.09% (Pallant 2013; Tabachnick and Fidell 2013).

Table 10.11 Model summary of stepwise multiple regression analysis with dependent factor overall EP

Model	R	R^2	Adjusted R^2	Std. error of the estimate
1	0.463[a]	0.215	0.194	1.214
2	0.594[b]	0.353	0.319	1.116
3	0.675[c]	0.455	0.411	1.038

Note Significant at 1% (a), 5% (b) and 10% (c) levels of significance

Following Tabachnick and Fidell (2013), the regression equation was formulated using the unstandardized coefficient B selected from Model 3. Regression equation for overall EP is obtained from:

$$Y = \beta_1 x_1 + \beta_2 x_2 - \beta_3 x_3$$

where

Y Overall EP (seven-point Likert scale)
x_1 Willingness to deal with risks in SSA (seven-point Likert scale)
x_2 Level of competition in SSA (seven-point Likert scale)
x_3 Ecological environment in SSA (seven-point Likert scale)

$$\begin{aligned}\text{Overall EP} = 1.111 \\ + 0.501 * \text{Willingness to deal with risks in SSA} \\ + 0.281 * \text{Level of competition in SSA} \\ - 0.233 * \text{Ecological environment in SSA}\end{aligned}$$

With values entered on a seven-point Likert scale, the results are shown on this scale as well. The equation demonstrates that the willingness of the managers to deal with risks had the greatest positive influence on overall EP. A change of one point in the Likert scale increased overall EP by 0.501 Likert points. Since this factor has not been researched before, no comparisons with existing literature can be done.

Also, the level of competition in SSA had a positive influence on the dependent factor. A change of one point led to a change of 0.281 Likert points. This confirms Matanda and Freeman (2009) and Sousa and Novello's (2014) works who identified a positive relation. However, Cadogan et al. (2012), Lee and Griffith (2004), and Navarro-García et al. (2015) found a negative relation in their research.

The ecological environment had the smallest (yet negative) influence. Higher ecological standards resulted in a lower overall EP; an improvement by one Likert point was associated with a decrease of 0.233. Again, a comparison with existing literature is not possible since this factor, which emerged during the semi-structured interviews, has not been researched before.

10.5.5 Multiple Regression Analysis with Dependent Factor Export Profitability

Table 10.12 shows the variables that were selected during the stepwise multiple regression analysis.

To ensure that the statistical significance is given, the ANOVA was checked again. Model 11, explaining 80.4% of the variance in export profitability, was selected since it had the highest adjusted *R* square (Pallant 2013) (Table 10.13).

Following Tabachnick and Fidell (2013), the subsequent regression equation was formulated based on the unstandardized coefficient B. Regression equation for export profitability:

$$Y = \beta_1 x_1 - \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 - \beta_5 x_5 + \beta_6 x_6 + \beta_7 x_7 + \beta_8 x_8 + \beta_9 x_9$$

where

Y Export profitability (seven-point Likert scale)
x_1 Customer sensitivity for product origin (seven-point Likert scale)
x_2 Customs and tariffs in SSA (seven-point Likert scale)
x_3 Psychic distance (seven-point Likert scale)
x_4 Adaptation of product strategy (seven-point Likert scale)
x_5 Network in industrial sector in home country (seven-point Likert scale)
x_6 Updating with market information (seven-point Likert scale)
x_7 Foreign exchange rate (seven-point Likert scale)
x_8 Research and development (seven-point Likert scale)
x_9 Dependence on intermediaries (seven-point Likert scale)

$$\begin{aligned}\text{Export Profitability} = {} & -2.228 \\ & + 0.420 * \text{Customer sensitivity for product origin} \\ & - 0.402 * \text{Customs and tariffs in SSA} \\ & + 0.351 * \text{Psychic distance} \\ & + 0.580 * \text{Adaptation of product strategy} \\ & - 0.566 * \text{Network in industrial sector in home country} \\ & + 0.388 * \text{Updating with market information} \\ & + 0.271 * \text{Foreign exchange rate} \\ & + 0.181 * \text{Research and development} \\ & + 0.172 * \text{Dependence on intermediaries}\end{aligned}$$

The positive influence of customer sensitivity to product origin previously mentioned during the interview has been confirmed by Lacka and Stefko (2014) for Poland before.

Table 10.12 Variables entered/removed during stepwise multiple regression analysis (dependent factor export profitability)

Model	Variables entered	Variables removed	Method
1	Firm characteristics: willingness to deal with risks in sub-Saharan Africa caused by insufficient experience in the region is …	.	Stepwise (criteria: probability-of-*F*-to-enter $\leq$ 0.050, probability-of-*F*-to-remove $\geq$ 0.100)
2	Relationships with customers and customer characteristics: customer sensitivity concerning product origin/image of company's home country …	.	
3	SSA: customs and tariffs	.	
4	SSA: psychic distance	.	
5	Adaptation of product strategy to the markets of sub-Saharan Africa	.	
6	Managerial characteristics and relationships: network in the industrial sector in home country	.	
7	Firm characteristics: our firm keeps up to date with relevant export market information	.	
8	SSA: foreign exchange rate	.	
9	.	Firm characteristics: willingness to deal with risks in sub-Saharan Africa …	
10	Firm characteristics: research and development	.	
11	Relationship with foreign intermediaries: Relative dependence on intermediaries	.	

