Export entrepreneurial orientation and export performance of SMEs in Uganda

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Abstract 22 January 2013

Internatinalisation of business operations has become a crucial element of the enterprise based economies. This is because of the increasing need for global economies to improve on their balance of payments and trade. Although this is the most desired economic situation, less is yielded from the SME sector in terms of export performance in Uganda. This study therefore was set to explore the conceptual feasibility of examining the possible relationship between Export entrepreneurial Orientation (as dimensionalised under innovativeness, proactiveness and risk orientation) and Export performance. 195 SMEs in Uganda were surveyed and findings revealed that SMEs in Uganda have significantly high levels of export entrepreneurial orientation and that EEO dimensions are significant predictors of export performance. Therefore, SMEs should be encouraged to always recruit entrepreneurial staff, open up for foreign partnerships and create international operations departments in order to streamline their export operations whilst committing resources towards the reinforcing of export performance.

Keywords: Entrepreneurial Export Orientation, SMEs, Export performance, risk orientation, innovativeness, proactiveness.

INTRODUCTION

Exporting has increasingly become an important activity for many small and medium enterprises (SMEs) in recent years as a way of sustaining and ensuring their growth, profitability and survival (Patel & D’souza, 2009; Sousa & Alserhan, 2002). It has been noted by authors such as (Wignaraja 2003;Mpinganjira 2011) that SMEs are actively and widely participating in the export efforts of developing countries. SMEs in Uganda are critical in accelerating economic growth through the expansion of productive jobs, tax revenue and export revenues, as well as through the reduction of the countries import bill by substituting imports (PSFU, 2011). Yet most of Uganda’s SMEs which are involved in exporting are characterized by lack of modern technology, low value-added nature, rarely search for information and face difficulty in establishing long term relationships in international markets (Namasinga, 2008). As such they continue to suffer in their export ventures as they cannot generate enough sales and revenue compared to countries such as Malaysia, Egypt (UEPB, 2009). Therefore, these firms need dynamic capabilities that enable them to sense and seize new opportunities and renew the existing base. (Idah et al, 2011). It is reported that export entrepreneurial orientation plays an important role in providing a competitive advantage and present itself as key to success for SMEs in the export arena (Mustafa and Jones, 2005).
Entrepreneurial orientation is one of the emerging areas in international business research and involves a combination of innovative, proactive, and risk-seeking behaviors used by exporting companies (Kropp, Lindsay & Shoham, 2006). Evidence available suggests that firms which adopt export entrepreneurial behavior leverage their capabilities in perceiving and recognizing market opportunities, and subsequently gaining high market share (Zahra and Garvis, 2000). Ibeh, (2003) points out that the adoption of export entrepreneurial orientation results in superior export performance in the face of unsympathetic environmental conditions, which usually characterize most external markets. This kind of behavior has been observed in countries such as Malaysia, Taiwan, and Singapore, where innovation, investment in research and development, and among their SMEs, (Mpinganjira, 2011). In contrast, the majority of firms in developing countries, especially in sub-Saharan Africa, tend to be reactive, passive, and adoptive, which limits their performance in foreign markets (Okpara, 2009). They tend to treat international markets as secondary to their domestic operations and, hence put less attention to value addition, information search, acquiring new technologies, and fail to develop enough capabilities and skills that enable them to compete favorably in the foreign markets (Munyanyiwa, 2009; UNCTAD, 2004; Okpara, 2009). It should be noted that a great deal of research has been conducted to assess how export entrepreneurial orientation influences the export performance of SMEs (Mostafa, Wheeler, and Jones, 2003; Roxas and Chadee, 2011; Hessels and Terjesen, 2008). However, such studies have not been steered in infant economies (Uganda inclusive) where exportation as an economic revitalizer is still in a wishful mode. This not only limits the knowledge gap in the conceptualization of entrepreneurship and international business but also the relevance of the previous studies in the Ugandan context. Particularly, this study was set out to answer the following questions: i) What is the level of entrepreneurial export orientation (EEO) amongst Uganda’s SMEs? ii) What is the relationship between EEO dimensions and SME export performance? and iii) To what extent do the EEO dimensions predict export performance of Uganda’s SMEs?

