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Identifying Firm Resources and Capabilities for Successful Export: The Case of Regional SME Premium Food Producers

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Abstract

Identifying factors that inform export activities has received attention in the literature, but there are fewer studies examining the resources and capabilities required by SMEs operating in regional areas. Small businesses face a number of challenges including resource constraints and lack of access to financial capital. For SMEs operating in regional, rural and remote areas, these challenges are amplified. Using the lens of Resource-Based theory, this study aims to identify specific resources and capabilities that enable small premium food producers to undertake export into foreign markets. This exploratory study utilised semi-structured interviews with (*N*=7) SMEs operating in Tasmania, Australia. This research extends the usefulness of the Uppsala model by offering a coherent understanding of some of the specific requirements for exporting activity and illustrates how small firms can harness exporting resources and capabilities.

Keywords: SMEs; Food Producers; Regional Economies; Export; Resource-Based Theory

Introduction

Small and medium-sized enterprises (SMEs) are important agents in local economies and communities (Neagu, 2016; Williams and Ramdani, 2018) where they make a significant contribution to employment, economic growth, job creation and social integrity (CheSenik, 2011; Karadag, 2016; Kubickova et al., 2014). SMEs account for about 90% of all global businesses, provide more than 50% of worldwide employment and contribute up to 40% of GDP in emerging economies (The World Bank, 2020). In Australia, there are 2,259,098 small businesses (those employing 0-19 staff) representing 97.7% of all businesses. In addition there are 50,338 medium businesses (those employing 20-199 staff) representing 2.2% of all businesses (Australian Small Business and Family Enterprise Ombudsman, 2019) In Tasmania, the Southern island state of Australia where the current research is based, there are around 40,000 businesses and over 95% of these are small businesses (Department of State Growth, 2020). The small business sector accounts for 45.5% of total employment in the state (Parliament of Australia, 2018). In this regard, SMEs are not only a significant national contributor to GDP and employment, but also are an essential element of regional economies (Grimmer, Grimmer and Mortimer, 2018).

The globalisation of the marketplace has created an imperative for organisations to try and engage with a global market, and this is increasingly the case for SMEs (Todd and Javalgi, 2007). In Australia, around 87.6% (or 45,528) SMEs are engaged in export activity accounting for $12.9 billion (Australian Small Business and Family Enterprise Ombudsman, 2019; see also Kiss et al., 2017). In regional economies, the imperative to undertake export activity is amplified as more SMEs turn to internationalising their businesses in order to survive in competitive markets, to sustain growth and to increase their profitability (Kubickova et al., 2014). The Tasmanian Government, for example, has identified food and agribusiness as one of six key trade sectors for the State, and food and agricultural products from Tasmania are particularly sought after because there is a moratorium on the commercial release of genetically modified organisms (GMO) in Tasmania (Department of State Growth, 2019).

Export is an important first step in the process of internationalisation, in which the goods and services produced in one country are sold or delivered to another country (Thapa and Adhikari, 2014). As SMEs often lack some of resources and capabilities enjoyed by larger firms (Grimmer et al., 2017, 2018), such as financial resources and human resources (Rajkovic et al., 2008), exporting becomes the most common approach used by SMEs at the beginning of their internationalisation process (Leonidou et al., 2002; Tuzova et al., 2015). Export is the fastest, simplest and least resource-demanding entry mode into foreign markets (D'Angelo et al., 2013; Majocchi et al., 2005). Thus, given the growing prevalence of export activity amongst SMEs, an understanding of the factors contributing to export performance in a small firm context is critical.

There is limited research examining small businesses' readiness or ability to export. Existing studies examine the factors affecting export activities from different perspectives. For example, the research by Elshehawy et al. (2014) examines factors that influence the levels of export based on a particular country, including importer's GDP, regional trade agreements, the border between exporting countries and their trading partners. Gururaj et al. (2016) found that inflation rates, real effective exchange rate, and foreign direct investment are three main factors affecting the value of exports. Other studies have focussed on export performance based on business size. For instance, it was found that size might significantly affect the decision to export and export performance in general (Jongwanich and Kohpaiboon, 2008). Foreign investment is also found to positively affect business' export participation (Greenaway et al., 2007; Jongwanich and Kohpaiboon, 2008; Aggrey et al., 2010). The physical location of a particular business has been found to be another important factor in terms of export performance. As such, the decision to export may be affected by varying transport costs, infrastructure, spill over effects and availability of natural resources (Aggrey et al., 2010).

