EXPORT MARKETING DECISION-MAKING BY WOOD HOUSEHOLD
FURNITURE MANUFACTURERS IN MALAYSIA AND THE UNITED STATES

by

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Wood Science and Forest Products

(ABSTRACT)

This dissertation presents export decision-making information meant to complement the array of information available to wood furniture manufacturers, relevant government agencies, and marketers. It utilizes data obtained from a literature search as well as from a national survey of 947 wood household-furniture manufacturers in the U.S. and 310 manufacturers in Malaysia. Personal interviews were also carried out to support as well as to add depth to the quantitative data.

This report includes a detailed look at the global export market opportunities for wood household furniture. For U.S. manufacturers, potential markets are its NAFTA partners - Saudi Arabia, the European Union, and the Pacific Rim countries. However, U.S. companies need to focus more on exporting and not be totally dependent on the domestic markets.

As for Malaysian manufacturers, the U.S. will remain as the largest market for their products. However, this may change with the competition that Malaysia faces with other Asian nations such as China, Indonesia, and Thailand. Furthermore, Malaysia, a
tropical wood producing country, may lose its market share if U.S. consumers start to demand environmentally friendly wood furniture products.

The study investigated the perceptions regarding government export incentives of U.S. wood furniture manufacturers. This allowed an evaluation of the success of government efforts to promote wood furniture exports. The study found that U.S. wood furniture manufacturers do not rate government (federal and state) export programs as important initiators to exporting. In fact, factors that improve the status of the firm (e.g. profit enhancement) are considered more important in stimulating companies to export.

One of the reasons why government export promotion services are not utilized is that the companies are not aware of the existence of such programs. Even if they are aware of these services, the companies indicated that they could not find any that they can use. Another finding is that the majority of government export services are very basic and general. This may benefit non-exporting companies in their initiation of exports. For companies that are already exporting, government assistance programs should be tailored to the needs of the companies.

The study also identified attributes that are most significant in motivating companies to export. Wood household furniture industry in the U.S. and Malaysia were compared to identify differences in perceptions of motivating attributes. U.S. and Malaysian furniture manufacturers have similar perceptions on motivators for export. In addition, Malaysian manufacturers consider encouragement and support from other local companies as a key motivator.
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Introduction

Furniture has traditionally been an important end-use of wood products with a high added value. Because of this, the furniture industry plays a modest, but important, role in the national economy of many countries. The furniture industry in the U.S. has not fully considered the international market as an outlet for its products. However, lately, industry and government representatives have urged producers to become more involved in exporting to reduce the furniture trade deficit.

The furniture industries in the United States and Malaysia are comprised mainly of small- and medium-sized companies. Firms of these sizes can have substantial export potential and flexibility. However, monitoring the international environment may be too complex and prohibitively expensive for these firms (Douglas and Keegan 1982). The question then is how can such companies investigate opportunities or expansion possibilities in a particular foreign market while keeping up with developments in other geographic areas?

In Malaysia efforts are underway to increase exports of value-added wood products, particularly furniture. Increased exports in wood furniture would mean an increase in Malaysia’s foreign exchange earnings, as well as a reduction in the exports of logs and semi-processed wood products. An increase in furniture exports would also indirectly increase employment.
The Malaysian furniture industry has benefitted from special government incentives for modernizing their plants and for participating at international trade shows and exhibitions. The vulnerability of this industry to domestic recession, the availability of modern equipment and raw materials, the increasing demand for wood furniture in the international market, and government assistance programs are expected to stimulate Malaysian furniture manufacturers to export.

The export performance of the U.S. furniture industry has remained relatively low although currency exchange rates should have elicited substantial export efforts (Florence 1990). This situation has initiated various studies on the export behavior of firms.

Much of the research concerning exporting has found that government assistance alone is not adequate to initiate exporting. For most furniture manufacturers in the U.S., exporting has never seriously been considered as a method for developing their businesses (Florence 1990). However, many manufacturers who started exporting find the process easier than they imagined.

Studies have confirmed it is financial stability, not company size, that is the most crucial factor to exporting. Many firms lack knowledge of overseas markets and methods of reaching these markets. Small- and medium-sized companies especially find that they cannot afford to promote their products overseas, and this may impede their involvement in exporting.

This study attempts to complement previous studies with an analysis of decision-making behavior targeted at wood household furniture manufacturing firms in the United
States and Malaysia. The study examines the motivating factors that influence exporting and provides information that can help improve the channeling of the public sector's assistance programs.
Objectives

The primary objective of this study was to assess and examine the export decision-making behavior of wood household furniture manufacturers in the United States and Malaysia. Specific objectives included:

1. To examine the wood furniture exports of the United States and Malaysia and the global trade in furniture.

2. To measure the perceptions and attitudes regarding government export incentives of wood household-furniture manufacturers and how these incentives influence their export decisions.

3. To identify key motivating reasons to export.

4. To compare Malaysian firms to U.S. firms in terms of management's characteristics related to export decision-making.
Methods

Data Sources

Secondary Data

An extensive literature review was undertaken to ensure that all previous research had been identified. The computerized retrieval system - InfoTrac, an information database consisting of approximately 1100 general interest and scholarly publications - was used to secure relevant publications. In addition, publications by key government agencies (U.S. Department of Commerce, U.S. Department of Agriculture) and market research agencies were utilized for pertinent secondary information. Economic and trade information was obtained from the Malaysian Timber Industry Board\(^1\) (MTIB), Kuala Lumpur, Malaysia for data on Malaysia’s exports figures.

Primary Data

-Sample Frame

The population of the study consisted of manufacturers of wood household furniture in the U.S. and Malaysia. Wood household furniture includes products under

\(^1\) A semi-government agency established in 1973 under the Ministry of Primary Industries. MTIB’s main functions are to promote and improve the trade in, and markets for timber, and to assist the timber industries in the marketing of timber.
the SIC 2511 classification (for the U.S.) and those under the following Harmonized System code for Malaysia:

- 9401.5 - other seats, with wooden frames.
- 9403.3 - wooden furniture used in kitchen.
- 9403.5 - wooden furniture used in bedroom.
- 9406.6 - other wooden furniture.

The wood household furniture produced by these manufacturers include wood living-room furniture, library, family-room and den furniture, dining-room, kitchen furniture, bedroom furniture, infant’s and children’s wood furniture, unassembled wood furniture, and components of wood furniture.

In the U.S. and Malaysia, the wood household-furniture manufacturing industries were dominated by many small manufacturing companies. According to the U.S. Bureau of the Census (1989), there were 2,910 establishments which produce furniture products under SIC 2511. However, only 857 or 29 percent of these establishments had a workforce of more than 20 persons. The mailing list for the U.S. study was purchased from Dun and Bradstreet, Inc. A total of 947 wood household furniture manufacturing companies were included in the mailing list.

In Malaysia, there are approximately 1,500 furniture manufacturing firms producing wood furniture. Less than 10 percent of these establishments employ more than 100 persons, and about 310 of these companies export their products. It was decided to include only these 310 companies in the mail survey portion of the study.
Data Collection

- Mail Survey

Mail surveys are the most efficient and cost-effective method of obtaining data from geographically dispersed populations (Dillman 1978). As such, primary data for this study was obtained from a mail survey. A structured, undisguised mail questionnaire directed at decision-makers of wood household furniture manufacturing firms was used. The decision-makers included CEOs (Chief Executive Officers), Vice Presidents of Marketing/Sales, Marketing Managers and others responsible for making the decision to export for their companies.

Enclosed with the surveys was a personalized cover letter addressed to the target person. To encourage response, the return mailing of the survey was post-paid. To assure a high response, a follow-up postcard reminding recipients to return the survey was mailed a week after the initial surveys were mailed. A second questionnaire was mailed to companies which did not respond within two weeks after the first mailing.

- Personal Interviews

Qualitative research was carried out after the mail survey to add depth and richness to the quantitative findings. The interviews were based on a standard format and were conducted in both the U.S. and Malaysia. Since personal interviews are time consuming and expensive, interviews were conducted with only four CEOs or decision-makers of companies in the U.S. and Malaysia.
The interview process was utilized to learn from decision-makers the relative importance of external and internal stimuli and environmental variables involved in the export decision-making process. Additional information interested were:

- how the person interviewed perceive opportunities, advantages and benefits in deciding to export.
- management's perceptions of motivating/unmotivating factors and management's commitment in exporting.

Semi-structured interviews, where a mixture of pre-coded and open-ended questions are included, were carried out. The open-ended questions were followed with supplementary questions through:

- probing - a non-directional prompt to the respondent (Crouch 1984).
- prompting - a directional supplementary question which indicates the kind of answer which the respondent may give (Crouch 1984).

The interviews were electronically recorded (with the permission of the interviewees) since it is important that responses are accurate and comprehensively recorded (Crouch 1984).

Analysis of qualitative data is subjective and impressionistic (Crouch 1984). Qualitative research conveys insights into people's feelings and their attitudes. Therefore, results of qualitative research should never be expressed in terms of percentages since it would imply that results are somehow representative quantitatively of what a wider sample of respondents might say (Crouch 1984).
Data Analysis

Data from the surveys were coded on the computer using the software *Paradox*. Final analyses of data were conducted on personal computers using *SPSS* (Statistical Package for Social Science).

Simple tabulation, cross tabulation, and descriptive statistics were used to analyze the data. One-way tabulation was used to examine the variables of the study separately, and cross tabulation was used to study the relationship among and between the variables.

Factor analysis, a multivariate statistical approach, was used to condense the variables into a smaller set of dimensions (factors) with a minimum loss of information. By using factor analysis, separate dimensions were identified and a factor loading for each variable on each factor was determined.
Literature Cited


SECTION I

Review of Literature
Introduction

Annually, global trade in forest products exceeds $50 billion (Sedjo 1986). For many developing countries, forest products exports have substantial potential to contribute to their development process. Wood products producing companies perceive the increased trade in forest products as an opportunity for establishing or expanding export markets (Sullivan and Bauerschmidt 1988, Cohen and Smith 1992). Truitt (1990) and Cohen and Smith (1992) reported that in North America, one of the four areas of the world with a surplus of wood and a significant volume of forest products exports, increasing wood products exports may be particularly attractive to North American firms. By the year 2000, U.S. exports of wood products are projected to be at least 50 percent larger on a value basis than the estimated 1989 level of $6.0 billion (USDA 1990).

World forest products markets seem to have the potential to be quite flexible in the medium- to long-term and have the potential to adapt even to significantly changed situations (Laarman and Sedjo 1992). This potential flexibility depends on many economic and institutional factors, including the speed with which signals of impending change are understood and acted on.

The direction and levels of trade flows will be affected by the competitiveness of the various exporters as well as by a number of other factors. These include governmental trade policy and exchange rates, which are not predictable in the long term. Environmental concerns about dwindling tropical hardwood forests and export
bans/restrictions on logs and rough lumber in tropical hardwood exporting countries will increase demand for both temperate hardwoods and softwoods.

According to Laarman and Sedjo (1992), over three-fourths of the world's sawnwood is produced by North America, Europe, Russia and other industrialized regions. Three-fourths of the world's consumption are accounted for by these regions. Laarman and Sedjo (1992 p.120) defined "sawnwood is both an intermediate and end product with uses in construction (i.e. lumber), furniture, cabinetry, wooden crates, and a variety of other applications".

Sawnwood and wood-based panels serve as material components in investment and consumer goods, particularly construction and furniture. Therefore, demand for sawnwood and panels is a function of the pattern and level of activity on the different economic sectors using forest products and of the intensity of their utilization of these products. Slowing of residential construction reduces the demand for sawnwood. In addition, sawnwood markets have also been eroded by substitution of plywood, particleboard, aluminum, and other alternative materials.

The industrialization of the furniture production process, growing specialization, and the availability of new materials such as particleboard and medium-density fiberboard have led to new furniture construction techniques. There has been a transition since the late 1960s from traditional, craftsmanship-oriented, furniture manufacturing techniques to an engineering-oriented approach (Food and Agriculture Organisation 1989).
It was in the 1970s when consumer preference for real wood furniture increased. At that time, the trend was the use of solid wood furniture, for example, solid pine in the living room, bedroom, and kitchen, as well as outdoors.

Since 1972, world trade in wood furniture has grown rapidly as the industry became more international. The USDC (1985) indicated that this rapid growth reflects the comparative advantage in furniture production that certain countries and regions enjoy. The largest percentage increases in furniture exports, however, have been from developing countries with low wages (USDC 1985).

**Global Trade in Wood Furniture**

**Patterns of World Trade**

In the mid-1970s, before the globalization of the furniture market gained momentum, the leading exporters were Italy, the Federal Republic of Germany and a few other European countries exporting primarily to the neighboring European Community (EC) member-countries. Transoceanic furniture trade was limited (Florence 1990).

However, in the last decade, Taiwan and other countries in Asia (Indonesia, Malaysia, Thailand, and the Philippines) and Eastern Europe have successfully penetrated overseas markets such as the United States, Japan and the European Union (formerly known as European Community). During the 1983-1987 period, imports from developing
market economies into the Organisation for Economic Co-operation and Development\textsuperscript{2} (OECD) rose faster than imports from developed countries (ITC 1990). The largest trading partners, in terms of shares in total imports from developing countries, were the United States (42%), Japan (62%), Canada (17%), Australia (32%) and New Zealand (25%) (ITC 1990).

In 1989, the leading suppliers of furniture and parts to OECD from the developing market economies were Taiwan, Mexico and China (Table 1.1).

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Value (millions of dollars)</th>
<th>% change 1987-1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Taiwan</td>
<td>$1,897</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Mexico</td>
<td>535</td>
<td>71</td>
</tr>
<tr>
<td>3</td>
<td>China</td>
<td>312</td>
<td>68</td>
</tr>
<tr>
<td>4</td>
<td>Thailand</td>
<td>265</td>
<td>89</td>
</tr>
<tr>
<td>5</td>
<td>Philippines</td>
<td>242</td>
<td>40</td>
</tr>
<tr>
<td>6</td>
<td>South Korea</td>
<td>227</td>
<td>34</td>
</tr>
<tr>
<td>7</td>
<td>Indonesia</td>
<td>165</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Singapore</td>
<td>136</td>
<td>55</td>
</tr>
</tbody>
</table>

Source: OECD, Foreign Trade by Commodities, 1989.
(Extracted from International Markets for Wood Furniture, Smith and West 1992.)

Asia was the leading supplier of furniture to the OECD. Taiwan was the number one supplier from developing countries. However, by the end of 1989, Taiwan’s furniture

\textsuperscript{2} An organization of industrialized countries including Japan, Sweden, United States and the EC. The main objectives of the organization pertain to economic and social progress, including industrial and regional development, the protection of the environment, and the promotion of innovation and the transfer of technology among member countries.

15
industry experienced difficulty (Smith and West 1992). This caused a major restructuring in the industry and many buyers from Japan, the U.S., and Europe sought sources of mid-priced furniture in other countries such as Thailand, Indonesia, and Malaysia (Smith and West 1992).

Since the mid-1970s, there has been strong growth in the value of world trade in all types of furniture. A 1990 study by the International Trade Centre\(^3\) (ITC) for the International Tropical Trade Organisation\(^4\) (ITTO) reported that the total imports of furniture and furniture parts into the OECD grew from $8.4 billion in 1983 to $18.4 billion in 1987.

In 1987 the United States, with 27.5 percent of the world total, was the largest single importer of furniture. The European Community, which covers 12 countries and accounts for 49.9 percent of all furniture imports, received most of its supplies from within the Community (ITC 1990).

Between 1983 and 1987, the United States experienced the highest growth in furniture imports (147.4%), followed by the Netherlands (106%), the United Kingdom (93.9%), France (93.8%) and the Federal Republic of Germany (91%) (ITC 1990).

Imports from the developing countries were mainly wooden seating and cabinet

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\(^3\) International Trade Centre (ITC) was created by the General Agreement on Tariffs and Trade in 1964. As an executing agency of the United Nations Development Programme (UNDP), ITC is directly responsible for implementing UNDP-financed projects in developing countries related to trade promotion.

\(^4\) ITTO is an international organization based in Yokohama, Japan. Comprised members in producer and consumer countries, ITTO provides an effective framework for cooperation and consultation between tropical timber producing and consuming members with regard to all relevant aspects of the tropical timber economy.
furniture such as tables, living-room cupboards, bedroom storage, and occasional items, as well as parts and components (ITC 1990). Trade in rattan and bamboo furniture has also increased as more popular designs are available in these materials.

The growth of imports from developing countries was due mainly to wage cost increases in the developed market economies (ITC 1990). Improvements in the design and quality of the outputs, more effective promotion activities, better and lower cost ocean transport, as well as the benefits provided by governments and the generalized system of preference (GSP) caused the developing countries to become more competitive in the international markets (ITC 1990).

Furniture Trade in the United States

- Imports

The U.S. furniture industry, particularly wood household furniture, is experiencing growing foreign competition in both domestic and overseas markets. Between 1972 and 1983, U.S. imports of wood furniture and parts grew rapidly (Florence 1990). The majority of imports during this period were living room and dining room furniture (USDC International Trade Administration 1985).

Imports have become a significant threat to U.S. producers of wood household furniture. Bullard (1989) noted that in 1982, U.S. furniture imports reached $1 billion for the first time, and five years later in 1987, imports from Taiwan alone exceeded $1 billion. Most of the increase in wood household-furniture imports have been from the
Pacific Rim countries, particularly Taiwan. These increases are mainly due to wage differences and the reduced costs of shipping due to efficiencies from container shipping and the development of ready-to-assemble (RTA) or knock-down furniture technologies (Bullard 1989, Florence 1990).

The increasing market share for foreign suppliers is the result of comparative advantage. The cost advantage of foreign suppliers is derived from several sources in the furniture production and marketing processes. Although the hourly wage rates in the U.S. furniture industry are well below the average for all manufacturing, American wages are considered high by world-wide standards (USDC International Trade Administration 1985). Factors such as differing government regulations and tariff levels among the furniture producing countries also contribute to a country’s comparative advantage in trade (USDC International Trade Administration 1985).

Import competition is one of the dominant industry concerns, which has forced U.S. furniture manufacturers to keep furniture prices steady in order to remain competitive (Standard and Poor’s 1988, Bullard 1989). Even though production costs in Taiwan and other Newly Industrialized Countries (South Korea, Hong Kong, and Singapore) have increased, their furniture prices are still competitive compared to U.S. production costs despite the U.S. currency rate advantage. Therefore, meeting the challenges from abroad will be particularly difficult for the U.S. producers (Bullard 1989).

In 1990, U.S. furniture imports, most of which were for household use, totaled $3.3 billion (Anonymous 1991a). Wood furniture accounted for 54.5 percent of the total
value of 1990 household furniture imports (Anonymous 1991a). The largest single product category imported was "miscellaneous wood furniture" which includes items such as wall units, china closets, entertainment centers, buffets, credenzas and occasional tables. Incoming shipments for this category in 1990 were valued at $884.8 million, 2.1 percent lower than the previous year (Anonymous 1991a). Imports of wooden chairs, the second largest category (valued at $270.2 million) showed a decline of 10.8 percent from the 1989 figure (Anonymous 1991a). Importation of furniture parts both rough and finished continued to be important. In 1990 imports of wood furniture and seat parts totalled to $165.1 million (Anonymous 1991a).

During the first nine months of 1993, U.S. furniture imports totalled $3.03 billion, an increase of 13 percent compared to the same period in 1992 (Thomas 1994). If this performance is sustained, furniture imports for 1993 may top $4 billion mark for the year (Thomas 1994). Taiwan, the leading source country, improved its position in the first nine months of 1993 by only 2 percent (Table 1.2). China and five Southeast Asian nations - Malaysia, Indonesia, Thailand, Singapore and the Philippines - together shipped $687 million worth of furniture (Thomas 1994). This showed an increase of 52 percent over the same period in 1992.

The largest increase in exports to the U.S. (Table 1.2) for January-September 1993 was registered by Malaysia. Imports from Malaysia increased to $129.9 million (Thomas 1994) 87 percent over the value reported for the same period in 1992. Much of the growth came from increased shipments of wood chairs and wood dining tables. This was
largely at the expense of the former Yugoslavia which was once a key source of dinettes and kitchen tables.

<table>
<thead>
<tr>
<th>Source</th>
<th>Value (millions of dollars)</th>
<th>% change (1992-1993)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>$847.50</td>
<td>$829.91  + 2%</td>
</tr>
<tr>
<td>Canada</td>
<td>468.77</td>
<td>361.01 +30</td>
</tr>
<tr>
<td>Italy</td>
<td>298.92</td>
<td>307.43 -3</td>
</tr>
<tr>
<td>Mexico</td>
<td>232.59</td>
<td>211.83 +10</td>
</tr>
<tr>
<td>China</td>
<td>225.05</td>
<td>144.44 +56</td>
</tr>
<tr>
<td>Malaysia</td>
<td>129.86</td>
<td>69.49 +87</td>
</tr>
<tr>
<td>Thailand</td>
<td>124.79</td>
<td>81.68 +53</td>
</tr>
<tr>
<td>Indonesia</td>
<td>96.73</td>
<td>62.26 +55</td>
</tr>
<tr>
<td>Philippines</td>
<td>80.42</td>
<td>68.62 +17</td>
</tr>
<tr>
<td>West Germany*</td>
<td>72.33</td>
<td>74.54 -3</td>
</tr>
</tbody>
</table>

**World Total**

|              | $3,025.13 | $2,673.00 | +13% |

*Includes only the former Federal Republic of Germany, not the former German Democratic Republic (East Germany).


Imports from Canada totalled $468.8 million for the first nine months of 1993, a 30 percent increase over 1992 (Thomas 1994). On the other hand, Italy and Germany
each showed a decline of 3 percent, reflecting the recession-plagued European economy (Thomas 1994).

- Exports

In 1990, total exports of furniture from the U.S. were valued at $712.5 million, a 70 percent increase from 1989 (Table 1.3). Exports in "miscellaneous wood furniture", the largest product category, grew by 43 percent to reach $194 million. Likewise, shipments of items such as wood bedroom furniture, furniture parts and seat parts also showed healthy growth (McKee 1991a). Demand for U.S. furniture in most markets is sensitive to price fluctuations induced by changes in foreign exchange rates (USDC International Trade Administration 1985).
Table 1.3  United States 1990 Furniture Exports by Principal Markets

<table>
<thead>
<tr>
<th>Destination</th>
<th>1990 value (millions of dollars)</th>
<th>% change 1989-1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>$390.4</td>
<td>+218.8</td>
</tr>
<tr>
<td>Mexico</td>
<td>66.9</td>
<td>+14</td>
</tr>
<tr>
<td>Japan</td>
<td>39.4</td>
<td>+12</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>32.7</td>
<td>+29.3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>30.1</td>
<td>- 6.3</td>
</tr>
<tr>
<td>West Germany</td>
<td>16.6</td>
<td>+26.2</td>
</tr>
<tr>
<td>France</td>
<td>10.8</td>
<td>- 0.7</td>
</tr>
<tr>
<td>Bermuda</td>
<td>7.9</td>
<td>+33.6</td>
</tr>
<tr>
<td>Bahamas</td>
<td>7.7</td>
<td>-29.1</td>
</tr>
<tr>
<td>Australia</td>
<td>6.7</td>
<td>-27.8</td>
</tr>
<tr>
<td>Others</td>
<td>103.3</td>
<td>+216.9</td>
</tr>
</tbody>
</table>

World Total        712.5                                  + 68.9


Canada is the primary market for the U.S. furniture exports. United States furniture manufacturers continue to take advantage of the free-trade agreement with Canada to increase their share of the Canadian market (McKee 1992a). Effective from January 1, 1989, the agreement called for a five-year phase out of tariffs between these two countries (McKee 1992a).

Mexico is the second largest market for U.S. furniture. In 1990 exports to Mexico increased by 14 percent to $66.9 million. United States imports from Canada and Mexico last year totaled $661 million, while American exports to these two countries were $457.3
million, making up a total of $1.1 billion in North American furniture trade. This figure could increase significantly under the North American Free Trade Agreement (NAFTA) (McKee 1991a). Although Mexican furniture is admitted to the United States duty free and Canada and the United States have their own free-trade agreement, NAFTA will eliminate many non-tariff trade barriers over a period of years (McKee 1992a).