**Entrepreneurial orientation**

According to Fazul et al, (2010), entrepreneurial orientation is the firm’s ability to engage in innovative activities, undertake somewhat risky ventures, and first come up with proactive innovations. Relatedly, Patel et al, (2009), Lumpkin and Dess (1996) define entrepreneurial orientation as a set of decision-making styles, processes, practices, rules, and norms according to which a firm makes decisions to enhance its innovativeness, proactiveness, and risk-taking propensity. Ilhami (2011), Jolanda and Terjesen (2008) further acknowledge entrepreneurial orientation as a willingness to innovate, search for risks, take self-directed actions, and be more proactive and aggressive than competitors toward new marketplace opportunities. Generally from the above definitions, it can be concluded that entrepreneurial orientation is a management strategy in relation to innovativeness, proactiveness, and risk-taking. Innovativeness is the predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership via R&D in new processes (Kropp, et al, 2005, Chandra, Styles, and Wilkinson, 2007). Risk taking involves taking bold actions by venturing into the unknown, borrowing heavily, and/or committing significant resources to ventures in uncertain environments (Chandra et al, 2007, Idah, and Mahmood, 2011 Fazul et al, 2010; Ilhami, 2011). Risk taking indicates the will to commit proportionately large amounts of resources despite a high potential for failure (Covin & Slevin, 1991; Lumpkin & Dess, 1996; Sepulveda, 2010). Proactiveness is an opportunity-seeking, forward-looking perspective characterized by the introduction of new products and services ahead of the competition and acting in anticipation of future demand. Yoon-joo, Min-jae et al., 2012; Rauch et al., 2004).

**Export entrepreneurial orientation**

Export entrepreneurial orientation (EEO) is drawn directly from the entrepreneurial Orientation (Seyed, 2011). Export entrepreneurial orientation reflects the firm’s overall proactiveness and aggressiveness in its pursuit of international markets (Okpara et al, 2008, Ibeh, 2003). It is associated with managerial vision, innovativeness and proactive competitive posture overseas Fauzil, Hirobumi and Tamaka, (2010). Ibeh and Young (2001) suggest that exporting is an entrepreneurial act and can be defined as the process by which individuals either on their own or inside organizations pursue export market opportunities without regard to the resources which they currently control or environmental disincentives which they face.

From the above submissions, export entrepreneurial orientation can be defined as the willingness of firm to proactively pursue international business opportunities with innovative products, services, and processes regardless of the risks involved.

**Export performance**

Export performance is concerned with the overall outcome of the firm’s activities in its export markets (Muhammed and saleem, 2008; Cadogan et al, 2008). This outcome is reflected in the firms ultimate profits, sales, market share, competitiveness, and the perceived
customer satisfaction (Ayse and akehurst, 2003; Okpara, 2009; Aaby and Slater, 2009; Leonodou and Katsikeas, 2002).