Whilst these studies exploring export activities provide some insights, again there is limited research that empirically examines the factors required for SMEs to undertake exporting in the first place. The purpose of this exploratory study, therefore, is to identify the antecedent factors associated with export activities of SMEs and identify directions for future research in the field of niche food exporting activities. Through the lens of the Resource-Based View, this paper extends internationalisation theory, specifically the Uppsala model, and identifies the required resources and capabilities for SMEs to engage in export activities. This paper is organised as follows. First, a review of the literature on internationalisation theory – the Uppsala Model and the Resource Based View. The method, results and discussion are then presented, and the paper concludes with a summary of the main findings, the contribution to theory and practice and suggestions for future research.

Literature Review

Internationalisation Theory – Uppsala Model

The Uppsala model (Johanson and Vahlne, 1977; Vahlne and Johanson, 2017) focuses on 'the gradual acquisition, integration and use of knowledge about foreign markets and operations, and on the incrementally increasing commitments to foreign markets' (Johanson and Vahlne, 1977: 23). This approach presents the internationalisation process in the form of four sequential stages: (1) no regular export activity, (2) exporting via independent representatives (agents), (3) establishment of an overseas sales subsidiary, and (4) overseas production and/or manufacturing activity (Johanson and Wiedersheim-Paul, 1975). A higher level of organisational commitment is required the further along the sequence the firm moves (Johanson and Wiedersheim-Paul, 1975). The second stage of the sequence (exporting) can therefore be considered as the first step in the process of internationalisation.

Using the Uppsala model, businesses start by exporting to neighbouring countries or countries that have close psychic distance (Johanson and Vahlne, 2009). Psychic distance can be explained by aspects that prevent or disturb the flows of information between a business and a particular market, such as differences in language, culture, political systems and levels of education (Johanson and Wiedersheim-Paul, 1975). Johanson and Vahlne (**2017**) further explain the basic mechanism of the internalisation process, which includes two aspects: state and change. The state aspect is composed of market knowledge and market commitment, while the change aspect includes commitment decisions and current activities. A firm's current knowledge of the foreign market influences its market commitment, which then in turn strengthens and enhances further market knowledge and, as such, it increases the business' market commitment again (cycle-like evolution). The current activities of the business also influence its market commitment and the level of foreign market knowledge affects decisions about the firm's specific market commitment. This mechanism shows that the internationalisation process starts from a low resource-commitment mode and then moves to higher commitment mode as the organisation gains experiential knowledge in the foreign market. The following section considers how such resources can be conceptualised.

Resource-Based View (RBV)

The resource-based view (RBV) of the firm considers sustained competitive advantage as the result of the internal resources possessed by the firm (Barney, 1991); this is said to explain why firms in the same industry show differences in performance over time (Barney, 2001; Kraaijenbrink et al., 2010; Peteraf and Barney, 2003). Under the RBV, firms are viewed as a combination of resources and capabilities (Musuva et al., 2013), and only those resources which are valuable, rare, inimitable and non-substitutable (VRIN) allow firms to develop and maintain competitive advantage (Barney, 1991). As such, differences in performance between businesses depends on the possession of unique resources and capabilities (Conner, 1991). Consequently, each firm can be unique because of the resources and capabilities they possess (Sharma and Erramilli, 2004).

Resources are characterised to include assets, organisational processes, business attributes, information or knowledge controlled by the business, which can be utilised for implementation of business strategy (Barney, 1991; Mata et al., 1995). Various classifications of resources have been proposed in the RBV literature. For example, Barney (1991) categorises three types of resources – physical capital, human capital and organisational capital. Brumagin (1994) presents a hierarchy of resources with four varying levels – production/maintenance (the most basic level), administrative, organisational learning and strategic vision (the most advanced level). One of the most common classifications used in the literature divides resources into tangible and intangible (see, for example, Alvarez and Barney, 2007; Ngo and O'Cass, 2009). Tangible resources include financial, physical, technological and organisational resources, whilst intangible resources are human, innovation and reputational resources (Barney, 1991).

Within RBV literature, a contrast has been drawn between resources and capabilities. According to Makadok (2001), a resource may be visible but not necessarily tangible. For example, it can refer to a brand, patent, license or parcel of land. It may also be valued and traded. Whereas, a capability is not visible and, therefore, intangible. It cannot be valued and can only be handed on in its entirety such as a business' logistics system or a particular management system (Makadok, 2001). Resources can be classified as inputs into the production process such as capital equipment, the skills of individual employees, patents and brands finance, whereas a capability is the capacity for a team of resources to perform some task or activity (Grant, 1991). On the other hand, Grant (1991) also argues that resources are the source of an organisation's capability. Similarly, Reynoso and Figueroa (2010) contend that particular combinations of business resources create capabilities.

