FIRM COMPETENCIES AND EXPORT PERFORMANCE: A STUDY OF SMALL AND MEDIUM MANUFACTURING EXPORTERS IN UGANDA

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Abstract

In the exporting context, the notion of firm competencies entails processes by which organizational resources are developed, combined and transformed into value offerings for the export market. Despite the growing amount of academic exchange on competencies that underpin a firm's export capability, there appears to be no unified framework for studying their effects on export performance (Freury & Freury, 2003). To address this gap, we draw on the Resources Based View and export marketing literature to develop a framework for the relationship between firm competencies and export performance. We empirically assess the predicted relationship using survey data from 76 small and medium manufacturing exporters in Uganda. Overall, our findings show that only marketing and sales competencies had significant positive effects on export performance. Surprisingly, the effect of production competencies on export performance, though significant was negative. From the results, export managers should outsource production to specialist firms and concentrate on marketing and sales activities in order to enhance export performance.

Keywords: Firm Competencies, Export Performance and Small and Medium enterprises (SMEs)

1.1 Introduction

Competencies have long been considered a significant factor in a firm's export performance because they enable the firm to develop, combine, and transform resources (physical, financial and managerial) into value offerings (Doole, Grimes & Demack, 2006). Thus, competencies are not only an indicator of overall export capability; rather, they are a precursor of a firm's capacity to initiate and maintain regular exporting. Moreover, with the increasing competition, fast changing consumer needs and wants, and shorter product life cycles, firms need enhanced abilities to identify, create and deliver superior customer value in export markets than the competition (Rauch, Wiklund, Lumpkin, & Frese, 2009). For SMEs that are often synonymous with resource poverty (physical, financial or managerial), poor export performance, in part, is aggravated by their failure to identify, prioritize and develop competencies requisite for their sustained export capability. For Uganda, statistics indicate that the share of manufactured exports has remained marginally low, estimated at under 4 percent (Uganda National Export Strategy (UNES), 2008-2012 report, 2007). Surprisingly, though, this situation has persisted despite improvements in the macroeconomic environment, incentives and market access opportunities such as the East African Community (EAC), COMESA, and Generalized System of Preference (GSP).

Our thesis is that competencies are a source of variation in export performance among firms. In view of this, our study examines the individual and joint effect of firm competencies on export performance of small and medium manufacturing exporters in Uganda. This objective is much more relevant to SMEs from developing countries such as Uganda because such firms are known for lack of capacity to successfully meet demand for their products in foreign markets (UNES, 2008-2012 Report, 2007). There has not been much empirical discourse on the effect of firm competencies, either individually or combined on export performance. Besides, save for a few studies such as those by Ibeh (2003) and Bbaale and Hisali (2008), majority of prior studies in this direction were focused on developing countries. In view of this, we are constrained to generalize findings from such studies due to unique operating contexts. Thus, the findings from this study will help export decision makers to reassess their firm's export capability and design appropriate programmes for improving export performance. In this case, we suggest that focus should be on competencies with significant effects on export performance.

2.0. Literature Review and Hypotheses

2.1 Export Performance

Export performance is considered the outcome of a firm's activities in export markets (Cavusgil & Zou, 1994). Shoham (1998) contends that a firm's export performance is a composite of its international sales, profitability and export growth. The construct of export performance is important to both firms and nations alike. At firm level, a better understanding of export performance is important because exporting improves utilization of productive capacity, improves financial performance and competitive edge as well as provides a foundation for future international expansion (Lu & Beamish, 2001). At the national level, a better understanding of export performance is important because exporting enhances accumulation of foreign exchange reserves, improves employment levels and productivity in addition to driving economic growth (Ural, 2009).

Although there is consensus on the importance of export performance (Aaby & Slater, 1989; Ural, 2009), there is no unified framework for studying export performance particularly of SMEs. Some previous studies (Thirkell & Dau, 1998; Aaby & Slater, 1989), however, have found support for the effect of firm factors, including competencies on export performance. These studies suggest that the value embedded in firms determine their export capability, which in turn influence their conduct of exporting activities and ultimately export performance. This perspective underscores the view that export performance is a responsibility of the firm and its management as earlier advanced by Viviers and Calof (1999). Accordingly, our central proposition in this study is that export performance is under the control of the firm and its management.