Export entrepreneurial orientation and export performance

Several attempts have been made to associate Export Entrepreneurial Orientation with the export performance of firms in various countries and there is a strong consensus among the researchers that the final result of the entrepreneurial activities is the improvement of firm performance (Zahra and Covin 1995; Wiklund 1999; Zahra and Garvis 2000; Lumpkin and Dess 2001; Wiklund and Shepherd 2005). Accordingly, Zahra et al. (2000) noted that entrepreneurial activities improve the firms’ capability to perceive and recognize market opportunities before their rivals which subsequently helps them to take advantage of customers and gain a high market share. Authors such as (wheeler and Jones 2006; Hermannsdottir and Gudlaugsson, 2007; Pett and Wolff, 2011) also acknowledge that a strong positive link between entrepreneurship orientation and firm performance exists. They posit that firms with high entrepreneurial orientation perform better than firms with low entrepreneurial orientation. Nevertheless, some research has shown contracting and very inconsistent results. For example, (Lisboa, legas and skarmeas 2011,Chaston and Sadler-Smith, 2011; Lumpkin and Dess, 2001) have indicated that there is a weak or sometimes no relationship between entrepreneurial orientation and firm performance. Lisboa et al (2011) points out that this could be due to the fact that whereas resources controlled by the firm may be critical, they may not be a source of competitive advantage. To be able to translate resources into advantage and performance, the firm needs distinctive capabilities. Particularly, in rapidly changing markets, it is crucial to continuously develop, integrate, and reconfigure firms’ skills and abilities in order to adjust to change in the marketplace (Eisenhardt and Martin, 2000). Besides, Hermannsdottir et al (2007), acknowledges that entrepreneurial orientation can be valuable in achieving firm performance in a foreign market if the internal and external factors are well aligned. They observe that variables such as environment, strategy and structure are critical in obtaining optimal performance. This clearly explains that entrepreneurial orientation cannot entirely be relied upon by any company to expect high performance in a foreign market. Therefore, it should be noted that whereas most of the available literature tend to postulate a positive relationship between entrepreneurial orientation and export performance, there are some exceptions where it may not be the case. Todd & Javalgi (2007) have used the three dimensions of innovativeness, risk taking and proactiveness to examine the its effect of entrepreneurial orientation on the performance of exporting SMEs.

Innovation and export performance

There is a wide acknowledgement that innovation is cornerstone for entrepreneurship. (Loos, 2006; Ilhami, 2011; Todd, et al 2007). It involves the organization’s tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services or technological processes, as well as the pursuit of creative, unusual, or new solutions to problems and needs (Lumpkin and Dess, 1996). This tendency imply that a firm has a broader base of skills which can be exploited in building constructive competencies that can be a major competitive tool in the ever changing business environment. Mai et al (2012) affirms that in today’s business environment, where the life cycles of products and services are becoming shorter and the future profits are uncertain, it is very important for firms to be innovative as they strive to build a competitive base in any market. Indeed authors such as (Ussahawaninitchakit 2007; Mursali 2007, Ahmed et al 2004, Ibeh, 2004) affirm that innovation has the capacity to promote stronger export competitiveness that can ultimately lead to sustainable export performance. This is mainly because innovative firms have a broader base of skills and knowledge, will realize first mover advantages, capitalise on emerging market opportunities and triumph over the barriers that threaten SMEs export performance (Zahra & Garvis, 2000, Wiklund, 1999, Madhoushi et al, 2011, Okpara, 2009; Todd & Javalgi, 2007). With innovation, Autio et al.,( 2000) adds that firms are able to come up with improved, modified or new products and process that may give enterprises a competitive advantage in foreign markets.

Risk Taking and Export Performance

Risk taking as one of the three dimensions of export entrepreneurial orientation refers to the willingness of the management to commit significant resources to opportunities that might be Uncertain (Mahmood 2011 Fazul et al, 2010; Junehed and Davidsson 1998). It should be noted that exporting is largely considered a more risky venture than domestic operations simply because a firm is likely to lose a considerable amount of assets and profits as a result of changes in political, legal, economic and social cultural differences that may exist in the foreign market. The major risks associated with exporting may include; country stability risks, ownership risks, operational risks, performance risks, transfer risks as well, capital transfer risks. Consequently all these risks influence a company’s commitment to exporting and subsequent performance its export markets. Therefore it has been pointed out by authors such Okpara (2009) that firms or managers who dare to
take more risks are more suitable and out-performs the risk averse firms. The willingness to engage in relatively high levels of risk-taking behaviors helps a firm seize profitable opportunities in the face of uncertainty and the achievement of long-term profitability (McGrath 2001). Authors such as Rauch et al, (2004), Seyed, (2012) have also pointed out that the risk taking dimension is positively related to performance, even though its effect is usually significantly smaller than other aspects of EO.

