

Export promotion through people: an investigation into the Export, Marketing and
Investment Assistance (EMIA) incentive within the agro-processing sector

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ABSTRACT.

Export barriers are an impediment to export intensity and export performance, yet little is understood about the exact export barriers facing exports in the agro-processing sector. Network theory and dynamic capabilities view are central to exporters growing and thriving in the export ecosystem. Twelve exporters, three senior stakeholders as well as three focus groups from the Department of Trade & Industry (the dti) were held to unpack what can be done to improve export promotion broadly and the Export Marketing and Investment Assistance incentive in particular. Thematic coding was used to identify code groups and these dovetailed with the literature that was reviewed. The study recommended that EMIA be reviewed and that a supporting ecosystem be put in place to facilitate greater volume and value of exports.

KEYWORDS.

Export promotion programmes, export performance, export barriers

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Signed: Name

Date

Dedication

This thesis is dedicated to my life support team, my family. Thanks for holding the fort for the two years Kurt, without your support, I'd still be busy with my lit review. To Amber and Eli for your patience with me and for understanding that I couldn't attend your school concerts and events. To my parents, Lydia and Johnny – you guys are my heroes.

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CHAPTER 1: PROBLEM DEFINITION AND PURPOSE

1.1 Background to the problem

According to the International Trade Centre (ITC), South Africa has untapped export potential of \$39,2 billion (International Trade Centre, 2019). Trade in goods and services, especially across borders, play a key role in the creation of jobs and prosperity for a country's citizens and remains one of the most important drivers of job creation and prosperity (World Economic Forum, 2016). President Ramaphosa, in his 2019 State of the Nation Address (SONA), indicated that the South African economy can grow if South Africa produces more goods for export, as this will create jobs. "Exports matter for South Africa's economic growth: exporting firms provide jobs, foreign receipts pay for imports, and the international market allows for economies of scale and learning opportunities" (Matthee, Rankin, Naughtin, & Bezuidenhout, p. 21, 2016). Indeed, exports are an important macro-economic variable that facilitates growth, that creates jobs and increases the profitability and growth of companies. In developing countries, exports "can alleviate poverty" (Gebrewahid & Wald, 2017, p.396).

Yet South Africa's export performance, as captured in Figure 1.1, indicates that export growth has not risen above 1% of world exports and has averaged 0.61% since 2010 as Table 1 indicates. The South African government's focus on export promotion and strengthening export performance of South African firms has therefore become all the more important in driving economic growth in South Africa.

The agricultural and agro-processing sectors are key avenues through which export-led growth can and should be targeted. In its "Economic transformation, inclusive growth, and competitiveness: Towards an Economic Strategy for South Africa" strategy document, National Treasury emphasised that agriculture and services are sectors that can absorb labour and result in labour intensive growth. Agriculture has several characteristics that make it a suitable sector to drive labour-intensive growth: it can absorb lower skilled labour, it has rural linkages, and job multipliers in various other sectors (Treasury, 2019). Exports are a vehicle to boost agricultural production and are critically important for a developing country such as South Africa, as it has the potential to create jobs and thus reduce unemployment.

In addition, labour market data and unemployment rates highlight the severe challenge of unemployment within South Africa (Cramer & Sender, 2015). According to the dti (2019) the South African labour force participation rate grew by 0.5% from July to September 2018 and July to September 2019 and the unemployment rate grew from 25.9% in July to September 2018 to 27.1% in July to September 2019, an overall increase of 1.2%. Given the need to create employment and grow the South African economy, it is important to understand why more South African companies are not exporting more products and to more destinations.

The South African government has put labour-intensive growth as an economic priority and key sectors have been identified in the National Development Plan (NDP) and the Industrial Policy Action Plan 2018/19-2020/21, to change the composition, ownership structures and employment dynamics within the South African economy. Manufacturing is at the heart of this restructuring drive. Furthermore, the traditional demarcations between primary sectors like mining, agriculture and manufacturing have become blurred. This is primarily due to advances in technology that have led to the integration of primary agriculture into agro-processing (Cramer & Sender, 2015). But as Cramer and Sender (2015) note, food has become industrial.

Agro-processing, a subset of manufacturing but still very much embedded within the agricultural value-chain, has traditionally not received strategic national prioritisation until only recently. It is the sector that will be reviewed in this research and has been chosen for its backward and forward linkages - backward linkages into the agricultural sector and forward linkages into the manufacturing sector (The dti, 2018b). Agro-processing is broadly defined as those activities and processes that are used to change a basic agricultural good into a consumable for either domestic or industrial use (Food and Agriculture Organisation of the United Nations, 1997). According to the Department of Agriculture, Forestry and Fisheries (DAFF) the agro-processing sector consists of eleven sub-sectors and these are: food, beverages, paper and paper products, wood and wood products, textiles, wearing apparel, furniture, tobacco, rubber products, footwear and leather and leather products (Department of Agriculture, 2018). These sub-sectors have benefitted from greater export promotion (Department of Trade and Industry, 2015) however, a review of the barriers to export in these sub-sectors has not been conducted to date.

In contrast, the identification of export opportunities in these agro-processing sub-sectors has received in-depth attention through the dti’s Export Marketing Investment Assistance (EMIA) incentive, an export promotion-focused programme coordinated by the Department of Trade and Industry (the dti). An analytical tool used by EMIA to identify export opportunities and destinations is the Decision Support Model (DSM), a joint development collaboration project between the national Economic Research and Policy Unit (ERPC) and the North-West University. The DSM is used by the dti to identify “realistic export opportunities for both export-ready and active exporting companies that wish to expand their sales reach into foreign markets” (<https://tradeadvisory.co.za/methodology/>). In addition, the DSM provides an evidence-based approach for determining which countries South African products can be exported to. The DSM was used in this study to understand the gap between export opportunities and market potential.

Figure 1.1 illustrates export opportunities for a number of agro-processed primary products in 2017 using the DSM, which clearly demonstrates the gap between South African exports and the market potential. Figure 1.1 further illustrates that South Africa has optimised its export potential in citrus exports with a smaller level of optimisation occurring in tree nut exports and animal hair exports. South Africa has not taken advantage of export opportunities in other areas like cereals, despite having manufacturing capability in this area.

| South Africa as percentage World imports and exports | | | | | | | | | |
|--|------|------|------|------|------|------|------|------|------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| SA exports % shares to the World | 0.71 | 0.70 | 0.64 | 0.60 | 0.58 | 0.59 | 0.57 | 0.60 | 0.53 |
| SA imports % shares from the World | 0.67 | 0.68 | 0.67 | 0.65 | 0.62 | 0.61 | 0.56 | 0.56 | 0.56 |

Source: the dti, calculated from SARS trade statistics (June 2019)

Figure 1 - South Africa’s exports as a percentage of world imports and exports, 2010 - 2018

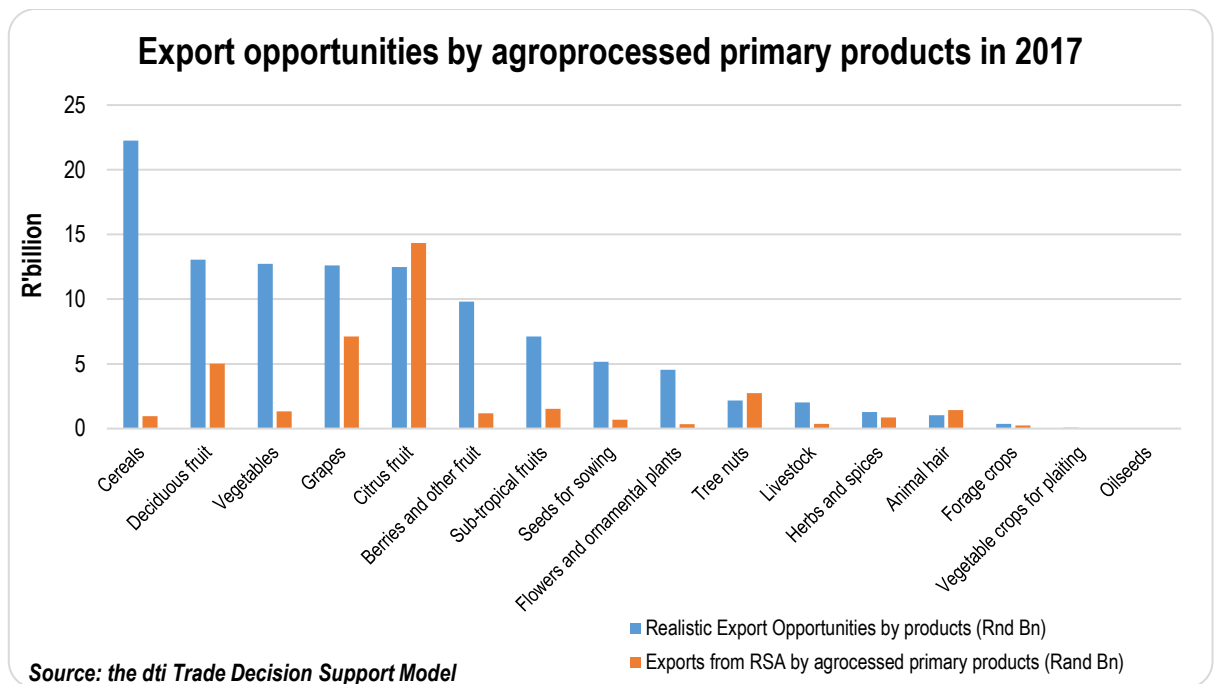


Figure 2 - Export opportunities for South Africa's agro-processed primary products in 2017

Figure 2 demonstrates the countries where these primary agro-processed products can be exported to, which further reinforces the claim that South African companies have export opportunities in identified countries and can increase their exports.

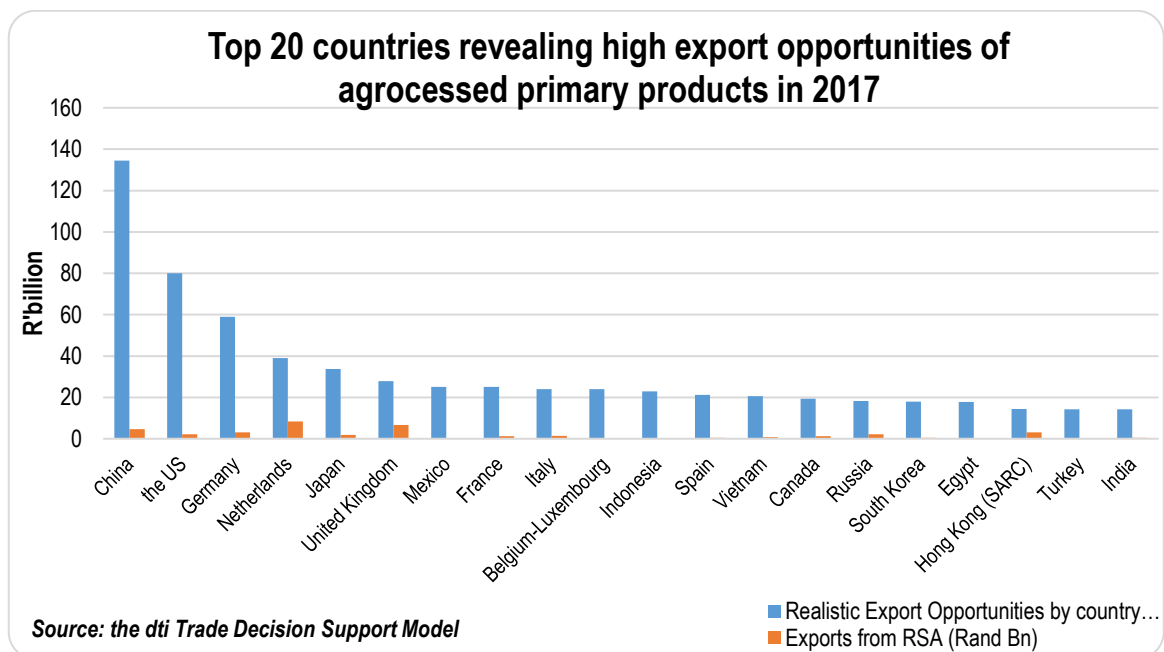


Figure 3 - Top 20 countries as destinations for South African agro-processed primary products

Figure 3 further demonstrates that there is potential in China (most potential for South African exports), the US, Germany, the Netherlands and Japan to name a few countries. What is not evident at this stage are the reasons why South African

companies are not exporting more of the identified products to these countries. The data compiled by EMIA is also not able to provide company profile details, which could indicate that, the company has productive capacity to export more products. This is part of the contribution that will be made with this research as a deeper understanding of the company dynamics that facilitates export performance. In addition, an examination of the export barriers faced by companies within the agro-processing sector will be undertaken to identify those specific export barriers that hinder export performance. This will provide policy-makers and organised business with data that can be used to redirect policies and incentives.

Indeed, South Africa's export basket has seen limited diversification in terms of the sectors that are exporting, and there is still a concentration of a few manufacturing sectors dominating the export space (the dti, 2018). It is therefore argued here that South Africa must diversify its export basket into new markets and expand the range of products within its export basket. Increased exports can also assist with reducing two of South Africa's biggest challenges: reducing unemployment and its balance of payments. A diversified export basket reduces trade deficits and brings in much needed foreign revenue, while simultaneously creating employment opportunities (Cramer & Sender, 2015). The dti also supports the view that export diversification has many benefits and there is a need to diversify into new markets (Department of Trade and Industry, 2015). Chiefly among the benefits of export diversification are a reduction in SA's vulnerability to external shocks, exporters gain experience and learn by doing, export performance is enhanced and export intensity is increased (Department of Trade and Industry, 2015).

Furthermore, figures 4 and 5 demonstrate the value and volume of exports for the agro-processing sector. While the food, paper and beverages sub-sectors hold the greatest (rand) value of exports, the two sub-sectors that have shown consistent increases in exports (in rand value) from 2014 – 2018 are the textiles and paper sectors.

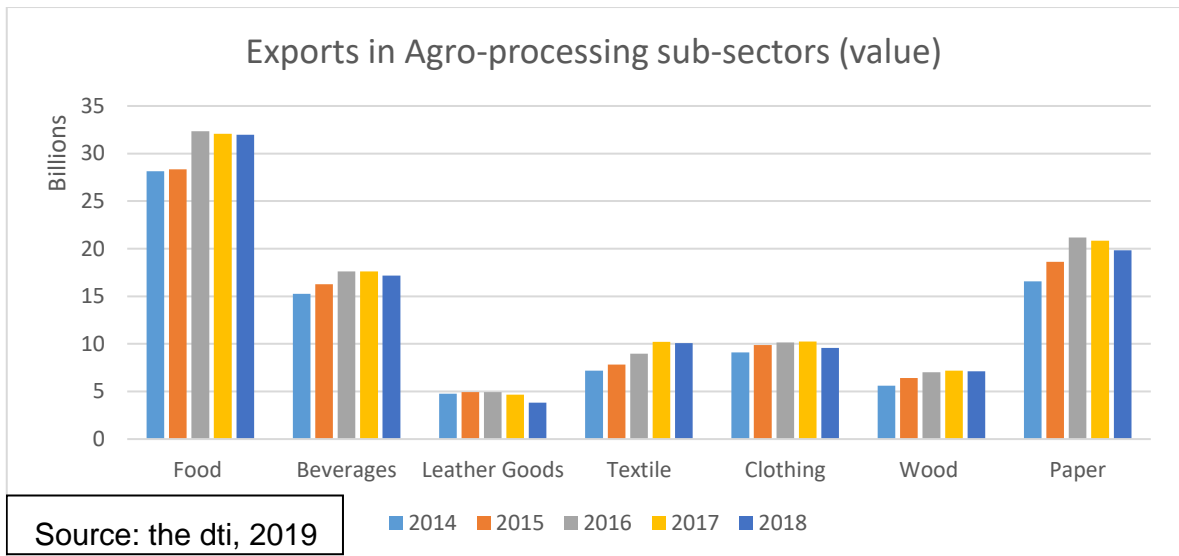


Figure 4 - Exports of agro-processed sub-sectors in Rand value

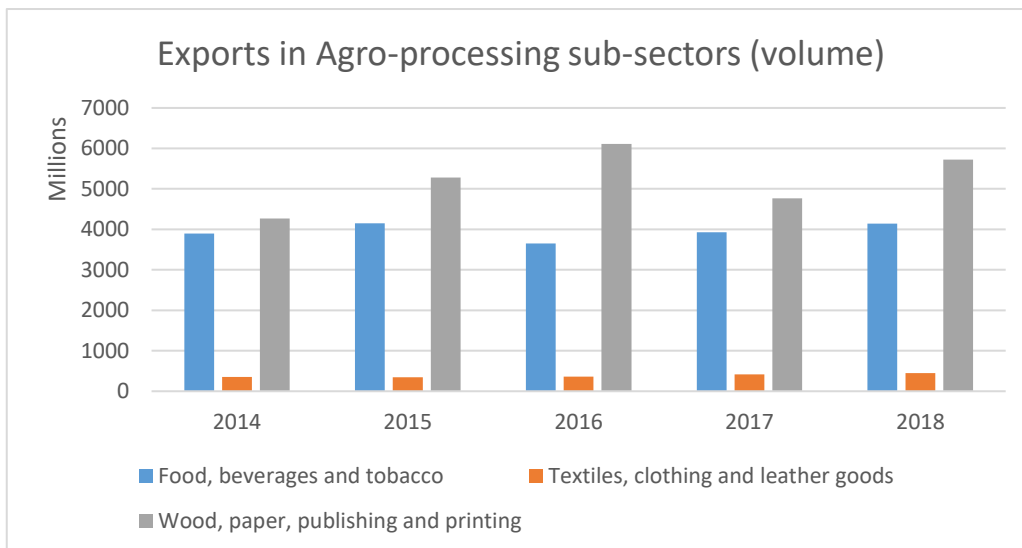


Figure 5 - Exports in agro-processed sub-sectors

Source: the dti, 2019

In terms of volume however, Figure 5 demonstrates an increase in export volumes for textiles, clothing and leather goods. The food, beverages and tobacco sub-sectors have seen a fluctuation of exports since 2014, but a steady increase since 2018. Given the statistics in these tables, and the availability thereof to guide EMIA decision-making, more information is needed to determine the cause of declining exports despite an export incentive being in place, as well as what can be done to raise the level of exports across all key sub-sectors,

In order for export promotion activities to be effective, the enabling environment needs to be conducive to enhancing export performance. Enabling mechanisms include trade policy that emphasises the importance of exports, national agencies tasked with export promotion, etc. The dti is the custodian of industrial policy, which encompasses trade policy. Export promotion is a central part of South Africa's trade policy and has been defined as "a strategy for economic development that stresses expanding exports, often through policies to assist them such as export subsidies." (No author, 2010, p.56) The South African government has recognised the pivotal role that export promotion agencies play within an economy, and its export promotion agency, Trade and Investment South Africa (TISA) was established at the dti.

The dti, through TISA, has published an Integrated National Export Strategy (INES) and it sets out a series of targets aimed at increasing the volume, value and diversity of South Africa's export basket. The INES also sets out targets for exports, which are aligned, to the NDP and these are set out as follows:

- "South Africa to grow in total exports by 6% pa in volume as determined in the NDP;
- Exports of manufactured products to grow by 7% pa (double in 10 years) in value;
- Exports of manufactured products to constitute 40% of total manufacturing output by 2030 in value;
- Exports of services to constitute 40% of total services supplied by 2030 in value; and
- South Africa to capture 1% of total world exports by 2030 in value" (Department of Trade and Industry, p. 7, 2015)

The detail relating to precisely how this will be done is not clearly outlined. The document by National Treasury titled "Achieving economic transformation, inclusive growth and competitiveness: A growth agenda for the South African economy", also spells out other, broader interventions and also does not indicate how or in what order of priority the interventions to expand the export basket must be done to bring on board new emerging exporters.