Despite a lingering global recession and no growth in shipments to Canada and Mexico, the country's two largest furniture trading partners, U.S. furniture exports increased by 7 percent during the first half of 1993 (Thomas 1994a). Total sales of U.S.-made furniture abroad rose to $844.37 million compared with $789.95 million in the same period in 1992 (Table 1.4) (Thomas 1994a). However, the increase in sales abroad pale in comparison with U.S. imports of furniture which totalled $3.03 billion for the first nine months of 1993 (Thomas 1993a).
### Table 1.4 United States Furniture Exports: January-September 1993

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>$389.00</td>
<td>$390.63</td>
<td>0%</td>
</tr>
<tr>
<td>Mexico</td>
<td>94.33</td>
<td>93.99</td>
<td>0</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>62.15</td>
<td>53.58</td>
<td>+16</td>
</tr>
<tr>
<td>Japan</td>
<td>44.23</td>
<td>42.51</td>
<td>+4</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>24.88</td>
<td>27.38</td>
<td>-9</td>
</tr>
<tr>
<td>West Germany*</td>
<td>19.10</td>
<td>17.05</td>
<td>+12</td>
</tr>
<tr>
<td>Netherlands</td>
<td>12.07</td>
<td>9.50</td>
<td>+27</td>
</tr>
<tr>
<td>Kuwait</td>
<td>10.51</td>
<td>9.82</td>
<td>+7</td>
</tr>
<tr>
<td>France</td>
<td>9.80</td>
<td>13.03</td>
<td>-25</td>
</tr>
<tr>
<td>Venezuela</td>
<td>8.16</td>
<td>5.49</td>
<td>+49</td>
</tr>
<tr>
<td><strong>World Total</strong></td>
<td><strong>$844.37</strong></td>
<td><strong>$789.95</strong></td>
<td>+7%</td>
</tr>
</tbody>
</table>

*Includes only the former Federal Republic of Germany, not the former German Democratic Republic (East Germany).


Canada, Mexico, and Germany were the only countries among both the lists of U.S. top ten largest importers and exporters. However, the value of their furniture shipped to the United States far exceeded the value of U.S.-made furniture they received (Thomas 1994a).
Malaysia’s Wood Furniture Exports

Malaysia has always adopted an open-trade policy, not by choice, but rather by the nature of its small domestic market (Baharuddin 1990). With its advantages of adequate timber supply and competitive furniture production costs, Malaysia will likely benefit from the impending supply gap in the world furniture market resulting from the rapid increase in production cost in Taiwan and the industrialized countries (MTIB 1991a). On the other hand, the threats against the use of tropical hardwoods that have been mounting in Western Europe, North America, Australia, and Japan may adversely affect Malaysia’s exports of forest products, including furniture.

Currently, Malaysian exports of wooden furniture are small compared with other timber products. In 1990, total timber exports were $3.3 billion (approximately RM9 billion), and only 2.4 percent of that came from wood furniture (MTIB 1991b). Despite its small size, exports of wood furniture have grown from $7.8 million in 1987 to $78.9 million in 1990 (MTIB 1991b). In 1990 the United States was the largest importer of Malaysia’s wood furniture. Total imports were valued at $28.1 million, 35.6% of total Malaysian furniture exports in 1990 (MTIB 1991b). Other major export markets are Japan, Singapore, the United Kingdom, Taiwan, and Australia.

The Malaysian Industrial Master Plan (IMP), implemented in 1986, supports and encourages the development of the wood-based downstream processing industry. Since its implementation, emphasis has been given to the development of the wood furniture
industry with investment incentives and promotion activities spearheaded by the government.

Malaysia's furniture exports have registered a steady increase since the launch of the Industrial Master Plan in 1986 (Anonymous 1993). In 1991, exports of wood furniture totalled $177.4 million, an increase of more than 17 times over the exports registered when the IMP was launched.

In 1992 exports of wood furniture were $214.3 million. The United States was the major destination taking up 32 percent of total exports (MTIB 1994). Even though, when compared to 1990, this showed a drop in total furniture export share, the value of furniture exports to the U.S. in 1992 were 42.1 percent higher than that of 1991 and more than 200 percent than that of 1990 (MTIB 1994). Other markets were Japan (20.9% of total export), Singapore (15.6%), and Australia (5.8%).

For the first ten months of 1993, Malaysia exported $275.1 million of wood furniture, up 63.9 percent over the total for the same period in the previous year (MTIB 1993). The U.S., Japan, Singapore, and the United Kingdom took up 79 percent of total exports for the first ten months of 1993. Exports to the United States accounted for 40.9 percent of total Malaysian furniture exports (MTIB 1993).
World Furniture Market Characteristics

Household furniture is a durable consumer good (ITC 1990). As such, consumer spending on furniture reflects the economic situation and the level of consumers' disposable income. As a result of the recession in the early '80s, the percentage of consumers' disposable income spent on furniture/home furnishings in the U.S. and many of the OECD countries has declined.

Personal incomes have risen throughout the industrialized countries and the age distribution patterns are to the advantage of the furniture market. The "baby boomers" who are now 35 - 44 years of age, are among the leading consumers of household furniture. People in early retirement or in the 65-70 age group are also regarded as potential furniture consumers as they are likely to move into smaller houses (ITC 1990). The number and size of households are also significant. In some western nations, there is a tendency toward smaller households with both partners working thus increasing the overall propensity to purchase furniture (Anonymous 1991b).

According to the ITC study (1990), attitudes towards furniture buying vary from country to country. In many of the European nations, furniture is still regarded as a low-priority item but less so in France, Italy, and the Germany. Nevertheless, the rising demand for furniture has not been confined to regional tastes and styles. Travel and modern communication have made "foreign" styles popular in every corner of the globe (Florence 1990).
Global Furniture Market Outlook

A downturn in the gross national product (GNP) in OECD countries would bring unemployment, fewer goods would be produced, and inflation would be expected to slow down. Nonetheless, it is difficult to forecast the course of the global furniture trade, especially with the introduction of the single market in the European Union (formerly known as the European Community) at the end of 1992.

The single European market with 320 million people - some of the world’s wealthiest consumers - has adopted measures to remove trade barriers among member countries. These include (ITC 1990):

- Technical barriers, eliminating national differences and developing European standard for products, health, safety, environmental needs, quality, and a central system for approving labels and testing.
- Administrative barriers resulting from the use of a single administrative document across frontiers.

Other aspects of the single market program will be liberalized transport services, more transparent procurement for national and regional governments and other public bodies, and free flow of financial services, capital and the work force (ITC 1990).

The European Union has also signed treaties with a few Eastern European countries like Hungary and Czechoslovakia to end quotas on imports of manufactured goods from these countries. Even though furniture is not an important aspect of the EC’s trade with Eastern European countries, the emphasis on regenerating softwood and
hardwood resources by Eastern Europe and their lower labor costs might lead to a growth in competitive furniture supplies to the EC. Over the last two decades, chairs and chair parts were a major trade item from these Eastern European countries, and it is expected that cabinet furniture will follow (ITC 1990).

It is also anticipated that furniture imports into the OECD as a whole will continue to grow. However, the factors that will determine the extent of this growth are the state of the world economy, the opening of the single European market in 1992, and the increasing effectiveness of the non-governmental organizations’ (NGOs) pressure on furniture consumers concerning the use of tropical timbers for the manufacture of furniture.

Currently, the American furniture market is the world’s largest and is the target for more than 120 exporting countries (Florence 1990). The emergence of the single European market in 1992 will compete directly with the U.S. as the largest market in the world.

As the 1990s progress, American home furnishing retailers will face a changing market (Anonymous 1991a). The baby boomers, now age 27 to 45, no longer fit neatly into one big buying group. Instead, they are now fragmented into a broad range of smaller groups, among them singles, dual-income couples, single parents, growing families, and even empty-nesters. Their buying behavior will, of course, change, too.

This decade will reflect a fresh direction and the emergence of a new kind of consumers. Market researchers predict that the 1990s will be dominated by consumers
who are much more satisfied with purchasing fewer items thus compromising their
dreams in a more subdued '90s. Weighing personal fulfilment with security and stability,
they will spurn glamorous lifestyles for a more balanced approach to life with recession
and fear of an economic slide dominating their mind (Stern 1991).

**Government Incentives and Efforts to Encourage Exports**

Exporting is the ultimate means of management trying to globalize their businesses
and of governments hoping to reduce trade deficits. However, positive trade balance is
not mandatory for a country to persist. Damyanoff (1989) pointed out that the 1988
Omnibus Trade and Competitive Act and the U.S.-Canada Free-Trade Agreement are clear
signals the U.S. is serious about maintaining and improving its position in global markets.

In contrast, Porter (1980) listed a wide variety of government impediments to
global competition, most of which are under the guise of protecting local firms or local
employment:

- tariffs and duties
- quotas
- preferential procurement from local firms by government and quasi-
government entities
- government insistence on local R & D or requiring locally produced
  components in the product
- preferential tax treatment, labor policies, or other operating rules and
- regulations benefiting local firms
- bribery laws, tax laws, or other policies by home governments that are disadvantageous to their firms in international operations.

Rabino (1980) reported that the American government is not doing enough for its exporters. He cited cases where a foreign competitor had the edge in one situation or another because of governmental support. He also reported that in general, exporters were not satisfied with existing programs provided by the government. The most recurring complaints were that information provided by governmental sources was too general; the DISC (Domestic International Sales Corp) tax incentive to export was perceived to be too complex; the trade shows were "amateurish"; and the Commerce Department was slow in connecting them with local agents/distributors.

In fact, Bodur and Cavusgil (1985), Seringhaus (1986), and Sullivan and Bauerschmidt (1988) discovered that government export incentives were not at all important to export activities studied. According to empirical studies, the most frequent serious obstacles to exporting reported by U.S. firms are insufficient finances, foreign government restrictions, insufficient knowledge about foreign selling opportunities, inadequate product distribution abroad, and a lack of foreign market connections. Nevertheless, the type of obstacles perceived tend to vary by industry and by the firm's position with regard to exporting (exporters vs. would-be exporters) (Bilkey 1978).
United States Government Efforts to Improve Exports

According to Czinkota and Johnston (1981), in attempting to aid firms in exporting, various segmentation approaches have been developed by government agencies and research groups. Each of these segmentation schemes aims at the identification of specific export needs within different groups of firms. The needs of larger firms for export assistance are well met by private sector sources or through their own corporate contacts abroad. Smaller firms, however, are generally ignored by profit-oriented export service organizations which prefer the larger firms as clients (Czinkota and Johnston 1981).

The U.S. government has recognized the need for aiding small- and medium-sized firms in their exporting efforts and has initiated several programs to provide assistance. Nonetheless, these programs have been hampered by a frequent lack of resources, by focusing on the wrong target audience, and particularly, by not being sufficiently responsive to the needs of businesses (Rabino 1980). According to Czinkota and Johnston (1981), government has recognized the need to provide better and specific information and the kind of services best suited to firm’s needs and capabilities.

Apparently, there is a relatively low level of awareness of the government programs and export facilities by small firms (Ronkainen 1984). As an indication of the Administration’s sensitivity to this problem, a program called Roadmap was established within the Office of Business Liaison to assist small- and medium-sized businesses in getting information from the Federal Government.
On March 1, 1984, the U.S. Senate passed the "Export Administration Act Amendments of 1984" which included a special section on small business export assistance. Beginning exporters must be aided mainly with the mechanics of exporting such as funds transfer, documentation, and general market information while experienced exporters need help with issues like financing and customer service (Czinkota and Johnston 1981). However, Vosikis and Mescon (1981) felt that specialized aid should go beyond the typical "I need money" request of the small businessman through custom-made programs and allocation of financial and consulting resources appropriate to the firm's life-cycle stage (established firm vs. new firm) and export process stage (starting to export, documentation preparation, shipping, etc.).

According to Weber (1989), the Small Business Administration (SBA) offers three primary plans to assist individuals and companies interested in exporting. Export counseling services are provided at no cost to companies interested in exporting. The SBA also offers the Call Contact Program which puts a prospective exporter in contact with technical consultants or management knowledgeable in sophisticated industries (Weber 1989).

The SBA also offers an export revolving line of credit (ERLC). The ERLC loan is not actually a loan but a guarantee of up to 90 percent of any loan one is able to secure from one's own bank or other private lender (USDA 1990). By guaranteeing the loan, one should be able to qualify for a lower rate or secure a loan that might otherwise not be available. Since ERLC is in the form of a line of credit, it can be drawn upon as the
need arises (Weber 1989). To assist the firm interested in exporting, a cooperative agreement between the SBA and the Exim Bank was signed. Whereas the largest loan available directly from the SBA is $500 thousand, the EXIM/SBA loan can be as large as $1 million (Weber 1989).

The U.S. Departments of State, Commerce, and Agriculture have active programs of assistance to those interested in making contact with potential traders abroad. Smaller firms have sought to establish consortia of firms not strong enough economically to enter international trade alone through mechanisms such as the Export Trading Company Act of 1982 (Nagy 1988).

In addition, the U.S. Trade and Development Program (TDP) of the U.S. International Development Cooperation Agency promotes U.S. exports to developing nations. The program provides financing for feasibility studies for public and private sector projects in developing economies which would lead to the export of U.S. products and services (U.S. Department of Agriculture 1990). The Trade Finance Corporation (TRAFCO) offers fixed and floating interest-rate financing for medium-term export loans insured by major insurance companies (U.S. Department of Agriculture 1990).

The U.S. government, through the Department of Agriculture in its effort to promote and encourage the exports of wood products, published a handbook which provides a guide for wood product producers to develop a successful export marketing strategy (U.S. Department of Agriculture 1990). In addition, the International Trade Administration (ITA) of the U.S. Department of Commerce provides a wide range of
services and programs to assist U.S. firms in developing export markets. Under the sponsorship of ITA, an aggressive American furniture marketing program took place in Japan in early 1991. Shipments from the U.S. to that country climbed 40% in the first six months of 1991 (McKee 1991b).

Outside the U.S. federal government, there are other inducements to exporters. State- and regional-sponsored agencies also carry out programs to assist and promote exports. Trade associations, such as the National Forest Products Association and the American Hardwood Export Council, have aggressive promotion programs overseas. In addition, port districts have been established to operate ports and other transportation facilities at cost (Nagy 1988).

**Malaysian Export Promotion Services**

The Malaysian Industrial Master Plan (IMP) includes the strategy for the development of the wood-based industries. The IMP's main aim is to transform the wood industry into a large scale producer and exporter of high value-added wood products. Among its objectives is "to make Malaysia a highly visible and reputable center for furniture, joinery and moulding in the world marketplace" (Dato' Baharuddin 1991 p. 74).

The Malaysian government introduced fiscal and other investment incentives for industrialization designed to induce private sector contribution to the desired expansion of national output to promote economic growth. Incentive schemes are basically intended
to spur the growth of identified "priority or preferred" industries so that they can contribute toward the progress of the nation's economy.

Basically, incentives have been designed to make the cost of doing business in Malaysia internationally competitive and to attract the best investments, especially from foreign countries, with the aims of gaining access to new technology, creating job opportunities, earning export income, and developing an industrial base for the economy (Barjoyai 1989).

According to Barjoyai (1989), multinational companies consider incentives to be a critical inducement when making investment decisions. However, these companies indicated that government policies and restrictions have been the major setback in deterring investors from coming to Malaysia.

Since the domestic market is small, Malaysian manufacturers are inclined to export their products. To assist them, the government has implemented a generous package of incentives which have been continuously improved. The incentives provided include those for manufacturing, exporting, research and development, and training (MTIB 1990).

Effective assistance programs should include a combined strategy providing opportunities for inter-industry linkages such as sub-contracting between small and large companies, strengthening of financial support, and a tariff structure that favors a transitional period of protection for the local manufacturers (Dato’ Baharuddin 1991). In addition, furniture manufacturers are provided with additional incentives to motivate them to venture confidently in the competitive furniture market. In 1990, the furniture industry
was provided with more attractive incentives for investments benefitting especially the manufacturers in Sabah and Sarawak (MTIB 1990).

**Furniture Industry Export Promotion Needs**

For maximum success, export stimulation programs should be tailored to the requirements of the firms to be stimulated. Profile studies should be undertaken to ascertain identifiable characteristics of firms and their requirements concerning exporting. This could help the government to target their export stimulation efforts with reasonable precision (Koh and Robicheaux 1988). In fact, export promotion programs should attempt to satisfy the group needs by aiming at individual segments of firms rather than at the total economy (Czinkota and Johnston 1981).

Governments could definitely play a stronger role in encouraging exporting. In the U.S., programs such as DISC (Domestic International Sales Corporation), which provides tax deferral incentives to exporters for the promotion of their products overseas, could be revised to include firms which export some significant proportion of their products. Currently, DISC is restricted to firms which earn at least 95 percent of their income from export sales (Fraser and Hite 1990).

In Malaysia, more effort should be expended to assist wood furniture companies in exporting their products. As an initial step, the government, through the MTIB, could encourage and promote exporting companies to subcontract the production of components and parts to small- and medium-sized companies. The need for more active government
policy is recognized; nonetheless, acknowledgement has to be made that the true key to success lies in the response of the business people (Ronkainen 1984).

**Why Companies Export**

According to a Bureau of the Census 1987 report on exports of manufactured products, more than 4 million U.S. jobs are export-oriented. More than half of those are in manufacturing industries which account for about 11 percent of U.S. manufacturing jobs (Onkvisit and Shaw 1989). Another report released by the Department of Commerce in 1986 revealed that exports provided 5.5 million jobs in 1984 and represented about 17 percent of U.S. manufacturing jobs. It was also confirmed that exports of $10 billion would create about 193,000 new jobs of which about 82,600 are for laborers. Imports of the same amount, however, would displace some 179,000 jobs, with 100,600 being laborers’ jobs (Onkvisit and Shaw 1989).

A study by the U.S. Department of Commerce (1986) reported that 92 percent of American firms do business only in the domestic market. Of the approximately 250,000 U.S. manufacturers, only 10 percent export with less than 1 percent of those firms accounting for 80 percent of all U.S. exports (Onkvisit and Shaw 1989).

The last two decades have been characterized by a drive to expand exports and revitalize U.S. industrial leadership. In 1972, the Nixon administration’s export drive was undertaken. President Carter’s National Export Promotion Program followed in 1978 and
the Export Trading Company Act was put in place in 1982. The focus of these efforts was to change the widespread U.S. disinterest in exports, especially among thousands of small- and medium-sized businesses, into a determination to export (Ronkainen 1984).

Exports are an important counteracting measure to persistent U.S. negative trade balance. Some authors believe that the number of firms exporting must be increased and nonexporters must be encouraged to participate actively in the international marketplace (Czinkota and Johnston 1981). However, increasing the volume of exports is not the only way to counter a negative trade balance. Increasing the value of exports by trading more value-added products is another alternative.

Many of the small- and medium-sized firms have never felt any compelling need to seek business beyond the national borders and are generally unwilling to export. The Industry Advisory Committee on Small and Minority Business for Trade Policy Matters concluded that small owners avoid exporting because they simply do not wish to expose their firms to the various perceived risks and uncertainties (Vosikis and Mescon 1981).

Impediments to Exporting

Onkvisit and Shaw (1989) indicate that the reason companies do not participate in international marketing is often due to managements' short sightedness. Common reasons given include:

- foreign markets are too small;
- foreign markets are too far away;
- export profits are marginal;
- exporting is too difficult; and
- things are all right at home.

From his discussions with management and through industry studies, Sullivan (1986) identified 17 barriers to export (Table 1.5). However, in his study of the opinions of U.S. pulp and paper industry managers on the importance of each barrier, respondents were inclined to designate only a few export barriers as significant hurdles to international operations. High transportation costs to reach foreign markets as well as managements’ emphasis on developing domestic markets, high foreign tariffs on imported products, and the risks involved in selling abroad were regarded as important barriers.

According to the study by Kaynak and Kothari (1984) on export behavior of Texas manufacturers, barriers to exporting include sufficient opportunities at home, lack of knowledge about foreign markets, complexities of foreign operations, domestic and foreign government restrictions/requirements, operating at full capacity, insufficient capital, high costs, and lack of reliable distributors.

Reasons given by manufacturing firms in Nova Scotia for their non-involvement in exporting as identified by Kaynak and Kothari (1984), include foreign competition, lack of information on foreign markets, lack of staff time and service difficulty in foreign markets, large domestic market, difficulty in obtaining foreign distribution and collecting money from foreign markets, management of foreign operations, and paperwork involved.
Table 1.5  Barriers to Export: Mean Responses to Questions Concerning Their Importance in the Paper Industry.

<table>
<thead>
<tr>
<th>Export barriers</th>
<th>Mean*</th>
</tr>
</thead>
<tbody>
<tr>
<td>High value of U.S. dollar relative to foreign currency</td>
<td>4.0</td>
</tr>
<tr>
<td>High transportation costs reaching foreign markets</td>
<td>3.6</td>
</tr>
<tr>
<td>Management emphasis on developing domestic markets</td>
<td>3.0</td>
</tr>
<tr>
<td>High foreign tariffs on imported products</td>
<td>3.0</td>
</tr>
<tr>
<td>Risks involved in selling abroad</td>
<td>2.7</td>
</tr>
<tr>
<td>Lack of foreign channels of distribution</td>
<td>2.6</td>
</tr>
<tr>
<td>Confusing foreign imports regulations and procedures</td>
<td>2.6</td>
</tr>
<tr>
<td>Lack of U.S. government assistance in overcoming export barriers</td>
<td>2.5</td>
</tr>
<tr>
<td>Lack of U.S. tax incentives for exporters</td>
<td>2.5</td>
</tr>
<tr>
<td>Product specifications in foreign markets</td>
<td>2.5</td>
</tr>
<tr>
<td>are different</td>
<td></td>
</tr>
<tr>
<td>Differences in product usage in foreign markets</td>
<td>2.4</td>
</tr>
<tr>
<td>Competition from local firms in foreign markets</td>
<td>2.4</td>
</tr>
<tr>
<td>Competition from U.S. firms in foreign markets</td>
<td>2.2</td>
</tr>
<tr>
<td>Language and cultural differences</td>
<td>2.1</td>
</tr>
<tr>
<td>Aggressive enforcement of the U.S. Foreign Corrupt Practices Act</td>
<td></td>
</tr>
<tr>
<td>Lack of available capital for expansion into foreign markets</td>
<td>2.0</td>
</tr>
<tr>
<td>Lack of productive capacity to sustain foreign markets</td>
<td>2.0</td>
</tr>
</tbody>
</table>

*1 = extremely unimportant; 2 = unimportant; 3 = neutral; 4 = important; 5 = extremely important
Source: Sullivan, 'U.S. Firms View the Export Challenge' PPI, January 1986.

The U.S. Department of Commerce estimates that 20,000 U.S. companies could sell successfully in foreign markets but are not doing so (Ronkainen 1984). Reasons frequently given for the lack of export activity include information gaps, ignorance of where and how to export, unfamiliar conditions and markets, and complicated domestic
and foreign regulations. Also, there is a relatively low level of awareness of government programs and export facilities by small firms (Ronkainen 1984).

In Malaysia, wood-based industries are generally family-owned and managed, and typically operate with less than 20 workers, some of whom work on a part-time basis (Baharuddin 1984). Many of these factories still use traditional hand tools and obsolete production methods. The manufacturing, marketing, and administrative functions are generally controlled and supervised by the owner and perhaps one or two relatives who may or may not have any management expertise (Chee 1990).

Exporting furniture is a relatively new concept to Malaysian manufacturers. Wood furniture gained emphasis only in 1986 when it was included as a priority item for promotion in the Industrial Master Plan. Since then, the Malaysian government has drawn up appropriate policies and measures to accelerate the development of the wood furniture industry.

Although furniture manufacturing has been given a boost by the Malaysian government, general characteristics that limit the sector's capabilities for industrial development and exporting (Brion 1990) are a lack of capital, a low level of technological development, a lack of industry-oriented skills and highly skilled manpower, a small domestic market, a lack of knowledge about international wood products markets, and a lack of properly trained personnel and training facilities for middle management and floor-level supervision.
In Malaysia, there are about 2,000 wood and rattan furniture manufacturing factories of which about 230 are exporting (MTIB 1990). According to Baharuddin (1991), the structure and pattern of the industry will depend on the following factors of change: a) the state of the resource, b) the state of the market, and c) the prevalent investment climate.

**Reasons for Exporting**

Drees (1986) states that the commencement of activity leading to expansion from domestic markets to international markets should be strictly on the basis of long-term profit with no other motivation. There are very solid business reasons for a company to consider expansion to international markets. A market is there with profits to be earned or there is a need to broaden the company’s markets to protect its existing profit. The reason most companies expand into international markets is either to enhance profits or to maintain them in times of economic downturn (Drees 1986).