For SMEs, internationalisation is a learning process (Schweizer, 2012) that requires 'bundles' of such capabilities (Joensuu-Salo et al., 2018). Export performance is significantly affected by the internal elements possessed by the company (Nalcaci and Yagci, 2014). Arguably, SMEs should be able to export to a diverse range of countries because of their particular business resources and capabilities (Reynoso and Figueroa, 2010), and for many businesses, intangible resources and capabilities make a great contribution to business performance compared than tangible resources (Kamasak, 2017).

This study aims to contribute to the existing literature investigating SMEs and export activity. Within this context, and as noted earlier, the importance of SMEs has increased due to their essential role in terms of contributing to economic growth, innovation, employment and social cohesion (CheSenik, 2011; Kubickova, et al., 2014). At the same time, although the Uppsala model explains the mechanism by which internationalisation occurs and emphasises the importance of resources such as market knowledge, it does not explain which resources and capabilities are required for successful SME export activity. In the existing literature, export performance is affected by internal elements (Reynoso and Figueroa, 2010), industry specifics (Tuzova et al., 2015), and business resources (Kumlu, 2014). But these studies do not specify which particular resources and capabilities are required by SMEs. On the other hand, as discussed earlier, it is well recognised that resources and capabilities are important for creating and sustaining competitive advantage, and according to the RBV, businesses are viewed as a combination of skills, resources and capabilities (Musuva et al., 2013). Performance differences between businesses depend on the possession of unique resources and capabilities (Conner, 1991; Musuva et al., 2013; Sharma and Erramilli, 2004). Enterprise success needs competitive advantage which relies on resources and capabilities the company owns (Reynoso and Figueroa, 2010). But, the resources and capabilities for export, especially for SMEs, are not fully understood.

Therefore, this study aims to investigate which resources and capabilities are needed for SMEs' export activities, using the RBV and the Uppsala model. The nature of this study is therefore exploratory, and it provides avenues for potential future research focussing on regional food exporting. The context for the study is small businesses in Tasmania, Australia, producing and exporting niche and premium foods. Consumers often choose niche products if they can satisfy their needs better than a mainstream product at an acceptable price (Schaefers, 2014). The demand for Tasmanian food and wine products, many of which are niche and premium products, has increased significantly in recent years, for example food export in the financial year 2015-2016 increased by 12.2 % (DPIPWE, 2016). This makes for a suitable industry and location to examine in terms of export and export potential. The focus of this study is which resources and capabilities enable SMEs to engage in export activities. This study therefore explores the question:

Which resources and capabilities are required for SME niche and premium food producers to engage in export activity?

Method

This study explored the necessary resources and capabilities of SME premium niche food producers to engage in export activity. The study adopted a qualitative approach using semi-structured interviews. Due to the exploratory nature of the research, semi-structured interviews were considered appropriate for providing flexibility in questioning as well as allowing the researchers to pursue a particular topic in an intensive manner (Tharenou, Donohue and Cooper, 2007). Purposive sampling was used; this approach was deemed to be suitable given the impetus to identify particular types of cases for in-depth investigation (Neuman, 2003).

The aim of qualitative research is to provide theoretical versus empirical generalizability. Indeed, such a research method is suitable at early stages of investigation to understand the complexities of the phenomenon under investigation and to gain initial insights (Hanson and Grimmer, 2007). While it may be possible to develop a level of probabilistic insight into the way in which SME premium niche food producers undergo exporting, in this instance, the aim rather is to examine how the theoretical lens adopted can assist in the understanding of the phenomenon (Guba and Lincoln, 2000). In this manner, the theory may be extended to other phenomena.

The eligibility of the interviewees was determined based on the following three criteria: 1) the business had to be an SME; 2) the business had to be a premium and niche food producer; 3) the business had to be engaged in exporting or intending to export in the near future. The Brand Tasmania website (www.brandtasmania.com) was used to identify eligible interview participants. Brand Tasmania represents Tasmanian businesses across a range of industries and assists them to promote their individual brands as well providing information, mentoring and network opportunities to help businesses increase market awareness and marketing opportunities. The Brand Tasmania website acts as a database by listing businesses; it also identifies which type of markets each business operates in – international, national and intrastate.