The negative influence of customs and tariffs in SSA confirms the results from the semi-structured interviews. Although Baldauf et al. (2000) consider this factor to have a neutral influence, most researchers (e.g., Fugazza and McLaren 2014; Jordan 2014; Kahiya and Dean 2014) have proved a negative influence.

Table 10.13 Model summary of stepwise multiple regression analysis with dependent factor export profitability

Model	*R*	*R* square	Adjusted *R* square	Std. error of the estimate
1	0.542[a]	0.294	0.276	1.094
2	0.637[b]	0.406	0.375	1.016
3	0.713[c]	0.509	0.469	0.936
4	0.776[d]	0.602	0.558	0.854
5	0.808[e]	0.652	0.603	0.810
6	0.834[f]	0.695	0.641	0.770
7	0.877[g]	0.769	0.720	0.680
8	0.894[h]	0.799	0.749	0.644
9	0.889[i]	0.790	0.745	0.648
10	0.907[j]	0.823	0.779	0.605
11	0.921[k]	0.848	0.804	0.569

Note Significant at 1% (a), 5% (b) and 10% (c) levels of significance

According to the regression equation, psychic distance has a positive influence on export profitability. The same effect has been established for other regions, for example, by Lee and Griffith (2004), Sousa et al. (2014) and Stoian et al. (2011).

The positive influence of the adaptation of product strategy confirms Lado et al. (2004), Lee and Griffith (2004), and Shoham et al.'s (2002) results. For the regions they researched, they found a positive influence of this factor. However, Freeman and Styles' (2014) research about Australian firms showed a neutral influence. This indicates that the factor adaptation of product strategy may have a positive influence in some regions and is relevant for German SMEs which target SSA.

The negative impact of networking activities in the industrial sector cannot be explained. Since this factor, mentioned during the semi-structured interviews, has not been researched before no comparisons with existing literature are possible.

In the regression equation updating with market information has a positive influence. Lately, Freeman and Styles (2014) have also proved its positive effect on EP.

The positive influence of research and development falls in line with Kahiya and Dean's (2014) findings.

Wierts et al. (2014) substantiated a positive influence of the foreign exchange rate on EP. The regression equation related to export profitably confirms this. However, Baldauf et al. (2000), Lacka and Stefko (2014), and Jordan (2014) came to the conclusion that the foreign exchange rate had no significant influence.

Among all the positive relations, the positive influence of a dependence on intermediaries is interesting. According to Porters' five-forces, an increasing dependence on intermediaries should rather be negative (Porter 2014). In SSA, however, there is an unpredictable environment where local partners safeguard and increase the chances of getting business. The price to pay is dependence (Foly 2013).

Similar to the regression equation for overall EP, all values were entered and presented on a seven-point Likert scale.

10.5.6 Comparison of Multiple Regression Analyses Results on Overall EP and Export Profitability

Both analyses indicate that the willingness to deal with risks in SSA has a high impact on the dependent variables. All three models constructed with overall EP as a dependent variable include this factor, whereas models relating to export profitability exclude this factor from Model 8 onwards. Otherwise, all other variables included in the various models differ. Therefore, decision makers wanting to influence EP need to differentiate between the targets to overall EP or export profitability and choose suitable strategies. These findings tally with suggestions made by, for example, Sousa et al. (2008), Stoian et al. (2011), and Wheeler et al. (2008), that different measurements for EP are necessary for adequate results.

10.6 Conclusion

Sousa et al. (2008) name EP as one of the most widely researched but least understood areas of international marketing. Our paper, specifically analyzing the EP of German SMEs targeting SSA, contributes to know-how in this field and fills a research gap. It carried out and evaluated a comprehensive literature review, semi-structured interviews, and a questionnaire survey. New questions were identified like why German SMEs tend to prefer exporting to countries with direct access by sea.

The results prove that SSA has specific requirements for successful exports which differ from other regions. This knowledge enables managers and policy-makers to improve trade relations and to enhance their businesses.

10.7 Further Research

In order to generalize the findings, like in cases of Sousa et al. (2014), Stoian et al. (2011), and Styles (2014), we suggest that the scope of work be extended to additional home markets as well as foreign countries/regions. Since our paper evaluated the whole of SSA without considering country specifics, additional research focusing on individual target markets within SSA is desirable. Another shortcoming of this paper lies in the fact that it covers only a specific time frame. Longitudinal studies about German SMEs targeting SSA would be useful for gaining further insights into their EP. It would also be useful to research individual industries instead of multi-industries to find out if particular criteria need to be considered (Stoian et al. 2011). Although there is no academic limit to the number of independent and dependent variables for further analysis, two concrete ideas can be derived from the suggestions made by respondents. They said that ‘area

competitiveness of German industry should be analyzed more deeply, also with regard to raw materials' and the aspect of 'local content.' However, in our study, these valuable aspects were not included since the respective questionnaires were received after data collection had been completed.

The collected data indicate that German SMEs have a tendency to export to limited countries in SSA. They seem to be attracted to regions with direct access to the sea. Additional research should be done to identify the reasons for this preference.

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