Because of the large size of the U.S. market and some disappointing marketing experiences abroad, many American companies have avoided aggressive international marketing. However, two sets of circumstances may draw them into international marketing:

a) They may be **pushed** by weakening markets opportunities at home. Gross national product growth may slow down; R & D and manufacturing costs may escalate and be recoverable only by "going global"; the government may push
business into expanding abroad to earn more foreign exchange and reduce trade
deficit (Kotler 1984).

b) Companies may be **pulled** into foreign trade by growing opportunities for their
product in other countries without abandoning the domestic market (Kotler 1984).
Companies may also be pulled into foreign trade due to industry consolidation,
joint ventures, etc.

International trade has both good and bad points. Besides providing companies
with additional outlets for their goods through international trade, companies can extend
the life cycle of their products by bringing them to other countries. On the other hand,
international trade can be a threat. While some American companies have aggressively
expanded abroad, many foreign companies have entered the American market. Also
through international trade, other countries would eventually learn to make the same or
better goods at reduced costs and invade the market (Kotler 1984).

Kaynak and Kothari (1984) revealed that the important stimuli to Nova Scotia
exporters were better opportunities for their product(s) in foreign countries, receipt of an
unsolicited order from a foreign country, availability of unutilized or underutilized
production capacity, and a saturated home (Canadian) market for the company’s products.

According to Hammett, Cubbage and Luppold (1991), there are a number of
marked differences between hardwood lumber producers in the Southern Appalachian
region that do not export and those that do export. Factors which characterized
companies that export were big mill size, high product quality, marketing expertise.
younger sales manager, access to communication facilities, better equipment, and a large number of employees.

Onkvisit and Shaw (1989) found that most countries are not as fortunate as the U.S. in terms of market size, resources, and opportunities. As such, they must trade with others to survive. Likewise, without foreign markets, European firms would not have sufficient economies of scale to allow them to be competitive (Onkvisit and Shaw 1989).

Demand for most products is affected by cyclical factors such as recession and seasonal factors such as climate. One way to diversify a company’s risk is to consider foreign markets as a solution for variable demand. Such markets may even out fluctuations by providing outlets for excess production capacity (Onkvisit and Shaw 1989).

Jenster et al. (1989) summarized reasons for exporting as follows:

a) increase overall sales volume and utilize excess capacity;
b) compensate for seasonal fluctuations in domestic sales;
c) find new markets for products with declining U.S. sales;
d) exploit existing advantages in untapped markets;
e) take advantage of high-volume foreign purchases;
f) follow domestic competitors who are selling abroad;
g) acquire knowledge about international competition;
h) test opportunities for overseas licensing or production;
i) contribute to the company’s general expansion;
j) improve overall return on investment;

k) create a broader marketing base;

l) improve economies of scale in production, in marketing, and in distribution;

m) spread fixed costs over more products, which reduces the costs of production and increase profits; and

n) create more profits and more jobs for Americans and help strengthen the country's international trade position.

Global competition and the rising importance of world trade are rapidly toppling barriers to trade and investment in the U.S., Canada, and Mexico (Anonymous 1991c). Growing economic integration in North America will have a far reaching impact on business. Peterson (1991) reported that manufacturers, especially those producing wood furniture, have faced another challenge which compounded the problem. Offshore producers have made significant market share gains in the decade of the '80s. The combination of new competitive pressures and new regional opportunities will definitely drive chief executives to redefine the nature of their businesses.

Managerial Characteristics

Many observers in the U.S. have blamed the balance of trade deficit on governments - specifically import barriers in foreign countries and government actions in this country that have produced an unrealistically high exchange rate (Korth 1991). Nevertheless, companies from many other countries have been able to export successfully
despite the existing trade barriers. In the U.S., even companies that have the potential for successful exporting, do not adequately pursue their foreign market opportunities (Korth 1991). According to Korth (1991), there are five major barriers:

- limited ambition
- unrecognized opportunities
- culpable lack of necessary resources
- unrealistic fears
- managerial inertia

Success in exporting is a function of a correct understanding of the configuration of trade policy, its risks and potential profit opportunities, and a correct choice of a combination of managerial responses to the current and expected trade configuration (Agmon and Hekman 1989). The first managerial lesson to be derived from this insight is that management must first ascertain the likely changes and, given these changes, the importance for their firm in the short and long run (Agmon and Hekman 1989).

Exporting is not usually an objective in itself. According to Tookey (1975), often an individual may become an exporter because of interest in travel abroad, international contacts, and a more varied life. To participate in the world markets, the manufacturers must know not only the market factors in international business but also the technological implications in doing business in the global market. These implications transcend the traditional factors of culture, language, and institutional differences (Roman and Puett 1983).
Bilkey (1978) reported that export initiation tended to focus on the effects of change-agents, both external and internal. External change-agents include Chambers of Commerce, industrial associations, banks, government agencies, and other firms. An internal change-agent tends to be a member of the firm's top management who is interested and enthusiastic about exporting.

In addition, managers' ages also are relevant. Younger managers tend to be more internationally minded than older ones (Bilkey 1978). Cragg and King (1988) pointed out that when studying smaller firms, younger owners may be more likely to adopt new methods by way of equipment and managerial practices. They also indicated that younger firms and younger owners perform better than older firms and older owners. Similarly, Dichtl et al. (1984) discovered that young, highly educated and polyglot managers displayed stronger foreign market orientation than others.

Management should match its firm's own profile with the profiles of successful exporters as a guide to its export potential. Middle management may find this a useful means for eliciting top management's support for export development (Bilkey 1978). Kaynak and Kothari (1984) discovered that some of the managers studied feared that they were unable to go through product adaptation or afford higher selling costs involved in export marketing. Managers who have committed themselves to exporting and actually engage in it, invariably take a more positive view on foreign operations and adhere to more export marketing planning than managers of non-exporting firms (Dichtl et al. 1984).
Exporters assess their chances of success on export markets higher than non-exporters. They also enjoy a higher level of education, display less fear of the risks involved, estimate the costs of export activities to be lower, and perceive fewer difficulties regarding communication than their colleagues focusing on the local market (Simpson and Kujawa 1974, Dichtl et al. 1984).

Various studies support the premise that the decision to export is more likely to be made in firms where top management has an international orientation (Weidersheim-Paul, Olson and Welch 1978; Bilkey 1978; Brooks and Rosson 1982). A trip overseas by an owner/manager has been a potential export motivator (Gottke and McMahon 1989). Reid (1984) reported that foreign exposure may be salient but not a determinant factor in an export entry decision, and it may have its major impact in choice between export markets rather than in actual expansion decisions.

According to Christensen et al. (1987), successful exporters were more diversified, as measured by the number of product lines produced, than are ex-exporters. Possibly the skills necessary to devise systems to manage a complex product would also serve the firm well in managing products in foreign markets. Moreover, the successful exporters delegated more responsibility to lower hierarchical levels than those firms that stopped exporting (Christensen et al. 1987).

A successful company consists of a set of managers who achieve close cooperation by agreeing on a central set of objectives and ways of doing business (Ouchi 1981). The decision-making may be collective, but the ultimate responsibility for a decision should
still reside in one individual (Ouchi 1981). Usually, the desire to change comes from a key person who cares sufficiently about the organization to invest time and energy, and risk in taking leadership (Ouchi 1981). The manager in today’s world does not get paid to be a "steward of resources". The manager is paid for: making things better, making things different, changing things and acting today (Peters 1987). Cavusgil and Nevin (1981) found that managerial attitudes play a major role in the firm’s progress in exporting and its need for assistance.

Summary and Conclusion

The market for wood furniture is vast, and the demand for furniture is increasing. American and Malaysian furniture exporters take up a small portion of world exports of furniture. Small- and medium-sized firms especially, may not think of exporting seriously since they are wary of uncertainty and do not want to take unnecessary risks. Firm size may influence the capability of a company to export. But, if the decision-maker has knowledge of the market and has the aggressiveness to export, many small companies can succeed in exporting. Of course, financial and production capabilities must also be present.

The manner in which the wood-based industry, including wood furniture, conducts business is markedly influenced by the legal and administrative environment imposed by
the government. No wood-based firm, large or small, can operate without complying with a myriad of government rules and regulations. Therefore, this study will benefit government agencies by providing information that will help to develop future strategies and programs for the wood furniture industry. This will benefit the Malaysian government particularly since their strategy is to increase the exports of value-added wood products (including furniture).

The perceptions and attitudes of wood household-furniture manufacturers regarding government export incentives has not been defined specifically. The findings of this study will assist relevant government agencies such as the U.S. Department of Commerce, the Small Business Administration, Malaysia’s Ministry of International Trade, and the Malaysian Timber industry Board in formulating incentives that will benefit the manufacturers in the long run. Beneficial incentives and programs that motivate export decision-making will influence firms to export.
Literature Cited


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SECTION II

Export Opportunities for Wood Household Furniture in the U.S. and Malaysia
Introduction

Change has always been an integral part of business life. Several major areas of change can have a profound effect on business and organizations able to cope with these changes are more likely to succeed. One of these areas of change is the globalization of markets. Companies can no longer plan without considering the world as their marketplace (Robert 1993).

Export markets are becoming increasingly important and deserve the attention of wood products manufacturers. As global trade increases, wood products manufacturers should regard it as an opportunity for establishing and expanding export markets to gain benefits such as economies of scale, full utilization of capital intensive resources, and market diversification (Sullivan and Bauerschmidt 1988, Cohen and Smith 1992). Although the startup period for exporting can be time-consuming and expensive, the resulting market penetration can be well worth the effort.

In some countries, internationalization has always been important because of relatively small home markets and great dependence on exports (Louter 1991). Despite the impact of currency fluctuations and other global events, international markets can provide opportunities for business expansion not available in mature domestic markets.
According to Porter (1986) and Smith and West (1990), trends that facilitate international competition in the 1990s include:

- the growing similarity of world markets,
- flexible global capital markets,
- falling tariff barriers,
- the integrating role of technology, and
- new global competitors.

In international marketing, the degree of standardization influences the costs and differentiation of products. The opinion that globalization of markets implies standardization of the marketing mix all over the world has raised a lot of controversy. Nevertheless, it has been disputed by several academicians and practitioners who believed in "standardize what is possible, differentiate where necessary" (Louter 1991).

Although the marketplace is global in scope, it will never be homogeneous in character. In Europe, for example, language and culture differ in each country, whereas customs and traditions vary greatly from one Asian nation to another (Robert 1993). Similarly, the United States is becoming multicultural with the influx of immigrants from countries such as South America, Korea, Japan, Vietnam, and the Philippines. Customers' preferences for products differ according to culture, education level, lifestyles, and tastes. Entry strategies for different international markets may also differ due to the variation in distribution channels and trade practices.
To enter the export market, producers must have the flexibility or willingness to tailor their product line to meet specifications quite different from those of the home market. Producers need to develop long-term foreign market development strategies since commitment to importers also includes staying with sales when the importing market is weak (USDA 1990).

In the 1990s, the environmental protection issue is shifting consumer tastes, and the public wants to buy products and services that use nature more frugally (Millstone and Watts 1992, Taylor 1992). Demand for timber in the United States and other countries with sustainable resources will rise as other regions attempt to resuscitate their forests. However, products must be compatible with overseas demand and marketed in ways that address the concerns of overseas buyers if profitability is to be maximized.

Exporting can be done in several ways (Sinclair 1992), and among the most used are through a firm’s own sales force selling directly to overseas buyers, through a trading company or foreign agent, through the local representative of a foreign company, or through an international trading company. Joint ventures are used to build manufacturing facilities, as well as share expertise. Direct ownership, however, requires high risks.

Primary differences in competing internationally compared to nationally have been identified as: 1) factor cost differences among countries; 2) differing circumstances in foreign markets; 3) different roles of foreign governments; and 4) differences in goals, resources and the ability to monitor foreign competitors (Porter 1980, Smith and West 1990). However, according to Bullard (1989), comparative advantage in furniture
production during the next 20 years will become much less related to raw materials and labor costs and much more related to the quality of technology, management, and labor as well as to state and federal government activities that establish the general economic environment including the terms of international trade.

Some of the major deterrents for entry into export markets have been the lack of needed information, foreign contacts, promotional know-how and facilities, knowledge of documentation and procedures, and the resultant fear of the unknown (Simpson and Kujawa 1974, Pavord and Bogart 1975, Bilkey and Tesar 1977, Kedia and Chhokar 1986). Market research suggests that information acquisition and utilization are needed to make a rational market entry decision (Sood and Adams 1984, Kaynak and Kuan 1993).

The use of information can reduce export risk and consequently increase a firm's willingness to allocate more resources to exporting. Bilkey (1978) indicated that export barriers represent a lack of market knowledge or information. This was supported by Cooper and Kleinschmidt (1985) who reported that outstanding exporters tend to rely extensively on external information sources to facilitate their export activities.

The demand for furniture is related to a number of factors which include: residential construction, sales of existing homes, interest rates, consumer confidence, and disposable income (U.S. Industrial Outlook 1992). The state of the economy and consumers' lack of confidence about its future can be clearly seen through the performance of the housing industry (Standard and Poor's 1992). The single most
important stimulus for buying furniture is "moving into a new home", and studies have shown that the average consumer spends more on new furniture within two years of moving into a new home than any other time in the consumer's life (Standard and Poor's 1992).

The United States remains the largest furniture consuming market in the world with the European Community a close second (ITC 1990). The size of the U.S. furniture market makes it attractive to foreign competitors. Generally, it is also the main reason for low U.S. furniture exports since furniture producers may be content to produce only for the home market. Furniture production is labor-intensive, and producing countries with low wage structures such as Malaysia have gained comparative advantage compared to the United States. Because of these factors, Malaysian wood household furniture exporters have been targeting their efforts toward the U.S. furniture market.

Furniture producers in the U.S. have been urged to become more involved in exporting to reduce the "furniture deficit." But to most furniture producers, exporting involves unusual financial risks, complicated paperwork, and transactions with people with different customs and values (Florence 1990).

The purpose of this section is to describe furniture export opportunities for U.S. and Malaysian furniture producers. Export opportunities in the U.S. for wood household furniture is included since the U.S. is a potential market for Malaysian furniture producers.
World Overview

Throughout the mid-1980s, there was continued strong growth in the value of world trade in all types of furniture. Between 1983 and 1989, international trade of furniture and furniture parts grew by over 200 percent (Smith and West 1992). Some countries continued to increase their furniture imports, resulting in large furniture trade deficits (ITC 1990). This was particularly true of the United States, France, the United Kingdom, Switzerland, and the Netherlands during the period 1982-1987 (ITC 1990).

Of the major furniture producing countries, Asian countries pay workers substantially less than the United States (Anonymous 1993c). There is a difference between wages paid in the U.S. and wages in its NAFTA partners. Canadian workers are paid 5 percent more than Americans, while in Mexico, employees received 15 percent less than the Americans (Anonymous 1993c). However, furniture production workers in Europe are paid more than American employees (Anonymous 1993c).

Attitudes towards furniture buying vary from country to country. In many of the European countries, furniture is still regarded as a low-priority item, but not so in France, Italy, and Germany (ITC 1990).

The styles offered by exporters must be determined by the styles in the markets selected. Europeans, for example, prefer wide, floor-to-ceiling wardrobes with sophisticated modern hardware and most often with luxurious mirror fronts.
In the U.S., wood bedroom furniture consists of smaller chests of drawers and beds, while wardrobe storage is provided by built-in closets (ITC 1990).

Asia

The economies of Japan, Korea, and Taiwan expanded significantly during the 1980s. A significant portion of this growth was export-led with exports often destined for the United States. As the economies of these countries have grown, incomes have escalated, resulting in increased wealth, a higher standard of living, and greater consumption. This in turn stimulates increases in new housing construction, renovation and remodelling of existing structures, and furniture purchases.

The International Monetary Fund (Anonymous 1992), predicts that developing countries in Asia will see healthy economic growth during the 1990s. China, Hong Kong, Indonesia, South Korea, Taiwan, Thailand, and Singapore continue to be the fastest-growing economies in the region. The increasing number of young professionals, a growing middle-class with changing family structures, and urbanization will cause increasing demand and consumption of high-end products of good quality and design in Asia (Anonymous 1992e).

Asian markets have long tantalized Western manufacturers because of their potential. However, many companies find marketing in Asia more difficult than anticipated. Cultural differences are reflected in consumption, perceptions of value and quality, and business practices (Jensen International 1992). Thus, understanding consumer
preferences and the customs of targeted markets can provide a significant boost to planning and implementing a marketing strategy.

- Japan

The Japanese furniture market is the focus of foreign exporters despite being less dependent on imports than are the U.S. and the European markets (Maskayu 1991). In Japan wood furniture is popular because of the aesthetic appearance of wood which is highly valued by the Japanese.

Furniture imports have expanded significantly at an average annual rate of 30 percent between 1990 and 1992 due to an improvement in the construction industry. The building boom reflected the rapid expansion of the Japanese economy under a government policy of stimulating domestic demand. However, demand for imported furniture has slowed, especially in the market for upper-end products, following the collapse of the economy and the subsequent stagnation of the domestic economy in 1991-92 (Figure 2.1) (Anonymous 1993a).

Future trends in imported furniture depend largely on the magnitude and duration of the economic stagnation. It is generally believed that the slowing of the economy will be short-lived, and that the upward trend in furniture imports will continue but at a slower pace (Anonymous 1993a).

Japan has traditionally been one of the top ten markets for wood household furniture from the United States. In January-September, 1993, $44.23 million of furniture
exports, an increase of 4 percent for the same period in 1992, were shipped to Japan. Malaysia exported $48.3\textsuperscript{5} million of wood furniture in 1992, a 49 percent increase from 1991. In 1993, Malaysian furniture exports to Japan were $70.9 million, up 58.6 percent. A growing "green" movement in Japan may change the types of products imported, and it is likely to affect furniture imports made of tropical woods (Anonymous 1992).

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure2.png}
\caption{Japan Furniture Imports Trends in 1986-1992 (in millions of Yen)}
\end{figure}

\textsuperscript{5} Calculated based on: USS1=RM2.7
Although the import share of the Japanese market has grown with the appreciation of the yen, imports account for a minor share of domestic sales. In 1989, wood furniture imports were $500 million (Jensen International 1992). Twenty-six percent were supplied by Taiwan, followed by Italy (13.9%), Thailand (9.8%) and the Republic of Korea (7.8%). The United States was the sixth largest supplier with 6 percent of the Japanese import market for wood furniture.

According to a survey by the Japan Furnishing Sales Association conducted in August, 1992 (Anonymous 1993), 51 percent of the 250 large Japanese furniture stores surveyed indicated their intention of increasing sales of imported furniture, 42 percent planned to maintain sales at the current level, and only 6 percent anticipated a drop.

Imported furniture items are often at the high end of the market for two important reasons:

(1) Japanese are tradition-oriented and Western styling does not always fit into the Japanese setting, and

(2) imported furniture is often too large for the average home which are relatively small but functional.

Because of the Japanese preference for quality, high-end products can be extremely competitive. Foreign furniture is purchased for the novelty or cosmopolitan flair that owning such pieces suggests, and younger Japanese have been replacing "traditional floor-oriented furniture with Western contemporary types" that use space more efficiently (Bangsberg 1993). According to Smith and West (1992), high-end U.S. style furniture is typically purchased for U.S. style housing in Japan.
Japan has come under increasing international pressure to open domestic markets to the many nations with which it enjoys a trade surplus. Tariffs on furniture imports are low; however, there is no tariff on wood furniture for offices, kitchens, and bedrooms (Jensen International 1992).

Appreciation of the yen makes imported furniture increasingly attractive to the Japanese consumer. Prospects for furniture imports look good; however, products must be tailored to consumer tastes and producers must provide the level of consumer support the Japanese have come to expect. The demand for residential furniture, however, is associated with a variety of other market indicators such as housing starts and the number of marriages and births.

The Japanese will spend on average 5 to 8 percent of a housing unit’s price on interior decorations and furnishings (Anonymous 1993a). According to a survey by a Japanese furniture industry organization (Jensen International 1992), when buying furniture, Japanese consumers are concerned about the use of space. Harmony with the room and the size of the furniture are the two greatest considerations in purchasing a living room table and chairs (Figure 2.2). Design, material and durability were the next most frequently mentioned concerns. Price was mentioned only in relation to the purchase of a living room table.
Figure 2.2 Japanese Consumers’ Concerns in Purchasing Tables and Chairs

Imported furniture must not only be unique, having features and characteristics found in their countries of origin, but designed to be conveniently used in the Japanese home (Anonymous 1993a). The furniture must be suited to Japanese living not only in design but also in functionality and quality. In addition, the furniture must be priced such that they would come within the range of competing domestic products.

The Japanese market can frustrate offshore companies due to the network of acquaintances and the exchange upon which Japanese business thrives. A good knowledge of the Japanese distribution system for furniture parts and finished products can help potential exporters identify the best Japanese companies to target for developing
contacts. The complex distribution system may induce product markup of up to 400 percent at retail (Smith and West 1992). However, given the variety of players in the Japanese furniture industry foreign suppliers of furniture and furniture parts can enter the distribution flow at any point.

In Japan the market for high-end furniture remains promising although it is still small. This may make it impossible for a company to sell any single type of product in large quantity. Thus, the best policy would be to offer a wide variety of products, each in a limited quantity (Anonymous 1993).

United States and Malaysian wood household furniture producers will find their furniture sales more effective in Japan if their products and their marketing strategies consider the perceptions surrounding wood and wood quality held by Japanese consumers.

Due to ever-increasing costs of labor and raw materials, Japan’s domestic furniture industry has stagnated. At the same time, the Japanese furniture industry must focus on high value products for up-market application. Consequently, the Japanese furniture industry will need to import more finished and semi-finished parts and components in order to remain competitive. As such, furniture and furniture parts made to Japanese specifications are potential market niches for U.S. and Malaysian producers.
- South Korea

South Koreans have begun to buy more furniture, reversing a faltering import trend brought about by an anti-consumption drive (Anonymous 1992). In 1991 furniture imports rose to $62.7 million, an increase of 12.4 percent over the previous year (Anonymous 1992).

In 1993 Malaysia exported $2.9 million of wood furniture to Korea, up 172 percent over the previous year (MTIB 1994). Exports from the U.S. to Korea were insignificant. However, exports of American oak, walnut, maple, birch, beech, ash, and cherry to Korea, especially in the form of lumber, have been increasing (Smith and West 1990). These woods were used as substitutes for Southeast Asian hardwoods which are subjected to export restrictions by producing countries.

The bulk of South Korean furniture imports are comprised of sofas, beds, kitchen furniture, and tables. Europe supplies about 40 percent of all imports while Japan had a 13 percent share (Anonymous 1992). The soaring imports and the aggressive moves by foreign companies to penetrate the South Korean market have resulted in the local furniture companies not performing well. Several large Korean companies, such as Borneo International Furniture and Samick Furniture, suffered financial problems (Anonymous 1992). Industry experts blamed the accelerating foreign dominance on the local industry which had failed to improve the functional aspects and designs of furniture they produced.
Demand for wood furniture in Korea has shot up from $16 million in 1975 to $696 million in 1988 (Jensen International 1992). In 1988 imports represented under 2 percent of furniture sales, of which the United States and Japan accounted for 40 and 12 percent respectively.

According to Jensen International (1992), Korean consumers can be defined in five broad categories:

1. Brand-loyal consumers - upper-income urban dwellers, married, in their 30s, and generally with college or postgraduate educations. This is an important buying group since other consumers identify with the trend-setting, wealthy and well-educated consumers of this group.

2. Cognitive consumers - majority are from the lower-income groups of small and medium-sized cities.

3. Price-conscious consumers - use price as a measure of a product’s quality and believe that price is the most important factor in making a purchase decision.

4. Impulsive consumers - lower-income salaried workers and teenagers. Because of their age and/or economic status they are unlikely to buy a new home or a home fitted with expensive furniture.

5. Conspicuous consumers - they buy in order to demonstrate their socio-economic status. They buy specific brands and imported luxury goods.

Generally, wood is the most preferred material for furniture (Figure 2.3). The traditional mother-of-pearl, lacquered, and teak wood furniture are popular with the middle- to older- aged groups (Jensen International 1992). Western furniture styles are often sold in ready-to-assemble or knocked-down furniture. Korean consumers find
European style increasingly attractive. High gloss finishes, similar to the lacquered processes have been selling well (Jensen International 1993).

![Pie chart showing wood preferences: Teak (37.4%), Other wood (35.9%), Mother of Pearl (26.7%).]

*Note: Percentage of responses in a consumer survey.*

*Source: Courtesy Alliance Research (extracted from Marketing Strategies for Forest products: Pacific Rim Opportunities, Jensen International, 1993)*

**Figure 2.3** Korean Consumers Preferences for Furniture Materials and Styles

Korea has been under great pressure from its trading partners to lower tariffs which prevent foreign wood products from being competitive in domestic markets. Furniture import duties will be restructured, and these changes will likely generate increased competition from companies in the United States, Japan, Taiwan, and Europe.