Using the *Brand Tasmania* website, twenty-two (22) firms meeting the study's criteria were identified and invited to participate. Seven (7) firms responded and were subsequently invited to take part in an interview. The semi-structured interviews were audio-recorded and transcribed. Transcripts were analysed using NVivo software. Participants' personal and business names were de-identified and attributed a participant number (see Table 1).

Table 1: Characteristics of participants

Participant	Products	Firm Size (number of employees)	Current export destinations	First export destination	Geographic reference in brand or label design
1	Honey Beeswax	12	Hong Kong Singapore Vietnam Japan Germany China Russia	Hong Kong	Tasmania
2	Honey	12	USA	USA	Tasmania or Australia
3	Honey	2	Singapore Japan Hong Kong	Hong Kong	None
4	Ginseng	2	Hong Kong South Korea	Hong Kong	None
5	Olive oil	2	Japan Canada	Japan Canada	None
6	Truffles	2	Hong Kong Japan Singapore	Hong Kong	Tasmania
7	Jam Sauces Mustard	15	Japan Malaysia Singapore Hong Kong UAE	Singapore	Tasmania

Participants 1, 2, 3, 6 and 7 were currently exporting. Participant 4 had previously attempted to export but subsequently failed. Participant 5 planned to export in the near future. The number of employees provided in the table represents full time employees including the business owner. It should be noted that most of the firms indicated they also rely on casual staff[1] during the busy periods. In terms of their brand or label design, four of the participants (1, 2, 6 and 7) indicated that they use a visual geographic reference to Tasmania and/or Australia on product labels and in marketing and branding materials.

[1] In Australia, casual staff refers to employees who are not part of the permanent workforce and do not have a firm commitment for an employer. They perform their tasks on an irregular basis, often to meet a fluctuating demand for work.

Results

The next section presents the results of the data analysis. Participants identified a number of important resources for exporting (unique product; country of origin; brand and label; financial capital and government support; staff resources; access to distribution channels) and capabilities for exporting (production capability; efficient management, price management). The section ends with a discussion of the rationale behind participants' selection of specific export destinations.

Resources for exporting

Six major resources were identified by participants – producing a unique product, country of origin, business' brand and label, financial capital and government support, staff resources and access to distribution channel/s (via an agent). These are discussed in the following sections.

Unique product

A unique product was identified as a valuable resource by a number of participants. For example, honey producers highlighted 'leatherwood' honey, which is unique to Tasmania, as their best-selling product in an overseas market. In this sense, producing a unique product is the core resource that enables them to export:

> Participant 2: "*The [leatherwood] honey is … unique to Tasmania. No one else can produce this type of honey, we have very good market there [overseas]*."
>
> Participant 3: "*Without leatherwood, we would have no bee industry, honey industry*."

Another example comes from a business exporting truffles (Participant 6), which is rare in the southern hemisphere. When discussing the resources for exporting, the owner of this company explained: "*I have a unique, special product. Special truffle product. Not very many people have that."* Businesses that produce unique products tend to be successful exporters with regular exports and an active customer base. A business producing ginseng (Participant 4), which is not a product that is unique to Tasmania, was actually unsuccessful in establishing demand in an export market. This was because international customers did not believe that ginseng could be produced in Tasmania and consequently the product must be 'fake': "*[Overseas customers] can't believe we can grow ginseng in Tasmania. […] They just say you can't do that*."

Country of origin

The Country of Origin (in this case Australia, as well as more specifically, Tasmania) is usually considered to be a positive resource possessed and utilised by Tasmanian businesses:

> Participant 7: "*What makes our jam better than jams from England or anyone else? The first thing is that we do have a good image that Tasmania brings. It is relatively unpolluted and that's a big advantage. […] one of the things that makes us more expensive is that the fruit are local. It is pure.*"

> Participant 5: "*We [the company] are Australian, and the Australian brand actually really helps out there*."

These insights highlight the positive image of country of origin is an important resource in enabling export activities.

Brand and label

A firm's brand or label has been identified as a significant resource enabling export. As a visible mark, the brand or label provides visual cues for customers to be able to easily recognise products and to choose particular products over the competition:

> Participant 2: "*We do special labelling for them [overseas market]. We have a very distinctive label which is known throughout Australia, and throughout the US market. If you have a good label, you've got the customer looking for your particular label. People know what they are buying.*"

Participant 3 also agreed: "*We have [a well-developed] brand and people follow us*." A producer who intends to export in the near future (Participant 5) also explained:

> *"The label is becoming more and more important. I think we would like to be able to re-brand. Usually, our branding probably doesn't stand out on the shelf. And I think that would help us sell more, if we would have more attractive labels."*