Moreover, typical export promotion activities employed by governments include information and financial assistance, marketing support in the export country and

export advice (Wang, Chen, Wang, & Li, 2017). “Government export promotion programmes (GEPPs) are defined as comprising government efforts towards assisting firms to be successful in export markets. GEPPs interventions can take the form of seminars, workshops and conferences on exporting, trade fairs and missions, individual consultancy and mentoring and support by foreign offices.” Several authors (Haddoud, Jones, & Newbery, 2017, p.70) Cassey & Cohen (2017, p. 540) confirm that “public export promotion is government provision of financial or informational assistance to firms to begin exporting to a new foreign market. The new market could be the first foreign market for the firm or an additional foreign market.

In practice, export promotion takes several forms, including overseas trade offices, trade missions led by high-ranking government officials, government managed trade shows, subsidized export counselling, provision of information such as market analysis and trade regulations or barriers, and subsidized export financing.” The nature of the list of services provided by a government differs from country to country. The dti uses national pavilions, trade missions, investment and trade missions as export promotion vehicles to demonstrate and market South African companies and the manufactured products they produce. These export promotional activities are aimed at showcasing South Africa’s diversified economy and providing visibility to South African companies” (Department of Trade and Industry, 2015, p. 13).

The South African government has several incentives aimed at stimulating domestic manufacturing and exports in particular. As previously noted, EMIA is an incentive that is aimed at developing export markets for South African goods and services (“Export Marketing & Investment Assistance Scheme (EMIA),” n.d.). Another stated objective of EMIA is to bring in new foreign direct investment into South Africa (Export Marketing & Investment Assistance Scheme (EMIA), n.d.). EMIA is divided into two different incentive focus areas – one for individual companies and the other for groups of companies. For individual companies, EMIA offers individual exhibitions as well as the Sector Specific Assistance Scheme for emerging exporters. This entails paying for travel and accommodation, subject to specific limits. For groups of companies wanting to participate in either trade missions or national pavilions, EMIA covers the payment for stand building, freighting costs as well as space rental.

So despite wide-ranging incentives and support programmes offered by government to promote exports, and the DSM tool that identifies real export opportunities, exports are still declining. Possible reasons to understand why more companies are not exporting relate to the dynamics at a company level and these include the number of export destinations, the number of products that are exported as well as production processes and managerial competence in exporting.

This research paper will look at export promotion as it relates to export barriers experienced by companies as well as what internal company dynamics or factors hinder their ability to export. In addition, finding out from exporters, which is the unit of analysis for this paper, how EMIA can be improved, will form the basis for a set of recommendations for policymakers and business to engage with export growth from a country level and then examine the role and effectiveness of export promotion agencies and the products and services they offer.

1.2 Purpose of the study

The purpose of the research is to determine and examine the export barriers facing South African exporters within the agro-processing sector, as well as what company dynamics hinder export performance. In addition, the research will identify factors that support and facilitate export performance. The study will also investigate what improvements can be made to EMIA to make it more effective and efficient as an export promotion instrument. There is a lack of academic literature available on export promotion within a developing country context, and this study will contribute to a deeper understanding of export promotion challenges within the agro-processing sector in such a developing country context.

In addition, to give effect to the African National Congress's (ANC's) Manifesto, which stipulates that the ANC government must "Create an extra 275,000 jobs each year by boosting local demand for goods, investing more in mining, manufacturing and agriculture and expanding export markets" ("The ANC's 2019 election manifesto - Documents | Politicsweb," 2019) this study argues for a different way of identifying export opportunities as well as a closer relationship with South Africa's exporting community. This different way of working can entail identifying sector specific export promotion programmes that can be implemented under EMIA.

1.3 Problem summary

The South African economy is growing too slowly and not creating sufficient jobs for its growing population, resulting in high rates of unemployment, growing inequality and increased levels of poverty. To produce more goods and create more jobs, exports are important, and thus increasing South African exports, through export promotion is important. The agro-processing sector is one such sector where export growth can have a meaningful impact on job creation. However, South Africa is currently not optimizing its export potential, only contributing 0.67% of world export shares in 2018. In order to benefit from export-led growth, there is a need to interrogate the South African export landscape as a network or system, unpacking how different components interact with one another. There is also a need to examine the barriers to exporting in the agro-processing sector, and also how export promotion and export performance can be enhanced and strengthened to contribute meaningfully to growth in key agro-processing sub-sectors. South Africa must also diversify its export basket and export destinations to increase its total export performance.

1.4 Rationale for conducting the research

As outlined above, exports enable economic growth and development due to access to competitive international markets and technology used. Foreign exchange reserves are generated that can fund other country priorities like investments in energy (Jordaan & Eita, 2007). Exports also create employment and this is critical for South Africa with an unemployment rate of 27.7%. An export-led growth strategy provides incentives through various government policies to companies to export their products. As (Eita, 2016) notes, this improves the capacity of firms to produce goods and services that are globally competitive through the use of advanced technology, which in turn provides foreign exchange needed to import goods and services. Exports also help to weather the impact of external shocks on the domestic economy (Eita, 2016).

Given the above context, one of the critical actions contained in the National Development Plan (NDP) is to increase total exports by 6% per annum in volume (National Planning Commission, 2010). In addition, the NDP outlines that South Africa needs to increase its exports in areas where it has a comparative advantage. These sectors include mining, construction, agriculture and agro-processing, tourism

and business services and this will result in jobs being created in the economy (National Planning Commission, 2010, p. 39).

In President Ramaphosa's 2019 State of the Nation Address (SONA) he articulated the following: "To stimulate growth in the economy, to build more businesses and employ more people, we need to find new and larger markets for our goods and services. We will therefore be focusing greater attention on expanding exports. In line with the jobs summit commitments, we will focus on the export of manufactured goods and trade in services such as business process outsourcing and the remote delivery of medical services" (Ramaphosa, 2019). This puts the need to expand export markets and diversify the export basket as a central priority for government.

Export promotion requires government's intervention as the market alone cannot drive export performance on its own. As Lederman, Olarreaga and Zavala note, "The economic justification for export promotion is often based on the existence of asymmetric information and other externalities associated with the collection of information on market conditions and business opportunities in international markets. Private firms have no incentive to share this information with potential competitors after incurring the costs of discovering how to export profitably. This market failure justifies government intervention" (Lederman, Olarreaga, & Zavala, 2016, p. 143).

The dti's annual rolling Industrial Policy Action Plan (IPAP 2018/19 – 2020/21) (the dti, 2018) highlights the need to have a much stronger export drive. It also highlights the need to diversify South Africa's export basket away from commodities to manufactured goods. However, South Africa, as a developing country, is not alone in this. Mpinganjira (2012) notes this concern for the Southern African Development Community (SADC) region as well. He argues that the level of growth in export earnings in most SADC member countries is far below the world average and the average for developing economies in general, with very little export diversification in both the range of products exported as well as the market destinations for these products (Mpinganjira, 2012).

It should be noted however, that all exporters cannot be treated as one homogenous group and a distinction must be made between those exporters who export to more than one destination as well as those who export more than one product (Matthee et

al., 2016). This will assist in the identification of appropriate export promotion programmes. A central theme that is emerging from the literature relates to the ability of export companies to learn in the export markets in which they operate. Mallick & Yang (2013) provide evidence for Chinese and Indian firms of learning by doing in export markets in ensuring post-entry productivity gains and survival in export markets. Similarly, Fernandes & Tang (2014), using a sample of Chinese firms, show that learning from Chinese firms that are exporting to foreign markets can also be an important source of information and help with entry into and survival in export markets (Lederman et al., 2016, p. 144). This is an important dimension – learning by doing - that will be considered as part of this research study.

1.5 Significance of the research

The aim of this research is to better equip government, exporters and the academic community about the export barriers that exporters face within the agro-processing sector and the role that export promotion can play in addressing these barriers. In addition, insights into company level dynamics that negatively impact on export performance will also assist in a more nuanced application process for export promotion incentives and the management thereof. These insights will enable exporters and the South African government in particular to identify strategies to close these gaps.

In conclusion, understanding what dynamics exist at company level and the export barriers these companies face within the agro-processing sector can assist government to review its export promotion strategy to address these challenges. In addition, understanding the theoretical basis of institutional theory as well as network theory can help to refine the role of foreign economic representatives (FERs) within the export value chain.

The following chapters in this research paper will discuss an overview of the academic literature as it relates to export barriers, factors enabling or hindering export performance, company dynamics that affect a company's ability to export as well as the role that export promotion plays in the development and sustainability of a South African export culture within the agro-processing sector. Chapter 3 focuses on the four research questions and Chapter 4 outlines the research methodology that was employed in this study. Chapter 5 presents the results of the research and Chapter 6 discusses pertinent points in detail. Chapter 7 concludes this research

paper by summarising the key findings, highlighting the academic and business related impacts of this study, presenting solutions and identifying areas for further research.

CHAPTER 2: LITERATURE REVIEW

This chapter provides an overview of the existing global literature on export performance and promotion. Moreover, it identifies current gaps in the literature and situates this study's research questions therein. While the global discourse on export performance and promotion is extensive spanning over 50 years (Chabowski et al., 2018; Chen, Sousa, & He, 2016; Kahiya, 2018), there is a paucity of academic literature on export promotion in emerging economies especially within Southern Africa. This research aims to address this gap by looking at the South African context in particular.

2.1 The focus of the existing literature base on export promotion

Much of the research literature on export promotion is focused at either a macro or micro level. The macro level deals with export performance based on international trade and this is the role that the South African government plays, while the micro level tends to emphasise the possible linkages between various firm characteristics and how this has impacted export performance (Singh, 2009). In a review of export research published in the top four international business journals, Singh (2009) found that the majority of work done in this field has been based on firms from developed economies. Given the changing nature of global trade and the increasing reliance of emerging economies on exports to be globally competitive, there is a need to turn the theoretical focus to emerging economies as well, taking into account the unique characteristics of the external environment (ibid).

Various models have been explored in literature to find out the reasons for limited exporting, the stages model of international expansion, but this has however provided little evidence and rational in understanding why companies are not exporting (Singh, 2009). Barriers to exporting occurs at both a micro (company) and a macro (country) level. Export barriers can affect the financial performance and sustainability of companies as well as negatively impact a country's competitiveness (Gebrewahid & Wald, 2017). At company level, any company that has low productivity will not be profitable in any export market primarily due to the costs required for exporting as there is a direct link between company productivity and exporting (Edwards, Sanfilippo, & Sundaram, 2018; Kim et al., 2018). Mallick & Yang (2013) concur that exporting increases productivity primarily due to product quality

enhancements as companies gain knowledge and technology transfer in export markets and this in turn lowers production costs ensuring that the company stays internationally competitive.

The results from literature are mixed about the role of export promotion in increasing export performance and subsequently jobs. Cassey & Cohen (2017) state that foreign export offices or trade missions have mixed results in increasing exports with some studies citing an increase in exports while others do not have a discernible impact on exports with none of the studies dealing with the impact of exports on employment. The conclusion of the Cassey & Cohen (2017, p. 542) study indicate, “participation in the EAP increases firm-level employment by 4 percent to 5 percent in most samples, in the same quarter as participation, which is statistically significant. Importantly, however, we find the employment increases are fleeting as employment in subsequent periods is not statistically different from those firms that do not participate. Thus, gains in employment are not long lasting.”

Export promotion as a component of trade policy and economic theory reinforces the notion that government has a role to play within the economy. “Economic theory says that in a perfectly competitive market, there is only a role for government to increase welfare if there is some reason why that market does not function efficiently. In the case of government provided export promotion, it is possible that there is a public goods aspect to the information required to export either in general or to a specific foreign market that would result in less than optimal exporting without intervention. With government assistance, in theory, firms export beyond what they would have sold otherwise, and the additional sales yield increased employment.”(Cassey & Cohen, 2017, p. 539) Thus, the role of government as a key player in increasing exports and jobs is central to export promotion. However, many studies have focused on export promotion from either the side of government or from the exporter’s side. “Previous studies have focused on governmental programs that promote general exports from two major perspectives: the government’s and the firms’. From the provider’s perspective, studies have examined the formulation mechanisms, structure, delivery channels, and methods for evaluating the effectiveness of such programs. On the receiver’s side, the focus has been on awareness, participation, and effectiveness of such programs among firms ”(Kanda, Mejía-Dugand, Hjelm, & Mejía-Dugand, 2013, pp.3-4). It would be of interest to

assess this from a South African context and also include the reputation of South Africa as a determinant of export growth.

“Following from this theoretical linkage, quite a few attempts have been made to determine the effectiveness of particular export promotion programs, mostly in North America. The motive for such research is understandable given that large sums of money are spent by some governments, which have substantially free or highly subsidised programs in place. In addition, many firms spend time to learn about and access these programs”(Brewer, 2009, p. 126).

2.2 Role of theory

Two theoretical constructs that are useful in explaining and understanding export promotion are network theory and dynamic capability view. These theories will now be discussed within the export promotion context.

2.2.1 Network theory

Network theory relies on interactions between networks and is largely built on trust (Kahiya, 2018). Network theory has become part of the internationalisation landscape as it provides leverage for companies to get access into export markets (Kahiya, 2018). Managers who have been educated, lived and worked abroad have a far wider network than those who have remained in their home countries and it is these individuals who can build and manage these large networks (Kahiya, 2018). This has important implications and benefits for companies either at the start of their internationalisation journey or even as part of an expansion drive into new territories. The ability to network or the lack thereof is an export barrier (Kahiya, 2018).

SMMEs are reliant on the formal and informal networks as a way of managing its lack of resources or to gain new resources or skills that the company does not possess as part of its export drive (Sibiya & Kele, 2019). There are many networks that can be leveraged by SMMEs and business associations, or export councils are examples of these more formalised networks. It is thus important for policy makers to understand what are the requirements and then to create these systems as part of a broader export promotion ecosystem.

2.2.2 Dynamic capability view (DVC)

Typical theories that have long been associated with exports are the resource-based view (RBV) as well as the knowledge-based view (KBV). KBV, on the one hand,

when applied to exporting companies refers to the deployment and application of knowledge together with physical resources to create value for customers. Various knowledge capabilities have been identified and these include customer knowledge, marketing knowledge, technical and operational (Martin & Javalgi, 2019) and these capabilities result in competitive advantage.

RBV, on the other hand, has to do with how the firm uses its key resources to create competitive advantage and Wilkinson & Brouthers (2006) identified a link between the company's resources and its export performance. Further, resources like managerial time and additional marketing staff are central in a company's decision and ability to engage in exporting (Wilkinson & Brouthers, 2006).

However, a central theme that has emerged from the literature is the concept of learning by doing, and in today's fast changing business environment, the source of competitive advantage lies not just on the use of resources but also on the company's ability to change to prevailing circumstances (Monteiro, Soares, & Rua, 2019). So the DCV is an extension of the RVB (Monteiro et al., 2019). The central tenant underpinning DCV is that companies do not just merely respond to external stimuli but the company learns and adapts and reorganises to match its competencies including the intangible competencies to the prevailing situation (Monteiro et al., 2019).

A limitation of these theories is that they have been used in developed markets and it would be interesting to test them within a developing country context, however, this is research that can be undertaken further.

2.3 Role of Export promotion agencies

There is literature that refers to the use of Export Promotion Agencies (EPA's) and how these agencies have contributed to export performance and a growth in the total volume of exports. A growing number of companies that have used EPA services and this is common to many countries (Lederman et al., 2016). "Thus, the use of export promotion services seems to be correlated with firm entry into export activities or with a higher survival rate, since the share of exporters in the samples of firms that did not use EPA services declined between 2006 and 2010 in all countries, except Colombia. In all countries, export-intensity is higher among firms that used export-promotion services." (Lederman et al., 2016, p. 146) These authors further state that companies that have utilised the services of EPAs are involved in exporting a bigger proportion of their production (Lederman et al., 2016). Kim et al.(2018, pp.

2954-2956) have found that “a positive effect of export promotion agencies (EPAs) on exports using country-level data, whereas Lederman obtained similar results from firm-level data for Peru.”

This clearly demonstrates the value-add of EPA's for companies exporting or intending to start exporting as they utilise the services of EPA's. The continued relevance of EPA is largely dependent on how well policymakers have understood the needs of exporters and how these exporter needs have been translated into services and products that exporters need and will utilise (Kahiya & Dean, 2016).

Mpinganjira (2012) supports the point made by Kahiya & Dean (2016) that exporters will only utilize the services offered by EPAs if it is relevant and can assist in the company's export drive. A deep understanding of the internationalization process that companies undergo must be clearly understood by policymakers so that EPPs respond to specific exporter development needs as the exporters go through the various stages of their internationalisation journey, with each stage having different requirement (Mpinganjira, 2012). This is further corroborated by Kim et al. (2018, p. 2980) who argue that “an important policy implication from this study is that the provision of information about exporting activity by public institutions works in particular when the productivity level and absorptive capacity of firms are sufficiently high to penetrate foreign markets. In contrast, for underdeveloped firms, policies for productivity improvement should be provided prior to obtaining informational support. Policies for further productivity improvement and continuous information provision may also be necessary for new exporters' sustainable exporting activity.”

However, Kim et al (2018) state that there is a challenge relating to existing research as possible biases may have crept in due to the process of self-selection by exporters.

The products and services that EPA's have at their disposal include the following: Participation in global or regional trade events; Sector-specific trade missions; Cross-sector trade missions; Partnering events, media tours, incoming missions, networking with investors and missions to IFIs – international financial institutions. The mix and implementation of these products and services is dependent on the country's export promotion strategy and resource constraints.

The literature on export programmes has widely been criticized since the uptake by companies has been low, the targeting has not been precise and there has often

been an overall lack of credibility (Haddoud et al., 2017). The empirical studies on trade promotion activities “have narrowly focused on the direct link between export promotion and export performance, lacking the depth required to recommend improvements” (Haddoud et al., 2017, p. 68).

Other authors believe that there must be more depth to this argument “since these programmes are seen as a resource supplement, their role could be assessed in greater depth through their influence on SMEs’ export-related resources and capabilities. Amongst these resources, relational resources are proven to be critical to firms’ internationalisation. These are typically developed through long-term relationships with peer firms. In this respect, it has been acknowledged that an important element of export promotion activities is to create and promote networking opportunities” (Haddoud et al., 2017, p.69).

So, reputation is also emerging as an important determinant of export promotion success. “International business in Africa is expected to be influenced by unique factors and generalising findings established in developed contexts to explain African firms’ internationalisation is a questionable practice” (Haddoud, Onjewu, Jones, & Newbery, 2018, p. 283). It would be important to determine whether this has resonance within a South African context.

There is a rationale for government to collect information and identify business opportunities as this is not a function that the private sector would do not would it share across companies or even across sectors (Hausmann and Rodrik, 2003). Given the nature of the private sector, there is no incentive for any private company to share this information, especially not with any competitors and thus this is a role that government can and should play.(Lederman et al., 2016)

2.3.1 Role of Trade and Investment SA (TISA)

The purpose of Trade and Investment South Africa (TISA), as a division of the dti, is to facilitate export development and promote exports with its network of foreign offices with dedicated export promotion interventions. TISA facilitates the “last mile of exporting” for South African exporters with marketing assistance (the dti, 2016; The dti, 2018a). the dti’s role is to stimulate global demand for South Africa’s products and services. Strategic export promotion tools that TISA deploys include the following (the dti, 2016):

- National pavilions which are annually selected trade fairs and exhibitions often targeting specific sectors

- Outward selling missions which are headed by senior government officials to selected foreign markets and a group of South African manufacturers or producers are introduced to serious importers and key contacts within the export value chain in that foreign market
- Inward buying missions are buyers and importers who travel to South Africa to meet with manufacturers and producers from a specific sector

A limitation with EMIA is that it is solely focused on marketing activities and market research and there may be a need to broaden its repertoire of products and services (DPME and the Department of Trade and Industry, 2014).

2.3.2 Services and products offered by export promotion agencies

The scope of export promotion initiatives that government provides to the exporting community is a reflection of the officials who conceptualise and develop these instruments of export promotion (Brewer, 2009). These initiatives often include trade exhibitions, group missions abroad, hosting export development workshops, providing market research information about export markets to exporters, developing relevant publications, conducting national advertising campaign and providing loans at concessional rates (Brewer, 2009). What government needs to ensure is that the export promotion activities correctly reflects the various stages of the internationalization journey of South African companies especially as research indicates that different interventions are required at different stages of this internationalization journey (Brewer, 2009).