South Korea has been impacted by foreign culture. Due to the massive presence of the American armed forces, many traditional Korean tastes and cultures have been
influenced by Americans. Western styles of furniture are popular; and, therefore, this would provide good opportunities for U.S. furniture producers.

Because of increasing domestic labor and manufacturing costs, Korean furniture manufacturers and retailers may resort to foreign products that can be purchased at a lower unit cost than if they were manufactured in Korea.

Opportunities for U.S. and Malaysian furniture manufacturers will certainly be at the high-end of the marketplace. It will be beneficial if U.S. and Malaysian manufacturers can track what is popular with the brand-loyal consumers. This will not only enable them to have an indication of what the brand-loyal consumers will be purchasing but also allow them to focus on the high value niche markets. However, U.S. and Malaysian producers should be cautious since these markets are fashion-oriented and can change rapidly.

The most effective way for U.S. and Malaysian furniture producers to access the South Korean market is to seek out and understand the market niches where demand currently exists and position themselves to take advantage of future trends. Constant market tracking and flexible manufacturing by U.S. and Malaysian manufacturers will, therefore, be necessary.
Taiwan is the largest furniture source for furniture imports for the United States. During January-September, 1993, Taiwan was the twelfth largest recipient of U.S. furniture exports (Thomas 1994). In the same period, the value of U.S. furniture exported to Taiwan amounted to $6.4 million, a 66 percent increase compared to $3.9 million in the first nine months of 1992 (Thomas 1994).

Malaysia exported $10.5 million of furniture to Taiwan in 1993, a 67 percent increase compared to 1992 (MTIB 1994). The significant increase is due to a rise in shipments of furniture components and parts produced by Taiwanese wholly-owned or joint-venture companies based in Malaysia to their parent companies in Taiwan for further assembly or production.

Presently, the Taiwanese furniture industry is maturing. Faced with rising labor and material costs, increased competition, and growing public concern about the environment, furniture manufacturers in Taiwan are diversifying their markets by shifting production overseas, improving management, and striving for greater production efficiency (Smith and West 1992).

Taiwan's apparent marketing strategy for furniture has been specific to one market - the United States. In an effort to reduce their huge trade imbalance with the United States (by far the largest market for Taiwanese products), Taiwan has begun to change its marketing focus to Japan, Europe, Southeast Asia, and the Eastern bloc countries (Kaynak and Kuan 1993). The Taiwan Furniture Manufacturing Association has outlined
their strategy for the year 2000 which emphasizes reduced exports to the U.S. (Figure 2.4) (Jensen International 1993).

The Taiwanese acquire their high-end furniture from overseas. Currently, Italian leather furniture followed by furniture with the Scandinavian pine look is popular (Jensen International 1992). Furniture of the Scandinavian pine genre is imported largely from Italy and Sweden.

The most important concern of the Taiwanese consumer is cost (Jensen International 1992). Standards of quality and beauty are not the most important
consideration in the purchase. A major factor in the market for cabinets and other unit-based furniture is that virtually no building construction standards exist. Consequently, odd-shaped building units are produced and standardized furniture might not fit properly. The high labor costs in Taiwan will force Taiwan manufacturers to import more semi-finished and finished goods. This provides opportunities for Malaysian furniture manufacturers especially since the majority of them are producing components and furniture parts.

United States and Malaysian manufacturers who wish to trade with Taiwan must have a good understanding of the trade practices in Taiwan. In Taiwan business people place a high value on relationships, particularly business relationships. Therefore, foreign business people who take the time to understand the expectations of Taiwan business people will be better equipped to conduct business negotiations in Taiwan.

- People’s Republic of China

China’s economy has improved, growing an average of 9 percent in 1992 and 1993. In 1992 the gross domestic product increased by 12.8 percent. Although per capita income is only approximately $380, more than a million Chinese are millionaires, and as much as 5 percent of the population is affluent by Chinese standards (Nelan 1993). China’s standard of living has risen rapidly, and people now have more choice regarding where and how they wish to live (Ching 1993).
China is the fifth largest source of furniture imported into the United States (McKee 1993). The value of Chinese furniture imports in the U.S. has more than doubled since 1989 (McKee 1993). During the first nine months of 1993, U.S. furniture imports from China increased 56 percent over the value of imports for the same period in 1992 (Thomas 1994).

United States furniture exports to China are insignificant. Malaysia's wood furniture exports to China is small, too, but increasing (MTIB 1994). In 1993 Malaysia exported about $245,000 of furniture, a six-fold increase over the value exported in the previous year (MTIB 1994). One of the major constraints when exporting to China is a lack of knowledge of Chinese products, standards, and end-uses (USDA 1990). It is, however, believed that a significant increase in value-added wood product exports to China will occur only with long-term commitment to learning to service this growing market (USDA 1990). China's strong economic growth in the past two years has increased the people's consuming power. Increased living standards have resulted in a shift in demand toward high-end furniture (Anonymous 1992).

China's population is close to 1.2 billion people, but only 60-100 million of them are believed to be sufficiently well-off to afford foreign consumer goods (Goll and Ono 1993). In 1991 about 43 percent of the total population were between the age of 25-60 (The Wall Street Journal 1993). According to Goll and Ono (1993), Chinese consumers are emulating the Western and Japanese young urban professionals, and demand for foreign consumer goods has increased tremendously. Because of rising
production costs in Singapore and Malaysia, China has become a viable and attractive alternative choice for relocation. A group of Singaporean furniture companies is planning to set up furniture manufacturing facilities near port of Shanghai with the intention of selling 50 percent of their output domestically (Anonymous 1992).

Furniture manufacturers and exporters should take advantage of China’s open-door policy as well as the lucrative domestic market situation. In addition, major development projects are being constructed in China (Reitman 1993); and once these construction projects are completed, furniture and interior designing will be in great demand.

North America

- Mexico

According to Engel (1993), the 1990s will be the decade of the consumer in Mexico. When certain trade barriers fell in the late 1980s, Mexico began to be an attractive export market to the United States and other countries.

In 1992 Mexico was the third leading U.S. export market for forest products, after Japan and Canada (USDA 1993). Shipments of furniture and furniture parts, excluding bedding, from the United States to Mexico shot up nearly 32 percent in 1992 to over $128 million (Engel 1993). From January to September, 1993, Mexico imported $94.33 million worth of furniture from the U.S., about the same as in the first nine months of 1992 (Thomas 1994). In 1993 Malaysia’s exports of wood furniture to Mexico were only about $0.5 million. However, this level was a four-fold increase over 1992 (MTIB 1994).
After Canada, Mexico is the second largest importer of wood furniture from the United States (McKee 1993a). A stabilized economy, a growing middle class, an underserved consumer base, and a desire for U.S. products are among the forces driving U.S. furniture exports to Mexico (Engel 1993). However, the Mexican market share for U.S. furniture has been decreasing from 85 percent in 1990 to 75 percent in 1992. This was mainly due to increases in furniture imports from Asian countries such as Taiwan and Korea. Nevertheless, exports of U.S. furniture to Mexico are expected to increase with the implementation of the North American Free Trade Agreement (NAFTA).

Under NAFTA, Mexican tariffs, which were as much as 50 percent on certain kinds of furniture, will be phased out over a period of five years (McKee 1993a). NAFTA also ensures that furniture sales representatives, market researchers, and others involved in sales and promotion activities on behalf of U.S. furniture companies are able to use temporary-entry provisions to facilitate travel for the sales of goods in Canada and Mexico. They may enter Mexico with samples, advertising films, videos, and printed advertising material without having to pay duty on those items (McKee 19963).

Over the past five years, Mexican economic policy has encompassed a series of economic pacts which include tight fiscal and monetary policies with wage, price, and exchange rate controls. These pacts have been successful in reducing inflation and restoring economic confidence while avoiding a sharp recession (USDA 1993).

Furniture production in Mexico is constrained by the general slowdown in the economy resulting in reduced demand for furniture. The furniture industry is relatively
small and fragmented compared with other industrial sectors. The United States is the sole market for Mexican furniture (Engel 1993).

Despite being a market of lower-income people, Mexico appears to be dominated by middle-market furniture retailers (Engel 1993). However, the three major population centers where big retailers are clustered are Guadalajara, Monterey, and Mexico City, the largest.

With the restructuring of the economy from a closed- to an open-market system, the middle niche is expected to expand tremendously. Roughly 20 percent of the country's more than 80 million people fall in the middle class (Engel 1993). Mexican retailers plan to reach this group, partly with an increasing supply of imported goods from the United States.

In Mexico most furniture is sold through two channels - furniture and furniture-oriented stores or major department stores. Beyond this, there are a small number of specialty stores and chains and countless tiny family-run furniture operations which carry a small amount of low-end furniture.

Styles and consumer preferences vary with climate, geography, and markets. Consumers in Northern Mexico like Early American and Colonial styles (Engel 1993). In Guadalajara, western central Mexico, European and Italian styles are popular. However, contemporary is acceptable in Guadalajara as long it is not too contemporary (Engel 1993). For case goods, Mexicans tend to think big, reflecting strong extended
family ties. Typical dining room tables are larger than the U.S. standards, and each table often comes with eight chairs instead of six.

United States products are competitive in Mexico despite costs of freight, tariffs, taxes, and commission for agents (James 1993). It is critical to have a skilled bilingual sales representative with knowledge of the market in order to succeed in Mexico. However, according to James (1993), a relatively quick way to enter the market is to establish a joint venture with a Mexican producer, many of whom are distributors and retailers.

- Canada

Canada is the second largest market for U.S. wood products (USDA 1993). Due to proximity and lack of nontariff barriers, Canada imports a wide range of wood products from the U.S. Canada accounted for 46 percent, or $389 million, of total United States furniture exports in January-September 1993 (Thomas 1994). In 1993 Malaysia exported $7.7 million of furniture to Canada (MTIB 1994). This reflected an increase of about 33 percent compared to exports in 1992.

Canada has similar tastes and share a common language with the United States. These similarities reduce the cost of entry of U.S. furniture into the Canadian market (U.S. Department of Commerce 1985). Furthermore, exports from the U.S. to Canada benefit from relatively low transportation costs. Since transportation is a significant part of the production costs, U.S. furniture exporters have an advantage over foreign suppliers.
Implementation of the North American Free Trade Agreement has opened up additional opportunities for furniture trade between the United States and Canada, especially for the U.S. where producers generally enjoy lower production costs (Smith and West 1992). Due to NAFTA, U.S. furniture exports to Canada have shown a strong increase while Canadian exports to the U.S. have stabilized.

In 1992, despite improved business conditions, there was a slip in the Canadian housing market of 8 percent to about 150,000 units (USDA 1993). As furniture sales depend on the residential housing industry, this will reduce the consumption of household furniture. The Canadian government, however, forecasts a level of 170,400 units of housing for 1994, based on improving markets in the central provinces (USDA 1993).

Canadian consumers are familiar with U.S. furniture styles and brand names. According to Knell (1993), Canadian consumers are willing to pay more for furniture than are Mexican consumers. Market potential is highest in households composed of young single persons or childless couples who are college educated (Knell 1993). In addition, they are also familiar with the American business practices. It is expected that U.S. exports of furniture to Canada will increase.
United States

During the first nine months of 1993, U.S. furniture imports were 13 percent higher than during the same period in 1992 (Figure 2.5) (Thomas 1994). Taiwan again was the number one source of imported furniture. Six other Asian nations - Malaysia, China, Indonesia, Thailand, Singapore, and the Philippines - shipped $687 million worth of furniture, an increase of 52 percent over the same period last year (Thomas 1994).

Figure 2.5  United States Furniture Imports (January-September, 1993)

In 1993 Malaysia exported $143.5 million of wood furniture to the United States, a 109 percent increase over the previous year (MTIB 1994). The U.S. is the largest
market for Malaysian furniture, taking 41 percent of Malaysia's total wood furniture exports (MTIB 1994). The majority of the products exported from Malaysia to the U.S. are dining tables and chairs, living-room sets, and occasional tables RTAs (ready-to-assemble) form.

Import competition and the need to increase efficiency in manufacturing and marketing are dominant industry concerns particularly in low- to mid-priced non-upholstered wood furniture (Bullard 1989). The industry is susceptible to recession, and the most severely affected are the smaller companies, particularly those producing low- to mid-priced wood furniture where import competition is currently greatest.

According to Census figures (Anderson 1993), the total number of households in the U.S. will increase by about 10 percent between 1990 and 2000 to over 100 million. The number of baby boomer households will, however, increase by about 10 million, or 30 percent during the decade (Anderson 1993). The primary furniture consumer, in the year 2000, will be the baby boomers who will be in their peak furniture-buying years (between 35 and 54). This age group accounted for 49 percent of all furniture purchased in 1991 (Anderson 1993). Assuming that the spending pattern remains the same, by 2000 that percentage will rise to 57 percent (Anderson 1993).

This segment of the population (baby boomers) enjoys high discretionary income and is the principal market for upscale, brand-name furniture. However, it is expected that total furniture consumption in the U.S. will decrease; but high quality, high-priced furniture will be in strong demand (Smith and West 1990).
Changes in lifestyles, patterns of consumption, and disposable income levels influence U.S. shipments of household furniture. Likely trends include more motion-oriented items and furniture that addresses new concepts of leisure time as well as requirements of the home office (U.S. Industrial Outlook 1992). Youth bedroom furniture is expected to grow until the end of this decade (Asian Timber 1993a). This category's sustained performance is attributable largely to the multiple uses for the product.

Anderson (1993) indicated that, according to the U.S. Bureau of Census, at the end of this century about 12 percent of the U.S. population will be black, 4 percent will be Asian/Pacific Islander, and about 11 percent Hispanic origin. As minority groups become a greater proportion of the total U.S. population, they will also obtain a greater proportion of higher-wage jobs (Shaver 1993). Purchasing behaviors, media habits, product preferences and lifestyles vary widely among these groups when compared to the non-Hispanic white population (Shaver 1993). Marketers have an opportunity to increase sales by reaching out to these ethnic groups. It is, therefore, imperative for marketers to approach these groups within their cultural contexts and understand the role values play in their lives and in their shopping preferences (Shaver 1993).

Although the majority of furniture sales are still accounted for by traditional furniture stores, their share has decreased (Standard and Poor's 1992). According to a Furniture/Today survey (McIntosh 1993), customers now prefer to buy furniture through nontraditional outlets such as warehouse clubs, department stores, galleries, and catalogs.
In order to satisfy today's customers, Malaysian furniture manufacturers must be able to provide retailers with reliable and timely supplies, well-known and diverse product lines, and marketing support. American consumers are interested in price and quality of products. Therefore, Malaysian furniture producers must comply with these needs of the American consumers. As American consumers are becoming more environmentally conscious, Malaysian furniture producers should better educate the American consumers of Malaysia's forest management through more aggressive promotional efforts.

European Union

In the 1990s the European Union (formerly known as the European Community) is a newly emerging world power providing balance to the already emerged trading blocs of North America and Asia (Czinkota 1991). The purpose of the formation of EU economic integration is to increase efficiency, and productivity, and to confer specific benefits on firms operating within the European community (Czinkota 1991).

The EU and the opening of the Eastern European economies will likely be a center of economic growth throughout the 1990s (Winterling and Denhof 1992). Market and profit prospects for companies established in Europe are particularly good, and export prospects for non-EU companies show positive growth since the integration is likely to further strengthen demand for products. The free flow of goods and collaboration among nations enables EU firms to benefit from economies of scale and leads to a strengthening of industries which require large demands (Winterling and Denhof 1992).
In some of the European countries, there is an aging population (ITC 1990). Retirees in the 65-70 age group are regarded as potential furniture consumers since they are likely to move to smaller houses and sunnier climates (ITC 1990). According to Mintel, a market research organization, there will be a rise in the number of solo households in Europe by the year 2000 (Anonymous 1992c).

In the first nine months of 1993, among the EU countries that were included in the Top 10 list for furniture exports from the U.S. were the United Kingdom, Germany (excluding the former East Germany), Netherlands, and France. For that period, U.S. exported $65.85 million worth of furniture to these countries - United Kingdom, $24.88 million (a drop of 9 percent from the figure for the same period in the previous year); Germany, $19.10 million (a 12 percent increase); Netherlands, $12.07 million (up 27 percent); and France, $9.8 million (down by 25 percent) (Thomas 1994).

Malaysia exported about $32.6 million worth of furniture to EU countries in 1993 (MTIB 1994). The main export markets for Malaysia were the United Kingdom, $15.4 million (an increase of 34.6 percent from the figure for 1992); Netherlands, $3.8 million (up by 160 percent); Belgium, $2.7 million (a 76 percent increase); Germany, $2.4 million (a drop of 33 percent); France, $2 million (an increase of 21.6 percent); and Ireland, $1.6 million (a 24 percent increase) (MTIB 1994).

The U.K. is a major importer of furniture products, and the majority of its imports come from other European countries such as Italy, Germany, France, Denmark, and the Netherlands (Smith and West 1992). Germany supplies mainly kitchen furniture while
Italy supplies upholstered and dining-room furniture (Anonymous 1992b). Imports from Asia are dominated by Taiwan, Singapore, Thailand, Malaysia, and the Philippines. Recently, due to concern over the environment, retailers selling furniture made from tropical woods are under pressure to ensure that the products are made of materials from sustainable resources (Anonymous 1992b).

The U.K. furniture market suffered the effects of the 1991 recession and there are few signs of an early recovery (Anonymous 1991). In periods of economic difficulty, U.K. consumers spend less on furniture since they do not regard furniture as an important item (Anonymous 1992b). Furniture retail sales are seasonal; higher sales are recorded from September to December and from January to April (Anonymous 1992b).

In the U.K., majority of furniture manufacturers trade directly with retailers, bypassing the wholesaler. Direct sales to the consumer by means of mail order, however, takes up a small proportion of sales (Anonymous 1992d). Discount furniture stores, once popular outlets for furniture, have suffered from negative publicity concerning service and quality (Anonymous 1992d).

Germany is the largest furniture market in Europe. German consumers spend a great deal more of their income on home furnishings than their American counterparts (Buchanan 1993a). Since 1986 Germany's imports of furniture have been increasing at an average annual rate of 12 percent (Maskayu 1992). Despite the population increase in Germany, mainly due to reunification, a strong housing demand for furniture will be
mostly in the low-end products. This is because most of the growth in population is among the segments of the population with low buying power (Smith and West 1992).

Buchanan (1993) reported that the German furniture industry is suffering under the enormous pressure of imports. Although most of the competition comes from Italy, Denmark, Poland, and Hungary, imports from the other parts of the world are also increasing.

Furniture retailing in Germany has undergone dramatic changes. In Germany, furniture is distributed through a variety of channels depending on the type of products sold. As in the U.S., consolidation has significantly altered Germany’s retail sector over the last few years (Buchanan 1993a). About 35 companies, each with an annual sales of DM50 million, account for 28 percent of all retail furniture sales (Maskayu 1992). A further 40 percent of the retail sales are accounted for by approximately 630 companies with annual sales of between DM1-10 million (Maskayu 1992). Department stores and mail order houses account for the remaining 32 percent of German furniture sales (Maskayu 1992).

To penetrate the German market, manufacturers can cooperate with small- and medium-sized German companies seeking to reduce their manufacturing costs, or alternatively, "manufacture to order" in collaboration with German distributors (Maskayu 1992). To enter the German and European markets, prospective U.S. and Malaysian exporters need to be prepared for a long-term commitment.
The simplification of product standards within the EU will enable exporters to meet the requirements of all the EU markets with ease. However, the *Green Movement* is a significant factor in Europe especially in the United Kingdom, Germany, and the Netherlands. Environmental groups have influenced consumers’ purchase decisions and; as a result, several retailers and importers have questioned the forest management practices of the product-supplying countries (Smith and West 1992). The increasing environmental concerns of consumers have resulted in the implementation of labeling and certification schemes for wood products imported from tropical wood-producing countries, including Malaysia. Nevertheless, there is a possibility that these schemes would also be extended to encompass wood products from temperate countries. Therefore, U.S. and Malaysian producers especially should carry out intensive tracking of the EU market requirements regularly.

**The Middle East**

Saudi Arabia, being the world’s leading exporter of crude oil, has access to significant capital in both the private and public sectors. This enables the country to improve its infrastructure as well as expand its industrial and service sectors. Saudi Arabia’s population is growing at more than 5 percent annually (Maskayu 1994).

Based on value, Saudi Arabia was the third largest destination for wood furniture exports from the United States in January-September, 1993. Exports from the U.S. totaled $62.15 million, a 54 percent increase over the same period in 1992 (Thomas
1994. The U.S. exported to Kuwait, the eighth largest importer, $10.51 million of wood furniture in January-September, 1993 (Thomas 1994).

In 1993 Malaysia exported $3.5 million of wood furniture to Saudi Arabia. This reflects a 63 percent increase over the amount for the previous year (MTIB 1994). Other Middle East destinations for Malaysian furniture exports are Iran, Jordan, Kuwait, North Yemen, Oman, Qatar, and the United Arab Emirates. They accounted for $5.1 million or less than 2 percent of Malaysia’s total wood furniture exports in 1993.

After the Iraq-Kuwait crisis in 1991, there was a surge in the importation of wood and wood products as demand for building materials rose sharply in Saudi Arabia and Kuwait (Maskayu 1994). Consequently, the construction activities helped sustain demand for wood products and also furniture.

Saudi Arabia and other middle eastern nations practice strict adherence to Islam. Therefore, U.S. exporters must become familiar with religious aspects which affect business, social, and cultural activities.

The major competition for U.S. furniture in Saudi Arabia is Italian furniture (USDC 1985). The basis for competition is price and design. Although Saudis have high disposable income, they will not pay for products that are over-priced, regardless of the perceived social sophistication that may come with owning the furniture.
Conclusion

Global trade in forest products exceeds $50 billion annually; and, for many developing countries, forest products exports have substantial potential to contribute to their development (Sedjo 1986). The potential for forest products exports, including wood furniture, appears large. However, import barriers characterized by "tariff escalation" (where tariffs increase as the degree of processing increases) limit trade flows (Sedjo 1986). While the barriers to trade in wood products are significant, they are not insurmountable.

In recent years, there have been conflicting trends with respect to protectionism and trade barriers. While tariffs have been reduced by a number of tariff-cutting negotiations, a greater reliance has been placed on nontariff barriers and nontariff measures to control the flow of imports (Sedjo 1986).

Exports have the potential to play a major role in the economic development process. Export-oriented growth, considered the first stage of the internationalization process, is one of the classic symbols of business success (Kaynak and Kuan 1993). There are a wide variety of measures that can be used to increase exports. Incentives to export can be generated by policies ranging from an undervalued exchange rate to a direct export subsidy. However, according to Sedjo (1986), a country should avoid promoting industries where excess subsidies were necessary to induce exports since such an industry is unlikely to possess a comparative advantage.
Restrictions on exports of lumber by supplying countries, such as Malaysia and Indonesia, have affected furniture production in Taiwan, Japan, and Korea - countries that depend heavily on imported wood material. In addition, due to increasing competition of low-cost manufacturing from China and the developing countries of Southeast Asia, there is a growing trend toward offshore production to seek cheaper wages and raw materials (Kaynak and Kuan 1993).

Demand for wood furniture corresponds with the well-being of the country's economy. Countries in the Pacific Rim enjoy strong economic growth. As the economies of these countries grow, incomes escalated; and these will translate into a higher standard of living and greater consumption. There is vast potential for wood furniture in Asia. Besides being more affluent, Asians are more capable of appreciating quality furniture (Anonymous 1992e). Generally, this region offers the best export opportunities for wood furniture producers. However, exporters should bear in mind that countries in Asia have diverse cultures, languages, and business practices. Exporters need to identify market niches and develop specific products to meet the needs of these niches.

The value of the U.S. dollar in international currency markets play an important role in stimulating exports. Long-term forecasts expect the U.S. dollar to remain weak against major Asian currencies. This would benefit U.S. exporters to these markets since their products will appear cheaper in local currencies than they would with a strong U.S. dollar.
The U.S. market will remain as the best export opportunity for Malaysian wood producers. However, Malaysian exporters should also diversify their export markets to other Asian countries. Malaysian exporters should take advantage of the proximity and similarities in culture and business practices that they have with other Asian nations.