Financial capital and government support

Financial capital is essential for all organisations and particularly for SMEs. Lack of access to financial capital tends to result in the failure of export. For example, Participant 5 was not able afford the fees for certain product testing and, as such, the choice for potential export destinations is quite limited. Participant 4 identified a similar problem:

> *"I'm reluctant to spend extra money to pay for someone [to do tests]. I'm hoping for Austrade*[2] *[…] or a particular government authority […] to do that all over Australia [at no cost]."*

On the other hand, producers with access to financial resourcing may find it much easier to export, other factors being equal. The owner of a truffle company (Participant 6) explained they have secured enough internal funds to engage in export activities. Government

[2] The Australian Trade and Investment Commission – Austrade – is Australia's leading trade and investment agency (https://www.austrade.gov.au/about/about).

support was also identified as a helpful mechanism for small businesses to engage in exporting. Participant 7 reported that support from the Tasmanian government enabled them to successfully export:

> *"We have support mechanisms because we manufacture in Tasmania […] We work a lot with the Tasmanian government."*

However, Participant 5 expressed an opinion that did not support the prevailing consensus and identified a lack of government support for smaller business wanting to export:

> *"The state government says that it supports farmers and small business, but it really doesn't. The people that the state government supports are bigger businesses, people who are already exporting. They allow them to export more. That's lovely. But they don't help the little guys who want to export and get to that stage."*

It could be argued that government support plays an important role in exporting abilities, particularly for small producers. However, there is clearly a perception that the support provided is either not adequate or not extended to all producers in the state.

Staff resources

Staff are an important business resource, often playing significant roles in business operations and export activity. Participants acknowledged that they require well-trained staff to manage export activities, in particular, to manage the specific documentation required for exporting to overseas markets:

> Participant 1: "*The resource that we have is people who work on paperwork, to smooth the restrictions between customers and customs."*

> Participant 5: "*I know there is a lot to go through in terms of export documentation. We have people who can help with that."*

In addition, for seasonal products, producers may receive unexpected or sudden orders or particularly large orders. In these instances, numbers of staff available for the required production volume to allow orders to be completed on time, is important. Participant 7 explained:

> *"Our staff are very stable, and we also have a good bank of casual staff. We can call them when we have particularly busy periods."*

Access to distribution channels

Engaging an agent or distributor is common practice for small exporters. The different roles of an agent versus a distributor were not clearly defined or perhaps even understood by participants. For example, Participant 7 said, "W*e have an agent and distributors, it is often* *the same thing*'. As such, there is a perception that a product distributor and an export agent perform the same services. Nevertheless, the common element is the need for a channel(s).

All of the participants who are currently exporting use agents and/or distributors. Participant 2 said, "*We have an agent in New York. They handle honey and they have their distributors*." Similarly, Participant 1 elaborated on the role of the distributor: "*We have a distributor to market. He's based in Hong Kong. In Hong Kong he looks for the customers and introduces the products to them*."

The business that had not been successful exporting products expressed the need for an agent, saying: "*I'd rather put the hands in an agent to sell our products*. […] *An agency would be better*." The business which was planning on exporting in the future also considered that using an agent would be important. They said: "*I could do an idea of an agent, but, all of the olive oils are cheap products, so it's hard to give someone else a margin on top of that*."

Capabilities for exporting

Participants also identified three major capabilities that enable them to engage in export: production capability, efficient management, and price management. The following section discusses these capabilities in detail.

Production capability

Production capability was deemed to be a basic requirement needed for the businesses to export. For example, Participant 1 emphasised that they are capable of producing high volumes of product, which allows them to also offer a wide range of products matching the needs of the distributor and the market. On the other hand, limited production capability was considered to constrain export activity. For example, Participant 2 struggles to produce enough product. The manager of the business explained that they "*are constrained in producing enough honey"*, which affects their ability to ensure a stable and continuous supply to foreign markets. Participant 4 expressed a similar sentiment:

> *"If we were big, if we could make tons of bottles to sell, then we would be fine [to ensure continuous supply]. But we are small*."

Overall, production capability was the minimum required capability for businesses to engage successfully in export activities.

Efficient management

Efficient management was also considered to be an important capability which is an advantage for the overall business operation, including export. Participant 3 identified efficient management as one of the major capabilities they possess:

"We are able to manage large numbers of orders to Asia in a small-time frame, as well as keeping up with other orders. We manage to deal with our logistics company, and make sure that all the dates match and they get the honey and all of the documentation ready."