EPPs are used by companies that are actively exporting and looking to develop into new markets or to expand their current product range within a given market (Brewer, 2009).

In the US a survey was conducted with small and medium sized companies in the manufacturing sector and it was noted that there was a negative perception of EPPs and unsurprisingly, the government officials at the state and federal level believed that these manufacturers were appreciative of these programmes and the conclusion of the study y viewed. Not surprisingly, interviews with state and federal EPP managers indicated they thought firms were appreciative of their programs. Albaum concluded that such programs needed to be reappraised in terms of their effectiveness.”(Brewer, 2009)

“In a study conducted on behalf of the World Bank, Keesing and Singer (1992) concluded that trade promotion organisations in developing countries were

ineffective and in OECD countries their impact was only 'modest' (p. 53). On the whole research from the 1980's, 1990's and into the new millennium remains somewhat inconclusive regarding the effectiveness of EPP's, although generally it seems that such programs are taken to be of assistance to firms."(Brewer, 2009)

Brewer further makes the claim that many EPP's do not have objective and measurable performance indicators – this is different in the SA context as TISA has stated objectives for EMIA and also monitors the progress of the identified performance indicators on a quarterly and annual basis as outlined in the dti's Annual Report (*the dti Annual Report: 2017/18*, 2018).

One of the processes related to EMIA adjudication is an assessment of a company's export readiness. Export readiness is defined as the extent to which a company is able to successfully operate in foreign markets (Awni & Shafei, 2012; International Trade Centre, 2016).

2.3.3 Role of Foreign Economic Representatives (FERs)

The Foreign Economic Representatives play an import role in the export promotion value chain and have been allocated the following roles from the Integrated National Export Strategy (Department of Trade and Industry, 2015):

- "Support the implementation of the INES through an advisory role and economic intelligence;
- Assist with identification of export opportunities that would unleash potential identified in IPAP sectors with particular emphasis on emerging markets;
- Strengthen country to country business linkages by highlighting strengths, gaps or trade leads that could be exploited for IPAP related sectors and subsectors;
- Building relations with best practice Ministries and Agencies operating within the space of Trade Policy for knowledge sharing and capacity building; and
- Collaboration with military or agricultural attaches in order to maximise exports in these sectors" (Department of Trade and Industry, p. 10, 2015)

These officials have been tasked with a huge responsibility and their role is central to the export promotion ecosystem. By understanding the role of network theory within their daily work engagements, FERs should be able to build up enormous and useful key contacts which should benefit South African exporters and building an understanding of network theory into the recruitment and placement processes of FERs will yield immediate results. FERs are sent abroad for a period of 4 years and

that is sufficient time to get settled and understand the environment, when they need to leave. Given that the recruitment process is part of the public service, building a pool of career FERs is not possible within the current labour environment as more flexibility has to be built into the system. This includes bringing in young officials into the system to ensure skills are kept current.

Cramer & Sender (2015) highlight that reinforcing this foreign economic representative capability and capacity is a priority as seasoned capabilities are required. In addition, the embassy staff should also undertake compulsory export promotion training in addition to the general training that is provided. Moreover, officials need to work in the area of either trade policy or export promotion prior to being sent abroad so that a deeper understanding of the work is forged.

2.4 Definition of small business

The focus of EMIA is on SMMEs and various criteria regarding the company employment number as well as turnover was extracted from the National Small Business Amendment Act, 2003 to ensure a standard definition is applied. The Act defines small business as “by the substitution for the definition of "small business organisation" of the following definition: "small [business] enterprise organisation' means any entity, whether or not incorporated or registered under any law, [which consists] consisting mainly of persons carrying on small [business] enterprise concerns in any economic sector [, or which has been] and established for the purpose of promoting the interests of or representing small [business] enterprise concerns, and includes any federation consisting wholly or partly of such association, and [also] any branch of such organisation;”

Table 1 - Extract from Schedule 1 of the National Small Business Amendment Act, 2003

| Sector or subsector in accordance with the Standard Industrial classification | Size of class | The total full-time equivalent of paid employees | Total turnover | Total gross asset value (fixed property excluded) |
|--|----------------------|---|-----------------------|--|
| Agriculture | Medium | 100 | R5m | R5m |
| | Small | 50 | R3m | R3m |
| | Very small | 10 | R0,50m | R0,50m |
| | Micro | 5 | R0,20m | R0,20m |

Cramer & Sender (2015) argue that SMMEs do not make any sizeable contribution

to export revenue. In fact, they estimate that approximately 38 firms account for the largest portion of the total value of exports while the bottom 80% are considered “marginal exporters” (Cramer & Sender, 2015). In addition, many of these smaller exporters exit from the export ecosystem. Given the socio-economic challenges identified in Chapter 1, getting this balancing act correct between creating employment opportunities and bringing in export revenue is a difficult juggling act.

2.5 Company dynamics

Much has been written about company dynamics that positively impact export performance. There are a number of factors that affect the internationalisation process of a company. These include the industry that the company operates in, company specific dynamics which include managerial competencies and environmental factors (Gassmann & Keupp, 2007; Pickernell, Jones, Thompson, & Packham, 2016).

Another much written about company dynamic is managerial characteristics like a positive attitude, the prevalence of higher education at managerial or owner level, exporting knowledge and skills are all important aspects that facilitate exporting (Hessels & Terjesen, 2008; Leonidou, Katsikeas, & Piercy, 1998; Pickernell, Packham, Jones, Miller, & Thomas, 2011). Managerial skills and capabilities as well as managerial commitment have been positively linked with increased export performance with the converse also ringing true: where managers do not have the necessary exporting knowledge and skill, this has had an adverse effect on the companies exporting ability (Bianchi & Wickramasekera, 2016).

One other company dynamic that has been positively linked to increased export performance is product quality (Atkin, Khandelwahl, & Osman, 2014). However, Walt (2007) suggested that developing countries faced greater challenges relating to product quality than more developed countries and exports emanating from developing countries had to upgrade their products for consumers in developed countries (Verhoogen, 2008).

Closely linked to product quality but which also served as an export barrier is certification. The International Trade Centre (ITC) (2016) reported that more than 90% of product certificates presented a problem to exporter, not being of the certification requirement itself but rather due to the processes and procedures surround the certification process. The ITC (2016) provided a further breakdown of

what constituted these challenges and 30% of the time, the challenge related to certification delays, in 27% of the cases it related to excessive payments, with the remaining relating to administrative burdens, lack of information or lack of transparency, inadequate facilities and officials using discretion unfairly. In many instances, the government required the services of an independent laboratory to perform the testing but this entity was in most instances government-owned and this resulted in further procedural delays or costs (International Trade Centre, 2016).

2.6 Export barriers

To solve the perennial question of why companies are not exporting more, one answer can be found in the concept of export barriers (Doern, 2009; Tan, Brewer, & Liesch, 2018). Much of the literature has focused on quantitative analysis of what kinds of export barriers exist, this research intends exploring how identified export barriers affect export performance.

It is important to define and understand what is meant by barriers and export barriers can broadly be defined as any factor that prevents a company from starting to export to any difficulties experienced during the exporting process (Doern, 2009; Leonidou, 2004). The literature refers to many barriers to exporting and export barriers have been identified as the biggest obstacles facing SMMEs on their internationalization journey, it could be any export barrier from initialization to any stage along this exporting journey. It is important to develop an understanding of what constitutes these export barriers so that these associated export risks can be mitigated (Haddoud, Beynon, Jones, & Newbery, 2018). This understanding of export barriers and their associated risks can help SMME's to comprehend, plan and manage these export barriers (Haddoud, Beynon, et al., 2018; Leonidou, 2004; Mpinganjira, 2011). It also assists government and policy makers to better understand the needs of the export community and to design fit for purpose export promotion programmes and it assists academia to further develop export promotion theories (Haddoud, Beynon, et al., 2018; Leonidou, 2004).

Given the definition above of what an export barrier is, this definition encompasses export barriers that are both internal and external to the company. Internal export barriers relate to what is called company dynamics in this research paper and it include barriers like managerial characteristics, turnover, company size, production processes, quality control and assurance as well as the duration that managers

involved in exporting have spent at that company or elsewhere to gain exporting knowledge and skills.

“Export barriers can be internal and external. Internal barriers are defined as firm’s endogenous problems associated with a lack of organisational resources, while external barriers are more diverse and relate to issues in firms’ external environment including problems in both the domestic and export markets. Thus far, the export literature has presented a wide range of barriers that could potentially influence SMEs’ international activities. While some of these barriers are redundant and fragmented, reporting all of them could be challenging and may prevent the provision of meaningful results.”(Haddoud et al., 2018, p. 285) Further, “Export barriers are classified as internal export barriers involving firm resources and capabilities and external export barriers including barriers pertaining to the home and host countries in which the firm is doing business.”(Bianchi & Wickramasekera, 2016)

Understanding the export barriers faced by exporters and EPAs will form part of this study especially in relation to the agro-processing sector in South Africa.

This reinforces an earlier point that all exporters cannot be treated as a homogenous group and that the nuances and differences between the groups and sectors must be recognized. Hence, it is important that a deep understanding of how EMIA can play a greater role in driving export performance through the use of specific export promotion programmes. It is also critical to understand the effectiveness of these export promotion instruments as well as company specific activities that can enhance South Africa’s export performance.

“Sustained growth can best be achieved by improving exports of manufactured goods instead of relying on exports of primary commodities. Similarly, more diversified economies with important secondary and tertiary sectors are less vulnerable to external shocks” (Gebrewahid & Wald, 2017, p. 397). Gebrewahid & Wald (2017) further expand to indicate that while attention has been paid to export barriers, this has been limited to developed countries and to large companies – export barriers faced small and medium sized firms as well as those faced by developing countries are not adequately covered in literature. This will be the contribution of this research paper as it will assess the role of export promotion as implemented through EMIA in increasing exports and consideration will have to be given to develop an understanding of the export barriers companies’ face within the agro-processing sector. The identification of export barriers in the agro-processing

sector will further contribute to literature about export promotion within a developing country, like South Africa and within a specific sector.

The research into export barriers has been evolving since the late 1960's and has evolved to include international trade, foreign direct investment and the growing body of work relating to the internationalisation of companies, yet all this work has still tried to answer the question: what are export barriers and how do they affect exporting (Kahiya, 2018). It can be noted that Kahiya, 2018 outlines four primary ways in which export barriers affect companies internationalising: 1 – export barriers serve as a deterrent to internationalising, 2- they constrain current exporters from expanding, 3 – they result in the withdrawal of companies from exporting activities and, 4 – they deter ex-exporters from resuming exporting activities.

Kahiya (2018) further indicates that in a survey roughly 64% of respondents attested to the notion that a highly regulated or competitive sector implies higher export barriers. “Industry sectors facing substantial competition or hamstrung by regulatory frameworks, consider barriers more influential than those in which these dynamics are not prevalent” (Kahiya, 2018, p. 1181).

An export barrier that is applicable to this study and was raised in the literature by Edwards, Sanfilippo, & Sundaram (2018); Treasury (2018) relates to intermediate exports. These are essentially imported inputs that can take the form of capital equipment or technology or any other kind of input. These intermediate imports cannot be produced by the domestic market and this is an area for further trade policy research as the impact of intermediate imports on export performance needs further testing. Edwards et al.(2018) provide evidence to indicate that the use of intermediate imports increases the chances of exporting in three different ways. Firstly, intermediate imports can lead to an increase in the productivity of the firm; secondly, if the intermediate imports are obtained at a lower cost, this can increase revenue and finally, intermediate imports can improve product quality (Edwards et al., 2018).

CHAPTER 3: RESEARCH QUESTIONS

This research intend to answer four questions within the export oriented agro-processing sector in South Africa.

3.1 Research question 1: What are the export barriers South African SMMEs face within the agro-processing sector?

This research question aims to uncover the export barriers faced by SMMEs within the agro-processing sector that negatively impact export performance. These export barriers include: transport costs or logistics, customs administration/procedures, tariffs or duties in export markets, product standards in export markets, cost of registering, patenting or trade marking products, cultural and language barriers, lack of market knowledge, the cost of marketing, lack of contacts/networks in foreign markets, exchange rate volatility, access to trade finance/insurance. This research question also identifies any additional or particular export barriers faced by SMME exporters within the agro-processing sector in SA.

3.2 Research question 2: What are the factors that enable export performance in relation to export promotion?

This question aims to understand what the external factors in the exporting ecosystem are that enable or hinder export performance. It also assists in identifying any company-specific factors or factors in the export ecosystem within the agro-processing industry that enable or drive export performance.

3.3 Research question 3: What are the company dynamics that facilitate exports within the agro-processing sector?

When exporting, some companies appear to manage the export process seamlessly, while others struggle to do so. It is important to understand what factors within a company enables exporting or which factors are an internal barrier to exporting. This question examines the specific company dynamics contribute to a better understanding of the export landscape and what factors make it easier for a company to export. This question also looks at managerial versus non-managerial characteristics that have an impact on export-oriented activities.

3.4 Research question 4: How can EMIA be improved to facilitate a greater volume and rand value amount of exports for SA?

This question intends to identify what specific improvements can be made to EMIA to make it more relevant to the agro-processing industry that can result in a greater rand amount as well as greater volume of exports. A central question that has to be answered is what specific export promotion programmes companies must access in order to increase export performance and whether there are particular export factors that must be considered when providing governmental support to the companies within the agro-processing sector.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Research setting

The research setting was in the Republic of South Africa with company representation from the KwaZulu-Natal, Gauteng and the Western Cape provinces.

4.2 Proposed research methodology and design

This study utilised qualitative research as a methodology allowed divergent views to be heard as well as facilitated the richness of responses. (Bansal, Smith, & Vaara, 2018, p. 1189) argue that “by building theory inductively, research based on qualitative data offers insights that challenge taken-for-granted theories and expose new theoretical directions. As we face more wicked problems in our world, scholars are increasingly adopting qualitative methods to unpack these complex challenges.”. The research methodology contributed to the identification of pragmatic solutions to: export barriers that South African companies in the agro-processing industry face. Moreover, it helped identify the factors that facilitate export performance as well as the identified company dynamics that facilitate exports within the agro-processing sector. The literature review in chapter 2 revealed that there is sparse literature academic literature on the reasons why South African agro-processing companies are not exporting. In essence, “a qualitative study may fill a void in existing literature, establish a new line of thinking, or assess an issue with an understudied group or population.” (Bansal et al., 2018, p. 1190)

4.3 Philosophy

Ryan (2018, p. 2) indicates that philosophy in research refers to the researcher’s understanding and perception of what is the truth, knowledge and reality. It also captures what the underlying beliefs that shape and steer the design of a research instrument as well as the collection and manner in which data is analysed as these choices will dovetail with the overall principles. The research philosophy that underpinned the research is interpretivism. Interpretivism, according to Saunders and Lewis (2012), is defined as philosophy that emphasizes the importance of difference between people as sociable beings. Saunders and Lewis (2012) further state that people view the roles of others based on what they deem to be correct, appropriate, and thus perceive the roles that other people play through their own lenses. This implies that the values of researchers are part of the research process.

Hence, understanding what interpretivism is and what it is not was critical to this study's research philosophy, as it formed the basis of the research and the researcher in the entire research process. In fact, Ryan (2018, p. 8) emphasises that "Interpretivism argues that truth and knowledge are subjective, as well as culturally and historically situated, based on people's experiences and their understanding of them. Researchers can never be completely separate from their own values and beliefs, so these will inevitably inform the way in which they collect, interpret and analyse data."

Given this context where the researcher's values and belief play a role in the way the research is conducted, the interpretivism philosophy also resonated with the writer's personality and personal philosophy to understand why things happened the way they did. Moreover, this interpretive philosophy also resonated with the research questions, in particular the quest to understand the export barriers South African agro-processing companies experience that prevent them companies from exporting more goods and services, despite the importing potential in numerous countries and the export productive capacity of South African companies.

4.4 Approach

Having cemented the research philosophy, attention was paid to the approach for the research. Two types of approaches exist. Hyde (2000, p2) explains: "There are two general approaches to reasoning which may result in the acquisition of new knowledge, namely inductive reasoning and deductive reasoning. Inductive reasoning is a theory building process, starting with observations of specific instances, and seeking to establish generalisations about the phenomenon under investigation. Deductive reasoning is a theory testing process which commences with an established theory or generalisation, and seeks to see if the theory applies to specific instances." (Hyde, 2000, p. 2).

An inductive reasoning approach was employed in this study. Saunders and Lewis (2012) further define induction as a theory building approach using data that has been collated and packaged and it highlights a deep relationship with the subject of research. "Inductive reasoning starts with observation, experiment and measurement, and generalisation and finding patterns in data; theory is then developed to describe the situation. Researchers then make repeated measures and

observations until they are confident that their findings describe the wider situation” (Ryan, 2018, p.3). The inductive approach therefore was used to guide the research process, especially the data collection processes.

4.5 Methodological choices

A profile of the companies who had applied for EMIA funding and participated in various national pavilions and exhibitions was extracted from the EMIA database. This provided the exporter respondent pool of companies. Key elements from the literature were used to develop broad themes, which was used to develop an interview questionnaire. In addition, three focus group sessions were held comprising of dti officials who work in export administration, export promotion and the incentive administration units of the dti. An interview guideline was also developed for these sessions. To ensure that the views of export councils and provincial government was captured, a provincial government official was interviewed as well as a representative of an export council. This assisted in terms of data triangulation, as different views from the various stakeholder groupings were gathered.

4.6 Purpose of research design

Exploratory studies are defined as “research that aims to seek new insights, ask new questions and assess topics in a new light” (Saunders & Lewis, 2012). Exploratory research is best suited for semi-structured interviews, which was the main source of data gathering for this study, hence this choice. Semi-structured interviews with South African companies that accessed EMIA were conducted. New insights into how government could provide support for both established and emerging exporters was identified by offering a customised incentive tailored to meet the needs of the exporting community in the agro-processing sector. Therefore, the initial focus of the research was very broad but will then narrowed as the process unfolded (Saunders & Lewis, 2012).

4.7 Strategy

The research strategy employed was a combination of a narrative inquiry as companies were asked about their export capabilities and export experience, as well as archival research using the dti’s records, policies and procedures relating to EMIA to support the data gathered from interviews.

4.8 Time horizon for data collection

The researcher used data from the EMIA application process that ranged from 1 April 2017 to 31 March 2019 and looked at South African companies that used EMIA and who were exporting within the agro-processing sector during that timeframe.

4.9 Techniques and procedures

The writer conducted 13 semi-structured interviews with companies of various sizes in order to determine the company dynamics and factors that affect their ability to export and what can be done differently by the dti in relation to improving the export incentive in the identified sector. The group of exporters that have used EMIA were referred to as exporter respondents. One company that was interviewed was not in the agro-processing sector and was an importer of machinery, hence the results of this interview were not utilised. Three additional semi-structured interviews were held with an executive working at the dti as well as a senior manager working at the Trade and Investment KZN (TIKZN) and an executive from an export council. These were three important stakeholder groups and it was important to validate the data from the interviews with these different perspectives. To further validate the data, three focus group discussions were also conducted with relevant officials at the dti across a range of salary levels to determine their views about the effectiveness of EMIA in respect of its ability to assist companies. It is important to get a cross sectional view of all officials working with EMIA so that more diverse views are obtained and not just the views and opinions from one group, i.e. managers. These group participants were referred to as the focus group respondents.

Additionally, secondary data was used. Data from the dti and StatsSA was compiled to determine what products are exported and which countries have been importing those products to identify market access opportunities for the agro-processing sector. The tool that was used to provide this data and to do the analysis was the DSM, which is able to identify real export opportunities in sectors. DSM uses filters to eradicate the less profitable products and presents the more countries with the best chances of success.