**Proactiveness and export performance**

Proactiveness is concerned with the company’s determination to dominate and overcome competitors by being the first to introduce new products or services ahead of competition and acting in anticipation of future demand (Keh et al., 2007; Lumpkin et al 2011). It has been pointed out that some foreign markets possess unique customers whose needs and preferences change from time to time and therefore expect new products, services and better handling (Seyed 2011; Sciascia et al 2006; Lumpkin and Dess 1996). Therefore for firms to guarantee competitiveness in the foreign market, they need to devote considerable effort in continuous monitoring of the environment to keep pace with the customer expectations and competitor movements (Seyed 2011). This proactiveness is a key tool especially for SMEs in identifying customer needs as and when they fall due and this helps them to come up with new innovations that are essential for guaranteeing success in a foreign market (Hunt and Arnett 2006; Lumpkin and Dess 2001).

**INVESTIGATION METHODOLOGY**

A cross sectional quantitative research design was used. The study population comprised of the 297 small and medium exporting firms registered with Uganda Export promotions board (UEPB, 2010). The sample size consisted of 167 exporting SMEs based on Krejice and Morgan’s (1970) table for determining the sample size of a given population. A simple random sampling technique was used to select the sample. Data was collected through self administered structured questionnaires. The questionnaire employed a five likert scale to elicit the degree of agreement or disagreement. A 5 point likert scale with 1 "strongly disagree" and 5 "strongly agree" were adopted. On the measurement of variables, Export Entrepreneurial orientation (EEO) was measured by innovativeness, proactiveness and risk taking as adopted from (Kropp, 2008, Chinedu and Darego, 2010; seyed 2011; Lumpkin et al 2006 ). Export Performance measures such as export sales growth, export profit contribution, , sales volume and satisfaction with export operations have been suggested as appropriate measures of Export performance Ayse & Akehurst (2003); Olippia, Chawit and Amonrat (2006); Toften & Olsen (2003). Accordingly, these measures can either be subjective or objective. Objective measures are concerned with absolute performance indicators while subjective measures are largely concerned with performance of a business in relation to its major competitors or relative to company’s expectations (wood and Robertson 1997; Maurel,2009; Olipia,2006). Whereas it has been pointed out that both subjective and objective measures can provide an accurate measure of export performance, getting absolute information is usually very difficult given the fact that most firms do not provide absolute figures of their performance. Therefore, subjective approach was adopted for this study where the performance of the firm was measured by the perception of the respondents. Reliability analysis was performed in order to ensure the internal consistency and reliability of measures. Cronbach’s alpha was calculated to confirm the reliability of constructs. The reliability of the measurements were achieved as recommended (CAC >0.60)

**RESULTS AND DISCUSSION**

The results indicated that the majority of the firms (89%) had been in existence for more than 5 years. These were followed by those who had spent between 3-years in existence. Majority of the firms (about 85%) are in manufacturing, followed by those in services (10%) and the minority in trading (8%). Majority of the firms (88%) agreed that they had partnerships in foreign markets while only 6% of the firms had no partnerships in foreign markets. Majority of the firms (91%) are locally owned while the rest (9%) are foreign owned.

**Innovativeness and export performance**

The results indicated that there is a positive significant relationship between innovativeness and export performance of SMES in Uganda (r =.209**, P< 0.01). This implies that firms which innovate by coming up with new or modified products, ideas, processes, services or technologies will register an increase in their profits, sales and customer satisfaction in their export markets. It further implies that innovativeness is essential for export performance. This confirms earlier submissions but authors such as Zahra & Garvis,(2000), Wiklund (1999) , Okpara, (2009), Todd & Javalgi, 2007; Mursali 2007, Ibeh, 2004; Mai et al (2012) who acknowledged that innovativeness is essential for firms competitiveness in a foreign market. Accordingly innovative firms are in position to come up with new products, services, ideas and processes that leverage their position in the export markets subsequently resulting into higher returns in terms of sales and profits.
Table 1. Reliability tests