Price management

The majority of participants agreed that higher product prices generally indicates a higher quality product. On the other hand, the participants were uncertain whether the pricing strategies they use in overseas markets reflected the true quality of their products. For example, Participant 3 explained that they currently lack a price management capability as they are unsure how to convince potential customers that their price is fair rather than "*just expensive"*. They further elaborate:

"Maybe a bit more education around how we price our products to reflect a good product would really help, [...] I think being educated around pricing for products would assist [customers], but I don't know how that would happen."

Export destinations

The countries selected by participants as their first export destinations were Hong Kong, Singapore, USA, and Japan. Hong Kong, in particular, is popular for two main reasons. First, it is relatively easy to enter the Hong Kong market as there are no stringent requirements and procedures for the importing of goods. Participant 6 elaborates:

"Hong Kong is the first destination because it's easier to enter. They don't have such strict limits or restrictions for import."

Second, entry into the Hong Kong market allows for subsequent (and easier) access to the mainland Chinese market. Participants 1 and 4 explain:

Participant 1: "*Our Hong Kong distributor also takes care of the market in mainland China. It's quite easy to access that area [once you enter Hong Kong]."*

Participant 4: "*By selling into or accessing Hong Kong, then you may go into China. It's [otherwise] hard to get into China, directly to Beijing or places like that*."

The other destinations - USA, Singapore, and Japan - were largely selected because of customer interests in participants' products in those particular countries. Participants 7, 2 and 5 elaborate:

Participant 7: "*We receive more interest from [Singapore]. If there is quite a high western population [...] or if it is a big city like Singapore where many [people] are well-travelled, and many like western food, then we have more success in those markets."*

Participant 2: "*Although we have tried other markets, but as far as paperwork, and interest situation is concerned, USA is the best market to go to. And you are guaranteed your payment*."

Participant 5: "*I didn't actually actively look for the importers. They came to me*."

Based on these observations, exporting activities usually start from the countries that are easy to enter or those that are 'gatekeepers' or entry points into other larger markets; or if there is an existing interest from customers in specific countries.

Discussion and Implications

Using the resource-based view (RBV) of the firm, which considers a firm as a combination of resources (Barney, 1991; Spanos and Lioukas, 2001), the resources identified in this study can be classified into four groups: 1) physical resources – unique product and access to distribution channel (agent); 2) reputational resources – country of origin, and business' brand and label; 3) financial resources – financial capital and government support; 4) human resources – staff. The six resources identified enable Tasmanian small businesses to engage in export activities, and discussed as follows.

1. *Producing a unique product*
   The study found that producing a unique product can be a very important resource for premium food exporting activity. The production of unique and high-quality products enables small firms to gain access to a niche market both locally and internationally; for example, truffle and leatherwood honey producers considered the uniqueness of their respective products to be a very significant resource contributing to export success. It should also be noted, however, that many small firms are successful exporters without offering a unique or rare products (e.g., firms exporting condiments and sauces) and this means that their competitive advantage is the result of a different set of resources and capabilities (Conner, 1991; Sharma and Erramilli, 2004).

2. *Country of origin*
   The study confirmed that the image of country of origin affects consumer's perceptions and contributes to successful small firm export activities. The image of country of origin is a crucial brand cue that is often considered as an indicator or quality, additionally, a country's positive image tends to emphasise positive links between the product and its origin (Insch and Florek, 2009). Many consumers consider the place of manufacture, particularly for premium and niche products, as being a very important factor in the purchase decision (Lo et al., 2017; Unahanandh & Assarut, 2013). Place of origin and knowledge about a specific country or region are often used as 'short-cuts for information processing and consumer decision heuristics' (Kotler and Gertner, 2002: 251). This study found that a number of participants, successfully exporting, believed that country or place of origin was an important resource in illustrating the level of quality as well as other representations such as

‘natural’, ‘clean’ and ‘beautiful’ that are associated with Australia, and Tasmania in particular (Brand Tasmania, 2018).

However, it should also be noted that whilst the cues associated with a country of origin play an important role for many exporters, they may not always be advantageous. If the country of origin (in this case, Australia, and more specifically Tasmania) does not match consumer perceptions and expectations about the production capability of that country, then place or country of origin may not be a resource that will assist in exporting. For example, in the case of the ginseng producer, reference to Tasmania was considered detrimental to the product’s branding in international markets because of perceptions around the ability for the product to be produced in Tasmania. Whilst in many cases, country of origin is a valuable resource which contributes to sustained competitive advantage, if the associated country cue does not match consumer perceptions then country or place of origin will not generate the expected benefits.