Government agencies such as the U.S. Department of Commerce (for the U.S.), and the Malaysian Ministry of International Trade (for Malaysia) have overseas representatives that could assist furniture producers of the respective countries with information on foreign markets. In addition, furniture producers are encouraged to visit/or participate in foreign trade shows such as the High Point Furniture Market in North Carolina; Cologne International Furniture Show, Germany; and Tokyo Furniture Fair, Japan. Visiting a foreign trade show would enable the producer to become familiar with the market and speak with individual dealers and customers.

The international market for furniture is vast. For U.S. and Malaysian furniture producers to take advantage of the potential, they should examine current export trends and markets, as well as international competitors. United States and Malaysian furniture producers should have clear directions as to which segment they should target in order to be successful.
Literature Cited


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SECTION III

Government Export Incentives and Efforts: What Do They Mean To The U.S. Wood Household Furniture Industry?
Introduction

Exporting, a major form of international marketing, is the ultimate goal of management trying to globalize their businesses and of governments hoping to reduce trade deficits. Traditionally, the U.S. forest products industry has not considered the export markets to be an outlet for its products (USDA 1990). Only during the 1980’s did forest products companies begin to seriously consider exports as a long-term market for wood products. This was partly in response to the U.S. recession in 1981-1982. A recession can cause substantial under-utilization of production capacity, as well as pose a threat to the firm’s survival and growth in the domestic market (Rao 1989). Under such circumstances, firms can be expected to explore new opportunities, including finding growth in export markets (Kizilbash and Malle 1977).

Exports have the potential to play a major role in a country’s economic development process (Sedjo 1986). In developing countries, governments encourage export as part of their economic development program, and government involvement has been an important element for many producers (Florence 1980). In Taiwan, for example, the government may give tax breaks to exporters, and furniture manufacturers can use credits to reduce their corporate taxes. Likewise, the government can be involved in direct promotion of the furniture industry, as in Malaysia, or provide free labor training to workers as in Thailand (Florence 1990).
In the United States, free competition has been strongly emphasized. Government has been discouraged from exercising influence or control over private industries. In addition, laws and regulations have been developed to preserve free competition (Yoshida 1992). Business people in the United States perceive free competition as "a good, healthy thing while cooperation between industry and government, or within industry, is something very ‘wrong’ or, at least, fishy" (Yoshida 1992 p.32).

The U.S. trade deficit is caused by a growth in exports that has been much slower than the increase in imports. It should be pointed out that a positive trade balance is not a requisite for a country to survive. On the other hand, a negative trade balance does not necessarily mean economic weakness.

There are two ways to remedy this trade imbalance - either a rise in exports or a drop in imports. Barriers to stop the flow of imports are not the solution to this trade problem. Protectionism in the form of tariffs, quotas, or other measures to reduce imports will only cause economic inefficiency as American companies and consumers will not be able to get the range of products usually available (Korth 1991). Furthermore, protectionism in the U.S. will result in protectionism abroad, and this will hurt American companies that are already exporting (Korth 1991).

A better way to overcome the trade deficit and to create new jobs is to increase exports. According to the estimates by the U.S. Department of Commerce (Korth 1991), every $1 billion increase in exports creates 25,000 more jobs in the United States. In addition, companies can venture into manufacturing more value-added products in order
to increase the value of exports. Therefore, greater efforts from the government and companies are required to improve exports (volume and value).

Due to the focus on the balance of trade deficit, exports have received renewed interest in the U.S. (Czinkota and Ricks 1981). The U.S. federal government has supported a variety of export assistance programs to assist companies develop export strategies. These programs can be categorized as export counseling, market information and trade leads, overseas activities, domestic activities, financing assistance, and technical assistance (Trade Promotion Coordinating Committee 1993).

Export assistance programs are intended to improve the global competitiveness of domestic firms and the country’s trade balance (Diamantopoulos et al. 1992). From a firm’s point of view, export assistance programs attempt to create an exporting attitude, deal with specific problems, and assist in making exporting a positive experience for the firm (Diamantopoulos et al. 1993). The success of these programs and their appropriateness for different types and sizes of firms are the questions investigated in this paper.
Background

Studies of Export Assistance and Incentives

The terms export assistance and export incentives are often used interchangeably (Czinkota and Ricks 1981). The New Merriam-Webster Dictionary (1989) defines incentive as "something that incites or is likely to incite to determination or action". Previous studies have described incentives to export as competitive firm advantages resulting from external factors such as market size and competition, internal factors such as cost efficiency and product differentiation (Wiedersheim et al. 1978), managerial aspirations, expectations from exporting such as profitability, growth, and investment (Cavusgil and Nevin 1981), and organizational commitment to export marketing (Reid 1985).

Many studies have investigated the export behavior of firms. For example, Bilkey (1978) discovered that firm size is critical to its propensity to export. Yaprak (1985) concluded that very small firms do not export but medium-sized firms do. In addition, Czinkota (1985) found that firm size does not make a difference in exporting practices. On the other hand, Reid (1983, 1985) discovered that the size of a firm affects foreign market entry significantly.
Culpan (1989) stated that small- and medium-sized firms have different needs regarding exporting. He concluded that different approaches by policy makers are necessary to deal with different sizes of firms. For small firms, the process of export-related assistance seems to be a critical factor in marketing success (Culpan 1989).

In their review of research findings on export behavior, Thomas and Araujo (1986 p.156) concluded that "government policy designed to stimulate exports should not be confined to macro level inducements but also be aimed at directly influencing decision-makers in individual firms - according to the level of internationalization of firms and/or markets". According to Cavusgil and Naor (1987), reluctance to export may be attributable to lack of various firm advantages conducive to exporting and negative perceptions toward exporting. Therefore, traditional incentives such as favorable tax, credit, and insurance policies, exchange rate policies, and trade liberalization efforts are not likely to be sufficient to convert nonexporting firms to exporters. As firms pass through several stages to become actively involved in export marketing, Cavusgil and Naor (1987) suggested that export assistance programs should vary in nature to provide the type of assistance best suited for a particular group of firms.

Culpan (1989) felt that U.S. exports should be encouraged further through export credits, and export credits could also be extended to foreign companies to enable them to purchase U.S.-made products. Subsidies, credits and insurance will increase profits or reduce risks for exporting firms; and, henceforth, are highly desired by these firms. However, according to Czinkota and Ricks (1981), any policies supporting the
profitability issue would only address the symptom and not the problem. They stressed that an export promotion program which deals with the central issue of increasing foreign sales of U.S. firms should be market-oriented. To be successful, U.S. exporters need to satisfy their foreign consumers and therefore, exporting firms must pay attention to what is deemed important to the importing firms. Consequently, Czinkota and Ricks (1981) felt that it is only proper that the exporting companies should seek government assistance in areas of importance, and it is in these areas that the government should be granting assistance. In his study of small- and medium-sized firms in Pennsylvania, Culpan (1989 p.215) stated that "government policies should foster growth in export involvement through counseling and training programs, including the mechanics of exporting and export documentation, purchase credit information, the value of exporting, assessment of product potential, and the use of free trade zones (FTZs)". He further stressed that the U.S. government should use its leverage with foreign governments to support export sales by U.S. firms. The U.S. government can provide such support through bilateral trade agreements with foreign governments which should aim at eliminating trade barriers to U.S. exporters (Culpan 1989).

Among the incentives identified by Sedjo (1986) are exchange rate policies that promote exports, incentives to encourage forest product exports, and industrialization policies aimed at promoting the wood processing industry. South Korea and Taiwan utilized market exchange rate policy to promote exports in their tropical hardwood plywood production (Sedjo 1986). Both these countries developed their domestic
plywood industries oriented toward the export market despite having to import logs from the Pacific-Asia region.

Export incentives can be generated by a variety of policies. These include policies ranging from an undervalued exchange rate to a direct export subsidy (Sedjo 1986). However, a country would want to avoid promoting an industry with excess subsidies to encourage exports since such an industry is unlikely to possess a comparative advantage.

In his study of internationalization, Cavusgil (1984) stated that there is a need to view exporting firms as a heterogeneous rather than a homogeneous group. Depending on the degree of internationalization, companies differ in terms of intensity of export activity, interest and commitment in pursuing international opportunities, information and assistance needs, and their export potential. He further stressed that to increase the level of U.S. exports substantially, it would be best to focus promotional and assistance efforts on the active and committed exporters.

In 1971 to stimulate exports, the U.S. government established the Domestic International Sales Corporations (DISC), tax shelters that should give advantage to U.S. exporters. In his study concerning attitudinal evaluations of DISC, Rabino (1980) found that DISC was considered a significant stimulus for exporting firms rather than for multinational companies.

Ogram (1982), in his study of Georgia firms, found that more exporters than nonexporters had used support services offered by the Department of Commerce and other service organizations as banks and freight forwarders. Gill and Brady (1982) examined
the opinions and attitudes of officials of the Department of Commerce (DOC) regarding their perceptions of the assistance they provide to exporting and non-exporting firms. They found that DOC officials perceived that their assistance to small firms was significantly greater than that to large firms.

Kaynak and Kothari (1984) found that in both Nova Scotia and Texas there were low awareness and use of specific export programs and export incentives offered by the respective governments and institutions. Among the recommendations they offered were as follows: (a) provide the development of new information dissemination programs (custom-tailored marketing plans for firms new to exporting) in order to promote exports, (b) evaluate the perceived value of assistance granted and their effectiveness, (c) establish technical export assistance programs to encourage development of technological innovations destined for export, and (d) provide a diversity of fiscal incentives and aids to firms in need of additional financial resources to exploit foreign market opportunities.

Although numerous studies have been carried out to investigate the reasons why companies export, only a few were studies on specific industries. The purpose of this study is to examine the perceived benefit of government incentives and efforts among wood household-furniture manufacturers. However, other factors that are perceived to stimulate companies to export, such as management’s experience and goals, unsolicited orders, and a diminishing domestic market, were also examined for comparison. Do government incentives really stimulate wood household manufacturers to export? The results help to identify the impact of government assistance programs in relation to other
stimuli that stimulate wood household-furniture manufacturers to export. Findings from this study will aid the government to formulate more specific programs tailored to the requirements of the industry.

The Wood Household Furniture Industry

In the U.S., the wood household-furniture industry has always been fragmented with many small- and medium-sized privately owned companies. Publicly owned companies reduced in number drastically during the 1980s when the industry went through a leveraged buyout phase (Standard and Poor’s 1991).

The furniture industry, in general, is labor-intensive rather than capital-intensive. The industry is highly sensitive to wage and worker-related issues - wages and labor being the most important factors on the production side of the industry (Bullard 1989). Current wage differences account for most of the dramatic increases in furniture imports in the U.S., particularly from Pacific Rim countries.

The United States is the world’s largest furniture market. It has been the target for more than 120 exporting countries (Florence 1990). Imports have now become a significant threat to the U.S. furniture industry. In 1990, for example, the U.S. exported about $900 million of furniture products; however, furniture imports totaled $2.6 billion (AFMA 1994). According to the North Carolina International Trade Division (AFMA 1994 p.1), the breakdown of furniture deficits were $252 million with the Western Hemisphere, $1.03 billion with Europe, and $1.3 billion with the Pacific Rim countries.
Furniture is not a traditional export business in the U.S. (Florence 1990). To reduce the "furniture deficit", the furniture industry and government have urged producers to become more involved in exporting. In response, wood household-furniture exports have increased since 1985 (Florence 1990). In 1987-1992, for example, the recession held annual domestic shipments to about 1.3 percent; however, exports grew annually by 38 percent (AFMA 1994). Nevertheless, these export gains have been overcome by rising imports of wood household furniture, especially from Taiwan.

**Methods**

A nationwide mailing list of wood household-furniture manufacturing companies was obtained from Dun and Bradstreet Company, Inc.. A total of 947 companies were included in the list.

Data were collected using a mail survey sent to the chief executive officers of each company. A total of 257 usable responses (Table 3.1) were received. This resulted in an effective response rate of approximately 38.9 percent. The response rate was calculated according to methods described by Dillman (1978). The raw response rate is 27.1 percent. These rates are considered more than reasonable as previous studies by Boyd et al. (1981) indicated that expected response rates of random U.S. population sample frames is between 15 percent to 35 percent.
Table 3.1  Response Summary for the U. S. Study. Total Mailing: 947

<table>
<thead>
<tr>
<th>Mailing</th>
<th>Useable</th>
<th>Not useable</th>
<th>Not delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>240</td>
<td>88</td>
<td>31</td>
</tr>
<tr>
<td>Second</td>
<td>17</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>257</td>
<td>94</td>
<td>31</td>
</tr>
</tbody>
</table>

Number of companies refused to participate = 5
Response rate = \((257 + 94 + 5) / (947 - 31) \times 100\) = 38.9%

According to the Department of Commerce Trade Promotion Coordinating Committee (1992), the federal government provides export assistance through nineteen different departments, offices, and agencies. In this study, respondents were asked to indicate whether encouragement and support from state government and federal government export programs were important factors in the export decision. Other factors that are considered to be important in stimulating a company to export, such as management's experience and aspirations for the company, diminishing domestic market, and unsolicited orders from overseas, were also included in the questionnaire. As indicated earlier, the reason for including other factors was to ascertain the real factors that are perceived important compared to stimuli provided by the government. The list of nineteen factors that are perceived to stimulate exporting was developed from previous studies.

A list of fourteen export-related programs developed from previous studies was used to assess whether respondents have used the programs; and if they have, to indicate whether the programs were useful or not. These export programs were categorized by
specific functions that provide export counselling, market information and trade leads, overseas activities, financing assistance, and technical assistance.

To check for nonresponse bias, a comparison of late and early respondents was used. According to Armstrong and Overton (1977), differences between early and late respondents are indicative of differences between respondents and nonrespondents. Differences were found when the companies were compared on companies’ sales. The majority of the early respondents were exporting companies, many of them with sales of $60 million and more. This suggests that early respondents tend to have a special interest in the subject of investigation (Kanuk and Berenson 1975).

Individual interviews were carried out after the mail survey to add depth to the quantitative findings. Interviews involving personal contact between interviewer and respondents are the most versatile method of primary data collection (Hieberg and Cooper 1992). Furthermore, Goldman and McDonald (1987) indicated models of decision-making and behavior are best developed through individual interviews.

Semi-structured interviews with a mixture of pre-coded and open-ended questions were conducted. In open-ended and qualitative interviews, it was important that correct interpretation and accurate and comprehensive recording responses were made (Crouch 1984). To facilitate this accuracy, the interviews were recorded with the agreement of the interviewees. As individual interviews are time-consuming and costly, interviews with four randomly selected companies were conducted. The interview was utilized to learn from the CEOs, or the executive responsible for exporting, the relative importance of
internal and external stimuli and environmental variables involved in their export decision-making process. Interviewees were asked on the use of government assistance and other programs provided by banks and trade associations. In addition, information on management’s perceptions of motivating/demotivating factors and management’s commitment in exporting were also acquired during the interviews.

Analysis of qualitative data is subjective and impressionistic (Crouch 1984). Qualitative data conveys insights into people’s feelings and their attitudes. Therefore, results of qualitative research are never expressed in terms of percentages since it would imply that the results are representative quantitatively of a wider sample of respondents (Crouch 1984).

Results

For the purpose of this study, exporting companies are defined as firms that have been exporting on an on-going basis. Companies that have exported on a one-time basis are not considered exporters. Generally, exporting companies have a specific unit responsible for export-related matters. Exporting companies included in this study were categorized according to the percentage of exports for the period 1989-1992:
Table 3.2  Percentage of Responses Categorized by Percent of Total Wood Household-furniture Sales from Exports in 1989-1992

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0.5 - 10</td>
<td>89.9</td>
<td>86.8</td>
<td>86.8</td>
<td>83.2</td>
</tr>
<tr>
<td>11 - 30</td>
<td>5.0</td>
<td>6.6</td>
<td>7.5</td>
<td>9.7</td>
</tr>
<tr>
<td>31 - 50</td>
<td>1.3</td>
<td>3.3</td>
<td>2.9</td>
<td>1.8</td>
</tr>
<tr>
<td>51 - 70</td>
<td>1.3</td>
<td>1.1</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>over 70</td>
<td>2.5</td>
<td>2.2</td>
<td>1.9</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Size

Number of Employees

Of the 257 respondents, 122 or 47.5 percent were exporters. As indicated in Table 3.3, 99 percent of the companies that do not export have full-time employees of 500 and below. Conversely, 77 percent of the exporting companies have 500 or less full-time employees. Apparently, size of company (based on number of employees) does not have any influence on a company’s decision to export. In fact, 49 percent of the exporting companies have 100 or less full-time employees.
<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Non-exporting</th>
<th>Exporting</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 and below</td>
<td>34</td>
<td>11</td>
<td>45</td>
</tr>
<tr>
<td>21 - 50</td>
<td>51</td>
<td>22</td>
<td>73</td>
</tr>
<tr>
<td>51 - 100</td>
<td>23</td>
<td>26</td>
<td>49</td>
</tr>
<tr>
<td>101 - 150</td>
<td>12</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>151 - 200</td>
<td>6</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>201 - 500</td>
<td>6</td>
<td>20</td>
<td>26</td>
</tr>
<tr>
<td>501 - 1000</td>
<td>0</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>1001 - 2000</td>
<td>1</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>over 2000</td>
<td>0</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>120</td>
<td>253</td>
</tr>
<tr>
<td>Missing cases 4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Annual Sales**

Approximately 90 percent of the respondents reported total sales of $40 million and less in 1992 (Table 3.4). All the companies that have total sales of over $60 million in 1992 are exporting companies. However, only 15 percent of the exporting companies reported annual total sales of over $60 million for 1992.

Based on the variables pertaining to number of employees and annual sales, it can be assumed that size, in general, is not a deterrent to exporting.
<table>
<thead>
<tr>
<th>Sales</th>
<th>Number of companies</th>
<th>Non-exporting</th>
<th>Exporting</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $1 mil.</td>
<td>41</td>
<td>32</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>$1.1 to $20 mil.</td>
<td>166</td>
<td>96</td>
<td>70</td>
<td>64.6</td>
</tr>
<tr>
<td>$20.1 to $40 mil.</td>
<td>18</td>
<td>1</td>
<td>17</td>
<td>7</td>
</tr>
<tr>
<td>$40.1 to $60 mil.</td>
<td>8</td>
<td>1</td>
<td>7</td>
<td>3.1</td>
</tr>
<tr>
<td>$60.1 to $80 mil.</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0.8</td>
</tr>
<tr>
<td>$80.1 to $100 mil.</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0.8</td>
</tr>
<tr>
<td>Over $100 mil.</td>
<td>14</td>
<td>0</td>
<td>14</td>
<td>5.4</td>
</tr>
<tr>
<td>Missing cases 6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Trade Association Membership**

Ninety-seven or about 38 percent of the respondents indicated that they are members of a trade/industry association. Out of that, 54 or 56 percent are exporting companies. Sixty-eight of the exporting companies are not members of any trade/industry association.

As for participation in trade/industry association, 84 of the respondents, or 33 percent, indicated that they have participated in association activities. It is interesting to note that 32 of these companies, however, are not members of a trade/industry association.
Factors that Encourage Export

Regardless of whether or not they export, respondents were asked to rate 19 factors that are considered potentially important in encouraging exporting. Respondents were asked to indicate the degree of importance from a 5-point scale (1=not important, 5=most important).

The nineteen factors were classified a priori into four groups: (1) factors that have the ability to benefit the company directly, (2) encouragement and support from government and other institutions, (3) management's goals and experience, and (4) other related factors.

- Group 1: Factors that Have the Ability to Benefit the Company Directly

Table 3.5 lists the respondents' perceptions towards stimuli that are considered conducive to the betterment of their company. In this group, 66.5 percent of the respondents rated factors that have the ability to enhance profit as the most important factor that encourage them to export. Programs that help identify and facilitate exports to foreign markets, such as those offered by the Foreign Agricultural Service and the International Trade Administration of the Department of Commerce, will enable companies to expand and consequently enhance their profits in the long term. An example of such a program is the U.S. and Foreign Commercial Service which assists U.S. firms to compete more effectively in the global market (The Trade Promotion
Factors that are perceived to benefit and enhance company profit

<table>
<thead>
<tr>
<th>Factors that have the ability to:</th>
<th>Not Important</th>
<th>Neutral</th>
<th>Most Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>enhance profit</td>
<td>3.3%</td>
<td>0.9%</td>
<td>19.7%</td>
</tr>
<tr>
<td>use excess production capacity</td>
<td>20.4%</td>
<td>7.7%</td>
<td>26.8%</td>
</tr>
<tr>
<td>expand markets</td>
<td>6.7%</td>
<td>1.7%</td>
<td>30.1%</td>
</tr>
<tr>
<td>take advantage of govt. incentives</td>
<td>40.1%</td>
<td>13.7%</td>
<td>8.8%</td>
</tr>
<tr>
<td>reduce unit production costs by producing larger quantities</td>
<td>14.2%</td>
<td>6.5%</td>
<td>27.6%</td>
</tr>
</tbody>
</table>

Factors that will help *expand markets* were regarded as the second most important factor (42.7%). Executives interviewed indicated that export is an alternative for company expansion. All the companies included in the interview are exporting; nevertheless, domestic sales are still the predominant activities for the companies since the U.S. domestic market is vast.

Only 10.1 percent of the respondents perceive the ability to *take advantage of government incentives* as most important toward encouraging them to export. This is not surprising since several respondents have indicated that they are not aware of government
incentives that are able to help in exporting.

Factors that contribute to the enhancement of company's profit, expansion of markets, reduction of unit of production costs, and usage of excess production capacity are considered more important than the firm's ability to take advantage of government incentives. It is obvious that respondents perceived factors that have the ability to affect them or their companies directly as most important compared to those factors that are external.

On the ability to take advantage of government incentives as a stimulus for exporting, the majority of the exporting firms felt that it is not important. However, the non-exporting firms were more moderate in their perception that ability to take advantage of government incentives was important.

<table>
<thead>
<tr>
<th>Type of firm</th>
<th>Not Important</th>
<th>Neutral</th>
<th>Most Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-exporter</td>
<td>24.1%</td>
<td>9.5%</td>
<td>35.3%</td>
</tr>
<tr>
<td>Exporter</td>
<td>57.3%</td>
<td>18.2%</td>
<td>19.1%</td>
</tr>
</tbody>
</table>
| Missing observations 30

A comparison of means between the non-exporter and exporter groups was computed using a t-test. It was found that the perceptions of non-exporter and exporter groups on the advantage of government incentives are significantly different ($p<0.001$).
Non-exporters had a significantly better perception of ability to take advantage of government incentives than exporters.

- **Group 2: Encouragement and Support from Government and Other Institutions**

*Encouragement and support from overseas companies/prospective buyers* was rated by 32.6 percent of the respondents as the most important factor that encourages exports in this group (Table 3.7). *State government and federal government export programs* was not regarded as an important factor to encourage exports by 31.7 percent and 37.3 percent of respondents respectively.

In terms of importance, a state government export program was considered more important than those provided by the federal government. This was also inferred by the company executives interviewed who stated that they were not aware of any federal government programs that could assist them in exporting. In general, the interviewees felt that the state government of North Carolina has an aggressive program designed specifically to assist wood furniture manufacturers in exporting.
Table 3.7 Percepcion of Exporting and Non-exporting Firms Concerning State and Federal Government Assistance as Stimuli to Exporting

<table>
<thead>
<tr>
<th>Assistance provider/Type of company</th>
<th>Not Important</th>
<th>Neutral</th>
<th>Most Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Government¹:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-exporter</td>
<td>18.3%</td>
<td>10.4%</td>
<td>30.4%</td>
</tr>
<tr>
<td>Exporter</td>
<td>45.6%</td>
<td>14.1%</td>
<td>20.2%</td>
</tr>
<tr>
<td>Federal Government²:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-exporter</td>
<td>17.4%</td>
<td>10.4%</td>
<td>33.1%</td>
</tr>
<tr>
<td>Exporter</td>
<td>58.0%</td>
<td>13.4%</td>
<td>16.1%</td>
</tr>
</tbody>
</table>

Missing observations:
- State government: 27¹
- Federal government: 29²

Table 3.7 shows that non-exporters have a higher regard for state and federal governments export programs as stimuli to exporting compared to exporting firms. This conforms with the findings by Diamantopoulos et al. (1993) which indicated that inexperienced firms tend to perceive export assistance as more beneficial than do exporters. Diamantopoulos et al. (1993 p.10) stated that "the more experience firms obtain in export activity, the lower their belief in government assistance."

Encouragement and support from industry/trade association was regarded as not important by 30 percent of the respondents (Table 3.8). This view was supported by the company executives interviewed whose companies are members of a trade association.
They felt that programs on export organized by trade associations tend to be basic and do not benefit them directly. The interviewees suggested that programs should be tailored to the requirements of the members and should be designed to assist companies in specific export-related activities.