<table>
<thead>
<tr>
<th>Variables</th>
<th>Anchor</th>
<th>Cronbach’s Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export entrepreneurial Orientation</td>
<td>5</td>
<td>.637</td>
<td>25</td>
</tr>
<tr>
<td>Export Performance</td>
<td>5</td>
<td>.838</td>
<td>12</td>
</tr>
</tbody>
</table>

Table 2. Level of export entrepreneurial orientation (EEO) among SMEs in Uganda

<table>
<thead>
<tr>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>EEO</td>
<td>195</td>
<td>3.9682</td>
<td>.23240</td>
</tr>
</tbody>
</table>

SMEs in Uganda are generally seen to have high levels of export entrepreneurial orientation with a mean of 3.96 (approx. 4.0) with a standard deviation of .23.

Table 3. Correlations between Export Entrepreneurial Orientation (EEO), EEO dimensions and Export performance (ExP)

<table>
<thead>
<tr>
<th>ExP Pearson Correlation</th>
<th>ExP</th>
<th>EEO</th>
<th>Proactiveness</th>
<th>Innovativeness</th>
<th>Risk Orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.411**</td>
<td>ExP</td>
<td>EEO</td>
<td>Proactiveness</td>
<td>Innovativeness</td>
<td>Risk Orientation</td>
</tr>
<tr>
<td>0.533**</td>
<td></td>
<td>EEO</td>
<td>Proactiveness</td>
<td>Innovativeness</td>
<td>Risk Orientation</td>
</tr>
<tr>
<td>0.209**</td>
<td></td>
<td>EEO</td>
<td>Proactiveness</td>
<td>Innovativeness</td>
<td>Risk Orientation</td>
</tr>
<tr>
<td>0.051</td>
<td></td>
<td>EEO</td>
<td>Proactiveness</td>
<td>Innovativeness</td>
<td>Risk Orientation</td>
</tr>
<tr>
<td>0.000</td>
<td></td>
<td>EEO</td>
<td>Proactiveness</td>
<td>Innovativeness</td>
<td>Risk Orientation</td>
</tr>
<tr>
<td>0.478</td>
<td></td>
<td>EEO</td>
<td>Proactiveness</td>
<td>Innovativeness</td>
<td>Risk Orientation</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Table 4. The predictive potential of EEO on export performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.209*</td>
<td>.044</td>
<td>.039</td>
<td>.35344</td>
<td>.044</td>
<td>8.838</td>
<td>193</td>
<td>193</td>
<td>.003</td>
</tr>
<tr>
<td>2</td>
<td>.549b</td>
<td>.302</td>
<td>.294</td>
<td>.30286</td>
<td>.258</td>
<td>70.844</td>
<td>192</td>
<td>192</td>
<td>.000</td>
</tr>
<tr>
<td>3</td>
<td>.550c</td>
<td>.302</td>
<td>.291</td>
<td>.30351</td>
<td>.001</td>
<td>.177</td>
<td>191</td>
<td>191</td>
<td>.674</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Innovativeness
b. Predictors: (Constant), Innovativeness, Proactiveness
c. Predictors: (Constant), Innovativeness, Proactiveness, RiskOrientation
d. Dependent Variable: ExpoPerform

Table 4. ANOVA results of the model

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>1.104</td>
<td>1</td>
<td>1.104</td>
<td>8.838</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>24.110</td>
<td>193</td>
<td>.125</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>25.214</td>
<td>194</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Regression</td>
<td>7.602</td>
<td>2</td>
<td>3.801</td>
<td>41.440</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>17.611</td>
<td>192</td>
<td>.092</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>25.214</td>
<td>194</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Regression</td>
<td>7.619</td>
<td>3</td>
<td>2.540</td>
<td>27.567</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>17.595</td>
<td>191</td>
<td>.092</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>25.214</td>
<td>194</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Innovativeness
b. Predictors: (Constant), Innovativeness, Proactiveness
c. Predictors: (Constant), Innovativeness, Proactiveness, RiskOrientation
d. Dependent Variable: ExpoPerform