2.2 Firm Competencies

While competencies have no unified conceptual framework (Hoffmann, 1999; Honderghem & Vandermeulen, 2000), several studies have linked export performance to firm competencies. Competencies facilitate the transformation of organizational resources into value offerings for the export market. The notion of firm competencies is akin to the Resource Based View (RBV) theory, where firms are viewed as idiosyncratic bundles of resources and capabilities (La, Patterson, & Styles, 2005). From this perspective, superior export performance denotes possession of enhanced abilities to identify, create and deliver customer value in export markets (Morgan et al., 2004; Piercy, Kaleka, & Katsikeas, 1998). Following

this view, we argue that export performance is a function of competencies a firm possesses to support its customer value creation process.

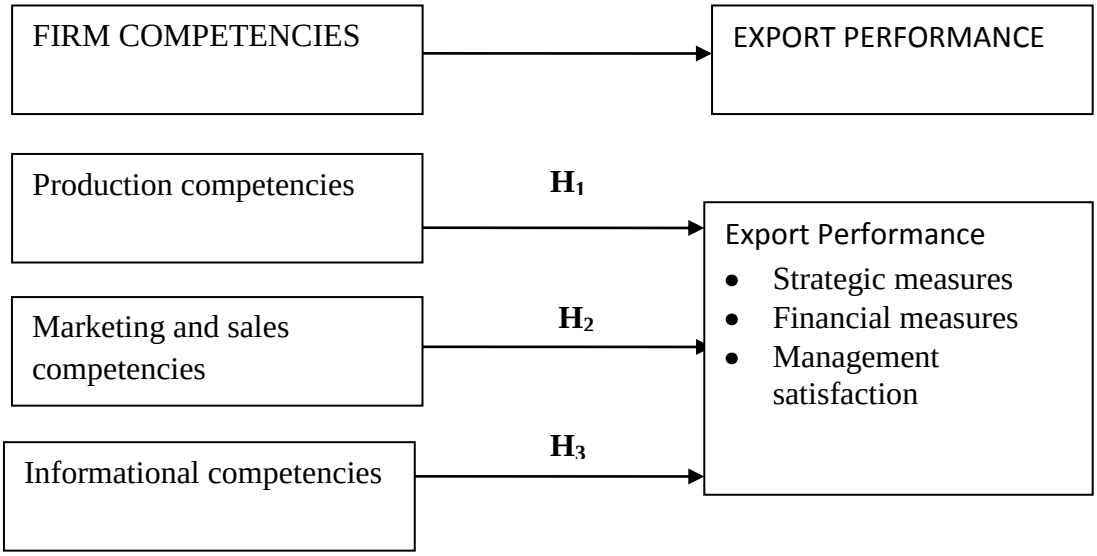

Figure 1. A model depicting the effect of firm competencies on export performance (Adapted from Aaby and Slater (1989) and Piercy et al.(1998)).

La et al.(2005) assert that internal resources such as competencies provide leverage to a firm's competitiveness and influence performance more than industry factors. A survey of export marketing literature suggests production, informational, as well as marketing and sales competencies as undertones of a firm's export capability (Morgan, Kaleka & Katsikeas, 2004; Wolff & Pett, 2000). These competencies are distinguished by their role in the customer value delivery process of manufactured goods exporting, that is, value identification, creation and delivery suggested by Ritter (2006).

2.3Production Competencies

Production competencies entail a portfolio of skills relevant to new product development or modification of existing products (Day, 1994; Morgan et al. 2004). The scope of production competencies also extent to skills pertinent with adoption of new methods and ideas in the production and manufacturing processes. In the perspective of exporting, production competencies enable the firm to develop, combine and transform resources into value creating offerings for the export market (Morgan et al., 2004). It follows that production competencies are a precursor of a firm's capacity to meet export market demand and/or expand production quickly in order to meet export orders and opportunities as they unfold.