The interview guide consisted of eight major themes: metadata about the company being interviewed, efficiency of EMIA, effectiveness of EMIA, relevance of EMIA, sustainability of EMIA, company dynamics and the export landscape. The interview

questions were a mixture of structured main, open-ended questions and closed-ended questions. The questions in the interview guide (refer to the appendix, section C) was partially based on a survey done by DNA Economics in 2014 in a “Report on Implementation Evaluation of the Department of Trade and Industry’s EMIA programme” (DPME and the Department of Trade and Industry, 2014). Questions (see sections D, E, F and G in the appendix) relating to the efficiency, effectiveness, relevance and sustainability of EMIA were based on the OECD Development Assistance Committee’s (DAC) “Glossary of Key Terms in Evaluation and Results Based Management” for evaluating the effectiveness of developmental programmes and projects (*Glossary of Key Terms in Evaluation and Results Based Management*, 2004). The use of questions already utilised in previous surveys added to the reliability of the interview guide Annual company turnover bands were taken from SARS and the definitions of small, medium and micro enterprises were extracted from the National Small Business Amendment Act, 2003.

All of the interviews were recorded with two different recording devices to provide a failsafe recording process. Interviews were electronically stored and backed-up in separate electronic storage. An overview of the interview process, the need to sign the consent forms and the assurance of confidentiality were explained to each respondent. All respondents were asked the same questions in the same sequence with the exception of the last company interview, as they had a ready-made presentation that dealt with most of the interview questions. However, all the interview questions were covered with a follow-up after the presentation. Finally, the respondents were probed where necessary.

4.10 Population

The total population consisted of all South African exporting companies within the agro-processing sector who applied to the dti for financial assistance under EMIA over the past two years (effectively from the governmental calendar year starting 1 April 2017 to 31 March 2019). This included companies that have been both successful and unsuccessful in their EMIA applications to determine if there are any discernible differences in their perceptions of EMIA. The sample size was 12 companies from the agro-processing sector, as (Guest, Bunce, & Johnson, 2006) explain: “We assume a certain degree of participant homogeneity because in purposive samples, participants are, by definition, chosen according to some

common criteria. The more similar participants in a sample are in their experiences with respect to the research domain, the sooner we would expect to reach saturation.” Given that the companies were chosen from an already predetermined set of criteria, those who have applied to the EMIA scheme using the dti’s EMIA application form, implied that the companies have been chosen according to common criteria.

4.11 Unit of analysis

The unit of analysis was individual South African companies that have applied for financial assistance under EMIA between 1 April 2017 and 31 March 2019 within the agro-processing sector.

4.12 Sampling method and size

Saunders and Lewis (2012) define a sample as a subset of the entire group of all people and population is defined as the entire set of everyone within that group. While the definition of a population is “the complete set of group members” Due to the need to obtain rich data and the nature of research, the total list of South African companies that have accessed EMIA between 1 April 2017 and 31 March 2019 was reviewed. Non-probability sampling was used, and a technique called purposive sampling was employed. Purposive sampling is best used with qualitative research when a small sample is selected (Saunders & Lewis, 2012). More specifically, with purposive sampling “the common element is that participants are selected according to predetermined criteria relevant to a particular research objective.” (Guest et al., 2006) The sample population was selected based on the EMIA process, which has re-determined criteria, and companies were selected to participate in the export promotion incentive based on their qualifying criteria. The EMIA guidelines specified the following application requirements: “a) export-readiness of applicant; b) export/production performance of the applicant; c) export/marketing competence of person visiting the foreign exhibition; d) potentially available/accessible production/export product capacity; e) type of product for export and local sales performance; f) Level of labour absorption, location and technological requirements; g) Industry in which the venture operates or is planned and h) Submission of general and specific qualifying documentation and adherence to general and specific criteria as stipulated for the National Pavilions offering”(the dti, 2016).

These EMIA guidelines served as a screening and filtering mechanism for applications and these applicants were used as a way to select respondents to interview. The number of EMIA participants is extensive and the aim of this research “is to understand common perceptions and experiences among a group of relatively homogeneous individuals, twelve interviews should suffice.” (Guest et al., 2006) Given that twelve interviews would suffice, this researcher interviewed twelve companies from the agro-processing sector and three semi-structured stakeholder interviews as well as three focus groups.

4.13 Measurement instrument

The main measurement instrument employed was the interview guide that was developed for both exporter respondents and focus group respondents. This was partially based on the factors identified in the literature review as well as the dti’s export readiness survey which is a tried and tested survey that the dti has been using for several years to determine the level of exporter development required.

The best-known manner to ensure validity and reliability is by means of triangulation. Merriam & Tsdell (2016) have cited Denzin who has indicated that there are essentially four ways in which to do this: using multiple methods, multiple sources of data, multiple investigators and multiple theories to confirm any findings. Triangulation was applied in this research by conducting interviews and confirming the emerging findings with other companies being interviewed as well as through validating these emerging findings in the focus group discussions and with the stakeholder semi-structured interviews. Validity and reliability were also ensured through respondent validation, as the respondents’ views were summarised. The respondents were asked if the summation was correct and was what they had intended (Merriam & Tsdell, 2016). In this way, the participants then confirmed the validity of the findings and if it resonated as being accurate.

The researcher also documented her beliefs, values and expectations have shaped the research and subsequent outcomes as a way to ensure integrity in the research. The investigation must be conducted in an ethical manner to ensure validity and reliability (Merriam & Tsdell, 2016).

4.14 Data gathering process

Data was gathered through semi-structured interviews and focus group discussions, as well as through stakeholder semi-structured interviews. A descriptive analysis of secondary data obtained from the dti and StatsSA was done. Archival research was conducted, primarily focussed on the dti's strategic documents, the annual reports, the industrial Policy Action Plan (IPAP) as well as a document recently published by the National Treasury on an economic trajectory for South Africa (Treasury, 2019).

Primary data, the interview guideline documents and researcher notes, were transcribed using two transcribers. There were however four transcripts that were transcribed using transcription software called Temi. All the transcripts were coded in Atlas.Ti using a thematic coding process.

4.15 Analysis approach

After the coding of all the data gathered in the interviews and through the researcher's notes, the data was grouped around specific themes obtained from the literature review. Atlas.Ti was used for the analysis process. Information from the literature review was also manually analysed according to the themes already identified and all data from the interviews were captured (Rubin & Rubin, 2012). The summarised findings were ranked and presented according to the four research questions (Rubin & Rubin, 2012) and the researcher looked for emerging patterns and themes. This led to the development of a rich narrative which is aligned to the exploratory methodology employed (Rubin & Rubin, 2012).

4.16 Limitations

There are generic limitations that are applicable to all research processes and these would also be applicable to this research paper. Understanding researcher bias and being aware of bias is one limitation and the researcher documented the personal values and beliefs to ensure that these were not used to influence the interview processes.

Another limitation is the sample size and geographic location of the exporters and they only represented three out of the nine provinces in South Africa and may not be a representative geographical sample. The DSM uses a sequential filtering process of four filters and these filters aim to eliminate those export opportunities that are not as viable. The filters can be switched on or off and can be used to demonstrate

country-product combinations that show the most potential. This system is reliant on inputs from credible sources and care must be taken in this regard. The limitation would arise if credible sources are not used or if the filters were to be turned off.

4.17 Ethical considerations

Ensuring that all names and identifiers were removed from the analysis and results presentation process was important to the researcher and this was maintained. Due consideration was taken not to accept any of the gifts offered during the course of the interviews as that would have been unethical. All participants gave their full and willing consent to participate and this question was asked at each interview and focus group discussion. One exporter respondent asked that he not be recorded and this was duly done.

CHAPTER 5:RESULTS

5.1 Introduction

The results of semi-structured and in-depth interviews as well as focus group discussions are presented in this chapter. The results are outlined according to the research questions identified in Chapter 3. The interview questions have been mapped against the research questions as outlined in annexure 6 to ensure consistency and relevance.

5.2 Description of the sample - Interview participants and context

Names of all participants and any identifiers were removed from the quotes as indicated in the ethical clearance process as well as part of the interview process. In the instance where the names of exporters' companies were included in the interviews, the textual quotations are free of these identifiers as they have been deleted. The interviewees were selected from the EMIA database of companies provided by the dti. EMIA has a selection process which further enhanced the quality of the respondents as all were exporters, with some just having recently started exporting, while other respondents were exporting for longer periods of time. All of the exporter respondents that were interviewed received assistance from EMIA. Three national pavilions were selected from all the dti supported national pavilions and exhibitions because they are primarily targeted at the agro-processing sector. The time period selected was from 1 April 2017 to 31 March 2019 in order to provide for a larger sample of potential interviewees.

Table 2 - Interview schedule with exporters

| Interview number | Job title | Duration with the company | Role in exporting process | Company location | Interview date and duration | Reason for selection |
|-------------------------|--------------------|----------------------------------|--|-------------------------|------------------------------------|-----------------------------------|
| 1 | MD/CEO | 13 years | Heads up exports | Gauteng | 29 August 2019 58 minutes | Participated in Foodex Japan 2019 |
| 2 | Executive Director | 32 years | Jointly responsible for exporting with the | Gauteng | 29 August 2019 61 minutes | Participated in Gulfood 2019 |

| Interview number | Job title | Duration with the company | Role in exporting process | Company location | Interview date and duration | Reason for selection |
|-------------------------|----------------------------|----------------------------------|---|-------------------------|------------------------------------|-----------------------------------|
| | | | other director | | | |
| 3 | CEO | 12 years | Participates in trade missions and generates the business | KZN | 04 September 2019 30 minutes | Participated in Gulfood 2019 |
| 4 | Admin, sales and marketing | 6 years | Gets the markets, negotiate prices and agreements | Western Cape | 04 September 2019 27 minutes | Participated in Foodex Japan 2019 |
| 5 | Director | 20 years | Gets the sales in | Western Cape | 05 September 2019 31 minutes | Participated in Foodex Japan 2019 |
| 6 | No title - manager | 5 years | Makes the deals, meet the people and does the logistics | Gauteng | 38 minutes | Participated in Gulfood 2019 |
| 7 | Director and co-owner | 2.5 years | Handles all exports with the other director | Gauteng | 6 September 2019 59 minutes | Participated in Gulfood 2019 |
| 8 | Director and Owner | 15 years | Does the shows, is the contact person | KZN | 6 September 2019 38 minutes | Participated in Foodex Japan 2019 |
| 9 | Marketing director | 30 years | Sales, liaise with customers | Western Cape | 10 September 2019 53 minutes | Participated in Gulfood 2019 |

| Interview number | Job title | Duration with the company | Role in exporting process | Company location | Interview date and duration | Reason for selection |
|--------------------------|---|---------------------------|--|------------------|---------------------------------|---|
| 10 | General manager | 5 years | Takes care of customers & prepares invoices, books containers | Gauteng | 10 September 2019 25 minutes | Participated in Gulfood 2019 |
| 11 | MD | 14 years | Has cross border dealers and customers who take imported generators across the borders | Gauteng | 11 September 2019 25 minutes | Not selected as this is an importer in the manufacturing sector |
| 12 | Export sales manager MD | 8 months 27 years | Travels and canvases certain territories for new business | Gauteng | 11 September 2019 62 minutes | Participated in Anuga 2017 |
| 13 | Sales director International sales manager | 15 years 2 years | Sales, participates in trade shows | Gauteng | 12 September 2019 93 minutes | Participated in Anuga 2017 |
| Total interview duration | | | | | 600 minutes | |

In addition to the exporters interviewed, and in order to triangulate the data, an official from national government as well as from provincial government were interviewed. Given the central role that export councils play within export promotion, a CEO from an export council was also selected. This export council dealing in fresh produce had also participated in a national pavilion during the time period in question and is relevant to the agro-processing sector.

Table 3 - List of government and export council interviewees

| Interview number | Job title | Duration with the company | Role in exporting process | Company location | Interview date and duration | Reason for selection |
|--|---|---------------------------|---------------------------|------------------|-------------------------------|--|
| 14 | Executive Manager: Export Development and Promotion | 14 years | Executive manager | KZN | 24 October 2019 25 minutes | Works at the provincial export promotion agency in KZN |
| 15 | Head of division | 17 years | Head of division | Gauteng | 28 October 2019 34 minutes | Head of division |
| 16 | CEO | More than 10 years | Strategic planning | Western Cape | 30 October 2019 32 minutes | CEO of an export council, also a recipient of EMIA funding for a national pavilion |
| Grand total of government officials interviews | | | | | 91 minutes | |
| Total duration of interviews | | | | | 691 minutes | |

The final list of interviewees were selected officials from the dti, who worked with export promotion, incentive administration as well as export administration units within the dti. The interviewees cut across different job levels within the dti and were selected based on their functional responsibilities relating to EMIA. These functional responsibilities ranged from EMIA applications processing, approval, monitoring and evaluating EMIA, key contacts at national pavilions, trade mission and exhibitions as well as policy development, direction and oversight.

Table 4 - List of focus group interviews

| Interview number | Job title | Duration with the company | Role in exporting process | Company location | Interview date and duration | Reason for selection |
|---------------------------------|--|---------------------------|---|------------------|---------------------------------|---|
| Focus group discussion 1 | Various levels from within the dti: EMIA group | 77 years collectively | EMIA Administration | Gauteng | 29 minutes | Works in EMIA group processing and administration |
| Focus group discussion 2 | Senior managers from within the dti | 43 years collectively | Export promotion: EMIA Group | Gauteng | 25 September 2019 60 minutes | Works within Export Promotion |
| Focus group discussion 3 | Various levels within the dti: EMIA individual | 48 years collectively | Incentive administration: EMIA Individual | Gauteng | 25 October 2019 93 minutes | Works within Incentive Administration – EMIA Individual |
| Total group discussion duration | | | | | 182 minutes | |

5.3 Presentation of results

The interviews were coded and resulted in 124 codes with eight (8) code groups. These code groups dovetailed with the themes identified in Chapter 2 as well as with the interview questionnaire and can be listed as follows:

- Company dynamics
- Export barriers
- Export promotion
- EMIA
- Improvement to EMIA

The remaining four code groups were: Export performance and this was included with export promotion, export plans and this was included with company dynamics, stakeholder and this was also included with export promotion.

The results per research question are presented below.

5.3.1 Results for research question 1: What are the export barriers South African SMMEs face within the agro-processing sector?

The aim of research question 1 was to identify what are the export barriers that exporters within the agro-processing sector face and which barrier was identified as being the most critical export barrier for all the interviewed exporters. Interviewees were requested to select the applicable export barriers from a list of export barriers identified by DNA Economics, which originated during a review of EMIA in 2014.

These barriers are:

- Transport costs or logistics
- Customs administration/procedures
- Tariffs or duties in export markets
- Product standards in export standards
- Cost of registering, patenting or trade marking products
- Cultural and language barriers
- Lack of market knowledge
- The cost of marketing
- Lack of contacts/networks in foreign markets
- Exchange rate volatility
- Access to trade finance/insurance
- Other (state)

Interviewees were also given the option of identifying any other export barriers and two additional questions were also included to elicit these export barriers. The two questions were as follows:

- “What affects your ability to export?”
- “What challenges do you experience when exporting? Does this depend on the country you are exporting to? If yes, then please indicate the country and why this is the case.”

The list of export barriers was expanded by an additional seven (7) export barriers and these include: company competitiveness, company export readiness, legal aspects of exporting, pricing, product availability, trade agreements and training. Some of these are discussed in greater detail below and some are statistically

insignificant. Figure 6 depicts the list of identified export barriers in the agro-processing sector. This section discusses the top identified export barriers.

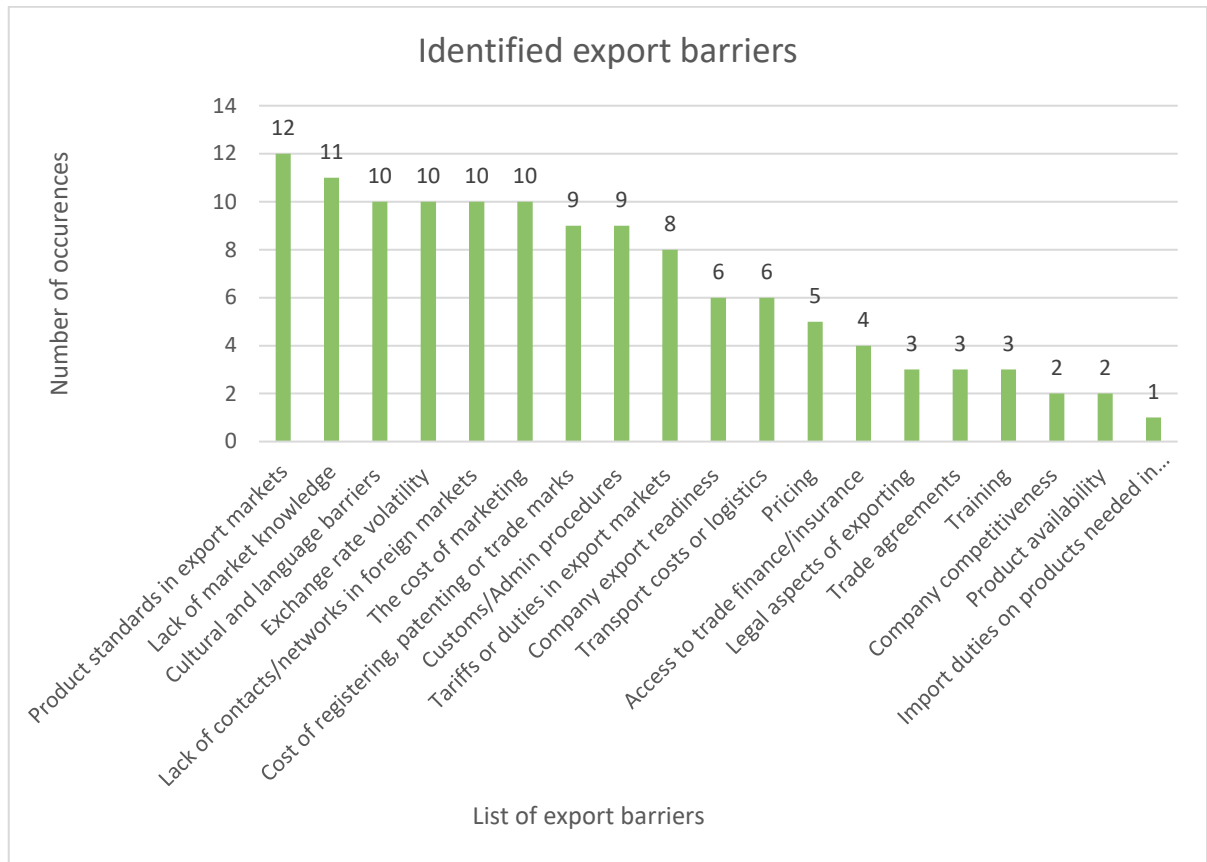


Figure 6 - Identified export barriers in the agro-processing sector

Source: Author's own

5.3.2 Export barrier: Product standards in export markets

Based on figure 6 above, 66% of the respondents identified product standards in export markets as an export barrier and it occurred in the interviews 29 times. The respondents who did not identify product standards in export markets as an export barrier were the three focus groups and one respondent who was at an administrative level in the company as opposed to the other respondents who were at an executive level.

Product standards in export markets refer to changing product standards which differ from country to country. Some respondents referred to product standards in export markets broadly, while others were very specific about the exact product standards required - this was observed by those exporters in the food sector. Some respondents also indicated that product standards were challenging in markets like

Russia and China as these standards kept changing; “Russia and China and the changing certification.” The respondents also indicated “China – we have a problem; we have an agent there and we have sent quite a bit of products there but we are still sorting this out as honeybush isn’t registered with their customs and we actually came to a halt with the whole thing and it was extremely difficult to register a new product with Chinese customs; it’s a very lengthy and super expensive process and we are actually a lit bit lost at the moment on how we are going to go about it so that is a big challenge...” Another respondent indicated, “Other thing that plays a role is certified products, different organic certification, different sustainability certification. Different certifications from the different markets, certified products – certifications for sustainability and requirements from the different markets in the EU – big focus on pH so need to have products within that prescribed levels from the different countries or markets.”