3. *Brand and Label*

Another finding of the study confirms the importance of customer recognition of product branding, particularly through the use of product labels. Product labelling is a powerful quality signal which influences consumer perceptions about products as well as influencing purchase intention (Feldmann and Hamm, 2015). Product labelling is therefore used to highlight the benefits or special characteristics which distinguish a brand or product from competitors. This study confirmed the importance of strong brand for creating awareness, reducing uncertainty and increasing loyalty (Madden et al., 2006), and particularly for contributing to higher export sales and profitability (Zou et al., 2003). Branding and labelling are important resources which allow consumers to recognise specific products which in turn result in increasing sales. A number of participants considered their brand as a core strategic resource and firm asset; indeed, one potential exporter noted that they needed to rebrand as their products do not stand out amongst the competition. Participants with a strong brand are at pains to keep their product labelling the same over a long period of time because customers are familiar with particular labels and the overall brand and can instantly recognise products via brand and label attributes.

4. *Financial Capital and Government Support*

Access to financial capital is one of the most important determinants for SME growth (Grimmer et al., **2017,** 2018), and this is particularly so for small firm exporters (Celec and Globocnik, 2017). The study confirmed prior findings that lack of access to financial capital is often a significant factor in preventing small businesses from engaging in export activities. For one participant in our study, lacking the finances to allow for necessary but costly product testing has limited the firm’s ability to undertake expanded export activity as products can only be sold in specific international markets with fewer restrictions around testing. Those firms with greater access to financial capital therefore have more options in selecting export destinations. In addition to financial resources, government support was identified as an important resource in supporting small firms. Government assistance can contribute to building awareness, interest and trial at the initial stages of internationalisation process (Czinkota and Ronkainen, 2012). During the first stage of the internationalisation process (export), firms tend to establish close ties with local or central governments (Li et al., 2008) and SMEs have been found to experience barriers to export when government support systems are not in place (Leonidou et al., 2004). The Tasmanian government provides resources and assistance for firms to identify and develop export markets including trade missions, industry partnerships and a network of international export advisors (Tasmanian Government, 2018). Government support was found to be an important resource for participants in this study; however, there was a perception from one participant that the support offered by the government was aimed at larger firms and not designed to assist small firms wanting to enter export markets.

5. *Staff Resources*
   Human resources are an essential part of business operations, particularly for firms undertaking export activity (Celec and Globocnik, 2017). Exporting firms require staff with specialised knowledge and skills in managing myriad documentation relating to export. Participants in this study confirmed the importance of retaining skilled and knowledgeable staff, not only for production activity but also specific staff to undertake export-related tasks. Managing export documentation is time-consuming and requires a certain skill set. In addition, successful exporters in this study relied on being able to access casual staff to fill large or sudden orders and to help manage production cycles during busy periods. Having a bank of reliable casual staff ensures that businesses can meet production quotas and fill both local and international orders. This finding highlights the importance of being able to bring in seasonal workers during peak production periods for SMEs (Muller and Korsgaard, 2018).

6. *Access to Distribution Channel (Agent)*
   Most Australian businesses rely on agents or distributors to represent their business in international markets (Australian Trade and Investment Commission, 2018), and this study found that using an agent is the most common option for Tasmanian niche and premium food exporters to access overseas customers. Agents can be described as ‘specialist businesses that function as export departments of several manufacturers in non-competitive lines’ (Root, 1994: 102). This study confirmed findings by Madhani (2010) which attribute access to distribution channels (via agents) as a physical resource, and this resource can be further strengthened via an agent’s specialisation and affinity with the producers they represent (Peng and York, 2001).

In addition to the six important resources this study also identified three capabilities that enable small firms to undertake exporting:

1. *Production capability*
   This is a basic capability for small exporters because they need to produce a sufficient amount of product to meet the demands of local and overseas markets. During times when production is lower, some participants choose to focus on satisfying local markets rather than engaging in export. Furthermore, limited production capability constrains the ability to export to multiple destinations; therefore, several Tasmanian exporters chose to export to only one or two international markets. This finding is consistent with previous research arguing that internationalisation requires sufficient production capability to meet both domestic and international demands (Osei-Bonsu, 2014).

2. *Efficient management*
   Managerial capability is essential to internationalise business operations (Leonidou, 2004; Osei-Bonsu, 2014). Poor management or inefficient management has been identified as one of the major factors in business failure (Arabiun, 2014). This study confirmed prior findings and found that efficient management can help small exporters to be organised so that they are able to deal with local, as well as international, orders effectively and reliably.