<table>
<thead>
<tr>
<th>Table 3.8</th>
<th>Encouragement and Support from Government and Other Organizations that Stimulate Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encouragement and support from:</td>
<td>Not Important</td>
</tr>
<tr>
<td>State government export program</td>
<td>31.7%</td>
</tr>
<tr>
<td>Industry/trade association</td>
<td>30.0%</td>
</tr>
<tr>
<td>Federal government export program</td>
<td>37.3%</td>
</tr>
<tr>
<td>commercial banks</td>
<td>37.0%</td>
</tr>
<tr>
<td>other local companies</td>
<td>44.2%</td>
</tr>
<tr>
<td>overseas companies/prospective buyers</td>
<td>16.1%</td>
</tr>
</tbody>
</table>

- Group 3: Management's Goals and Experience

*Management's goal of expansion, desire to improve status of firm and management's contacts overseas* were considered most important by respondents (Table 3.8).
3.9). In fact, 40.2 percent of respondents also find management's goal of expansion as important toward encouraging company to export. Management's knowledge in exporting was perceived to be important by 39 percent of the respondents. Relatively, management's desire to travel overseas was considered not important in encouraging companies to export.

During the interviews, the company executives reported that export is a means to expand their companies. Even though the individual company's percentage of exports to total sales is small - it ranges from 3 to 8 percent, the companies interviewed indicated that they plan to increase their export sales in future. They also indicated that increase in export activities will be expedited especially during the domestic recession when local sales are sluggish.

<table>
<thead>
<tr>
<th>Table 3.9</th>
<th>Factors Affecting Management's Goals and Experience that Encourage Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not Important</td>
</tr>
<tr>
<td>Management's:</td>
<td></td>
</tr>
<tr>
<td>desire to improve status of firm</td>
<td>13.7%</td>
</tr>
<tr>
<td>goal of expansion</td>
<td>7.3%</td>
</tr>
<tr>
<td>desire to travel overseas</td>
<td>44.0%</td>
</tr>
<tr>
<td>knowledge in exporting</td>
<td>16.4%</td>
</tr>
<tr>
<td>contacts overseas</td>
<td>17.2%</td>
</tr>
</tbody>
</table>

125
Group 4: Other Factors that Encourage Exporting

Among other factors considered to encourage exports (Table 3.10), respondents rated unsolicited orders from overseas as an important stimulus (27.9%). This concurs with the finding of the study carried out by Simpson (1973) who concluded that unsolicited orders was an important motivating factor for companies to export. In fact, Simpson (1973 p.40) reported that "the ‘accidental’ stimulus is the single most frequent stimulus received by the small and medium-size exporting firms of Tennessee."

Available capital for expansion into foreign markets and diminishing domestic markets were regarded as not important by 28.8% and 26.2% of respondents respectively. Availability of capital was considered not important since exporting, initially takes up a very small proportion of the company’s production and thus does not require much capital. Diminishing domestic market due to recessions was considered a significant influence on export marketing activities by Rao (1989). As indicated earlier, some firms begin to intensify their exports in response to the diminishing domestic market caused by a recession. This was supported by the executives interviewed who pointed out that domestic recession is an important stimulus for intensifying exports.
<table>
<thead>
<tr>
<th>Other factors:</th>
<th>Not Important</th>
<th>Neutral</th>
<th>Most Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>unsolicited orders from overseas</td>
<td>14.0%</td>
<td>7.4%</td>
<td>31.9%</td>
</tr>
<tr>
<td>available capital for expansion into foreign</td>
<td>28.8%</td>
<td>8.3%</td>
<td>31.9%</td>
</tr>
<tr>
<td>markets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>diminishing domestic market</td>
<td>26.2%</td>
<td>10.5%</td>
<td>32.8%</td>
</tr>
</tbody>
</table>

Mean responses for all nineteen factors were computed to rank the factors according to their importance (Table 3.11). Factors that contribute to the enhancement of a company’s profit were ranked highest. Expansion of markets and management’s goal of expansion were considered important by the respondents. Encouragement and support from state government were perceived as more important than from the federal government.
Table 3.11 Motivating Factors: Mean Responses to Questions Concerning Their Importance to Encourage Exporting

<table>
<thead>
<tr>
<th>Motivating Factors</th>
<th>Mean*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management's emphasis to enhance company's profit</td>
<td>4.45</td>
</tr>
<tr>
<td>Ability to expand markets for company's products</td>
<td>4.00</td>
</tr>
<tr>
<td>Company's goal of expansion</td>
<td>3.73</td>
</tr>
<tr>
<td>Encouragement and support from overseas companies/prospective buyers</td>
<td>3.55</td>
</tr>
<tr>
<td>Reduction in unit production costs by producing larger quantities</td>
<td>3.46</td>
</tr>
<tr>
<td>Management's desire to improve status of firm</td>
<td>3.39</td>
</tr>
<tr>
<td>Unsolicited orders from overseas</td>
<td>3.29</td>
</tr>
<tr>
<td>Management's contacts overseas</td>
<td>3.25</td>
</tr>
<tr>
<td>Ability to use excess production capacity</td>
<td>3.22</td>
</tr>
<tr>
<td>Management's knowledge in exporting</td>
<td>3.09</td>
</tr>
<tr>
<td>Diminishing domestic market</td>
<td>2.80</td>
</tr>
<tr>
<td>Availability of capital for expansion into foreign markets</td>
<td>2.79</td>
</tr>
<tr>
<td>Encouragement and support from State government export programs</td>
<td>2.66</td>
</tr>
<tr>
<td>Industry/Trade Association's export drive programs</td>
<td>2.52</td>
</tr>
<tr>
<td>Commercial banks' support and encouragement</td>
<td>2.50</td>
</tr>
<tr>
<td>U.S. government export promotion services program</td>
<td>2.46</td>
</tr>
<tr>
<td>Ability to take advantage of government incentives</td>
<td>2.34</td>
</tr>
<tr>
<td>Management's desire to travel overseas</td>
<td>2.12</td>
</tr>
<tr>
<td>Encouragement and support from other local companies</td>
<td>2.10</td>
</tr>
</tbody>
</table>

* 1= Not Important; 2=Less Important; 3=Neutral; 4=Important; 5=Most Important
Use of Export Program Services

Companies were asked whether or not they have used thirteen export program services and, if they have, were they helpful or not. Respondents did not report extensive use of the programs. Consequently, Table 3.12 provides the programs provided by the state and federal governments that have not been used by the respondents.

Table 3.12 Summary of Government Export Promotion Programs that Have Not Been Used

<table>
<thead>
<tr>
<th>Programs which provide:</th>
<th>Have not used</th>
</tr>
</thead>
<tbody>
<tr>
<td>subsidized participation in overseas exhibitions</td>
<td>87.9</td>
</tr>
<tr>
<td>mailing lists of foreign buyers</td>
<td>88.4</td>
</tr>
<tr>
<td>information on business practices overseas</td>
<td>79.7</td>
</tr>
<tr>
<td>information on market potential in specific countries</td>
<td>74.2</td>
</tr>
<tr>
<td>general export counseling</td>
<td>84.4</td>
</tr>
<tr>
<td>seminars on export procedures</td>
<td>78.3</td>
</tr>
<tr>
<td>legal advice and assistance</td>
<td>90.1</td>
</tr>
<tr>
<td>guarantee loans</td>
<td>94.2</td>
</tr>
<tr>
<td>guarantee payment by qualified foreign buyers</td>
<td>83.6</td>
</tr>
<tr>
<td>arrange international trade shows</td>
<td>81.6</td>
</tr>
<tr>
<td>arrange overseas trips to meet potential buyers</td>
<td>83.0</td>
</tr>
<tr>
<td>promote products overseas</td>
<td>78.7</td>
</tr>
<tr>
<td>provide advice on documentation procedures</td>
<td>82.4</td>
</tr>
</tbody>
</table>
All of the programs were not highly used by the companies. It may be possible that respondents were not aware of these export program services. This was confirmed by the interviewees who indicated that they were not knowledgeable of existing programs provided by the both the state and federal governments. However, they did indicate interest in programs that provide information on foreign markets and their culture and style of negotiation. Interests in foreign language, especially Spanish and Japanese, were also indicated.

Two of the companies interviewed pointed out that they have used the services of the Department of Commerce Trade Specialists overseas. However, they found that the services provided were too broad and general; and, most often, the overseas department was under-staffed.

Firms interviewed have participated in trade shows overseas organized by the government. Because of the nature of participation, where about 10 or more companies are participating together under the supervision of the government, these firms found that participation in trade shows on their own is more viable.

On professional training or seminars, 123 (48%) of the respondents indicated that they have attended such programs. Table 3.13 shows the breakdown of attendance at training programs according to sources or organizers of such training programs.
Table 3.13  Attendance at Training Programs and Sources of Programs

<table>
<thead>
<tr>
<th>Sources or organizers of training programs</th>
<th>Number attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community College</td>
<td>24</td>
</tr>
<tr>
<td>Consultant</td>
<td>30</td>
</tr>
<tr>
<td>Government agency</td>
<td>27</td>
</tr>
<tr>
<td>University</td>
<td>46</td>
</tr>
<tr>
<td>Others e.g. Banks, Furniture Today, etc.</td>
<td>8</td>
</tr>
</tbody>
</table>

Nobody indicated having attended training provided by a trade association. This was supported by the interviewees who stated that the training programs or seminars organized by trade associations are usually very basic. Because of that, companies do not find attendance at such training programs beneficial to them and their companies.

From Table 3.13, attendance at training courses organized by the university and consultants were better than any other source. The companies interviewed felt that training organized by these two sources was more oriented towards the requirements of their companies. However, they indicated that the universities should make their training programs better known to the industry.
Discussions and Conclusions

According to Cyert and March (1963), the theory of the firm can be reduced to two propositions: (1) firms seek to maximize profits and (2) firms operate with perfect knowledge. Therefore, it was not surprising that factors that have the ability to enhance profit were rated as most important to encourage companies to export.

Companies consider the ability to expand markets for their products as the second most important factor to encourage them to export. Factors pertaining to management’s desire to improve status of firm and goal expansion were also rated as important incentives to exporting.

In contrast, encouragement and support form the state and federal governments export programs was not considered as important to the companies. This was verified by the high incidence of respondents of not having used the programs. However, this may be because most of the companies were not aware of the programs.

Low use of programs is most likely the result of low awareness. When compared to the use of export assistance in the hardwood lumber industry (Ifju and Bush 1993), there is a similarity between the wood household furniture companies and the hardwood lumber manufacturers in the low usage rate of programs pertaining to legal and financial aspects. It can be deduced that awareness, attention, and expectations are key factors impeding the use of export assistance and influencing management’s evaluation of the impact of the assistance programs.
Information is valuable to decision makers; nevertheless, as pointed out by McAuley (1993), pattern of information usage varies with a number of characteristics, particularly size of workforce, overseas turnover, and length of exporting experience. It is apparent that exporting firms do not perceive government assistance programs as important as non-exporting firms. It can be assumed that government export assistance programs are general and will only benefit firms starting to export. Also, a majority of the non-exporting firms are small- and medium-sized; thus, availability of capital for market research and promotion is limited. Therefore, these companies tend to depend on the government sector for assistance to enter the foreign markets. As such, a greater understanding of the key needs at different experience stages of the exporting process will be beneficial to the support agencies.

The government sector should continue to play a major role in providing assistance in order to boost exporting. As the requirements for assistance vary with the characteristics and size of companies, it is imperative that the government come up with programs that will really benefit the targeted sector. Firms are seeking specific marketing assistance for specific marketing opportunities; and thus, it is only appropriate that the government tailor its programs to these specific needs.

The government should project an image of an assistance provider rather than as a barrier to exports. Perhaps the government's role should be limited to fostering awareness of the marketing orientation, and letting private industry carry out the actual implementation. Regardless of whether the government is to become more involved or
whether firms are to improve on their own, it is important that cooperation should exist
between the industry and the government.
Literature Cited


SECTION IV

Key Motivators to Export for Wood Household Furniture Manufacturers in the United States and Malaysia
Introduction

According to Cyert and March (1963), two assumptions of rationality in the theory of the firm are (1) firms seek to maximize profit; and (2) firms operate with perfect knowledge of the state of the markets. With increasing globalization, new major areas of the world are open as markets and production bases. Not all companies, however, are responding to opportunities in the global business because they are unable to or unwilling to do so.

Export is an area of major concern in the economic activity of a nation. Exports enhance profitability, improve capacity utilization, reduce dependence on one market, provide employment, and improve trade balances (Barker and Kaynak 1992). To maintain the current standards of living, developed countries must maintain their rates of growth of exports while newly industrialized countries in the Asia-Pacific region must attempt to increase it (Barker and Kaynak 1992).

In the United States, due to increase in the balance of payment deficits, exports have been given added attention (Kedia and Chhokar 1986). The number of firms exporting must, therefore, be increased, and nonexporters must be encouraged to participate in the international marketplace (Czinkota and Johnon 1981, Gripsrud 1990). In the U.S., small firms account for 21 percent of the value of manufactured goods exported (Moini 1991). A large number of small firms in the U.S. have the potential to export competitively but do not do so (Moini 1991).
The complacent attitude of the management of U.S. manufacturing companies toward the need for change in the way they operate is one of the problems that affect the competitiveness of the manufacturing industry (Gunn 1987). In addition, management is focusing inward instead of using the external world as a frame of reference for their companies’ progress (Gunn 1987). Another shortcoming identified by Gunn (1987) was the American management excessive focus on producing short-term results.

In their study, Koh and Robicheaux (1988) discovered that many U.S. firms began exporting through the action of an outside party. However, more U.S. firms now realize that they must take the initiative to start exporting. This change in attitude could be the result of declining competitiveness of U.S. exports in world markets and the emergence of aggressive suppliers from Europe and Asia (Koh and Robicheaux 1988).

In 1972 the Nixon Administration’s export drive was undertaken. Consequently, in 1978 President Carter’s national export promotion program was implemented. It was then followed by the Export Trading Company Act which was put in place in 1982. These efforts were necessary to transform the widespread U.S. disinterest in exports to initialize exporting (Ronkainen 1984).

Historically, U.S. wood furniture exports have been relatively small. Nonetheless, there is a huge unrealized potential overseas market for wood furniture. In view of that, the American Furniture Manufacturers Association is actively educating its members on starting export programs. As a developing country, Malaysia is turning to export stimulation as a major engine of growth for the country’s economy. Because of its
relatively small population (18.6 million in 1992), Malaysia’s domestic market is small, and, therefore, most of its forest products are exported (Vincent 1988).

There are over 2000 furniture manufacturing companies in Malaysia, and only about 300 furniture manufacturers export their products. However, in his study on furniture makers in Malaysia, Dato’ Baharuddin (1991) found that majority of the furniture makers have not given serious thought to the export market despite their willingness to enter the export business.

Successful exporting is crucial to Malaysia, and, as such, the Malaysian government is focusing the use of export incentives and assistance on manufactured goods, such as wood furniture, to further increase the nation’s foreign earnings. In 1986 wood furniture has been designated as a priority product to be aggressively promoted, and export-oriented projects involving the manufacture of wood furniture are eligible for special government incentives (MTIB 1990). Since then, Malaysia’s exports of wood household furniture have been increasing. The majority of the exports are to developed countries such as the United States, Japan, the United Kingdom and Europe.

The determinants of export behavior are usually divided into two major groups - factors external to the firm and factors that are internal. External factors such as exchange rates, tariffs, competition, and government assistance are usually considered as "given", and they tend to shape the context in which the company has to operate (Gripsrud 1990). Naor and Punj (1984) pointed out that determinants internal to the firm are conceived as those that are subjected to management’s discrete decision-making
power. Internal determinants relate to characteristics of the firm and its products as well as the attributes of its management (Gripsrud 1990).

Many researchers have studied export behavior of firms and tried to identify the factors which inhibit as well as stimulate companies to export. There is a need to analyze export behavior in terms of a decision process. Therefore, in this article, key motivators that stimulate wood household furniture manufacturers in the U.S. and Malaysia to export will be identified and discussed. The findings generated will benefit the respective governments or relevant organizations export development in the wood furniture industry. Companies intending to export will gain an insight into the motivators that can assist in initiating them to export and, thus, aid them in formulating export strategies.

Literature Review

According to O’Rourke (1985), external factors were responsible for the export decisions of smaller firms, whereas internal determinants motivated larger firms. Kau and Tan (1989) identified the most important internal stimuli as excess capacity of firm, distinctive products, and firm’s advantage in technology or marketing. The important external stimuli are an unsolicited order, saturated home market, and more advantageous export market opportunities (Kau and Tan 1989).
Gripsrud (1990) reported that external determinant of export behavior may either stimulate or act as obstacles to export. External determinants which act as barriers include lack of capital for foreign expansion, lack of government assistance, competition from local firms, lack of foreign channels of distribution, and language and cultural differences (Bauerschmidt et. al 1985, Gripsrud 1990). However, a number of studies have focussed on obstacles to exporting. Generally, the major inhibitors identified were as follows (Kedia and Chhokar 1986):

1. The existence of attitudinal barriers in the minds of management personnel
2. Difficulty in identifying foreign markets
3. Lack of knowledge about exporting procedures
4. Lack of management’s exposure to other cultures and to different methods of doing business
5. Excessive paperwork and the inordinate drain on staff and management time
6. The selection of reliable distributors and the solution of other distribution problems
7. Difficulty in discovering, interpreting, and complying with relevant government regulations
8. The adaption and servicing of products to be exported
9. The difficulty in financing of exports and collecting accounts receivable
10. The existence of foreign competition

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Considerable research has been reported on the factors that make successful international marketing, especially for large firms. From these studies, it was discovered that high technology, substantial research and development, sophisticated marketing and advanced forms of organizational design were key contributors to international marketing success for large firms (Daniels et al. 1979, Cavusgil and Kirpalani 1993). In a study on Dutch exporters, Louter (1991) identified the following factors as most important for export success:

- personal contact (personal relations, language and communication skills)
- product (uniqueness, quality, pricing, packaging, knowledge of the product, product adaption)
- distribution channel
- market knowledge
- commitment to invest in foreign markets (service, flexibility, working hard, reliability, customer-oriented, correctness).

In addition, Cavusgil and Nevin (1981) maintained that four groups of internal determinants motivate exporting - differential advantages of the firm, managerial aspirations for company's growth and financial security, management expectations about the effects of exporting on company's goals, and the level of organizational commitment to export marketing.

One of the major issues in predicting export behavior and success of firms was the influence of the size of the organization (Cavusgil and Johnston 1983, Cavusgil and
Kirpalani 1993). Cavusgil (1984) indicated size of the firm, especially when it is measured by the number of employees, does not influence the company’s internationalization. On the contrary, Kau and Tan (1989) pointed out that small firms are able to adapt to environmental changes more quickly and flexibly than larger firms; and thus, they could be formidable competitive forces in the international trade. For small- and medium-sized firms, exporting is the best alternative since they lack the resources and the commitment to get involved in other forms of international business (Barker and Kaynak 1992). Nevertheless, other researchers asserted that size was important only if it relates to the abundance of resources in the organization (Walters 1985).

Is progression through the internationalization process a function of company size? Reid (1981) and Andersen (1993) pointed out that there is a difference in the internationalization process between small and large firms. For small firms, the export behavior is presumed to be influenced by the individual decision maker(s) while export entry behavior of large firms is assumed to be structurally determined (Andersen 1993). In addition, a study by Kau and Tan (1986) on Singapore companies discovered that there were significant differences between small and large firms in their ratings of export problems such as establishing foreign contacts, getting information about foreign markets, establishing distribution network, promoting products overseas, and employing good export sales personnel.
Do different types of firms need different kinds of export assistance? Some researchers emphasized company size makes a difference in the kinds of export assistance an exporting firm will seek (Culpan 1989). Moini (1991) stated that different government educational and export programs are needed to reinforce managers’ expectations of exporting in order to draw small firms towards exporting. However, other studies have found that assistance needs of exporters, regardless of size, tend to be similar (Yaprak 1985).

In his study on small- and medium-sized manufacturers in Pennsylvania, Culpan (1989) discovered that the process of acquiring export-related assistance was a key factor in the small-sized firms’ export marketing success. Interestingly, Turkish manufacturers do not perceive export incentives as the most important factor in export initiation (Karafakioğlu 1986). Dato' Baharuddin (1991) stated that in Malaysia government incentives combined with a conducive business climate play a significant role in influencing business decisions. Nonetheless, Moini (1991) commented that government incentive programs might not show an impact until management’s attitude toward exporting is changed.

Previous studies also indicated that competitive price and promotional effort are important. In addition, a well-designed information and control system, a sound organizational structure for the international side of the business, and top management effort and commitment to international marketing are important (Cavusgil and Kirpalani 1993). In this regard, Madsen (1989) indicated that empirical studies on the
internationalization process has shown that organizational and management characteristics, to a significant extent, can explain variance in export intensity/export sales.

Tesar and Tarleton (1982) in their study of Wisconsin firms confirmed that management's attitude was the most important determinant in initiating export. He further added that management's positive perception of profit and growth is also an important motivator for exporting. This was supported by Reid (1981 p.110) who asserted that "...decision maker's attitudes towards and preferences for foreign markets and export entry, together with his perception and expectations of the results from such entry, are major determinants of the subsequent export behavior".

Simpson (1973) in his study on export decision-making of manufacturing firms in Tennessee concluded that companies in his study did not act directly to exporting. He found that all the exporting firms and 54 percent of the non-exporters included in the study were subjected to external stimuli which were significant for initiation of exports. The external stimulus most frequently cited was unsolicited orders from foreign customers. This was supported by several other studies on internationalization of firms which reported that initial involvement of companies was the result of merely responding to unsolicited foreign orders or being approached by foreign distributors (Cavusgil 1984, Koh and Robicheaux 1988). Other factors such as trade missions, trade fair participation, and the general state of the domestic economy were cited as not significant in influencing export decisions (Cavusgil 1984).
Most U.S. companies do not adequately pursue their foreign market opportunities. Korth (1991) pointed out that most American producers failed to search adequately for foreign opportunities and failed to acquire the necessary resources to tap those markets. He felt that they have let ignorance, fear, and simple inertia prevent them expanding their market perspectives. Companies have allowed themselves to become complacent with their existing domestic markets.

Keegan (1984 p. 459) stated: "the single most important factor in determining export success is company attitude and commitment". It is believed that exporters will succeed if they believe in their product and put enough effort into their export activities (Burton and Schlegelmilch 1987, Louter 1991). Bilkey and Tesar (1977) affirmed that export decision depends primarily on the decision-maker’s attitude toward exporting and the decision-maker’s perception of exporting and foreign markets rather than economic factors.

Export success is not attained quickly. Companies have to change their attitude and have to obtain knowledge of foreign markets (Louter 1991). Cavusgil (1984) indicated that lack of top management interest or the availability of sales potential in the domestic markets may be responsible for the firm not to be committed fully to exploiting foreign market potentials. Overcoming these managerial obstacles does not guarantee that the company will export. Nonetheless, a careful examination of the foreign prospects is good because, at least, the company is willing to consider opportunities instead of ignoring the possibilities. Kedia and Chhokar (1986) found that exposure to or experience
in exporting, even though small or limited, can result in a difference in the outlook of a company with regard to exporting.

Cavusgil (1984) ascertained that the desire for profits and to achieve sales growth were the major motivation for initial involvement in exporting by a majority of firms. Saturation of the domestic market is a driving force for a company to export since it is the only source of real growth. According to the study on export behavior in the Brazilian furniture industry by da Rocha et al. (1990), the aggressiveness of the CEO in leading his company to exporting depends greatly on the degree of personal benefit that he gets from the company.

Generally, in Malaysia, the business climate (e.g. market, raw materials, company’s capabilities) have a strong direct impact on the decision maker as to whether or not to expand the business (Dato’ Baharuddin 1991). When the company grows, the effect of personal values on business decisions lessen. This reflects the presence of participative style of management in place of the "one-man" decision-making process of a small firm (Dato’ Baharuddin 1991).

Previous studies have not referred specifically to the CEO’s experience. However, several studies on the CEO’s age and attributes have indicated that younger executives were more internationally oriented (da Rocha et al. 1990). On the contrary, Brooks and Rosson (1982) found no significant differences in the CEO’s ages between exporting and non-exporting firms.
Simpson (1973) indicated that the number of international trips is not an important variable in the export-decision process. Nevertheless, a study by Karafakioglu (1986) on factors influential in stimulating Turkish manufacturers to export found that the majority of exporters placed emphasis on personal selling and attempts to identify customers through business trips abroad. Participation in trade fairs and exhibitions abroad was found to be significantly higher among the heavy exporters group (Karafakioglu 1986).