Certification and products standards were jointly referenced by respondents. One respondent indicated, “Australia has a barcode requirement for no-staffing supermarkets so now barcodes must be part. Can’t make generic labels” and given that South Africa does not have any no-staffing supermarkets, this respondent had to engage with the Australian authorities. One respondent also responded, “Not just a tariff, it is behind the border measures, additional surcharges, food content levels.” This implied that the respondent viewed the additional surcharge is a non-tariff barrier.

Bar two respondents, all of the respondents could be classified as SMME’s – small medium, micro enterprises and one respondent felt, “And I mean that’s one of the biggest challenges as well is the keeping up to all the international standards, labelling standards, different languages, declarations, what you can and can’t say. I mean that’s a, just a minefield, a minefield.” Another exporter respondent linked product standards to company size and the onus it places on the company, “One of the limitations is that we are still a small company and for small companies to reach the level of quality that allows you to be extremely confident in giving a long shelf life to your product; it is actually a significant issue. Especially when you export people want an extremely long shelf life [for the exported product]. Because of the transportation costs plus you are going to have to launch the product [in the export market], so you don’t know how long it is going to stay on the shelf and stuff like that.

That is a limitation of our own business because being on the healthy snacking side we want to limit the recourse of anti-oxidant, of all these preservatives so I think it is more linked to our line of business.” So SMMEs in the food sector are very reliant on quality standards to ensure export performance.

5.3.3 Export barrier: Lack of market knowledge

The second biggest export barrier identified by respondents was the lack of market knowledge. Respondents defined market knowledge as “And not knowing enough about the market on the consumer and you know, sometimes lack of research or access to research. And unfortunately it does all cost money.” Eleven out of the twelve exporters interviewed indicated that lack of market knowledge was an export barrier. None of the focus group respondents nor the respondent from provincial government as well as the export council identified lack of market knowledge as an export barrier. One of the respondents indicated “The lack of knowledge regarding the market, possible customers, I guess not having been to most places so that would be one of the biggest barriers and challenges.” This was echoed by another respondent who said, “but I know there were two countries that were completely misunderstood. The market research was not so on point.” This respondent indicated that the lack of market knowledge negatively impacted their ability to export. While another respondent felt strongly to “just stay out of certain categories e.g. Italy still giving subsidies – scope to export is limited to authenticity”, implying that the product needed to speak for itself as it were. A respondent, who had mentored a “newbie” indicated “I knew that the Japanese market likes smaller sized bottles; so I said to him to take smaller sized bottles, because they don’t take the big bottles like they do here, that kind of thing.” This demonstrated that there are small tips and techniques that respondents have built up over time. One of the respondents indicated, “So, we are sort of using the outward selling missions as market research” as an avenue to compensate for the lack of market knowledge. Other respondents cited being more selective about deciding in which market to operate in: “We’ve been selective about which markets we’d like to penetrate and readiness of our product development for those markets. We are food-related so [we] look at what’s relevant for our industry so there’s a couple of them that the dti has offered.”

5.3.4 Export barriers: Cultural/language barriers, lack of contacts/networks in foreign markets, the cost of marketing and the exchange rate volatility

The next four export barriers all scored the same and these are: cultural/language barriers, lack of contacts/networks in foreign markets, exchange rate volatility and the cost of marketing. These four export barriers are discussed and in each of these export barriers, two export respondents did not rate these export barriers and neither did any of the focus group or the provincial government respondent. However, in terms of actual occurrences within the coded interviews, lack of contacts/networks in foreign countries was mentioned 31 times, cost of marketing was mentioned 26 times, cultural and language barriers occurred 23 times and exchange rate volatility occurred 14 times. So out of these occurrences, it can be determined that lack of contacts/networks in foreign markets was a bigger issue for the respondents. One respondent mentioned “but I spent days hours, days trying to get to the right people” and this would impact a small business from a resource point of view. The respondent from the export council noted the point about resourcing and the differently sized companies by indicating, “a lot of them are traveling overseas for the engagements and so they are not always in the office, where you have your bigger companies, you have more people. You've got a proper marketing division or whatever where they can look at it and it gets easier. But your smaller exporters, a 2-3 man show, that is where you need to follow up more regularly.”

One respondent suggested a solution for this export barrier that relied on the EMIA approved group of participants as a collective, “So, if you as a group had more contacts inside of the market it would be far more productive”. Remaining within a single network proved to disadvantage an exporter as “We got a little bit of interest and then eventually we got a company that in last year they took 5 containers. Here's the problem, they go out of business now we have to start all over again.” This same exporter experienced a similar disadvantage in another market, “Our Hong Kong distributor that we've just picked up, he's been knocking at our door because we have a distributor in Hong Kong but they've also just closed shop.” Another respondent highlighted the lack of networks as a risk, “Have to rely on the importer so when you've got that level of reliance, it's a risk.” Another respondent also supported this view by indicating, “Lots of markets use importers so don't have a network to get business.” Respondents also rely on the dti's network as mentioned

by another respondent, “I’m struggling now because if it wasn’t for me knowing the person in the US leading the delegation, I wouldn’t know how to make appointments with people I know to please come and meet us.” This implies that the networks are not just referring to business contacts but also to the use of government as an enabler and the importance of tapping into the network of SA’s embassies abroad. This was corroborated by another respondent, “I can get the correct person to talk with. I had a list of an excel spreadsheet of maybe a thousand people and sending out emails to all of them. Did it work? I had to literally go and look at who are the probable buyers in all this.” One respondent had a potential solution that worked, and this worked well for that company. “We have agencies, we have, we work in conjunction with agents and we pay them commissions so if you like it’s on a deal to deal basis. Like you find a South African person who is in Tokyo, you find a South African person in Shanghai and you work with that person.” However, another respondent disagreed with the statement about working with South African expats as “Don’t ever give it to an ex-pat South African, those are the worst agents to have. They think they know everything. That’s true.”

What has emerged is the need to have contacts within a foreign market to help companies firstly understand the market and then secondly to ensure adequate marketing of the products. One respondent introduced a different way of understanding the market and “we were doing the show in China, the CIIE. Yeah. So we are trying to prepare for it and it’s a whole different ball game in the Chinese market. So we need labels and what our product says and what we are trying to communicate. So we had some Chinese people in there yesterday and we were a whole team listening and trying to like feel our way to go to the show prepared as you see, it’s a different ballgame.” This respondent tapped into contacts in the South African market to help them prepare for a show in China so that the team developed a better understanding of the Chinese market without having everyone travel to China.

5.3.5 Export barrier: The cost of marketing

Looking at the second highest occurrence, the cost of marketing was mentioned 26 times and one respondent stated, “firstly, the cost implications are too much for a small business”. This respondent indicated that as an emerging exporter, they would not have been able to export if they had to do it on their own, “we would not be

exporting even if we had put the money in ourselves we would not be where we are now if it wasn't for EMIA". In addition, this respondent noted, "I remember when we first started with exports someone said to us have you got the time; no we will make time, we want the extra sales so we started it. It sucks sometimes. It's a huge amount of time for no revenue. No revenue initially, until it starts coming through. That comes at a cost, which is your time, and you've got to give extra time, outside of your normal time which is weekends. We would have been able to grow the exports a lot quicker and to a much larger scale if we could have just put a person in place. That's not how life works. You first have to generate the income to justify somebody like that." This statement linked the export drive with financial and human resources within a company highlighting that exporting requires financial resources to sustain the company as export sales are not generated immediately. Exporting also requires dedicated human resources, but companies must generate the income to justify that expense – a double-edged sword. This respondent highlighted a link with the country business culture and company visibility in an export market, "They said to us when you go into China, you are not going to get orders for 2-3 years. They want to see you and see you next year and again the next year, then they order." This also reinforces the point about adequate financial and human resources in relation to an export drive.

An exporter, with 32 years exporting experience noted, "Must find a currency to fund your development to place products in different markets. Dependent on the dti's processes or use the embassy to do it. If a particular region/geography is targeted, must be a clear understanding of the country regulations, e.g. artificial sweetener. Target areas of the dti – they've got tons of funding where you want to be successful so needs more effort." This corroborates the point made earlier about needing adequate funding to fund an export drive, while a company is still gaining traction in an export market. This respondent relied on government funding as a source of revenue/financial assistance during the company's initial export drive. This exporter also stated, "Got it wrong that by going to a pavilion will get orders. Must stimulate interest and then being at shows repeatedly. The only success has been through repetitive shows – there are no short gains, not a short game." This reinforces the point that exporting requires time, financial and human resources and brings an important dimension about the cost of marketing and company visibility in a foreign market to the fore. This exporter believed that small businesses did not have the

financial resources to sustain the costs of marketing in a foreign market, “I don’t know too many companies that can afford to fund marketing in advanced markets.” Another respondent linked the cost of marketing with the exchange rate, “Expensive, paying in rands”, while another respondent gave a practical example of the currency impact and the cost of marketing, “I think that's the biggest, biggest challenge cause you can have a product and you can have a wonderful product or whatever it is, to get your product off shelf and get awareness and all that. It costs money. And our rands don’t go very far.” In addition, “So your barriers to entry as well are marketing with rands in a foreign country is prohibitive.” One respondent summed it up, “so I mean cost of marketing has definitely been quite a huge challenge. What we've done is we focused on one market in particular and we've only allocated a budget to that. So it's the UK where we have a retail presence. We built it into the price. So it's in the commercial model.” This respondent was able to circumvent the cost of marketing as an export barrier through dedicated focus on one export market and built their export commercial model around that.

5.3.6 Export barrier: Cultural and language barriers

The following export barrier that is discussed relates to cultural/language as an export barrier with 55% of all respondents citing this as a barrier (all those who responded were exporters). At national pavilions, the exporters worked with assigned translators to mitigate the effect of this barrier, “In Japan, we worked around it as everyone was given a translator”. While another respondent indicated the presence of South Africa’s foreign offices also greatly assisted, “Cultural barriers were addressed by having foreign offices.” One company realised, “What we have learned very early on is that we can’t do the whole world all in one go, so we started in the Far East. And then when we thought that we now have China and Hong Kong then we pushed really hard to get into Europe and the South America’s. However, that has also fallen a little bit but China at least we’ve learnt, we understand the culture there.” Another company invited two Chinese people living in South Africa to a briefing where the entire company was present to share their views about China and where the company could make improvements, “So we had some Chinese people in there yesterday and we were a whole team listening and trying to like feel our way to go to the show prepared as you see, its a different ballgame.” It was one of the executive managers at this company who initiated this briefing after realising the company’s limitations, “For instance, China markets, you know, we had a very

interesting meeting yesterday and yeah. I know nothing about the China market. I've never worked in a Chinese market. So, yeah, it's all about how we approach it is very much being open and speaking."

In this sector, culture influences consumers' tastes and plays a large role in the foods that they consumed. This must be taken into account as one respondent realised, "when you go into another country, consumers react differently. Like their taste for instance, flavour and taste profiles." This respondent linked entrenched cuisines and language barriers, "You know, the moment you have language barriers and you have a real entrenched cuisine, you struggle a little bit like our Greek agents or our Greek customer buys silver cans." This demonstrated the additional difficulty of penetrating a market that is not very cosmopolitan. This respondent further noted, "that any country that has a cuisine like Greece or Italy or Spain or whatever, there's a bit of a barrier because you've got to educate people a lot harder. So, countries that are more cosmopolitan are more open to different cultures and multicultural and I think English speaking countries initially because our labels all English."

Language barriers and pronunciation also had an impact on one company's brand, "Germany as an example, just to kind of prove your point. They were calling our product dev because w in German is a v so our brand is you know, these are things that you have to consider when you're going into a new territory. The moment you translate your brand, you don't know what it's saying. Like in our country, the word picante means sort of slightly spicy. But in other countries picanto means hot. So guys look at this and go, wow, we sit on the pavilion and the guys come past and they ask if it's hot, they're terrified of tasting it. A lot of things get lost in translation a lot and no one's going to go put it on shelf if it's just gonna get dust on it." So cultural and language barriers not only make exporting to that country a challenge but there are also branding issues that emerge due to pronunciation.

5.3.7 Export barrier: Exchange rate volatility

The final export barrier that is discussed in detail relates to exchange rate volatility and 55% of respondents rated it as a barrier. Many respondents cite cited the exchange rate volatility as a factor in their favour, however some were concerned that if the currency strengthens it would negatively impact their financial model. As a respondent noted, "a month ago we were on 13-something, so we were quoting

based on R12 because it was going that way so now your product becomes expensive; now we are sitting at R15-something so now your product becomes really expensive so if you quoted based on R13 or R14 your chances are better so this one is a very big challenge.” Companies have mitigated this risk by hedging, “Big threat but in recent years, it worked in our favour. Try to manage it to the best of our ability and will hedge which will take out the risk of currency fluctuations.” Another exporter has developed most of their marketing campaigns in South Africa and “It’s a very basic TVC [television commercial] in the UK, it’s very basic. It’s not having any models, you know, none of that. Like a lot of other companies doing etc you’re looking at around about R800 000. We did it in SA for under R200 000 and that is just a basic ad, nothing fancy or over the top.” This highlights the cost of marketing in foreign countries and links it to the currency fluctuations so when the currency strengthens, the costs of marketing material decreases and when the currency weakens, the costs of marketing material in the exporting country become prohibitive.

5.3.8 Additional export barriers

The remaining export barriers are not be discussed in detail, however, it is important to note that the respondents have identified additional export barriers not included on the interview questionnaire’s list of export barriers. These additional eight export barriers identified by respondents are company competitiveness; company export readiness, legal aspects of exporting, pricing after tariffs have been applied to the product makes it uncompetitive in some markets, product availability, trade agreements, import duties on product needed for company production. Training, company competitiveness and company export readiness are discussed, as the percentage of these three responses are very small and statistically not significant.

Company competitiveness was raised by one exporter respondent and in one focus group discussion. The respondent acknowledged the “need to be more competitive, we are competitive on certain products and not so competitive on others. Where we are competitive, those are the good products for the South African market e.g. assorted biscuits. We are competitive because our labour costs are cheaper and our product is good quality.” This was the only respondent to acknowledge that their production processes could be more competitive, and this respondent is from a third-generation biscuit manufacturer, within the food sub-sector of the agro-processing sector who had manufacturing capacity abroad before relocating to South Africa. In

addition, the respondent conceded, “We’ve got a lot of flexibility in our assortments and be competitive. But not in all the products, we are far but not yet there and we lose a lot of deals.” So, the lack of competitiveness of this company resulted in many deals not concluding which in turn impacted export volumes and sales.

The comment from the focus group demonstrated that efforts had been made by the dti to engage companies regarding competitiveness, however, this was not successful, “We tried to incorporate them into our export initiatives, be they missions, pavilions, whatever, but to get them to convert to actual export sales and exporting leads. I don't think we are achieving the successes that we had anticipated with that. And that's, as X was saying, it's very much to do with the, some of the socioeconomic aspects, the lack of capacity in terms of production capacity, in terms of capital that's needed, you know, to fulfil export orders, lack of quality, export quality products or services.” Here a link between company competitiveness and financial resources was made by the focus group discussion. Another respondent cited that the EMIA criteria excludes his company from applying for EMIA since the company is a large company and does not meet the EMIA criteria. This respondent felt that this was a barrier as the company needed the incentive to be more competitive, “We are not competitive. There is a flaw in terms of company size – the criteria is where the challenge is.”

The next export barrier discussed is company export readiness and this was mentioned 17 times by four exporter respondents and two different focus groups discussions. One respondent linked company export readiness to their internal capacity, “I think if we had a fulltime person just dealing with exports and nothing else.” Another respondent cited the need to be at “National pavilions – want to be part of as many national pavilions as possible. Need to get a lot of like-minded people who have been to those pavilions and they’ve got some experience and you can build from that” as important to facilitate a greater volume of exports for that company. Another respondent agreed that if the company did not export greater volumes, it was due to the company not being fully export ready, “So if we didn't manage to increase our exports it is more of our internal organisation and maybe how much our product is for export and stuff like that.” One of the focus group respondents responded, “Sometimes they will tell you things my visa was not approved and some would say they didn't have a passport. Oh, things that you asked

yourself it shows that there was no planning and they not organized as well and, but they cost us a lot of a time and money.” This is indicative of a company not being export ready. It was noted that the focus group linked company export readiness and the high rejection rate for EMIA applications, “it’s higher than approval. So it’s massive. But you must understand that if you break it down, you will see that in fact it was actually a self-regulating, almost a rejection that has taken place with many of those, simply because they were number one too late. So they think not having organized via visa, never been into an international market.”

In summary, respondents raised additional export barriers faced by SMMEs within the agro-processing sector, hence the list of export barriers has increased to include an additional seven (7) export barriers. These additional export barriers are: company competitiveness, company export readiness, legal aspects of exporting, pricing, product availability, trade agreements and training. These barriers were discussed and the significant barriers were expounded upon.

5.4 Research question 2: What are the factors that enable export performance in relation to export promotion?

This question aims to understand what are the factors that enable export performance. It has also assisted in the identification of both company and export ecosystem factors that enabled or suppressed export performance. The interview questions that were used to elicit answers to this research question:

1. What specific element of EMIA has been the most useful in exporting your products?
2. What specific element of EMIA has been the least useful in exporting your products?
3. Would you say that EMIA is successful or not in relation to your company? Please give a reason for your answer

The following questions posed to the focus group respondents assisted with data validation relating to this research question:

1. What informs the decision to grant approval for a specific type of programme – i.e. trade missions, business fora, etc.?
2. What economic or other data, in general, is considered when selecting the most appropriate export promotion initiative?

3. How often are these export promotion activities reviewed in general?
4. What would inform the need to review these export promotion activities for all IPAP sectors?
5. How are export opportunities identified?
6. What are the main ways of engaging with the export community?

Figure 7 depicts the factors affecting export performance.

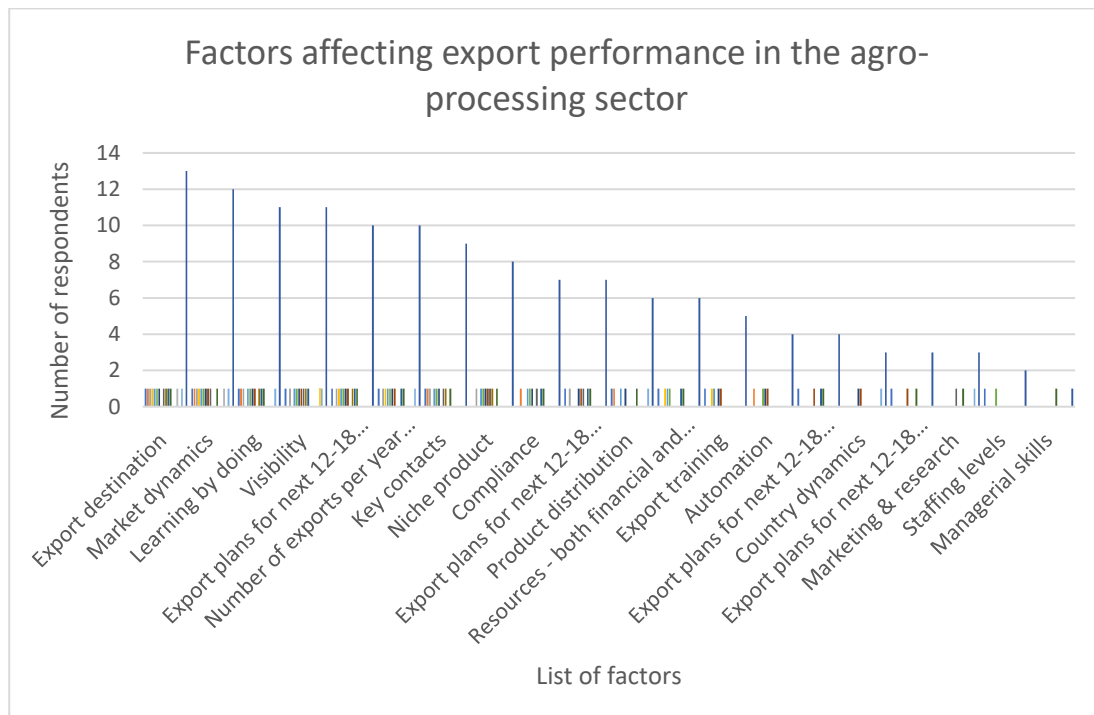


Figure 7 - Factors affecting export performance in the agro-processing sector Source: Author's own

From figure 7, it can be noted that export destination, market dynamics, learning by doing and visibility rate as the top four factors which are discussed below. Export plans for the next 12-18 months provides an indication of the companies export plans and ten out of the twelve exporter respondents stated that they want to diversify existing products into new markets. In addition, the number of exports per year as well as key contacts are also be discussed in this section.