3. *Price Management*
   Export price setting is a crucial set of decisions that determine the competitiveness of a business in foreign markets (Sniekiene and Cibinskiene, 2015). Understanding the role of pricing strategies for international markets is often challenging for SMEs (Obadia, 2013). This study found that small exporters (producing premium and niche products) often struggle with setting pricing that reflects the high quality of their products. Although some producers insist they have fair pricing strategies in place, customers in foreign markets often consider the set prices to be too high. Therefore, Tasmanian small businesses who export or intend to export require assistance in managing export prices, as well as an understanding of marketing their goods as high-quality premium products.

Psychic Distance

Finally, in addition to the resources and capabilities discussed above, this study also identified export destinations of the SMEs. The Uppsala model illustrates that businesses start with exporting to neighbouring countries (geographic distance), or countries that have similar business practices (psychic distance) (Johanson and Wiedersheim-Paul, 1975; Testa, 2014; Vahlne and Johanson, 2009). Neighbouring countries tend to have close geographic distance, which indicates the time and costs required for commercial transactions might be simplified and reduced. Thus, in turn, an increased geographic distance makes a particular market less attractive in terms of the effort required to engage in such a market (Dunning, 2001). However, contrary to the prevailing view, this study found that the selection of the first foreign markets is affected by factors other rather than geographic or psychic distance. Tasmanian niche and premium food producers usually start exporting to countries which are easy to enter, or that will enable them subsequent access to larger markets. For participants in this study, it was not common to start exporting to the neighbouring countries or countries that have close psychic distance, such as New Zealand. This may be because New Zealand produces many products that are similar to those produced in Australia, as well as specifically in Tasmania and so the export potential is weaker for the New Zealand market.

Implications for Theory and Practice

Using the RBV theory, this study identified important resources and capabilities required for export activities. The four types of resources include physical resource – unique product and access to distribution channels (agent), reputational resources – country of origin and business' brand and label, financial resources – financial capital and government support, and human resources – staff. Three capabilities were also recognised, including production capability, efficient management and price management. Importantly, this study found that the reputational resource – country of origin – is not always beneficial for exporters. Although country of origin branding is usually used to strengthen and promote a particular product or brand, this study found that in some cases, it can have a negative impact on the perception of a brand. This is particularly so if customers in a foreign market do not believe that a particular country is capable of producing a certain product (in our study, ginseng). Clearly, specific resources will have different value for each firm. To gain sustained competitive advantage, companies need to identify and possess their own inimitable and non-substitutable resources and capabilities.

In addition to the identified resources and capabilities, which directly pertain to the research question, this study supported the Uppsala model's conceptualisation of the internationalisation process starting with export activity. This study also found that Tasmanian niche and premium food exporters often select destinations with ease of entry, for instance, those without strict importation requirements or entry barriers, or they select specific markets which will give them later access to other, larger markets (in this instance, Hong Kong and then mainland China). This finding is in contrast with the existing literature, which considers the internationalisation process usually starts with exporting to neighbouring countries or countries that have close psychic distance.

From a theoretical perspective, this research makes three important contributions. First, whilst the Uppsala model is useful for explain the stages of internationalisation it does not address which specific resources and capabilities are required for each stage of the process. Using the lens of the RBV of the firm, this study identified important resources and capabilities required for export activity. Second, prior studies found exporting usually starts in markets with close geographic or psychic distance; however, this research makes a contribution by indicating that this is not always the case and there are other factors that are important for the selection of markets. Third, large organisations have been the focus of much of the internationalisation and export literature, with less emphasis on small and medium-sized exporters, particularly those in regional economies. By focussing on SMEs in a regional economy, this study has extended the body of work examining small producers and their capacity for export activity.

In a practical sense, one of the main aims of this study was to offer practical information (based on empirical research) for small firms, particularly those in regional economies, to help guide their export practice. The provision of such information is an important outcome of this research. This study has identified six resources and three capabilities as significant contributors to the export capability of small premium food producers.

This study offers a number of avenues for future research. First, as this study focused on SME producers in Tasmania, Australia, the number of participants was necessarily limited. Although the response rate was healthy, in order to further increase the generalisability of the findings, it would be useful to extend the study into other regional economies in Australia. Second, extending this research through further investigation of the next stage in the internationalisation process as conceptualised in the Uppsala model (foreign production) would be worthwhile. This would provide small producers and exporters with information about the required resources and capabilities for firm growth through the next phase of internationalisation. Lastly, the specific finding in this study about the negative impact of country of origin (in certain circumstances) was contrary to expectations and in a premium and niche food production context, certainly warrants further research.

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