Not only level of education is important to the export decision process, but the type of education attained by the decision-makers is also important. Kaynak and Kuan (1993) felt that it is imperative that decision makers of successful exporting companies have a good command of foreign language and consider exporting a profitable business. However, Kaynak and Kuan (1993) do not believe that decision makers need to have more advanced formal education.

Swift (1991) indicated that language skills are important because they enabled the executives to sell abroad with greater ease. Swift (1991 p.37) further stated that a language barrier can be viewed as "being more than simple mutual unintelligibility, but also affecting the capacity of one person to interpret the culture of another". Culture is a key to the market; therefore, when language becomes a barrier to communication, it also affects one’s ability to interpret the market culture (Swift 1991).

Not all industrialists and management academics view language as either important or relevant to international business. Most international marketing texts mention language only briefly, or make little or no attempt to analyze the role it plays in the process of
interaction and communication between two different cultures (Swift 1991). Nevertheless, Terpstra (1981) took the issue of language seriously and suggested that language is the key to developing an understanding and communicating with the various world cultures.

Numerous studies have investigated stimuli for exporting, but no empirical research has been devoted specifically to examine the influence of internal and external stimuli in the wood household-furniture industry. This study addresses the research question: "What effect do external and internal environmental factors have on the wood household-furniture firm’s decision to export". Specifically, the influence of internal factors - size of company and management’s attributes - are investigated. The impact of external environmental factors - government incentives, size of foreign market, the firm’s aversion for external uncertainty - are examined.

**Methods**

A nationwide mailing list of wood household-furniture manufacturing companies was obtained from Dun and Bradstreet Company, Inc.. A total of 947 companies were mailed questionnaires.

Data were collected using a mail survey sent to the chief executive officers of each company. A total of 257 usable responses were received. The raw response rate is 27.1 percent. However, the effective response rate calculated according to methods
described by Dillman (1978) was approximately 38.9 percent. This is considered more than reasonable as previous studies by Boyd et al. (1981) indicated that expected response rates of random U.S. population sample frames are between 15 percent to 35 percent.

A separate mail survey was carried out in Malaysia with the cooperation of the Malaysian Timber Industry Board. A total of 310 exporting companies were included in the survey. Only exporting companies were studied because the main objective was to determine the influence of motivating factors that stimulated these companies to export. However, there were cases where the companies ceased to export due to unavoidable circumstances.

In Malaysia, the mail survey was directed to the companies’ chief executive officers or, in this case, the managing directors. Two mailings and a followup letter were sent to the companies. Seventy-seven usable responses were received resulting in a response rate of approximately 25 percent.

The Malaysian companies were asked an additional question on important activities/programs that should be undertaken by either the federal or state government. Respondents were required to indicate the importance of the programs/activities listed on a scale of 1=not important to 5=most important that should be carried out by either the federal or state government.
Churchill (1991) indicated that each method of data collection has its uses, and none is superior in all situations. It should be realized that the approaches to data collection can be used more productively in combination. As such, in addition to the mail survey, individual interviews were carried out.

Individual interviews were carried out with four companies in each country to gather further information regarding management's perceptions on government incentives as well as to how the company decides to export. As individual interviews are time consuming and expensive, it was decided to interview only four companies each. The firms were selected randomly.

Analysis

Simple tabulation, cross tabulation, and descriptive statistics were used to analyze the data. The one-way tabulation was used to examine the variables of the study separately. It was used to determine the degree of item nonresponse and to ascertain the empirical distribution of the variable in question (Churchill 1991). Cross tabulation was used to study the relationship among and between the variables. Further, cross tabulation can provide insight into the nature of a relationship since the results of a cross tabulation can be easily communicated (Churchill 1991).
The decision to export is affected by the joint influence of all variables, regardless of whether they are external or internal factors. It is assumed that all factors or stimuli are interrelated. Therefore, the analysis of the decision process requires that all components be examined simultaneously. A suitable method is factor analysis. Factor analysis is a multivariate statistical approach that involves condensing the information contained in a number of variables into a smaller set of dimensions (factors) with a minimum loss of information (Hair et al. 1992 p.10). By using factor analysis, separate dimensions measured by the survey can be identified, and a factor loading for each variable on each factor can be determined (Hair et al. 1992).

Factor analysis can be used to achieve either an exploratory or confirmatory perspectives. It is considered exploratory when factor analysis is used in determining structure among a set of variables or as a data reduction method. It is usually performed in the early stages of the research where it provides a technique for consolidating variables and for generating hypotheses about underlying processes (Martikainen 1993). The confirmatory approach is considered more sophisticated, and it is used to assess the degree to which the data meet the expected structure or theory determined by the researcher (Hair et al. 1993). Generally, the analyst has preconceived ideas based on theoretical support or prior research (Hair et al. 1993), on the actual structure of the data. Usually used in the advanced stage of research, confirmatory approach is used to test hypotheses involving such issues as which variables should be grouped together on a factor or the exact number of factors (Hair et al. 1993).
The two most frequently used methods of factor analysis are *principal components analysis* and *common factor analysis*. The principal component model is used when the objective is to summarize most of the original information or variance in a minimum number of factors for prediction purposes (Hair et al. 1993 p. 228). On the contrary, common factor analysis is used mainly to identify underlying factors or dimensions not easily recognized (Hair et al. 1993 p. 228).

In this study, the principal components method was used to retain the factors that can be used to interpret suitable solutions for export decision-making process. In factor analysis, total variance consists of (1) *common* variance in a variable that is shared with all other variables in the analysis, (2) *specific or unique* variance associated with only a specific variable, and (3) *error* variance due to unreliability in the data-gathering process or a random component in the measured phenomenon. In using the component analysis, "*the total variance is considered, and hybrid factors are derived that contain small proportion of specific variances, and in some instances cases error variance, but not enough in the first few factors to distort the overall factor structure*" (Hair et al. 1993, p. 230). The use of principal components on the predictors is one way of solving multicollinearity problem (Stevens 1986).

Rotation of factors is an important concept in factor analysis. The rotation method is used to redistribute the variance from earlier factors to later ones in order to achieve simpler and theoretically more meaningful factor solutions (Hair et al. 1993). Generally, it improves the interpretation by reducing some of the ambiguities that often accompany

The orthogonal rotation is more widely used. In order to use the factor scores in subsequent statistical analysis, the orthogonal rotation procedure was selected. The varimax method gives a clearer separation of the factors (Hair et al. 1993). In varimax rotation, each factor tends to load high on a smaller number of variables and low or very low on the other variables (Stevens 1986). Generally, this makes the interpretation of resulting factors easier.

In this study, variables with factor loadings of 0.55 and above are considered significant in interpreting the factor matrix. In fact, the larger the absolute size of the factor loading, the more significant the loading becomes in interpreting the factor matrix (Hair et al. 1993). This, however, is applicable when the sample size is 50 or larger.

Results and Discussion

Respondents Profile

**U.S.** - The total respondents were 257. Out of that, 122 companies or 47.5 percent of the respondents were exporters. Fifty-nine percent of the exporting companies have 200 or less employees. The breakdown of companies according to the number of employees is as follows:
### Table 4.1  Number of Exporting and Non-exporting Companies by Number of Employees in the U.S.

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Non-exporting</th>
<th>Exporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 and below</td>
<td>76</td>
<td>26</td>
</tr>
<tr>
<td>21 - 50</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>51 - 100</td>
<td>23</td>
<td>26</td>
</tr>
<tr>
<td>101 - 150</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>151 - 200</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>200 - 400</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td>401 - 1000</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>1001 - 2000</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>over 2000</td>
<td>0</td>
<td>9</td>
</tr>
</tbody>
</table>

Note: 4 missing observations

**Malaysia** - Sixty seven out of 77 respondents, or 87 percent, are exporters. Eighty two percent of the exporting companies in Malaysia have 200 or less employees. The breakdown according to the number of employees is as follows:

### Table 4.2  Number of Employees for Exporting and Non-exporting companies in Malaysia

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Non-exporting</th>
<th>Exporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 and below</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>21 - 50</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>51 - 100</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>101 - 200</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>201 - 500</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>over 500</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

Note: 2 missing observations

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It is observed that size of company based on the number of employees do not influence the export decision process.

**Motivators to Exporting**

- **Quantitative Analyses**

  Respondents were asked to rate on a scale of 1=not important to 5=most important 19 factors that encourage them to export. Table 3 shows the results of the extraction of common factors that motivate companies to export.

  Norusis (1990) suggested that one criterion to determine the number of factors to use in a model is to use only factors that have an eigenvalue greater than 1. From the above table, about 68 percent of the total variance is attributable to the first five factors for the U.S. study. Almost 68 percent of the total variance in the Malaysian study is attributable to the six factors. It can be assumed that these factors may be adequate to represent the data on factors that encourage companies to export.
Table 4.3  Results for the Extraction of Common Factors to Determine Motivators for Exporting

<table>
<thead>
<tr>
<th>Factor</th>
<th>Eigenvalue</th>
<th>% of Variance</th>
<th>Eigenvalue</th>
<th>% of Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>7.4953</td>
<td>39.4</td>
<td>5.3566</td>
<td>28.2</td>
</tr>
<tr>
<td>2</td>
<td>2.04827</td>
<td>10.8</td>
<td>2.0419</td>
<td>10.7</td>
</tr>
<tr>
<td>3</td>
<td>1.2830</td>
<td>6.8</td>
<td>1.6296</td>
<td>8.6</td>
</tr>
<tr>
<td>4</td>
<td>1.07848</td>
<td>5.7</td>
<td>1.4269</td>
<td>7.5</td>
</tr>
<tr>
<td>5</td>
<td>1.0104</td>
<td>5.3</td>
<td>1.2566</td>
<td>6.6</td>
</tr>
<tr>
<td>6</td>
<td>0.8313</td>
<td>4.4</td>
<td>1.1771</td>
<td>6.2</td>
</tr>
</tbody>
</table>

The results of the factor analyses are presented in the following tables. Table 4.4 shows the factors that explain the motivators for export in the U.S. sector.

The analysis of variables assigned to Factor 1 indicates that it represents the motivations from governments, industry/trade associations, commercial banks, and other local companies. The variables that have high loadings can be labelled as the motivators by government and other organizations, and this includes the advantage of government incentives which is perceived to motivate companies to export.

In the second factor, the variables that describe motivators that contribute toward the betterment of the company get high loadings. Therefore, the second factor represents the company's goals and aspirations. It is apparent that companies want to expand markets to improve the status of their companies.
Table 4.4  Dimensions of Motivators for Exporting in the U.S.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
<th>Factor 5</th>
<th>Communalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance profit</td>
<td>.18</td>
<td>.58</td>
<td>.01</td>
<td>.14</td>
<td>.15</td>
<td>.24</td>
</tr>
<tr>
<td>Excess production</td>
<td>.13</td>
<td>.13</td>
<td>.04</td>
<td>.86</td>
<td>.13</td>
<td>.36</td>
</tr>
<tr>
<td>Expand market</td>
<td>-.03</td>
<td>.71</td>
<td>.05</td>
<td>.23</td>
<td>.16</td>
<td>.41</td>
</tr>
<tr>
<td>Advantage of govt. incentives</td>
<td>.65</td>
<td>.32</td>
<td>.25</td>
<td>.16</td>
<td>-.17</td>
<td>.56</td>
</tr>
<tr>
<td>Reduce unit production costs</td>
<td>.26</td>
<td>.41</td>
<td>.08</td>
<td>.61</td>
<td>.001</td>
<td>.44</td>
</tr>
<tr>
<td>State govt. program</td>
<td>.85</td>
<td>.20</td>
<td>.14</td>
<td>.06</td>
<td>.06</td>
<td>.81</td>
</tr>
<tr>
<td>Industry/trade association</td>
<td>.82</td>
<td>.16</td>
<td>.12</td>
<td>.15</td>
<td>.15</td>
<td>.74</td>
</tr>
<tr>
<td>Federal govt. program</td>
<td>.90</td>
<td>.14</td>
<td>.19</td>
<td>.08</td>
<td>.09</td>
<td>.85</td>
</tr>
<tr>
<td>Commercial banks</td>
<td>.82</td>
<td>.02</td>
<td>.26</td>
<td>.15</td>
<td>.22</td>
<td>.75</td>
</tr>
<tr>
<td>Other local companies</td>
<td>.74</td>
<td>-.04</td>
<td>.22</td>
<td>.14</td>
<td>.22</td>
<td>.62</td>
</tr>
<tr>
<td>Overseas companies</td>
<td>.24</td>
<td>.26</td>
<td>.07</td>
<td>.21</td>
<td>.75</td>
<td>.44</td>
</tr>
<tr>
<td>Improve firm status</td>
<td>.19</td>
<td>.69</td>
<td>.33</td>
<td>.04</td>
<td>-.03</td>
<td>.45</td>
</tr>
<tr>
<td>Goal expansion</td>
<td>.13</td>
<td>.79</td>
<td>.18</td>
<td>.04</td>
<td>.20</td>
<td>.51</td>
</tr>
<tr>
<td>Travel overseas</td>
<td>.29</td>
<td>-.03</td>
<td>.61</td>
<td>.14</td>
<td>.04</td>
<td>.35</td>
</tr>
<tr>
<td>Knowledge in exporting</td>
<td>.26</td>
<td>.25</td>
<td>.77</td>
<td>.26</td>
<td>.13</td>
<td>.68</td>
</tr>
<tr>
<td>Contacts overseas</td>
<td>.16</td>
<td>.22</td>
<td>.79</td>
<td>.10</td>
<td>.22</td>
<td>.66</td>
</tr>
<tr>
<td>Unsolicited orders</td>
<td>.14</td>
<td>.20</td>
<td>.29</td>
<td>.01</td>
<td>.76</td>
<td>.37</td>
</tr>
<tr>
<td>Capital</td>
<td>.53</td>
<td>.23</td>
<td>.51</td>
<td>.09</td>
<td>.11</td>
<td>.59</td>
</tr>
<tr>
<td>Diminishing domestic market</td>
<td>.17</td>
<td>.10</td>
<td>.44</td>
<td>.58</td>
<td>.09</td>
<td>.36</td>
</tr>
<tr>
<td>Eigenvalue</td>
<td>7.495</td>
<td>2.048</td>
<td>1.283</td>
<td>1.078</td>
<td>1.010</td>
<td>12.914</td>
</tr>
<tr>
<td>Total variance (%)</td>
<td>39.4</td>
<td>10.8</td>
<td>6.8</td>
<td>5.7</td>
<td>5.3</td>
<td>68.0</td>
</tr>
</tbody>
</table>
The third factor has variables that describe the management’s experience which includes desire to travel overseas, contacts overseas, and knowledge in exporting. These variables can be labelled as management’s experience since they describe the management’s expertise and exposure to foreign contacts.

In the fourth factor, variables that relate to production and domestic market have high loadings. This dimension can be named as production and effects of domestic market factor. In the fifth factor the variables describing the encouragement from overseas buyers and unsolicited orders from overseas get high loadings. Since the variables in this factor can be grouped into a dimension that relates to motivation from overseas, it is labelled as orders from overseas.

These five dimensions confirm that key motivators for companies to export are from external and internal sources. External sources are (1) incentives from the governments, banks, and industry/trade associations, and (2) orders from overseas. The internal motivators are: (1) company’s goals and aspirations, (2) management’s experience, and (3) production. Figure 4.1 presents the dimensions of motivators for exporting in the U.S. according to loadings given to each factor.
<table>
<thead>
<tr>
<th>Internal Stimuli</th>
<th>External Stimuli</th>
<th>Overseas Related Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company’s Goals and Aspirations</td>
<td>Government and Other Organizations</td>
<td>- Unsolicited orders from overseas</td>
</tr>
<tr>
<td>- Goal of expansion</td>
<td>- Federal and State Government Export Programs</td>
<td>- Support from overseas companies</td>
</tr>
<tr>
<td>- Expand markets</td>
<td>- Commercial Banks</td>
<td></td>
</tr>
<tr>
<td>- Desire to improve status of firm</td>
<td>- Industry/Trade Associations</td>
<td></td>
</tr>
<tr>
<td>- Profit enhancement</td>
<td>- Other Local Companies</td>
<td></td>
</tr>
<tr>
<td>Management’s Experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Contacts overseas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Knowledge in exporting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production Related Factors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Use of excess production capacity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Reduce unit production costs by</td>
<td></td>
<td></td>
</tr>
<tr>
<td>producing larger quantities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 4.1 Summary of Dimensions of Motivators for Export in the United States.

In the Malaysian study, six factors describe the key motivators for companies to export. Table 4.5 shows the results of the factor analyses:
### Table 4.5  Dimensions of Motivators that Encourage Exporting in Malaysia

<table>
<thead>
<tr>
<th>Variables</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
<th>Factor 5</th>
<th>Factor 6</th>
<th>Communalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance profit</td>
<td>.07</td>
<td>.25</td>
<td>.27</td>
<td>.12</td>
<td>.65</td>
<td>-.11</td>
<td>.58</td>
</tr>
<tr>
<td>Excess production</td>
<td>.10</td>
<td>.15</td>
<td>.03</td>
<td>.002</td>
<td>.007</td>
<td>.84</td>
<td>.75</td>
</tr>
<tr>
<td>Expand market</td>
<td>-.06</td>
<td>-.02</td>
<td>.72</td>
<td>.19</td>
<td>.29</td>
<td>-.14</td>
<td>.67</td>
</tr>
<tr>
<td>Advantage of govt. incentives</td>
<td>.75</td>
<td>-.01</td>
<td>.20</td>
<td>.13</td>
<td>-.15</td>
<td>.06</td>
<td>.65</td>
</tr>
<tr>
<td>Reduce unit production costs</td>
<td>.06</td>
<td>.32</td>
<td>.52</td>
<td>-.22</td>
<td>.17</td>
<td>.38</td>
<td>.60</td>
</tr>
<tr>
<td>State govt. program</td>
<td>.84</td>
<td>.28</td>
<td>.02</td>
<td>-.04</td>
<td>.24</td>
<td>.01</td>
<td>.85</td>
</tr>
<tr>
<td>Industry/trade association</td>
<td>.66</td>
<td>.28</td>
<td>.15</td>
<td>-.03</td>
<td>.43</td>
<td>-.002</td>
<td>.72</td>
</tr>
<tr>
<td>Federal govt. program</td>
<td>.82</td>
<td>.21</td>
<td>.22</td>
<td>.19</td>
<td>-.66</td>
<td>.05</td>
<td>.81</td>
</tr>
<tr>
<td>Commercial banks</td>
<td>.79</td>
<td>-.04</td>
<td>-.9</td>
<td>.10</td>
<td>.20</td>
<td>.16</td>
<td>.72</td>
</tr>
<tr>
<td>Other local companies</td>
<td>.24</td>
<td>.11</td>
<td>-.03</td>
<td>.14</td>
<td>.70</td>
<td>.31</td>
<td>.68</td>
</tr>
<tr>
<td>Overseas companies</td>
<td>.11</td>
<td>.71</td>
<td>.03</td>
<td>.18</td>
<td>.17</td>
<td>.22</td>
<td>.62</td>
</tr>
<tr>
<td>Improve firm status</td>
<td>.27</td>
<td>.09</td>
<td>-.62</td>
<td>.08</td>
<td>-.34</td>
<td>.24</td>
<td>.65</td>
</tr>
<tr>
<td>Goal expansion</td>
<td>.17</td>
<td>.05</td>
<td>.77</td>
<td>.04</td>
<td>.06</td>
<td>.01</td>
<td>.62</td>
</tr>
<tr>
<td>Travel overseas</td>
<td>.20</td>
<td>-.14</td>
<td>.04</td>
<td>.64</td>
<td>.21</td>
<td>.44</td>
<td>.71</td>
</tr>
<tr>
<td>Knowledge in exporting</td>
<td>.10</td>
<td>.29</td>
<td>.11</td>
<td>.81</td>
<td>.09</td>
<td>-.06</td>
<td>.78</td>
</tr>
<tr>
<td>Contacts overseas</td>
<td>.11</td>
<td>.50</td>
<td>.08</td>
<td>.72</td>
<td>.03</td>
<td>-.11</td>
<td>.79</td>
</tr>
<tr>
<td>Unsolicited orders</td>
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<td>.74</td>
<td>.02</td>
<td>.07</td>
<td>.01</td>
<td>-.27</td>
<td>.60</td>
</tr>
<tr>
<td>Capital</td>
<td>.16</td>
<td>.74</td>
<td>.02</td>
<td>.07</td>
<td>.01</td>
<td>.14</td>
<td>.60</td>
</tr>
<tr>
<td>Diminishing domestic market</td>
<td>.09</td>
<td>.55</td>
<td>.13</td>
<td>.08</td>
<td>.18</td>
<td>.37</td>
<td>.50</td>
</tr>
<tr>
<td>Eigenvalue</td>
<td>5.357</td>
<td>2.041</td>
<td>1.630</td>
<td>1.430</td>
<td>1.257</td>
<td>1.177</td>
<td>12.892</td>
</tr>
<tr>
<td>Total variance (%)</td>
<td>28.2</td>
<td>10.7</td>
<td>8.6</td>
<td>7.5</td>
<td>6.6</td>
<td>6.2</td>
<td>67.9</td>
</tr>
</tbody>
</table>
From Table 4.5, the analysis of variables assigned to Factor 1 are incentives and encouragement from government sectors, commercial banks, and industry/trade association. Compared to Factor 1 of the U.S. study, the variable "encouragement from other local companies" did not get a high loading and, therefore, is not included in the motivators by government and other organizations.

In the second factor, the variables unsolicited orders and encouragement from overseas companies, available capital, and diminishing domestic market get high loadings. This is similar to factor 5 (orders from overseas) of the U.S. study except that availability of capital and diminishing domestic market are included in this factor.

In factor 3, variables that reduce unit costs of production, expand markets, and improve the status of the firm and goal of expansion are included. This clearly describes the company's goals and aspirations; however, enhancement of company's profit is not included in this factor.

Management's knowledge in exporting, contacts overseas, and desire to travel overseas are variables that can be included under the label management's experience. This is similar to factor 3 of the U.S. study, except that in the Malaysian study "knowledge in exporting " has a higher loading than that in the U.S. In fact, the U.S. study shows a higher loading in contacts overseas compared to the Malaysian study.

In factor 5, variables that have high loadings are encouragement from local companies and enhancement of profit. This is significantly different from the U.S. study which has "enhancement of profit" grouped under company's goals and aspirations. In
Malaysia, competition among wood household-furniture manufacturers is serious since the local market is small and the only alternative is to export. As such, this factor (in the Malaysian study) can be labelled *domestic competition*.

For the dimension related to *production*, the only variable that has a high factor loading is "excess production capacity". This differs from the U.S. study which has other variables - reduce unit production costs and diminishing market - included in this dimension.

Figure 4.2 summarizes the different groups of variables describing the motivators for export among the wood household furniture manufacturers in the U.S..
### Variables Describing Stimuli to Export

#### Internal Stimuli

<table>
<thead>
<tr>
<th>Company's Goals and Aspirations</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Goal of expansion</td>
</tr>
<tr>
<td>- Expand markets</td>
</tr>
<tr>
<td>- Desire to improve status of firm</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Management's Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Knowledge in exporting</td>
</tr>
<tr>
<td>- Contacts overseas</td>
</tr>
<tr>
<td>- Travel overseas</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Production Related Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>- use of excess production capacity</td>
</tr>
</tbody>
</table>

#### External Stimuli

<table>
<thead>
<tr>
<th>Government and Other Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Federal and State Government Export Programs</td>
</tr>
<tr>
<td>- Commercial Banks</td>
</tr>
<tr>
<td>- Industry/Trade Associations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overseas Related Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Availability of capital to expand to foreign markets</td>
</tr>
<tr>
<td>- Unsolicited orders from overseas</td>
</tr>
<tr>
<td>- Support from overseas companies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Other local companies</td>
</tr>
<tr>
<td>- Ability to enhance profit</td>
</tr>
</tbody>
</table>

**Figure 4.2** Summary of Dimensions of Motivators for Export in Malaysia
- **Individual Interviews**

From the individual interviews, the U.S. companies indicated that the reason they export is mainly to expand their markets. Generally, domestic markets are still predominant, export activities only take up a small portion of their production (less than 10% of production). In Malaysia, the companies have to export because of the very small domestic market. In fact, three of the Malaysian companies interviewed exported 100% of their products.