Export destination refers to those factors within the importing country that either enhance or impede export performance and eleven exporter respondents cited export destination as factor that either enhances export performance or hinders it. This was corroborated and validated by one focus group as well as in the interview with the export council. Respondents largely attributed legislation, certification and

regulation as export destination impediments. As one respondent noted, “Documentation and the duties and stressing that everything is going to be ok. It is a little bit of a thing, I won’t call it trade barriers but more like bureaucratic barriers [or non-tariff barriers]; when literally one little thing is wrong on the label then they won’t let it in. It can be significant repercussions.” Bureaucracy is therefore a factor that impedes export performance but it is not generalisation as it is country specific. As corroborated by another exporter respondent “Mauritius customers are petty, they want ZAR on invoice, then it’s a packing list, they are just being difficult.” However, this is not the case in all countries, as one respondent clarified - it differs from country to country, “Depends on the country e.g. Mauritius – we have a challenge regarding fatty levels; with Tanzania, it’s pricing and Saudi and Emirates, it’s pricing. But, Tanzania, their local government and registering products – the country is very expensive.”

Exporters have found a way to work around some of the bureaucracy they face and the factor “learning by doing” was instrumental in changing this dynamic. As a respondent noted, “our guys have experience in chips manufacturing for over 15 years and because they’ve got this experience, they make a good quality product that makes it easy for us to export. Exporting to Mauritius and Mauritius’s health standards are very high compared to us over here. They require the fatty levels on a product to be below a factor of 10 and generally, in this country it ranges to about 13 to 17 or so. So because of the experience we have here, we blend oils to get fatty levels lower to get within that standard.” A second respondent mentioned the agricultural surcharge that is applicable on entry into the UK market and calculated its costs as “Europe and the UK are a problem even though there’s no duty there’s agriculture surcharge. This agriculture surcharge has been very detrimental for us, it’s an incredible amount of bureaucracy for us, you need to calculate your formulas for the products, your products get stopped there.” This respondent calculated that this surcharge cost the company approximately R5.5 million on a product that generates R22 million annually. A further concern raised by this exporter respondent centred around, “So we have import duties that we have to pay to make our products, then we have to pay these agricultural surcharges to export it to the UK. This is a disadvantage because the European products coming to SA are duty-free and there is no agricultural surcharge. SA could also say that we want to protect our agriculture and they are not doing that.” This agricultural surcharge also placed limits on this

company in terms of their export destinations as, “This agricultural surcharge forces us to deal with markets where the import duties are very low or non-existent and this excludes us from a number of markets. We are importing cheese and then exporting the product and then getting charged for using the cheese.” The export council respondent also supported the view about the EU and the UK markets, “so for instance, on a practical level, the UK and the EU being the traditional markets, that’s where we started exporting more than a hundred years ago. Fresh fruit to those markets. But look at the consumption trends in those two markets. They declining to a certain extent, but we cannot neglect them. So you need to still be in those markets and to maintain our presence there.” So while these markets are declining, it is important for companies to still be exporting to these export destinations. However, market size was another consideration and factor in the exporters decision to move into particular markets. As the export council respondent noted, “Secondly, we expanding into the new growth markets and based on research that indicated nine countries in the East, we really need to focus on growth markets where you see the populations grow, the middle class growing varying who can afford to do buy high quality fruit and secondly where you really do have the logistics infrastructure to maintain the cold chain.” The size of the market presented many opportunities for South African exporters, “400 million middle class consumers, that’s as big as the USA so the whole of the US.”

The next factor, market dynamics refers to the changing consumer preferences like the consumer movement to be eating more organic food and the move to healthier snacking and the market size. Some respondents even mentioned payment in the foreign market and the difficulties in accessing payment once it has been made as dynamics within the importing country that exporters considered, and ten exporter respondents raised these 29 times in the interviews, with the respondent from the provincial promotion agency also supporting this view. The choice and determination of an export promotion initiative is identified through research, “We also would go onto Business Monitor International and give us a sense of what the current trends are in that particular market, especially from an economic perspective, you don’t take people into a market where people don’t have the disposable income to purchase a particular product.” Another respondent emphasized the importance of “resources, research and understanding the market” as key.

Learning by doing occurred 61 times in the interviews with 11 respondents citing it as an enabler to export performance. This emerged as an important factor as one exporter respondent indicated, “We have also learned through all of this. In the beginning you go to these stands and everybody throws you with their cards. You get so excited by every lead, now you could come to our stand and now we can write that that person is a 1/5 or a 3/5 just by asking a few questions.” A second exporter respondent mentioned, “Lot that can be done, we are getting better at process.” Historical performance or past performance was a topic that arose from the dti focus group discussions. It was viewed as a tool to determine the viability of a particular export promotion initiative, “So we look at previous performance of previous missions and trade exhibitions and that's based on export sales achieved from our participants on those missions. We also look at the biggest, most well respected and well renowned trade exhibitions and trade shows where South Africa wants to show a presence or needs to show a presence as a force to be reckoned with as you know, for technology or whatever expertise.” Exporters also use past performance as a predictor of future sales, “All commercial decisions must be made from historic performance. Must find a way to become more automated to reduce costs.” Another respondent cited the importance of learning every day, “you learn every day. If you don't keep an open mind and you don't listen and watch and learn or whatever, you'll die. You will die.” It is also important, “So for me it's very different, you know, because from handling everything yourself, but you learn so much more because you didn't deal with agencies” to be open to learning and it is on a person to person basis. “Something that I have learned; it is not trading with another country; it is an individual selling to another individual. I've definitely learned that. We can export to any country whether it is a small country like Cyprus or a large country like America. At the end of the day I need one buyer in America to start buying the stuff or one person in Cyprus who starts buying stuff.” Another exporter respondent mentioned, “So even your tone and your voice is different.”

The export council respondent identified a different way of engaging with new exporters, taking them to an exhibition, “So for instance, last week in Spain, we took three emerging exporters on our costs and exposed them to the event so that they can see for, you know, the next year if they want to participate, what is needed for such a show, what they must have ready so they've got time now to prepare. But

that's not always possible in all cases.” This learning by doing approach emphasized the need to bring emerging and new exporters into the export ecosystem.

A penultimate factor that has aided export performance is visibility with nine exporter respondents citing this as a factor and two focus groups reiterating the importance of company visibility. Visibility refers to a company's presence at national pavilions, exhibitions or marketing within an export destination and occurred 26x times during the interviews. Focus group respondents have cited research by the World Trade Organisation indicating that a minimum of three times is required in order to gain traction within a market, “also, the World Trade Organization says that at least we must send companies three times into one market to be able to be recognized because otherwise we'll be wasting our incentives that we have, that you're sending them on holidays.”

Exporters believe that their export performance can be enhanced through visibility in the export market, “I think by more visibility in potential markets, in other words more trade shows and pavilions.” Companies that have different sizes are classified differently and the dti's focus has been on SMMEs, yet there is an opportunity to showcase differently sized exporting companies and to ensure visibility at these international exhibitions to stay top of mind with buyers as well as to demonstrate continued relevance, “you have to become familiar and you have to become current in their minds in order for them to take that leap of faith. If we are allowed to do multiple shows to the same destination it would be great where people tend to trust you more because they see you more often, if that makes any sense.” The export council respondent highlighted, “as a destination, as a country, as the exporter and secondly this focus again we need that presence there. You need the assistance because it not always possible just to have the individual brands, the well-established brands like for instance, that might be nationals from South Africa at the show. You need a, a place for our lesser known or smaller exporters and emerging exporters to also have a place to put their name and brand out there.” This point was validated by the focus group respondents who reiterated, “so when they see them for the first time, they [start] believing that if I see you for the third time, then you can be able to interact with them.” This implies that the exporters exhibiting at these international events gain more credibility within the export market if they participate annually at these exhibitions.

The final factor that exporters believe enhances export performance relates to key contacts in export markets and this was raised by nine exporter respondents and none of the focus group respondents raised this as a factor. Having these key contacts in export markets assist companies in developing better insight into that market and influences packaging, use of colour, logos and consumer preferences. Exporters believed that having someone on the ground in the export country, makes the exporting process more manageable and eliminates the risk of language and cultural barriers, “then when we left and I actually gave her our samples but she then went and represented it to Costco and then worked through the process and they wanted this and that. She would give us advice and say this is what they are looking for here, whereas if they had asked us directly, we wouldn’t have understood what they wanted. So she understands the business culture there and the business model there and the costing model there. We had to give away a lot but its huge. So we gave away a lot on the basis that the value we will get.”

Another exporter agreed with this sentiment, “that current link that the actual making contact with customers, a good example – a lady named...– she sits in Tokyo, have a customer there that we are dealing with but it’s very difficult, language barriers, time, it’s really difficult to communicate with the customer. We both really want to do something and we always cc her in, she’s got no role other than to say, “hey, you misunderstood, this is what he meant” or to them to say, this is what they meant to just be a link to make sure communication and that everything runs smoothly. She even followed up with us to say you forgot to give a price. “Oops, how did we forget that?” She remembered and she puts it into place, it’s an exception, she marvellous in that role.”

Exporters were also disappointed in the distributor selection choices they made and acknowledged the impact this has had on export performance, “For instance, we have appointed who we thought was a fantastic distributor for the Middle East and basically its six months but they were not able to deliver what they’ve promised so now we start from scratch again and trying to find a new distributor which was very disappointing.” While another exporter had contacts, they were unable to convince buyers that they had sufficient productive capacity to export, “because we had some very nice contacts with one of the buyer for the biggest retailers in France and

Belgium and they really like our products. I feel that today what makes that we don't start business is because they don't see us big enough and they don't see us having a significant export market yet. They don't want to take a risk on that because it would be huge for us but quite small for them and they don't want to have a headache on a small line." So, for this exporter, the perception of South Africa not being a big producer played a role in not getting this particular export contract. One of the larger exporter respondents solved this challenge, "We besides entering these markets, we also invest in foreign offices which none of your small guys will ever do. I cannot tell you what a difference this makes. We have an office in Japan, Sri Lanka, in 2017 opened an office in China – we work very closely with embassies in the different countries especially in China so our guys spent a fair amount of time liaising with the [dti] colleagues. Have an agency agreement in other markets." This demonstrates the internationalisation journey of an exporter. However, another exporter disagreed with this view due to costs. The exporter respondent compared this to a brand that entered the South African market a few years ago, "when they came to South Africa everything was important and they throw three years of money and marketing and whatever, building up the brand and get it established and then they'll build a factory. There's no way that we can do that internationally. We've got to kind of be sustainable from day one because we don't have the budget and we are spending marketing Rands and we are converting it to dollars."

Therefore, factors like visibility, key contacts, export destination, market dynamics and learning by doing all emerged as factors that either enhanced or hindered export performance when they were in place. Where these factors did not exist in the export destination, exporters found it challenging and time consuming to export.

5.5 Research question 3: What are the company dynamics that facilitate exports within the agro-processing sector?

The third research question that is answered is an attempt to discover what specific company dynamics facilitated exports within the agro-processing sector and the top two factors are discussed in this section. The profile of exporter respondents (12 in total) indicated that every respondent, bar one, was at an executive or senior management level, with only five respondents having more than 15 years' experience at their companies. Thus there appears to be a weak link between having

more than 15 years' experience and company turnover, as only two out of the five exporters respondents reported company turnover of R25 million or more per annum. Regarding the remaining exporter respondents, one respondent worked at their company for between six and ten years, two respondents worked at their companies for between 11 and 15 years and four respondents worked at their companies for between zero and five years. The number of years respondents worked at their companies was significant for those respondents who worked at their companies for between 11 and 15 years and more, as these companies have been exporters for longer than five years in all instances. In one instance, the exporter was a third generation exporter, "it's third generation biscuit manufacturers. Started with my grandfather and we were market leaders in the Spanish market and exported to 35 countries around the world."

The BEE listing of a company did not appear to make a difference to the level of exports yet it did impact the level of support received from the dti as BEE is currently not a requirement, the requirement for a successful application is that a company must be a SMME. As one respondent noted, "you cannot because you're not BEE certified. If you look at the people that are making things happen on the export side, then you should look at your companies with a proven track record."

5.5.1 Company dynamics - export readiness and managerial characteristics

The capability of a company to be export ready has been identified as a factor that influences exporting. Twelve out of the eighteen respondents cited export readiness and managerial characteristics as important factors that facilitate exports. This section firstly discusses export readiness since it occurred 67 times while managerial characteristics occurred 61 times.

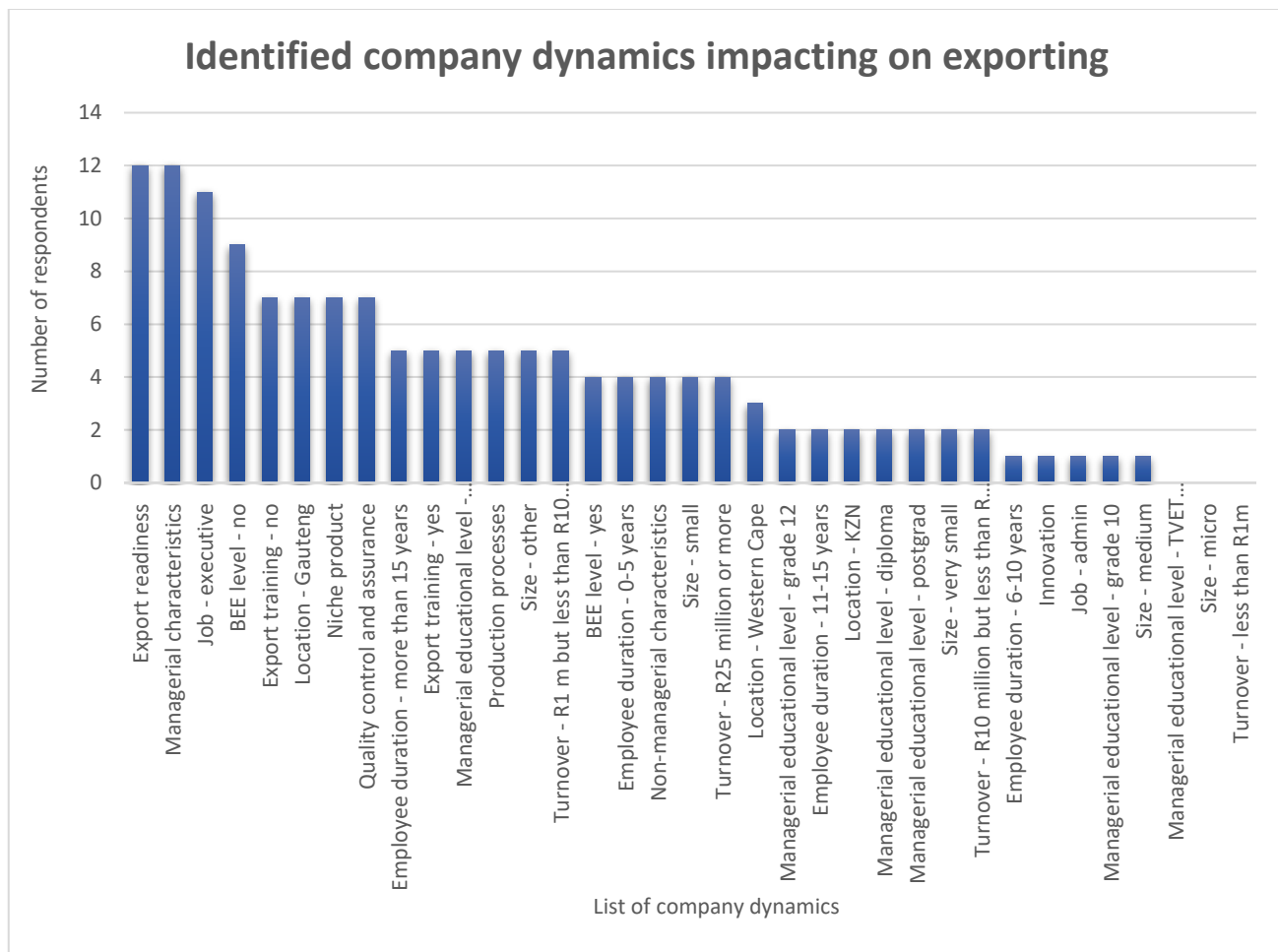


Figure 8 - Identified company dynamics

Source: Author's own

Ensuring that products are correctly designed and fit for the international market was highlighted by a respondent as being important, “When we design a product, we make sure it is ready for international compliance. We make sure our certification is compliant, we comply wherever, so we don’t have to redesign.” This also implies that no financial resources are wasted by redesigning products. This respondent further indicated, “We have also learned through all of this. In the beginning, you go to these stands and everybody throws you with their cards. You get so excited by every lead, now you could come to our stand and now we can write that that person is a 1/5 or a 3/5 just by asking a few questions. But this didn’t come right away, those skills come with time. So we don’t want to waste our time with a person like that because they are there really just to get information out of you. You get a couple of standard questions that you understand and maybe it is easier for us because we know that not anybody can import alcohol into any country. So, the first question is do you have an alcohol license, do you already do alcohol distribution and we ask what are you

doing at the moment because there are lots of people who want to be in this and that.” This highlights the skills developed by the managerial team over time that have led to a revised and more focussed approach at the national pavilions and ensured that the company does not waste time with unproductive leads. Experience has also been built up over time, “What we have learned very early on is that we can’t do the whole world all in one go, so we started in the Far East.” Learning from each international experience has resulted in accumulated learning, “The ones that I had been unsuccessful with in the past was Anuga and Sial. However, having said that I don’t think that was a bad thing that it was unsuccessful at the time because we are now going to Anuga we have been accepted at Anuga which is a massive trade show, because every time you go you learn something.” This initial negative experience has prepared this company for another opportunity to showcase their products at Anuga, “If I had to go to Anuga on my first visit it wouldn’t have been successful as now, I believe, because you learn from every show that you go to. Anuga is really the one you want to strive to be at because it is the largest one in the world. So, we are really excited and we put a lot of energy and effort into making the Anuga one work for us.”

Another respondent cited the need to have everyone in the company understand the importance of exporting, and to have actual exporting experience from the lowest level right up to executive management. This company-wide understanding of the importance of getting a container out according to the customer’s spec enhances the reputation of the company in the importers estimation. “Like I said, guys don't know how to pack a container, they don't know what's involved. But I know that you have to fumigate pellets and like little things that can just bash your business.” An export respondent raised the national pavilions and the experience gained from that as central to their production processes, “we’ve also changed a lot of things because we’ve travelled and been in those fairs in terms of making our packaging more internationally compliant.” Another respondent agreed and indicated that national pavilions provided an important platform for companies to keep abreast of trends and provided exporters with a detailed understanding of what buyers and importers wanted in a particular market, “You can see exhibitors from all around the world. One of the big things of this trade shows is also to see what the competition is doing, what are the trends and what are the buyers looking for in the different markets. I think when you are in the early stages of exporting it is very good [to have] this global

view.” This exporter also indicated that even big exporters learn from specific exhibitions, “if you are already a strong exporter and you want to put a specific focus on one market then some exhibition may be more adapted to.”

