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Developing Intangible Resources: The New Battleground for Export Success among Small- and Medium-Sized Firms

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Executive Summary

Existing models of internationalization have failed to address adequately the important question of why some firms succeed in exporting while others fail. Using interviews with twenty-five export managers and fourteen industry experts associated with the forest products industry, this research develops a resource-based model that examines the impact of the firm's intangible resources on export performance. In developing the model, we studied the U.S. wood products industry, a domestically-focused, commodity-oriented industry in which exporting has been the almost exclusive entry mode for small- and medium-sized firms entering foreign markets.

Many researchers have hypothesized that a firm's tangible resources are the primary determinant of export performance. However, tangible resources such as raw material supplies, financial assets, manufacturing facilities and sophisticated technology do not guarantee export success although they can provide a firm with a competitive advantage over their competitors. Rather, there appears to be some evidence that intangible resources may play a key role in the export performance of the firm. Intangible resources might be described as those resources within the firm that are difficult to quantify. For example, managerial innovativeness, managerial attitudes towards risk, managerial commitment to exporting and the firm's reputation all represent intangible resources. The preceding examples highlight an interesting factor of intangible resources. That is, intangible resources are very often related to the quality of the human resources employed by the firm.

What differentiates this research effort from previous work in this area is that firm size was not found to be directly correlated with export performance. While size may provide a firm with a comparative advantage in tangible resources and a competitive advantage in the domestic marketplace, these advantages do not necessarily translate over to foreign markets. In fact, the increased bureaucracy and conservative management practices associated with larger firms may adversely impact the export performance of those firms. In contrast, this research has indicated that the specific competitive advantages associated with successful exporters were related to the development of intangible resources within the firm that are independent of firm size. The intangible resources that appear to be most important in contributing to export performance are managerial innovativeness, managerial commitment to exporting, the ability to manufacture high quality products, and knowledge of foreign markets.

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