Similarly, Rauch et al.(2009) underscored the importance of production competencies particularly in conditions of increasing competition, fast changing consumer needs and wants, and shorter product life cycles. They argued that firms under such conditions need skills to modify products that meet market requirements. Accordingly, the following hypothesis is suggested:

$H_{1.}$ Production competencies have significant positive effects on export performance of small and medium manufacturing exporters in Uganda

2.4 Marketing and Sales Competencies

Literature suggests significant relationships between export performance and marketing and sales competencies. This association draws from Ritter's (2006) conceptualization of marketing as a critical ingredient in the customer value-creation process of firms. Following this insight, it is logical to conjecture that growth in export sales, profitability, market share, and the like, largely depends on the ability of the exporter to conceive, plan, execute and control marketing and sales efforts better than the competition.

Cognizant of the above issue, prior studies have documented several abilities that comprise the marketing and sales competency domain. Notable among them include marketing planning, market analysis, and niche marketing (Valos & Baker, 1996); the ability to acquire information, manage distribution and develop contacts in foreign markets (Cavusgil & Zou, 1994; Francis & Collins-Dodd, 2004; Julien and Ramangalahy, 2003); as well as research and monitoring, pricing, distribution and customized marketing practice (Kuppusamy and Anatharaman, 2008). Due to limited availability of clear empirically demonstrated findings, it is considered appropriate to propose that:

$H_{2.}$ Marketing and sales competencies have significant positive effects on export performance of small and medium manufacturing exporters in Uganda

2.5 Informational Competencies

Informational competencies comprise a portfolio of abilities that enable an exporter to collect, analyze and interpret significant market information (Piercy, Kaleka & Katsikeas, 1998). Market knowledge, whether objective (acquired through formal market research) or experiential (because of foreign market operations) is closely associated with export performance (Andersen, 1993). Thus, firms with enhanced knowledge on customers, competitors, marketing practices (including desired products, pricing systems, and promotion

and distribution practices) and the general environment tend to develop a positive perception of export opportunities. Conversely, inexperienced exporters often perceive considerable uncertainty, which in turn adversely affects their perceptions of potential risks and/or returns about overseas markets and operations (Elango & Pattnaik, 2007; Morgan et al., 2004). This view is consistent with Julien and Ramangalahy's (2003, p.227-228) remark, that "most SMEs simply do not make the effort, or are afraid of tackling international markets; but some of them limit their international activities because of their poor control of these activities, mainly as a result of a lack of information".

Toften (2005) found empirical evidence for a significant positive relationship between informational skills (generation, interpretation and utilization) and export profitability. A similar finding was reported by Peircy et al.(1998) wherein, informational skills were confirmed a discriminator between high and low export performers. However, in light of the complex nature of the informational competencies construct and the scarce empirical results available (La et al., 2005), it is necessary to test this relationship further. Moreover, Ritter (2006) argued that when exporting is not competence based, exporters risk creating demand that cannot be satisfied. Such reasoning would imply that the combined effect of firm competencies on export performance should be higher than the effect of the individual competencies. Thus, the following additional hypotheses are proposed:

$H_{3.}$ *Informational competencies have significant positive effects on export performance of small and medium manufacturing exporters in Uganda*

$H_{4.}$ *The combined effect of firm competencies on export performance of small and medium manufacturing exporters in Uganda will be greater that their individual effects.*

3.0 Research Methodology

To test the hypotheses, we conducted a cross sectional survey of 107 small and medium manufacturing exporters registered with the Uganda Export Promotion Board (UEPB), a government agency responsible for export development. An SME, according to the Government of Uganda classification scheme, is a firm with a minimum of 5 and a maximum of 250 full time employees.

We developed a questionnaire based on previous studies on competencies that determine export performance, and then modified it to suite the study context through extensive consultations with executives of some firms. We measured firm competencies on the dimensions of production, marketing and sales, and informational competencies using

measurement items adapted from Katsikeas, Piercy and Ioannidis (1996) anchored on a 5-point Likert-type scale ranging from (1) much worse, to (5) much better. Respondents were asked to rate the ability of their firms to undertake the suggested activities related to manufacturing and exporting compared to their main competitors. Similarly, export performance (the dependent variable) was measured using scales developed by Zou et al.(1998). Here, respondents were asked to indicate the extent to which exporting had achieved the firm's strategic, financial and management satisfaction rated on a 5-point Likert-type scale ranging from (1) extremely not true, to (5) extremely true. Using a preliminary draft questionnaire, a pilot test was conducted with 10 firms whose responses were then excluded from the final study. The questionnaire was revised using feedback from the pilot study and in accordance with suggestions from some experts in the field of export marketing research.