Other exporters linked their ability to be export ready with certification requirements, “FFSC 22 000 – must adhere to this so need a set of technical staff to assist with this.” Another cited the internal changes relating to quality control that were made as a result of participation at the exhibitions and national pavilions, “Also our company has changed a lot in a few years in terms of quality control, we became FSSC approved and BRC approved as well. And on top of that, the social and ethical responsibility side. Fat that we use, have to be RSPO certified. These are investments that we’ve made to be able to compete in these international markets and those fairs and exposure to those markets have played a big role in it.” This was supported by another exporter, “Can’t do away with the different specifications as required from each country because that’s all about food safety”. This is especially important within the agro-processing sector and underpins the importance of certification. In addition, a third exporter reinforced the role that certification and standards play in ensuring a company is export ready, “so FFSC’s good and FDA, colorants things like no added preservatives, all those things are just once you start ticking all those boxes as well it’s the little things like knowing your stuff. Knowing your stuff, it shows, you know, when a guy says how many boxes fit in a container or whatever. I mean, all of us have been in warehouses. All of us have packed containers. All of us have seen what actually happens when a container’s on the sea and it wobbles too much and everything breaks inside. So guys don’t understand that.” This means that adherence to international shipping standards has to be understood by everyone in the company. This exporter has also raised an important point about everyone understanding the details required to export and ensuring that it forms part of on the job training within the company.

Export readiness is also defined by an exporter as having to do more background checks and research on any potential distributors, “I would say do more research on potential distributors; we have been let down by a number of them. And I think we get caught up in the vibe at the shows and appoint people and then get let down by them. Must do proper background research. I think the biggest learning point is to really investigate distributors that we would consider appointing in respect to

background and review them a lot better.” This was corroborated by another exporter, “Our Hong Kong distributor that we’ve just picked up, he’s been knocking at our door because we’ve have a distributor in Hong Kong but they’ve also just closed shop. But, he came knocking and I said to him sorry but we already have somebody and we won’t jeopardise our current distributor, I can’t distribute to him. But he kept knocking, knocking. Then I saw him this year in Japan and he said how is your distribution going in Hong Kong and I said unfortunately it’s fallen away. And he said can I distribute your products and we’ve just done our first export to him.” This reinforces that research on distributors must be robust and continuous and the need to be open and flexible to new opportunities. This also ties in with managerial characteristics of being open-minded and flexible.

Another exporter connected export readiness with having a domestic sales presence that compliments their export drive, “in South Africa we are in Woolworths, we do 30, I think it's about 35 products for Woolworth's now under their brand. And we do a co-branded Woolworths product. So any products that contain the Picanto pepper that are in Woolworths that have our brand on it, which is very cool because nobody else has ever achieved that with Woolworths or the brand leader, you know, they have a few brands in their stores. Yeah. Yeah. And then we supply, Pick 'n Pay, Spar, Shoprite, Game. Not Game, I mean Massmart, Makro, all of those guys. And lot of cash and carries. And then we in like a little bit of food service as well.” The exporter further explained, “I mean little things like we from an agricultural point of view and Woolworths is a brilliant, brilliant, brilliant teacher for anybody because if you're in Woolworths you can be anywhere else in the world”, highlighting the importance of a domestic sales presence that is underpinned by a strong focus on quality.

The focus group respondents summarized the importance of quality, export readiness and domestic sales on a company’s ability to export. In one group, they stated, “so companies need to be export ready. There's an export readiness questionnaire and they have to submit that, they have to be tax compliant, so they have to submit tax compliance certificates. There's all of their company registration documentation, financial statements, audited financial statements. There's company brochures and passports of intended travellers.” The level of detail required as highlighted by the focus group respondents requires companies to have systems in

place to ensure compliance, an important dimension for any exporter. The focus group respondents also asserted the importance of a domestic sales presence, “So they've exhausted the domestic market and are now looking at entering into the export market.” The second focus group respondents also confirmed agreement with the export readiness of companies, “just another thing we need, these companies must be export ready. If you feel that they are not expert ready, we take them to [the] Small Enterprise Development Agency (SEDA) for further training because they compete with bigger companies in a foreign country” and this demonstrates how important export readiness of companies is within the exporting landscape. There is an underlying logic to company export readiness as the focus group respondents further outlined, “Sometimes you find that one has never exported before. They've never sold even in South Africa. So you've never sold anything in South Africa. So how can you be able to interact with foreign markets or compete with other companies and also look at their financials.” So companies who intend entering the exporting space and who have not adequately planned, get excluded from the application process for very small issues “sometimes they will tell you things my visa was not approved and some would say they didn't have a passport. Oh, things that you asked yourself it shows that there was no planning and they not organized as well and, but they cost us a lot of a time and money.” The implication of companies not being export ready places a drain on governmental resources as time and money are wasted on companies not yet ready to export.

Moving to the second company dynamic that occurred 61 times relates to managerial characteristics. This code group encompasses the skills, knowledge, experience, qualifications and personal attributes of managers that facilitate and enhance a company's export drive. It also encompasses the current role and function played by the exporter respondents in relation to exporting and was raised by every exporter respondent as a company dynamic that facilitates exports. The exporters raised several dimensions like hands-on abilities, attributes and characteristics required to be successful as well as the ability to communicate, learn and improve as part of the export journey. These are discussed in the section below.

One exporter claimed, “we have learned how to manage that a lot better especially when we export into Africa; a lot of the companies do not – you have a lot of small businesses that would import into Ghana or Nigeria and they won't necessarily

understand the legal aspects of importing alcohol into a country so we have taken on a lot more of a hands-on approach dealing even with their legal issue on the other side". This indicates that for a small company employing 17 full-time employees, managers have had to get involved in the granular detail at the export destination in order for their products to move into that market.

Managers also displayed strong communication and negotiation skills, as this is a requirement of an exporter, "basically on the managerial side, the ability to communicate with our customers so that is pretty high on our priorities is to make sure that we have deals with our customers, to communicate well and correctly." Another key skill raised by an export respondent is financial skills, "We are very fortunate that comes with a financial background and most small companies don't necessarily have someone with this financial side. Must understand this to make it work."

Attributes displayed by managers that have facilitated exports include being open-minded, "it gets quite complicated because you have to be quite open minded because what you think works in South Africa, there's not a one size fits all." Another respondent felt that being passionate about their brand has enabled exports, "Because we are quite a small company and you get a lot of personal touch and it's a very much a one on one basis so it's not red tape. So decision can be made quite quickly on something. And I think it's also passion. I think a lot of us are very passionate about our brand." This export respondent has also linked the company size, its decision-making ability and its passion for the brand as a factor in their export drive. Education and passion were also linked by this exporter, "our managing director's got a degree in agriculture. He's an agricultural scientist. That's why he gets so passionate when he's talking about the fruit and the seed" and the exporter explained how this passion is driven throughout the company. Other attributes cited as important to exporting by the export respondents include, "you've got to be adaptable and flexible. And not knowing enough about the market on the consumer and you know, sometimes lack of research or access to research. And unfortunately, it does all cost money." Thus, there is a link between personal attributes of managers and conducting research within a particular market and research is dealt with next in this section.

An exporter gave an example where management did not do adequate research on a particular market and the impact that it had on that company, which coincidentally is a big exporter, “they thought they were going to be clever and getting into the export market, and they sent a couple of containers to the Middle East and this stuff got stuck with the docks and all the chocolate melted in the biscuits and they had to dump it in the sea. And that's a big company. Yeah. And they just didn't do their homework.” Another respondent supported this view by stating, “People have an expectation that I'm going to be on the national pavilion. Now I'm going to be this big exporter. It doesn't work like that. You've got to do all of this homework yourself and you've got it. I mean, like I said to the guys, some of the stands, you walk around and you go, come on guys. You know what I mean? Just etiquette on stands as well. The guys are sitting back in their chairs and whatever. Or not even at their stands. It becomes embarrassing, you know?” This means that exporters need to do adequate research on their export destination, including researching the business etiquette in that country.

5.6 Research question 4: How can EMIA be improved to facilitate a greater volume and rand value amount of exports for SA?

This research question aimed to identify what specific improvements can be made to EMIA to make it more relevant to the agro-processing industry and result in a greater rand amounts as well as greater volumes of exports. A related question that had to be first be answered is what the current level of awareness of EMIA was and what aspects of EMIA exporters valued the most. In addition, this question also needed to unpack what specifics can be improved upon with the dti's export promotion programmes in order to increase export performance and whether there are specifics that must be considered when providing governmental support to the companies within the agro-processing sector.

Exporter respondents were asked the following questions to arrive at an answer to this research question:

1. What, in your opinion, can be done to make EMIA more efficient?
2. Would you say that EMIA is successful or not in relation to your company? Please give a reason for your answer
3. What can be done by the dti to ensure EMIA remains sustainable?

4. What can be done differently by the dti to facilitate a greater volume of exports for your company?
5. How can government assist to make exporting easier?

Focus group respondents were asked the following questions to answer this research question:

1. How do you define the success of EMIA in general?
2. What are the key performance indicators of EMIA?
3. What are the challenges you experience in the implementation of EMIA?
4. Based on your experience in the dti, what improvements in your view can be made to the EMIA scheme?

However, it is necessary to firstly understand how aware is the EMIA target market of the different components to this incentive. Figure 5.4 highlights the responses in connection with the general awareness of EMIA.

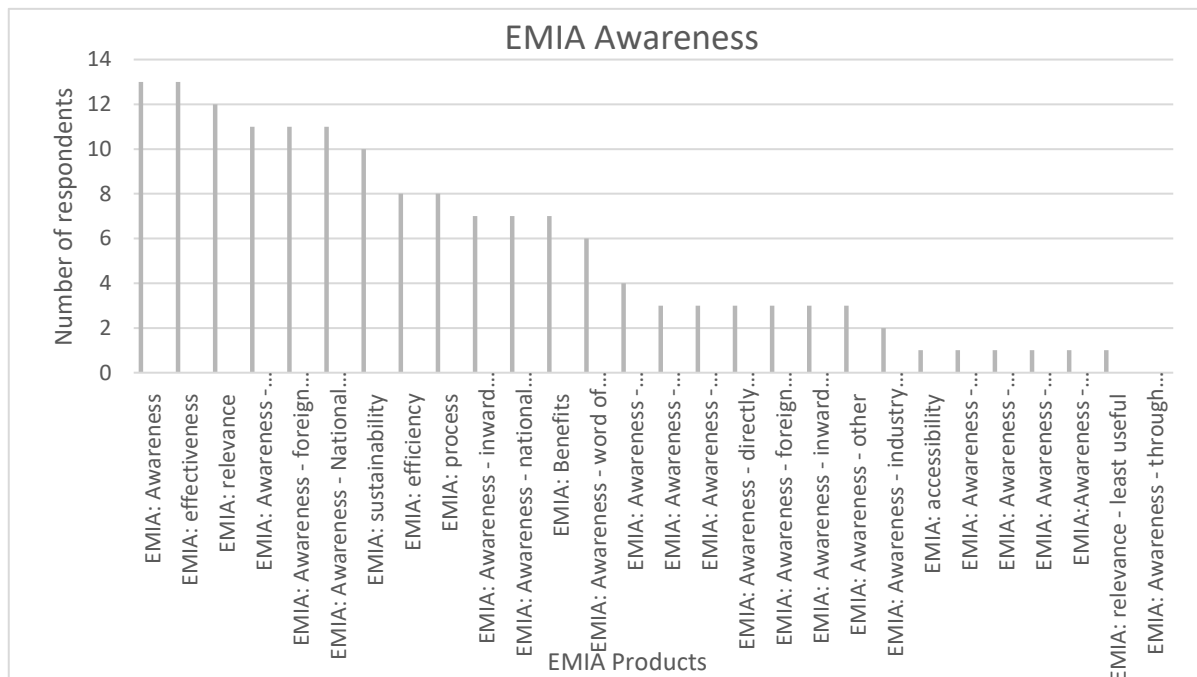


Figure 9 - EMIA awareness

Source: Author's own

5.6.1 EMIA Effectiveness

According to the OECD DAC (2004) effectiveness is defined as “the extent to which the development intervention’s objectives were achieved, or are expected to be achieved, taking into account their relative importance” (*Glossary of Key Terms in*

Evaluation and Results Based Management, 2004, p.17). Thirteen out of the 18 respondents cited EMIA as being effective with one exporter respondent indicating, “I think in general the objectives are great and pretty effective especially in terms of the national pavilions; the organisation and stands were fantastic and the help from the Dubai consulate and the dti in the Middle East was amazing and it was really good.” Another exporter respondent compared the national pavilions that the company had been part of with other exhibitors from other companies, “If I look at the pavilions and expos that we attend and you speak to other exhibitors from other companies and you hear what the feedback is from them and how much they have been helped in any other way by an EMIA scheme, I think it is very positive.” An exporter endorsed the support received from EMIA as it facilitated significant exports, “Yes, definitely helped me – we are exporting significant volumes”. This was supported by a third exporter respondent who stated, “Events that we have attended where they’ve supported us, they’ve come on in leaps and bounds in recent years, must say that they’ve done a great job in terms of what they’ve put up. It looks good and we’re proudly South African. Give you a thumbs up.”

Comments by other exporters who also mentioned the effectiveness of EMIA include the following: “Yes, it exposes to international markets and allows us to present our products and we have made a lot of contacts, whether they materialise in business after that, that’s a bit more complicated, it’s not easy. But it puts us in the market and we are able to understand.”, “Yes, we hope that we are their blue-eyed boys and girls, we really do. If you ask any of the guys. Yeah, hopefully look, they speak highly of us as well cause we’ve always tried to be really, really positive”, and “National pavilions – we get bang for our buck”. These comments indicate that exporters have been able to increase their export performance due to the platforms made available to them as part of the EMIA product range. In addition, these statements about the effectiveness of EMIA were corroborated by the focus group respondents. They indicated, “I do think we’re very effective, especially considering the limited resources, going back to what was saying, he has a lot of the emerging markets, they have massive footprint of foreign representatives all over the world and the foreign representatives are actually quite an important part of that export mandate because they are the foot soldiers on the ground”.

Therefore, there is a general level of awareness about the effectiveness of EMIA and its role in enhancing export performance.

5.6.2 Efficiency of EMIA

Looking at the efficiency of EMIA, as efficiency is defined by the OECD DAC as, “a measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results” (*Glossary of Key Terms in Evaluation and Results Based Management*, 2004, p.17). Eight out of the 18 respondents mentioned the efficiency of EMIA. The following comments highlighted EMIA’s efficiency: “Definitely; although we haven’t made use of going out on our own to new export marketing. The outward selling missions for me has been that”, “I would say in the process of the selection I think it would be good to have the opportunity to really introduce your projects, to prepare from there because I think it would help EMIA to make sure that your company fits into what they want to do and at the same time maybe prepare better, maybe organise something with some of other participants or people that have participated before to share experiences, to share maybe the best way to prepare the exhibition.” Deploying EMIA resources more efficiently to assist companies directly was a suggestion made by one exporter, “I think for companies like ours especially where we will read all the documents that are sent to us but somehow it is so much information and sometimes so confusing that it would be great if we could see a representative to take the time out to come to our company to explain all these little things to us and help us make the better choices so that we are more educated so far on what’s on offer.

One respondent had reservations about EMIA’s efficiency, “Got the criteria wrong. If this is an export drive initiative, must be clear that business must be export ready. In addition, “needs to be better criteria to get a better bang for buck” indicating that resources could be deployed more efficiently. Another exporter respondent mentioned that EMIA does not support the large firms and this is gap in the export promotion process as a “lot of emphasis on helping the smaller guy and they neglect the bigger players like ourselves. International companies when they want to do business, they want to do established companies – the dti’s working against the bigger more established players. If your main purpose is to generate foreign income into the country, then you would be far better off supporting the established players than the smaller guys.” So, in terms of meeting the objective of increased volume

and amount of exports, not factoring in benefits or processes for the large exporters, EMIA is less efficient. The inefficiency of EMIA was also raised by a focus group respondent as there are financial constraints that limit the efficiency of EMIA, “and then I think another factor is the availability of budget.” The human and financial resources required to perform an effective export promotion function is a constraining factor on export performance, “so, if we don't have enough money to fund these companies, it means that the number of companies that would be assisted then it will go down. And then it would also impact the export sales because if now we are sending one or two companies, then even the export sales to be achieved, it won't be that high.mentioned the issue of marketing and advertising, so they used to do the radio, so it goes back to budget, so if you don't have enough money. So it means we won't be able to arrange for those B to B meetings.” A second focus group discussion highlighted the need for an increased budget relative to our GDP, “I think the biggest challenge is the lack of, of sufficient fiscal support and HR support. I mean, the one issue is that, as I was saying early on, our competitors have got such huge budgets and yet they have lower GDPs than us and they are almost overpowering and overbearing to a certain extent. You know, if we purport that we are the most industrialized nation in the continent, we need to reflect that in what we do. And so, if a marketing budget is not sufficient to enforce that or to reflect that, to demonstrate that then, you know, we are lacking. We clearly lacking in in that sense. To address the balance of payments we need bigger export footprint. Yeah. And we don't have a big export budget.” The concern about an adequate export promotion budget was corroborated by the focus group respondents.

5.6.3 Relevance of EMIA

Moving to the relevance of EMIA, relevance is defined by the OECD DAC as “the extent to which the objectives of a development intervention are consistent with beneficiaries’ requirements, country needs, global priorities and partners’ and donors’ policies. Retrospectively, the question of relevance often becomes a question as to whether the objectives of an intervention or its design are still appropriate given changed circumstances” (*Glossary of Key Terms in Evaluation and Results Based Management*, 2004, p.28).

Looking at emerging exporters, those exporters who have not been exporting for more than 12 months, two differing views were expressed by exporter respondents

as the one exporter indicated EMIA's effectiveness in achieving its stated objectives, "but you definitely see black owned businesses coming through and you also see a lot of white owned businesses helping those guys on these outward selling missions. You tend to form relationships and bonds with people..... but on an outward selling mission you form relationships; you form bonds". The respondent who differed indicated, "That today you don't really feel there is a specific focus on black-owned business because the participants at exhibitions are mainly to the contrary". The exporters respondent further reiterated, "I remember because I visited some fairs as a visitor and not an exhibiter and when you arrive at the South African pavilion you don't have a lot of black people which was surprising. It is important because it gives; it's the representation of your country. It is a bit strange when you don't only present your company when you are on the national pavilion, you also present your country. It is not the best way to represent your country." Representation in South Africa's national pavilions was raised by this exporter respondent, "Black people would be the employees of the dti and people that make business are white origin because that is really what it looks like when you are a visitor at the South African pavilion and arrive at the South African pavilion. Even the guys on the stands next to us were laughing and asked – are you sure you guys are from South Africa."

5.6.4 Sustainability of EMIA

Moving onto the final aspect of EMIA, sustainability, and it is defined as "the continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long-term benefits. The resilience to risk of the net benefit flows over time" (*Glossary of Key Terms in Evaluation and Results Based Management*, 2004, p. 32). Ten of the total respondents identified sustainability as important and it occurred twelve times in the interviews.

One exporter respondent mentioned the importance of ensuring that exports are the result of attendance at national pavilions and exhibitions and proposed an enhancement to how the dti and the FER works to drive a greater volume of exports, "let's take Anuga now for very little extra effort – if the embassy on the ground or somebody from the dti goes across and invites specific targeted companies to the event, it will be more successful; the exports." An observation was made about recent changes to EMIA as "I've noticed a lot of requests for feedback and sales reports

after trade shows to make the investment traceable which I haven't seen in the past which I think is good so that they need to know whether it's working or not." This respondent acknowledged the benefits derived from EMIA long after the trade show had passed and believed that EMIA is worthwhile. Respondents also requested feedback from EMIA after the reports have been submitted so that they are kept in the feedback loop about the targets that were set and whether these were achieved or not. Another suggestion was forthcoming, "now to make it sustainable I would say it is a matter of policy if the government wants to keep investing money in that because you will never have a direct return; it is not something that can be profitable on its own. It is profitable in the long run because of foreign currencies coming in; because of employment that you create; because of the awareness of the country that you create; the system abilities to maintain these national pavilions, to maintain these inward or outward missions but it is a big work in selecting the companies because if you show; maybe this would be a point to try to bring bigger companies because when the customer or people will come for example to the pavilion if they see only small exporting companies, they will still think okay that's Africa, they don't have any big guys." This was corroborated by both of the large companies interviewed that while they understood the importance of emerging exporters, the big companies were better positioned to drive exports, "Part of the risk that the dti's taking is investing in the little guy. While you have to do this to develop markets, can't take this risk to the exclusion of the larger guys who will give you the stability and continuity." Another exporter respondent believed that the EMIA product range is sufficient; however, changes need to be made to the criteria in terms of company size so that all exporters benefit from EMIA.