State and federal government do not play important roles in motivating the U.S. companies to export. In fact, they indicated that the companies interviewed are not aware of any government programs that can assist them in exporting. However, they indicated that North Carolina has an aggressive export program for wood furniture unlike the state of Virginia.

The Malaysian companies make use of the government's export promotion services to gather market information as well as to participate in exhibitions and trade missions overseas organized by government agencies. Generally, the government agencies organized overseas trips for manufacturers to meet potential buyers. For participation in exhibitions overseas, most often, the freight of exhibits and rental of exhibition areas are borne by the government agencies.

Malaysian companies make use of the various government fiscal incentives especially in the early stage when the companies need to upgrade their production facilities. Industry/trade associations work closely with the government agencies,
especially in matters pertaining to formulation of related regulations and strategies for the industry. There is close cooperation between the trade/industry associations and the government particularly in trying to elucidate the problem related to the green movement.

In the U.S. commercial banks and industry/trade associations do not have any impact on the companies’ decision to export. Since all the companies interviewed are either using agents or selling directly to retailers overseas, all financial matters are carried out by the companies themselves.

Enhancement of companies profit is an important consideration for all the companies (in U.S. and Malaysia) interviewed. This ties up with management’s desire to improve the status of the firm, especially when the domestic market is slow. However, knowledge in exporting is not considered necessary when a company initially wants to start exporting. The interviewees indicated that they learn more about exporting in the process.

The U.S. and Malaysian executives interviewed indicated that college education at graduate level is good but not necessary. Professional training is not vital, but training in foreign language and customs will be helpful. No doubt that English is an important international language and in export situations may be the basis for the majority of international communication. However, in countries such as Japan, Mexico, and China, where the national language is used extensively, it would be beneficial if exporters and trade show exhibitors are able to communicate with local buyers in their own language.

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Malaysian executives travel overseas much more than their U.S. counterparts because of (1) the need to keep close relationship with their buyers, (2) participation in overseas trade missions to get new buyers and gather information on prospective markets and (3) participation in trade shows overseas. They often participated in programs overseas sponsored by Malaysian government agencies.

The U.S. executives travel overseas usually to visit their buyers and retailers. However, new buyers are normally acquired at the International Furniture Market at High Point which opens in spring and fall annually. Companies which export through agents do not travel much because these agents have offices in the U.S., and, therefore, all trade transactions go through these local offices.

Conclusions

This study revealed some interesting similarities and differences in perception for key motivators between the U.S. and Malaysian wood household furniture manufacturers. Although both the U.S. and Malaysian manufacturers perceive factors that encourage them to export quite similarly, specific variables tend to differ.

An additional factor categorized as competition is perceived as important to Malaysian wood furniture manufacturers. The domestic market is very small, so companies have to rely on the export markets. Malaysian furniture manufacturers depend on export assistance from the government sectors. It is imperative that the Malaysian
government develop promotion and assistance programs according to firms' exclusive needs.

It is apparent that external stimuli as well as internal stimuli play important roles in motivating companies to export. However, should the export incentives and other assistance from government and local trade organizations be tailored specifically to different groups of exporters? The U.S. exporters may not be completely satisfied with existing incentives, but they may consider international competition and know-how in international marketing more important. The state government should provide greater help to exporters by working through federal government by lobbying for the elimination of tariff barriers in importing countries such as Brazil whose import duty on furniture is 100%.

Future studies may address other issues of importance and add additional insights on export motivation and the resulting needs of wood furniture manufacturers in the U.S. and Malaysia. A special study on the needs of these manufacturers may provide valuable information and may have a significant contribution for the development of a specific program.
Literature Cited


SECTION V

Limitations, Recommendations, and Conclusion
Limitations

The findings of this research are derived from secondary as well as primary data. The purpose of this research, however, is exploratory rather than theory testing. This study has several limitations. The survey method of research allows only a "momentary" view of a situation. Situations change, especially the economic situation; and these would affect the wood furniture industry. Therefore, studies of this nature could produce more fruitful results if undertaken periodically.

Factors which are crucial to the furniture industry may not have the same effect in another industry. Consequently, it may not be feasible to generalize the findings of this study as characteristics and situations of other industries differ significantly with the wood household furniture industry.

A study of this nature would be more meaningful if personal interviews are carried out instead of a mail survey. Since the focus of study is on perceptions and attitude of decision-makers, better results could be achieved through observations and conversations. However, personal interviews are time consuming and costly. Longitudinal research would also be suitable for this study since it would enable researchers to analyze causal linkages and clarify the role and impact of different assistance programs at different export development stages.
Recommendations and Implementation

Management perceptions appear to be the most important firm determinants for export success. Management disposition, perception, awareness, and attitudes are variables that affect export performance. Non-exporters perceive export to be risky and requires more resources and export assistance than may be needed. This implies that pre-export programs focusing on correcting management perceptions and beliefs should be carried out by the government sector.

Awareness and expectations are key factors that inhibit the use of export assistance and management’s evaluation of its effect. Companies are motivated to become involved in exporting through awareness of export opportunities and benefits that are derived from pursuing such opportunities. Since awareness of such programs is low, especially among the U.S. furniture manufacturers, it is imperative that the relevant government agencies aggressively disseminate information on program availability. Transfer of information should be made easier for companies, especially the small- and medium-sized firms. Bureaucratic impediments to the transfer of information and to providing services should be reduced or totally removed.

Awareness of assistance programs is a necessary prerequisite for successful export program adoption. However, it is not sufficient to ensure usage. Awareness must be accompanied by decision-makers’ commitment to exporting and expectations that using such assistance will indeed help.
Gathering of information about and for exporting involves a commitment of additional finance and human resources, particularly if the firm is attempting to export for the first time. Reluctance by the decision-maker to provide adequate resources can act as a significant barrier.

Managers of small- and medium-sized firms should be aware of opportunities in export markets. To capture a reasonable share of the export market, firms should emphasize product niches that provide competitive advantage. Small- and medium-sized companies can start by exporting furniture parts and components. Overseas contacts can be made through the various agencies (e.g., trade offices abroad, Chambers of Commerce, and even trade associations). The government sector should play a major role in providing assistance such as information on the market of interest, documentation procedures, and methods of financial transactions in order to give the prospective exporters assistance in exporting.

As the requirements for assistance vary with the characteristics of companies, it is important that the agencies supporting exporting develop programs that will benefit the specific targeted sector. To stimulate international growth of firms, policy makers need to identify firms with the potential for such growth, identify and assess the firm's specific needs relative to their potential, and tailor assistance programs to suit the needs of these firms. Policy makers should ensure that assistance programs and services are appropriately differentiated and aimed at the right user segments. The programs must be portrayed as an instrument that can address and resolve a firm's exporting problems.
Government agencies should project an image of an assistance provider rather than a barrier to exporting. Regulations which hinder exports should be waived. Commitment on the part of the government to assist exporters should be explicit.

Federal or state supported programs should encourage export sales by all sizes of firms. The U.S. government should use its leverage with foreign governments to support export sales by U.S. firms. This could be provided through bilateral trade agreements with foreign governments which should aim at eliminating trade barriers to U.S. exporters.

One shortcoming that is apparent in the furniture industry in Malaysia is the unequal growth of the multinationals and large companies relative to small-sized companies. The existence of a few large companies could lead to an unhealthy "one-sided battle" situation especially in the procurement of raw materials and other goods and services. This may be more acute in the future when Malaysia's supplies of timber are expected to decrease. The Malaysian Timber Industry Board, the Forestry Department, and the relevant trade associations should work together to formulate plans and strategies to ensure that the furniture industry (both large and small companies) have adequate supply of raw materials.

The Malaysian government should intensify its financial assistance programs particularly to benefit the small- and medium-sized wood furniture manufacturing firms. Financial support is necessary for these firms to expand and modernize their facilities to manufacture furniture of export quality. Financial and commercial institutions in
Malaysia should be more flexible in approving loans to the furniture industry.

Government policies should foster growth in export involvement through counseling and training programs. In Malaysia, the technical capability of the wood furniture manufacturing sector should be further developed. Firms can succeed in domestic and global markets by increasing productivity so that costs of production are kept low, giving them comparative advantage over their competitors. In addition, the competitiveness of Malaysian furniture firms can be improved through better designs. Currently, most furniture produced in Malaysia is based on designs and specifications determined by the foreign buyers. It would be an advantage if furniture of original designs can be manufactured for export. This would enable manufacturers to sell their line of products under a brand name. This would also benefit manufacturers aiming to penetrate the mid- to high-end furniture markets. Government agencies such as the Malaysian Timber Industry Board, and educational institutions such as the MARA Institute of Technology should intensify their training programs to incorporate technical and furniture design courses.
SECTION VI

Appendices and Vita
Appendix A - Questionnaires
Virginia Tech

Survey of Export Marketing Decision-making of Wood Household Furniture Manufacturers

This survey is intended to collect information from wood household furniture manufacturers to help gain a better understanding of the export marketing decision-making process in the wood household furniture industry. Thank you!

1. Does your company make wood household furniture?
   (please check one box)
   □ No ⇒ Please return this questionnaire if your company does not produce wood household furniture. Just fold and tape. Postage is prepaid. Thank you!

   □ Yes

2. Please give the year your company was established.

   ________

3. What was the average number of full-time people employed by your company during 1992?

   _____________ employees
4. Which category best describes your company's total 1992 wood household furniture sales? (Please check one box)

☐ Less than $1 million
☐ $1.1 million to $20 million
☐ $20.1 million to $40 million
☐ $40.1 million to $60 million
☐ $60.1 million to $80 million
☐ $80.1 million to $100 million
☐ Over $100 million

5. Does your company export wood household furniture?

☐ Yes  ⇒ If YES, please proceed to Question 6.

☐ No  If No, have you ever exported before?

☐ No

☐ Yes  If Yes, please indicate why you stopped exporting.

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________
5(a). If your answer to Question 5 is NO, please rank the top five reasons for not exporting 1 through 5 (1 being the top reason for not exporting), then proceed to Question 11.

___ Lack of information about foreign markets
___ Lack of knowledge about how to export
___ Lack of export financing
___ Foreign product specifications are too different or difficult to meet
___ Do not have trained personnel in exporting
___ Domestic market takes up all we can produce
___ Foreign trade barriers
___ Other:__________________________
___ Other:__________________________
___ Other:__________________________

6. Please give the year your company first exported.

________

7. Approximately, what percent of your company's total sales were from wood household furniture exports?

1989 ______% of sales
1990 ______% of sales
1991 ______% of sales
1992 ______% of sales
8. Please indicate the percentage of your 1992 export sales by country.

Canada   ______  %
Mexico   ______  %
Japan    ______  %
Saudi Arabia ______  %
Germany  ______  %
United Kingdom ______  %
France   ______  %
Other: __________  ______  %
Other: __________  ______  %

Total = 100  %

9. Please check the products you exported.

____ dining room furniture
____ non-upholstered living room furniture
____ bedroom furniture
____ kitchen furniture
____ chairs/seats
____ furniture parts
Other (please specify): ________________________
____________________________
____________________________

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10. Were you responsible for your company's original decision to export?

☐ Yes

☐ No

If NO, please indicate who made the decision.

☐ President/Chief Executive Officer
☐ Vice President of Marketing
☐ Sales Manager
☐ Marketing Manager
☐ Other (please specify): ________________________

11. Does your company import any wood household furniture, furniture parts or raw materials?

☐ Yes

☐ No

12. Please check whether your company is

☐ an independent company; or

☐ part of a larger firm.

If you are part of a large firm, does the parent company export?

☐ Yes

☐ No
13. Regardless of whether or not you export, please indicate on a scale of 1 to 5 (1 = not important; 5 = most important) the importance of each of the following factors in encouraging your company to export. (Please circle the number that best indicates the importance of each factor)

<table>
<thead>
<tr>
<th>Ability to:</th>
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<th>Neutral</th>
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<td>3</td>
</tr>
<tr>
<td>take advantage of government incentives</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>reduce unit production costs by producing larger quantities</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

| Encouragement and support from:                 |               |         |                |
| State Government Export program                 | 1             | 2       | 3              |
| Industry/Trade Association                      | 1             | 2       | 3              |
| Federal Government Export program               | 1             | 2       | 3              |
| commercial banks                                | 1             | 2       | 3              |
| other local companies                           | 1             | 2       | 3              |
| overseas companies/prospective buyers           | 1             | 2       | 3              |

| Management's:                                    |               |         |                |
| desire to improve status of firm                | 1             | 2       | 3              |
| goal of expansion                               | 1             | 2       | 3              |
| desire to travel overseas                       | 1             | 2       | 3              |
| knowledge in exporting                          | 1             | 2       | 3              |
| contacts overseas                               | 1             | 2       | 3              |

| Others:                                         |               |         |                |
| unsolicited orders from overseas                | 1             | 2       | 3              |
| available capital for expansion into foreign markets | 1             | 2       | 3              |
| diminishing domestic market                     | 1             | 2       | 3              |
14. Please check the programs that you have used and indicate whether or not the programs were helpful.

<table>
<thead>
<tr>
<th>Programs which provide:</th>
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<th>Have Used</th>
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<tr>
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</table>

15. Please indicate your sex. Male ☐ Female ☐

16. What is your age? 20 - 30 years ☐ 51 - 60 years ☐
31 - 40 years ☐ 61 and more ☐
41 - 50 years ☐
Please indicate your educational background. (Please check one box)

☐ High school  ☐ College (undergraduate)

☐ Community college  ☐ College (graduate)

Do you attend professional training programs or seminars?

☐ No

☐ Yes  If YES, approximately how many? ______ per year.

18(a). If you answered YES to Question 18, please check the sources or organizers:

☐ Trade Association  ☐ Government Agency

☐ Consultant  ☐ University

☐ Community College

Other (please specify): _______________________

What is your position or title? (please check one box)

☐ President/Chief Executive  ☐ Sales Manager

☐ Other (Please specify): _______________________

Vice President of Marketing  ☐ Marketing Manager
20. **How many years have you held your current position?** *(Please check one box)*

- [ ] 1 - 5 years
- [ ] 6 - 10 years
- [ ] 11 - 15 years
- [ ] 16 - 20 years
- [ ] 21 and more

21. **Have you been on a trip overseas?**

- [ ] Yes   If YES, approximately how many? __________
- [ ] No

22. **Do you speak a foreign language?**

- [ ] Yes
- [ ] No

23. **Is your company a member of a Trade/Industry association?**

- [ ] Yes   If YES, do you participate in Association activities?
  - Yes [ ]
  - No [ ]
- [ ] No

---

Thank you for completing this questionnaire. Please fold, tape (with address on the back page showing), and return by mail. The postage is prepaid.

Once again, Thank you!
Malaysian Timber Industry Board
in conjunction with
Virginia Polytechnic Institute and State University

Survey of Export Marketing Decision-making of Wood
Household Furniture Manufacturers

This survey is intended to collect information from wood household furniture manufacturers to help gain a better understanding of the export marketing decision-making process in the wood household furniture industry. Thank you!

1. Does your company make wood household furniture?
   (please check one box)

   □ No ⇒ Please return this questionnaire if your company does not produce wood household furniture. Just fold and tape. Postage is prepaid. Thank you!

   □ Yes

2. Please give the year your company was established.

   __________________

3. What was the average number of full-time people employed by your company during 1992?

   __________________ employees

193
4. Which category best describes your company’s total 1992 wood household furniture sales? (Please check one box)

☐ Less than $1 million
☐ $1.1 million to $20 million
☐ $20.1 million to $40 million
☐ $40.1 million to $60 million
☐ $60.1 million to $80 million
☐ $80.1 million to $100 million
☐ Over $100 million

5. Does your company export wood household furniture?

☐ Yes ⇒ If YES, please proceed to Question 6.

☐ No If No, have you ever exported before?

☐ No

☐ Yes If Yes, please indicate why you stopped exporting.

_____________________________________________________

_____________________________________________________

_____________________________________________________

_____________________________________________________

194
5(a). If your answer to Question 5 is NO, please rank the top five reasons for not exporting 1 through 5 (1 being the top reason for not exporting), then proceed to Question 11.

- Lack of information about foreign markets
- Lack of knowledge about how to export
- Lack of export financing
- Foreign product specifications are too different or difficult to meet
- Do not have trained personnel in exporting
- Domestic market takes up all we can produce
- Foreign trade barriers
- Other: __________________________
- Other: __________________________
- Other: __________________________

6. Please give the year your company first exported.

__________

7. Approximately, what percent of your company's total sales were from wood household furniture exports?

1989 ______% of sales
1990 ______% of sales
1991 ______% of sales
1992 ______% of sales
8. Please indicate the percentage of your 1992 export sales by country.

Canada
United States
Japan
Saudi Arabia
Germany
United Kingdom
France
Other: ____________
Other: ____________

Total = 100 %

9. Please check the products you exported.

___ dining room furniture
___ non-upholstered living room furniture
___ bedroom furniture
___ kitchen furniture
___ chairs/seats
___ furniture parts

Other (please specify): ____________

________________________

196
10. Were you responsible for your company's original decision to export?

☐ Yes

☐ No If NO, please indicate who made the decision.

☐ Managing Director/Chief Executive Officer

☐ Director of Marketing

☐ Sales Manager

☐ Marketing Manager

☐ Other (please specify): __________________________

11. Does your company import any wood household furniture, furniture parts or raw materials?

☐ Yes

☐ No

12. Please check whether your company is

☐ an independent company; or

☐ part of a larger firm. If you are part of a large firm, does the parent company export?

☐ Yes

☐ No
13. Regardless of whether or not you export, please indicate on a scale of 1 to 5 (1 = not important; 5 = most important) the importance of each of the following factors in encouraging your company to export. (Please circle the number that best indicates the importance of each factor)

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<th>Encouragement and support from:</th>
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<th>Most Important</th>
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<tr>
<td>State Government Export program</td>
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<tr>
<td>Industry/Trade Association</td>
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<td>3</td>
</tr>
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<td>Federal Government Export program</td>
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<tr>
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</tr>
<tr>
<td>goal of expansion</td>
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<td>2</td>
<td>3</td>
</tr>
<tr>
<td>desire to travel overseas</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>knowledge in exporting</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>contacts overseas</td>
<td>1</td>
<td>2</td>
<td>3</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Others:</th>
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<th>Neutral</th>
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</tr>
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<tbody>
<tr>
<td>unsolicited orders from overseas</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>available capital for expansion into foreign markets</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>diminishing domestic market</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>
14. Please indicate on a scale of 1 to 5 (1 = not important; 5 = most important) the activities/programs that you believe are important and should be undertaken by either the federal or state government. (Please circle the number that best indicates the importance of each factor).

<table>
<thead>
<tr>
<th>Programs which provide:</th>
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</tr>
</thead>
<tbody>
<tr>
<td>financial incentives for exporting</td>
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<td>3</td>
</tr>
<tr>
<td>subsidized participation in overseas exhibitions</td>
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<td>3</td>
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<td>mailing lists of foreign buyers</td>
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<td>information on business practices overseas</td>
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<tr>
<td>general export counseling</td>
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<tr>
<td>seminars on export procedures</td>
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<td>2</td>
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<td>technical advice</td>
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<tr>
<td>provide advice on export documentation procedures</td>
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15. Please check the programs that you have used and indicate whether or not the programs were helpful.

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16. Please indicate your sex.  Male □ Female □

17. What is your age?  20 - 30 years □  51 - 60 years □
                        31 - 40 years □  61 and more □
                        41 - 50 years □
18. Please indicate your educational background. (Please check one box)

☐ High school  ☐ Vocational school  ☐ University

19. Do you attend professional training programs or seminars?

☐ No

☐ Yes  If YES, approximately how many?________per year.

19(a). If you answered YES to Question 19, please check the sources or organizers:

____ Trade Association  ____ Government Agency

___ Consultant  ____ University

___ International Organization

Other (please specify):__________________________

Other (please specify):__________________________

20. What is your position or title? (please check one box)

☐ Managing Director/Chief  ☐ Sales Manager

Executive Officer

☐ Director of Marketing  ☐ Marketing Manager

☐ Other (Please specify):__________________________
21. How many years have you held your current position? (Please check one box)

☐ 1 - 5 years ☐ 16 - 20 years
☐ 6 - 10 years ☐ 21 and more
☐ 11 - 15 years

22. Have you been on a trip overseas?

☐ Yes If YES, approximately how many?_________

☐ No

23. Do you speak a foreign language (other than English)?

☐ Yes

☐ No

24. Is your company a member of a Trade/Industry association?

☐ Yes If YES, do you participate in Association activities?

Yes ☐ No ☐

☐ No

Thank you for completing this questionnaire. Please fold, tape (with address on the back page showing), and return by mail. Postage stamp is included.

Once again, Thank you!
Appendix B - Interview Guide
Export Marketing Decision-making of Wood Household Furniture Manufacturers

Interview Guide

Background Information

1. Date of interview: 

2. Name of company: 

3. Address: 

4. Name and title of interviewee: 

5. Date of company's establishment: 

6. Type of ownership: 
   Corporation
   Partnership
   Proprietorship
(a) Are you a subsidiary of another firm? Yes/No

If yes, which one? ________________

Does your parent company export? Yes/No

(b) Are you a joint venture company? Yes/No

If so, which country? ________________

7. What wood household furniture product(s) does your firm manufacture?

8. What is your present production capacity? $________

9. What is the average number of full-time employees?

(a) % of full-time employees involved with exporting.

10. What is the percentage of annual marketing budget spent on export activities?

(a) Breakdown of total yearly marketing budget on export activities:

promotions _________ %

research _________ %

trips overseas _________ %
11. What is the major form of export promotion used?

- trade fairs & exhibitions
- advertisements
- Others

12. Do you have
(a) domestic galleries?
(b) overseas galleries?

Export Decision Process

13. Why did you begin exporting?
(a) What product(s) did you first export?
(b) Which country(ies) did you first export to?
(c) Why this country(ies)?
(d) Do you still export to this country(ies)?

14. Was any external assistance sought to help in the initial export activity?
(a) If yes, name source(s). Do you still seek their assistance? If several, which was the most useful?
(b) If no, why not?
15. Did you have a bank assisting you with the financing for the initial export activity?

16. Did you or your executives visit any foreign country prior to the initial export activity?

(a) How many trips prior to exporting and after exporting. What was the duration of each trip?

<table>
<thead>
<tr>
<th>Destination</th>
<th># of days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to exporting</td>
<td>-</td>
</tr>
<tr>
<td>After exporting</td>
<td>-</td>
</tr>
</tbody>
</table>

(b) Purpose of travel?

(c) Did this travel influence your export decision in any way?

17. What is your initial view of the risk involved in marketing overseas vs. marketing domestically?

18. Did you initially perceive communications with individuals of a foreign company a barrier to your firm exporting? What is your present view on this?

19. Did your competitors influence your export decision? If yes, how?

20. What is your view of the adaptations necessary to market your product(s) overseas vs. marketing your product domestically?
21. What channels of distribution do you use internationally? How does this differ from your domestic situation?

_____ own retail outlet
_____ agent
_____ distributor
_____ sell directly to customer
_____ overseas galleries
_____ other (please specify)

22. (a) Why did you decide to export? What influenced your decision?

(b) If you have a parent company, how did your parent company influence your decision to export?

<table>
<thead>
<tr>
<th>None</th>
<th>Minor</th>
<th>Some</th>
<th>Determining factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Personnel Background

23. What type of education do you have?

24. Have you or any of your employees received any formal training in any area of international business?

(a) If yes, please elaborate.

(b) Was such training prior to or after the initial export activity.
25. Have you or any of your employees attended an international trade fair? When and which one?

26. Do you speak a foreign language(s)? If yes, what language do you speak and why this language?

(a) Did you learn this foreign language prior to initial export or after exporting?

(b) Is it an advantage to speak a foreign language?

**General Questions**

27. In your opinion, what is the most important factor(s) that stimulated you to initiate exporting?

28. Do you think that the government programs to assist companies to export are adequate? If not adequate, please suggest programs to be implemented.

29. What measures do you suggest for the government programs to be more effective?

30. Based on your experience, what do you recommend for companies that want to export.

31. Are you a member of any trade association? If yes, what are the benefits? Are the benefits of any assistance to your company's exporting?
Vita

Roszehan M. Idrus was born and raised in Malaysia. She attended the University of Malaya, Kuala Lumpur, Malaysia, earning a Bachelor of Arts (Second Class Upper Honours) degree in Sociology and Anthropology in 1974. After graduation she accepted a position with the Malaysian Timber Industry Board as an Administrative Officer. Roszehan received a MBA from New Hampshire College, Manchester, New Hampshire in 1984. Currently, Roszehan holds the position of Director of Planning and Development with the Malaysian Timber Industry Board.