However, out of a frame of 107 firms provided by UEPB, we established that 25 firms were no longer in manufacturing at the time of the survey and were accordingly dropped from the population, leaving 82 eligible firms. Consequently, we personally administered 82 questionnaires to the Chief Executive Officers (CEOs) or those familiar with the exporting activities of these firms as units of enquiry. In order to enhance the response rate and quality of data, we contacted the Executive Director of UEPB for an introductory letter to CEO's of the firms in issue. The letter highlighted the objective of the research, anticipated gains and encouraged firms to participate in the survey. The other set of persons that facilitated the field exercise comprised four well trained field assistants. Overall, we obtained 76 useable responses, accounting for an effective response rate of 92.6%. Considering that low response rates are typical in surveys involving top management and that 15-20% response rates are considered adequate (Sousa, 2004), this response rate was considered more than adequate.

3.1 Data Analysis and interpretation

Foremost, we examined the reliability of each construct to ensure that the items collectively measured the intended construct consistently. Internal consistency reliability was examined using Cronbach's alpha in the SPSS programme. Generally, 0.70 or higher is considered agreeable value for Cronbach's alpha reliability (Nunnally, 1978). The results of the analysis revealed a Chronbach's alpha of 0.826 for production competencies; 0.915 for marketing and sales competencies; 0.914 for informational competencies; and 0.908 for

export performance. From our analysis, Cronbach's alpha values were well above 0.70, indicating an excellent internal reliability of the constructs.

The validity of the indicator variables used in the study was assessed by both examining the individual item-loadings and the average variance extracted (AVE), respectively suggested by Eom, Wen and Ashill (2006). All items had factor loadings in excess of 0.5, thus providing support for convergent validity of the measures. Disciminant validity was assessed by comparing the square root of the average variance extracted (AVE) for each construct with the correlation between constructs in the model. As shown in Table 2, AVE values were greater than their corresponding correlation values, affirming discriminant validity among indicator variables. Aware that a common method variance problem can result from collecting dependent and independent variables from the same source, we checked for this potential problem with the Harman one-factor test (Podsakoff & Organ, 1986). A factor analysis of the dependent and independent variables yielded five factors accounting for 70% of the variance. Because no single factor emerged and no one general factor accounted for most of the variance, we found evidence that common method variance was not a serious concern in the data.

In order to establish the values of the demographic characteristics of the studied firms, we analyzed the data for descriptive statistics. Table 1 presents the results obtained from the analysis of descriptive statistics through the SPSS statistical package.

Table 1

Profile of Responding Organizations and Respondents

Variable /value (N=76)	**Frequency (f)**	**Percent (%)**
Gender of respondent		
Male	68	89.5
Female	8	10.5
Total	**76**	**100**
Age of respondent (years)		
Under 25	0	0
25 – 30	12	15.8
31 – 36	22	28.9
37– 42	16	21.1
43– 48	14	18.4
49 or more	12	15.8
Total	**76**	**100**
Years involved in exporting		
Less than 1	8	10.7
1 – 3	13	17.3
4 – 6	15	20.0
7 – 9	15	20.0
10 or more	24	32.0
Total	**75**	**100**
Highest level of formal education		
Certificate	0	0
Diploma	11	14.5
First Degree	37	48.7
Masters	23	30.3
PhD	0	0
Others	5	6.5
Total	**76**	**100**
Category of business organization		
Sole Proprietorship	5	6.7

Partnership	3	4.0
Private Limited Company	60	80.0
Public Ltd. Company	7	9.3
Total	**75**	**100**

Continuation of Table 1

Ownership status		
Fully Ugandan Owned	31	41.9
Fully Foreign Owned	29	39.2
Joint Ownership	14	18.9
Total	**74**	**100**
Period the firm has been in existence (years)		
Less than 3	6	8.1
3 – 6	9	12.2
7 – 10	15	20.3
11 – 14	12	16.2
15 – 18	12	16.2
19 – 22	6	8.1
Over 22	14	18.9
Total	**74**	**100**
Number of export markets		
1	8	10.7
2 – 3	25	33.3
4 – 6	28	37.3
7 – 9	6	8.0
10 yrs or More	8	10.7
Total	**75**	**100**
Category of products exported		
Consumer Products	40	55.6
Industrial Products	19	26.4
Both Consumer &Industrial Products	13	18.1
Total	**72**	**100**

Note. N ranged between 72 and 76 due to occasional missing values.