Risk taking and export performance

The results revealed a weak relationship between risk taking and export performance ($r = .051, p>0.05$). The willingness of the management to commit significant resources to opportunities that might be uncertain does not necessarily guarantee that a firm will register an improvement in its export performance. This affirms the
arguments of Rauch (2004) and Seyed (2012) who postulated that the effect of risk taking on performance is less obvious and significantly smaller than other aspects of EO such as innovation and proactiveness. However, the findings contradict earlier submissions of authors such Okpara (2009) and McGrath (2001) who acknowledged a positive and significant relationship between risk taking and export performance.

Proactiveness and export performance

The correlation results from the table above revealed that proactiveness significantly and positively influence export performance ($r = .533^{**}$, $p < .01$). This implies that a firm which is determined to overcome competition by introducing new products or services, continuously monitors their customer needs and preferences as well as competitor tactics and strategies are in better position to register tremendous increase in their sales, profits and the overall competitiveness in the export markets. This is in agreement with the existing literature which acknowledges that proactive firms are better positioned to perform better in their export market than the non-proactive ones (Keh et al., 2007; Lumpkin et al 2011; Seyed 2011; Sciascia et al 2006; Lumpkin and Dess 2001). These authors pointed out that proactive firms devote considerable effort to continuously monitor the changes in customer needs and preferences, competitor actions and the general business environment which keeps them updated with customer expectations and helps them to come up with new innovations that in critical in ensuring success in foreign markets.

Export Entrepreneurial Orientation and Export Performance

Correlation results revealed a positive and significant relationship between EEO and Export performance ($r = .411^{**}$, $p < .01$). Firms which are able to come up with new ideas, products, and services, take calculated risks, and are able to continuously monitor customer needs and preferences as and when they fall due, will be in position to post positive results in terms of sales, revenues and profits. These findings are consistent with the previous studies of of authors such as (Zahra and Covin 1995; Wiklund,1999; Wiklund 1999; Zahra and Garvis 2000; Lumpkin and Dess 2001; Wiklund and Shepherd 2005) who postulated a positive relationship between the two variables.

The regression results show that that the goodness of fit is satisfactory (Adjusted R Square = .29), implying that Export Entrepreneurial Orientation explains 29% of variations in the export performance of SMEs in Uganda. Thus, about 71% of the performance among exporting SMEs in Uganda remains unexplained. The model is significant. However, the addition of risk orientation does not cause a significant change in the predictive power of the model (Model 3, $p > .05$). This can also be seen at the constant R square.

The analysis of variance (ANOVA) tests whether the model is significantly better at predicting than using the mean (Field, 2005). This is based on the F-ratio which represents the ratio of improvement in the prediction. All the three models have values greater than 1 and are significant ($p < .05$). Actually, models 2 and 3 are highly significant ($p < .001$) meaning that the addition of proactiveness and risk orientation on innovativeness as dimensions of EEO increase the probability of realizing better export performance of SMEs.

CONCLUSION

The evidence from this research reveals that EEO is an important tool in enhancing the export performance of SMEs. Given the competitive intensity within the global markets and the inadequacies of most SMEs in developing countries like Uganda, the need to develop entrepreneurial capabilities for effective performance in these markets should no longer be matter of discussion but a must. It is imperative for small and medium firms to create a culture that encourages innovation, risk taking and proactiveness with in their employees, processes as well as in their operations. This will go a long way to guarantee success in their export ventures. The results clearly indicates that export performance with in a firm cannot only be explained by EEO and therefore there is a need for further research to investigate other factors that that could explain performance among exporting SMEs. This will go along way is generating a comprehensive model that can help SMEs in developing countries like Uganda in understanding the factors that leverage their competitiveness in foreign markets.

ACKNOWLEDGEMENT

The authors acknowledge the support from Makerere University Business School, Faculty of Marketing and International Business for the financial support during the conceptualisation and data collection of this study.

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