As shown in Table 1, majority of respondents (89.5%) were male while 10.5% were female. In terms of age, 84.2% of respondents were aged 30 years or more. Additionally, majority of respondents (52%) had exporting experience of at least seven years. In terms of education level, most respondents (86.5%) had attained at least a first degree at the time of the survey. Overall, these demographics imply that respondents had a high level of comprehension for the data collection instrument. Regarding the profile of responding organizations, 80% were private limited companies. Similarly, 41.9% of the firms in the sample were fully Ugandan while 39.2% were foreign. Only 18.9 % of the firms were joint ventures. Among the sampled firms, majority had existed for at least 3 years (91.9%). A larger proportion of the firms in the sample (89.3%) exported to at least two countries. Of the firms surveyed, 55.6% exported consumer products while 26.6% were exporters of industrial products. Only 18.1% were exported both products.

The descriptive statistics and correlation matrix in Table 2 shows significant correlations between independent factors as acceptable level among the measures.

Table 2

Intercorrelations among and Descriptive Statistics for Key Study Variables

Variable	M	SD	1	2	3	4
Production competencies	4.18	5.63	**.67**			
Marketing and sales competencies	3.78	0.62	.63**	**.71**		
Informational competencies	3.97	0.69	.57**	.70**	**.71**	
Export performance	13.51	0.68	.152	.50**	.41(**)	1.00

** Correlation is significant at the 0.01 level (2-tailed). Note: The boldface figures represent the square root of the AVE figures. They should be higher than the correlation figures.

The magnitude of the correlations (Table 2) and the analysis of variance inflation factors (VIFs, reported in Table 3) showed no support for the existence of multi-collinearity. No values in the bivariate correlation matrix were higher than the threshold of 0.7 (Elango & Pattnaik, 2007). Besides, an examination of error terms led us to confirm that the regression assumptions had been met.

3.2 Testing of Hypotheses

Hypotheses 1, 2 and 3 were tested through Ordinary Least Squares (OLS) linear regression analysis. Table 3 presents results of regression analyses of export performance on the independent variables.

Table 3

Results of OLS Regression of Export Performance on the Independent Variables

Independent Variable		Parameter Estimates				Model statistics			VIF
Model	Variable	B	Beta	S.E	t-value	R^2	Adj.R^2	*F*-statistic	
1	Production competencies	1.38	.15	1.05	1.32	.02	.01	1.74	1.74
2	Marketing and sales competencies	4.07	.50	0.82	4.97**	.25	.24	24.70**	2.32
3	Informational competencies	3.39	.41	.88	3.88**	.17	.16	15.05**	2.10

N = 76. ** = $\rho < .01$. S.E = Standard Error; VIF = Variance inflation factor.

Results in Table 3 indicate that the regression coefficient of production competencies is positive but statistically insignificant in model 1(B =1.38, $\rho > .05$), which offers no evidence to justify H_1. These results suggest that an increase in production competencies is inconsequential to export performance in small and medium manufacturing exporters in Uganda.

In model 2, the coefficient of marketing and sales competencies is positive and statistically significant (B = 4.07, $\rho < .01$), thereby lending support for H_2.

Thus, our data provided support to our contention that marketing and sales competencies influenced export performance of small and medium manufacturing exporters in Uganda. In model 3, the coefficient of informational competencies is positive and statistically significant (B = 3.39, $\rho < .01$), thereby providing support to H_3. The results imply that export performance of small and medium manufacturing exporters in Uganda was sensitive to variations in informational competencies—perhaps because increased market information reduces anxiety and enhances a positive perception of market opportunities, thereby, increasing the firm's degree of market commitment.

To test the joint and individual effects of firm competencies on export performance (Hypothesis 4), we conducted a hierarchical OLS regression analysis. The analysis yielded three prediction models, that is, models 1, 2 and 3. First, we regressed the export performance score on production competencies. Second, we added marketing and sales competencies. Third, we added informational competencies. We estimated the three equations as follows:

$$Experf_i = a_0 + a_1Pdn_i + \varepsilon_i \quad (1)$$

$$Experf_i = b_0 + b_1Pdn_i + b_2Mkts_i + \varepsilon_i \quad (2)$$

$$Experf_i = c_0 + c_1Pdn_i + c_2Mkts_i + c_3info_i + \varepsilon_i \quad (3)$$

In these equations, *Experf* is export performance, *Pdn* is production competencies, *Mkts* is marketing and sales competencies and *info* is informational competencies. Besides, a_0, b_0, and c_0 are regression constants; a_i, b_i, and c_i are regression coefficients while ε_i is a random error term.

Table 4 reports the results of the three regression models.

Table 4

Hierarchical Regression of Export Performance on the Independent Variables

Variables	Model 1			Model 2			Model 3			
	B	SE	t	B	S.E	t	B	Beta	S.E	t
Intercept	7.73	4.42	1.75	3.11	3.89	0.80	1.73		3.99	0.43
Production competencies	1.38	1.05	1.32	-2.40*	1.15	-0.21	-2.79	.31	1.17	-2.37*
Marketing and sales competencies				5.41**	1.03	5.28	4.50	.55	1.21	3.71**
Informational competencies							1.62	.02	1.17	1.38
Model statistics										
R^2	.02			.29			.31			
Adjusted R^2	.01			0.27			.28			
Change in R^2	-			0.27			0.02			

F-statistic	1.74			15.10**			10.83**			
Change in F				27.83**			1.91			

N = 76. ** = ρ < .01; * = ρ < .05.

As indicated in Table 4, when the direct effect of only production competencies on export performance was analyzed, the resulting regression model (Model 1) was statistically insignificant (F = 1.74, R^2 = 0.02, ρ>.05). When marketing and sales competencies were added to the analysis, the resulting model (Model 2) was statistically significant (ΔR^2 = 0.27, ρ<.01), suggesting that marketing and sales competencies were significant predictors of export performance. However, the increase in R^2 by adding informational competencies (Model 3) was not statistically significant (ΔR^2 = 0.02, ρ>.05), suggesting that informational competencies were not significant predictors of export performance. Based on the estimated model parameters shown in Table 4 (Model 3), only production competencies and marketing and sales competencies were significant predictors of export performance (F = 10.83, R^2 = 0.31, ρ < .01). Consequently, the model for predicting export performance was estimated using equation (4) as follows:

$$\text{Export performance} = 4.50\ (\text{Mkts}) - 0.31(\text{Pdn}) \quad (4)$$

However, to establish the relative influence of production as well as marketing and sales competencies on export performance, we estimated the regression model in equation (5) using the standardized coefficients as follows:

$$\text{Experf} = .55(\text{Mks}) - .31(\text{Pdn}) \quad (5)$$

As depicted in equation (5), a unit increase in marketing and sales competencies (holding production competencies constant at zero) will lead to a 55% increase in export performance. Conversely, a unit increase in production competencies (holding marketing and sales competencies constant at zero) will lead to a 31% reduction in export performance. These results indicate that the effect of individual competencies was greater than their combined effect (adjusted R^2=.28) on export performance, thereby providing no empirical support for H_4.

3.3 Discussion

We have analyzed the effects of production competencies, marketing and sales competencies, and informational competencies on export performance of small and medium

manufacturing exporters in Uganda. Our finding that production competencies had no significant effect on export performance (H_1) shows that production competencies are not associated with export performance of small and medium manufacturing exporters in Uganda. Ironically, this suggests that production abilities are yet to be a vital factor in the export capability of Ugandan SMEs. This finding is contrary to the literature on the undertones of export capability (Day, 1994; Morgan et al., 2004), wherein, production competencies (such as enhanced skills in product development, improvement and modification skills) are viewed as vital abilities that enable the manufacturing exporter to develop, combine and transfer resources into value creating offerings for the export markets. Moreover, Valos and Baker (1996) established that systems such as total quality management were vital ingredients in a firm's overall capability, suggesting that a mere increase in production competencies is inconsequential to export performance.

Related to the influence of marketing and sales competencies on export performance (H_2), our study reinforces the proposition that marketing competencies are key determinants of export performance. These results are consistent with Prasad, Ramamurthy and Naidu (2001) who empirically verified a significant and positive effect of marketing competencies on export performance. Moreover, Piercy et al. (1998) found that higher export performers were associated with high competencies in marketing (such as product development, technical support/after sales service, as well as customer relationship skills).

Similarly, our results for H_3 showed that informational competencies positively influenced export performance. This finding is akin to results by Toften (2005) who established a significant and positive relationship between export market information and exporting profitability. Besides, these findings are consistent with Peircy et al. (1998) who established that informational skills were perfect discriminators of high and low export performers. Likewise, Renko, Rarsrud and Brannback (2009) through empirical testing found a significant positive relationship between skills related to identifying and using export market information and export performance. As they argue, firms with ample market knowledge are able to stay close to their markets, thereby, responding to their needs quite quickly, leading to above normal performance.

Finally, our results for H_4 showed that the combined effect of firm competencies on export performance was lower than their individual competencies. This finding is in line with Plambeck and Taylor (2005) who empirically established an inverse relationship between firm performance and investments in production capabilities and profitability. They argued that

any investments in export capability increase production costs through costly innovations, which, in turn, affects the profitability of the firm. Besides, due to resource limitations inherent in SMEs (Shamsuddoha, Ali, & Ndubisi, 2009), firms are bound to prioritize the kind of competencies needed to supply competitive products alongside the larger and established firms, rather than simultaneously focus on all competencies.

4.0 Implications for Theory and Practice

Our findings extend previous research in this area in the following ways. First, we examined the influence of firm competencies while explicitly establishing their individual effects on export performance of small and medium manufacturing exporters in Uganda. In doing so, we add to a relatively small number of studies that examine firm competencies with respect to exporting. Although exporting is the most prevalent form of international expansion, firm-level studies of this phenomenon—especially from the perspective of SMEs are rare.

Second, our study verified the positive effect of marketing and sales competencies on export performance. This implies that to achieve substantial increases in export performance, managers of small and medium manufacturing exporters in Uganda should focus on creating and satisfying customer demand . This could be achieved through short term-skill based training programmes including export marketing planning and implementation. Besides that, managers should scale up their involvement in international trade shows, fares, conferences and seminars in order to enhance their export marketing knowledge.

Finally, our assessment of the relative effect of firm competencies on export performance revealed that the effect of production competencies was significant, albeit negative. This suggests that the higher the investment in production capabilities (such as innovations, facilities expansion, new product design and quality management systems), the lower the returns from exporting. Perhaps this is due to the resource limitations inherent in SMEs that inhibits their ability to attract the best resources (human. physical and financial) vital in producing quality products alongside those of larger established firms. From this perspective, managers of small and medium manufacturing exporters in Uganda should outsource production from firms with superior innovation and quality management abilities. Through this, management would concentrate on marketing and sales activities, thereby, maximize export performance.

5.0 Limitations and Areas for Future Research

This study is subject to some limitations. First, the cross sectional design applied in this study makes it difficult to do more than document associations between variables, thus precluding us from making causal statements. Further research should endeavour to employ a longitudinal study to capture the dynamic performance effects of firm competencies. This would help establish the causal relationships between firm competencies and export performance.

Second, our study was confined to CEOs. To this respect, the influence of common methods bias might induce a sample bias that leads to inaccurate coefficient estimates. While the extant study did not find this to be a problem in the data collected (tested through a Harman's one-factor test) following suggestions by Podsakoff and Organ (1986), future research should collect data from more than one respondent in each firm to further minimize possibilities of common methods variance in the data collected.

Lastly, whereas literature linking informational competencies to export performance is replete, we were not able to establish significant effects of informational competencies on export performance. This perhaps suggests the existence of an intervening variable connecting informational competencies and export performance. Additional insights could be gained by capturing and exploring such mediated effects on export performance.

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