5.6.5 Dimensions of export promotion

It is necessary to understand the dimensions of export promotion that respondents considered to be important before investigating the improvements that respondents have suggested. Export promotion was raised by each respondent and has several sub-categories as outlined in figure 10 and this section focuses in detail on the following: the role of government, role of FERs, selection, strategy and KPI's and partnerships.

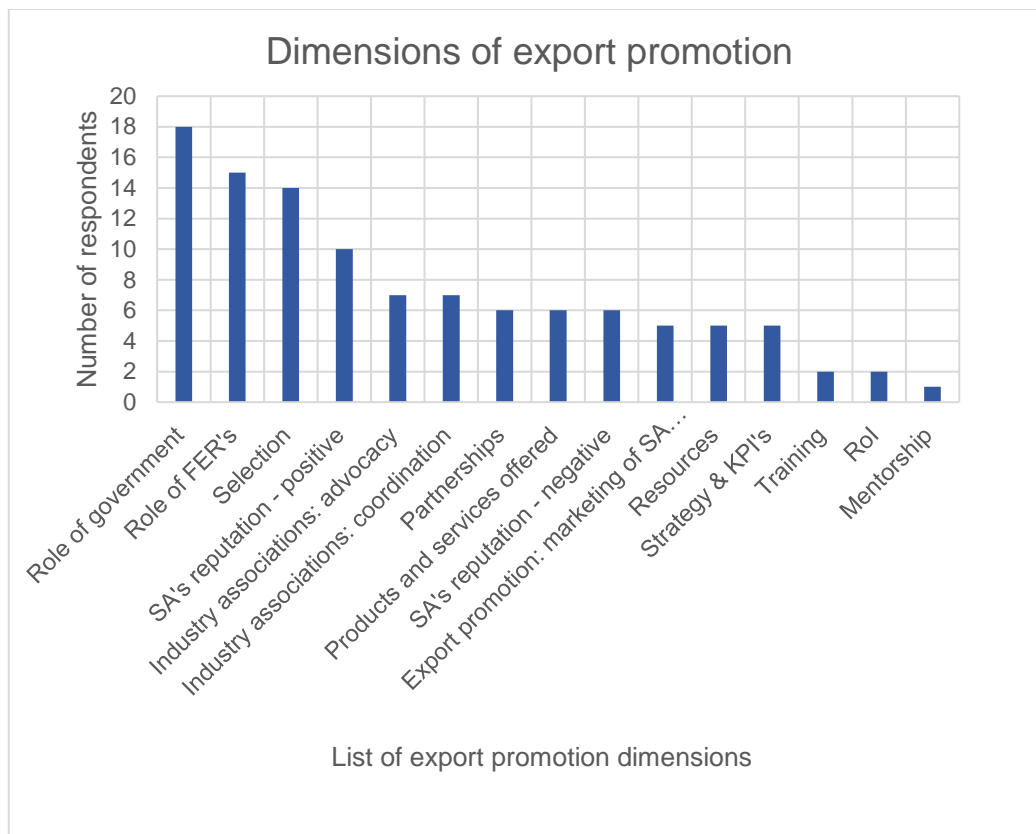


Figure 10 - Dimensions of export promotion

Source: Author's own

5.6.6 The role of government

The role of government as articulated by respondents is very broad and can be further divided into the following categories: policy, marketing and communication, incentives, the dti's network, certification and resourcing, which are discussed in the following sections. The role of government occurred 91 times in the interviews.

Looking at broad government policy, respondents wanted to understand the priorities of government so that they can support it, "like for instance I would have liked to meet the dti person in Japan or in other countries for us to really understand. We are not just going to try this thing but get behind it with intent, get behind this thing and drive it. We will see better returns that way." In addition to understanding the priorities of government, exporter respondents also requested more data on the key sectors within South Africa, "so my suggestion is that maybe we look at a little more data what are those products; not only the companies but the products. What are the ones that is bringing the forex in and then we seriously get behind those companies." A link between the role of government and a more expansive role for business emerged from the exporter respondents as highlighted above. In addition, it was argued by

focus group respondents that “exports should be high on the agenda. It should be a national priority.” This was mentioned as exporters wanted to understand government’s priorities and rally behind those priorities.

Another aspect relating to the role of government that emerged was adherence to national policies like BEE, “I would say 90-95% of the exhibitions that I participated in were of white origins. I remember because I visited some fairs as a visitor and not an exhibiter and when you arrive at the South African pavilion you don’t have a lot of black people which was surprising.” This is linked to the BEE status of many of the exporter respondents interviewed, with the majority not being BEE certified and it points to a disjuncture between government policy and how government implements policy. An exporter respondent linked the national priorities like BEE to creating an uncertain business environment, not conducive to investment, “it is true that these BEE schemes, it is a bit scary because as foreigners and as business owners, business hates uncertainty, right, except trading-that’s business with assets. [Business] is the one that creates employment [and] hates uncertainty and there is far too much uncertainty today.” Other factors like the electricity supply, the quality of education were also mentioned as factors that created uncertainty for business “in terms of electricity supply, in terms of BEE and access to different markets, in terms of resourcing - the level of education.... I have been living in quite a few countries and the level of basic education in South Africa is absolutely terrible. When we say that labour or the cost of people because cost of employment in South Africa is cheap, it is not true. Skilled people are actually extremely expensive; far too expensive even there is a massive gap, so skilled people will be much more expensive than in Europe it doesn’t make any sense and basic labour and the payroll is cheap; but it is absolutely inefficient and even too complicated to train because the base, the basic education is already not there.” These macroeconomic issues need to be addressed in the medium to longer term.

Moving to the next aspect relating to the role of government, the dti’s network, respondents made the point that the dti and broader government’s reach is extensive, including the foreign offices and it could play a stronger, facilitative role connecting SA companies with buyers in export markets. Respondents indicated that, “My understanding is the dti does have staff sitting in various cities, places outside SA. I think even the government – take a step back - when I speak to a

Wesgro or a SA consulate, they sort of can help you put people into contact with you but they cannot really facilitate because they have to take that extra role of a SA company is pushing a overseas buyer and it's not working and the overseas buyer comes back to them to ask what were they doing to us, you are suggesting the wrong company. I get that point. Even though to not a great an extent as they claim it to get out of the help to connect you directly on that side, but I think the dti can have a stronger role of trade and investment – that is what they do. If they had more opportunities for SA companies to link directly to customers, they'll be more active in getting the link going.”

Another exporter respondent also highlighted the links with the embassies and noted a reluctance to get involved and indicated that more assistance from government would be helpful. When asked what kind of further assistance, “that will be great you know like in terms of chatting more to maybe like your trade representatives at the embassy. You know those guys are also so afraid. I've chatted with many of them they don't really want to. I don't know if it is political or not, they often don't really want to, they are not super fired up about getting your products showed, and so on. I think assistance would be very nice because I think the dti has a big network and extensive infrastructure which I think could be used more.” Respondents are thus requesting the dti to engage more aggressively with its network, also at provincial level to enhance the support provided to exporters.

As the provincial respondent noted, “the biggest thing is getting provincial agencies more involved in the administration of the process. This could be a big factor for the EMIA scheme.” In addition, the dti should also be utilising the existing infrastructure within the provinces to allow provincial investment agencies a bigger role in the export promotion selection processes. As this provincial government respondent noted, “They should be allowing investment promotion agencies to do the first cut of an evaluation and then once this is short-listed to then and send the short list and a list to the dti for them to further administer. But with us having one stop shops within the various provinces, why should one stop shops in the provinces from a trade side not play that particular role? And then be the conduit through which all applications are sent through at a provincial level and once that is shortlisted, we have dti officials in the provinces, and from there it could then be a finalised recommended list. Even if we are recommending from a provincial perspective. I think that this can make a

big difference in eradicating all the challenges from an EMIA perspective.” This point was validated by one of the focus group respondents, who identified inter-departmental integration as a key focus area, “I think it's more about inter departmental integration if you'd like”. Another focus group respondent further supported this and highlighted co-ordination around targets, “there's a need for all role players to then look at the ambitious targets that we've set for ourselves within that export strategy and ensure that all the role players then contribute towards those targets as well.”

Exporter respondents also expected government to expand the current range of incentives offered as part of its export promotion strategy. Respondents have raised rebates for exporters, “give us rebates, an incentive, just initially to get into the markets” with one exporter respondent recalling a rebate scheme that was in place many years ago, “before they used to have an export incentive scheme where manufacturers were given a certain rebate to export and if they reintroduce this, it could assist as well. Give us an export rebate”. Another exporter respondent mentioned a guaranteed scheme that government should consider, “so one great tool would be to, not even money from the government maybe a guaranteed scheme, you will have a receivable, a proper proof that this customer is owing money after 30 or 60 days and you will be able to want to cover yourself against foreign exchange and to discount the receivable. To take a cover, if it's at 60 day, you don't want uncertainty about what's going to be the Rand amount at the time of payment, just want to know right now what it's going to be.”

A related change in the export incentive raised by an exporter respondent was increased protection within the agricultural sector, as many products were being imported and the local manufacturers were not given an opportunity to grow. “You still have 25% of the rice cake market in SA that is imported goods and for a very simple reason is that tariffs are far too low for imported products. But there is no protection of the local manufacturer. If it was the case it means that we would have 20% more of the market to share between the local producers that would strengthen our position, make bigger volume, economies of scale and we would be more effective to export also.” This indicates that there is capacity within the local market that government can exploit to grow a larger domestic manufacturing sector.

Another role that government can play more strongly relates to the marketing of SA's goods and services both within the domestic market and in foreign markets. As one exporter respondent noted, "I think the international pavilions have been huge. I think any sort of marketing platform for our company right now would be great. I would say both national and international." Suggestions about marketing and promoting specific industries generically would assist larger exporters and government needs to investigate ways in which larger exporters can benefit from its incentives. One exporter noted, "Whereas if that money is spent promoting rooibos generically internationally, that would be far more beneficial to the whole rooibos industry and to the country than you just spending money on people to go to these trade shows and basically they just take a shot in the dark. It is counterproductive by doing that, don't say you shouldn't look at the smaller guys. Should support the more established players [companies with a track record of exporting], which will win international customers, they like to do business with a reputable company with a track record. People that can offer sustainability." This can also assist in managing the perception of SA as a country as some respondents noted "think it is really good for the country to see that South Africa invest in that. It really shows that the country is much more advanced than lots of its neighbours. So, I think it is very important in terms of the perception of South Africa for the rest of the world." This was supported by another exporter respondent, "SA is remote and often the first hurdle is to convince that South Africa can export or can export the product they want on time and in the quote and everything that relates to that."

In addition, engaging with large exporters and building collaborative partnerships with them can assist in managing the perception of SA, "So even if the government doesn't want to spend money on the big companies, having them on board shows that our economy is diversified and we have this top-notch company that have interest in dozens of countries in Africa that are already big and well-established and we have the other ones and it would show more of a bigger panel rather than seeing 3 guys that make some peri peri sauce; 2 guys doing chips. It gives still a very artisanal feeling. Even if it is not the goal to bring big guys on board because they might not need it, but I think it is such an important platform in terms of how the people will perceive South Africa. You want to bring quality to your pavilion."

The remaining two areas are covered under the role of government relate to resourcing and certification. Resourcing covers internal dti structures, tools and finances and certification refers to quality controls. Looking at resourcing, a point made by one of the focus group respondents emphasized the need to harmonize the two separate EMIA schemes currently in the dti as many exporter respondents were not aware of the benefits relating to costs being covered for trademarks, patents and registration, “but we are not fully benefitting from EMIA especially on the patent side. We could utilise this and be more protected.” Further, “you would also have to know that EMIA, that the budget is shared between us and Trade and Investment South Africa (TISA)” highlights this disparity and another focus group respondent from the Incentive Administration Development Division (IDAD) shared how they work is very different to how TISA works. This respondent indicated, “their incentives is extremely different than what we do. And I was saying to myself, we will report to the same CEOs and DG. How come we work differently? We work so different.” A third respondent stated, “given that this juncture between the two EMIA incentives as well, we don't have a coherent export marketing incentive because we've got EMIA individual, which is obviously housed by IDAD. And, then there's the EMIA group missions and pavilions, which is then housed within TISA.” This split of the functions has led to many exporters not being aware of what EMIA in its entirety can offer and highlight the need for a single incentive to support companies at the different maturity levels, “And there's got to be a single coherent incentive to ensure that we support the companies at each respective maturity level.”

The final role for government that emerged from the interviews relates to certification. As one respondent noted, “Certification is key for exports”. A concern that was noted relates to the changing nature of certification in countries like Russia and China.

Resourcing refers to the internal organisational structure within the dti and the focus group respondents explained that they are structured according to regions and not sectors like the other dti divisions. They explained, “each region would have a sort of their own regional strategy, which is informed by the country strategies and country product matrices, which would actually be telling you what are the opportunities in those particular countries. Hence you will be targeting those specific countries or also as targeting with those specific products.” This means that there is not a sector focus but a country/regional focus.

Respondents have expressed a need for government to play a much stronger facilitative role in export promotion and there is a need to review the type of government support to SMMEs as well as to larger exporters.

5.6.7 Role of FERs

Foreign Economic Representatives are an important aspect of the export promotion process and an enabling mechanism for many exporters. A number of aspects relating to FERs have arisen out of the interviews namely, export promotion processes FER competencies – the required knowledge, skills and attitude, location especially given recent geo-political events like Brex-it, market intelligence, FER networks, and the process of managing the national pavilions or exhibitions. This section also highlights the consequences of not receiving adequate support from the FER.

Exporters expect a high standard from FER's, they must be knowledgeable and understand the market dynamics, the legal system as well as have developed key contacts across a range of sectors. Respondents stated, "obviously the dti need to have a better understanding of the needs of those companies and what the buyers are looking for" as well as "get leads for us in countries – they have the network, there are dti offices all over the world." Respondents suggested "let's take Anuga now for very little extra effort – if the embassy on the ground or somebody from the dti goes across and invites specific targeted companies to the event, it will be more successful; the exports." FERs need a deep understanding of the key players within a market "for the embassy on the ground to ensure right people are invited to the stands, to the export missions." As well as, "Fancy Food Show in NY – needs to be more effort by embassy/government that brings supermarket buyers and their importers to the pavilion and arrange meetings with them. This is a massive opportunity that we are missing." This is indicative of a need expressed by exporters for a deep understanding of the key contacts within an export market.

In some instances, the FERs and the embassies have been very useful, "something that was really interesting for me is last year we were invited to Havana. The Cuban Ambassador called everyone in and he explained to everybody how business works in Cuba. That was very beneficial. Firstly, you got to meet the people you were going

with but you actually went in beforehand knowing what to expect so, when people came to your stand, you understood what they could and couldn't do; you understood the legal implications. It was the first time we had had that." This demonstrates the importance of the role of FERs as part of the export promotion value chain, "an idea to increase value for exporters attending a national pavilion or outward selling mission is to I think that when it is market research or market understanding, the best thing would be to organise a meeting with entrepreneurs that have a real experience of the market and something that even if it is on the confidential side that tells you exactly the do's and don't do and what you need to be careful about and the thing you need to properly watch."

There is a need to enhance the competencies of FERs, "The biggest downfall I have seen has been in OSM where the people on the ground at the embassies; sometimes you find the real buy-in and that what they've organised on the ground for when you get there is phenomenal. And then other embassies have just wasted a huge amount of money because they don't get the right buyers in; they don't get the right appointments set-up etc. So, from that perspective, it's very good. And it is not the guys in Johannesburg's [at the dti] fault that is the people on the ground at the business side of the embassy level so that can be more efficient." Another respondent experienced this differently, "I think in general the objectives are great and pretty effective especially in terms of the national pavilions; the organisation and stands were fantastic and the help from the Dubai consulate and the dti in the Middle East was amazing and it was really good." There is a need to ramp up the support provided to exporters across their life cycle and the suggestion from the respondents is that more marketing needs to be done to attract buyers to the stands, "there are specific time slots and meetings that could be scheduled and facilitated by the dti. Effort is made to hosting or bringing the companies there, preparing the stands and everything. Think there needs to be more work done in organising things from the SA side in those exhibitions that could attract potential buyers and focus more and rather than let them walk and bring them to you."

FERs are expected to have a deep understanding of the market, provide market intelligence for the dti and they need to meet their monthly target of 50 leads, "you tend to give them a target of 50 deliberately so that they can actively go in their market and time those needs, find who's looking for a particular product .Trade leads

are important, we share them they are on our website.” FERs need to “create more of a hype about South Africa, South African products and manufacturing in the lead up to the shows, that would create more interest and have more specific goal-orientated meetings to strike up the relationships between businesses.” There are consequences for SA as a country if the export-driven policy approach as articulated by the dti is not adhered to, “The one bad point is that we did a show in Miami recently and we didn’t know that we had to have an agent and a distributor there in order to do business with Miami, etc. So I guess before we get chosen for a show if these things are pointed out to us then, honestly, it was a bit of a waste of time because everyone who wanted to purchase from us couldn’t because we needed a distributor there and we were just in the dark as far as that goes.” This is an expensive exercise whereby the anticipated results are not forthcoming according to a respondent in this instance and more needed to be done to ensure that all exporters are export ready.

5.6.8 Strategy and key performance indicators

EMIA as a programme of the dti has defined targets and these have been included as part of two divisions, namely, IDAD and TISA. TISA’s targets include “Export sales and sometimes after the event when the company sends an email to say this this is how they have performed, this is how much deals they have signed” as well as the number of companies assisted, “export sales generated and have a target of the number of companies financially assisted” according to a focus group respondent. However, another focus group respondent indicated that having defined targets also implies that not all exporters that apply for EMIA are chosen, “but we’ve got targets, we can’t take everyone to this pavilion or exhibition. It’s not an expectation, it still takes us to the budget issue because we’re doing an event now, which was approved two months before.” Financial resource constraints are a barrier to exporting from an incentive administration point of view. Past performance targets are also used to evaluate the effectiveness of an event/trade mission and is used to confirm that event/mission going forward or serves as the basis of a re-evaluation to determine if that event/mission is still serving its intended purpose, “so we look at previous performance of previous missions and trade exhibitions and that's based on export sales achieved from our participants on those missions. We also look at the biggest, most well respected and well renowned trade exhibitions and trade shows where South Africa wants to show a presence or needs to show a presence as a force to

be reckoned with as you know, for technology or whatever expertise.” One focus group member has indicated that there is a challenge with having targets and yet there is insufficient information from the company to determine a baseline export figure, “I understand yes, the export sales are increasing, but when you drill down and look at the companies that are reporting export sales, other-sized companies, well established companies, but the emerging companies are still not showing any growth.” This is then not achieving the overall objective of EMIA to bring in emerging exporters, “So hence I’m saying that I’m not so sure whether these companies are exporting because of EMIA or because of they had an advantage of having the market before coming into our incentives. I think what is lacking within our scheme is to have a baseline before we support these companies to know where they are. And then after maybe a year or two or three we go back and assess their performance and check from the base to where they are today.” In addition, “it’s very difficult to get emerging exporters to convert to become fully fledged exporters in as much as we have programs to assist companies to become more export ready. And we tried to incorporate them once they’ve completed the Global Exporter Passport Programme (GEPP) - the global exporters passport program. We tried to incorporate them into our export initiatives, be they missions, pavilions, whatever, but to get them to convert to actual export sales and exporting leads. I don’t think we are achieving the successes that we had anticipated with that.” TISA categories the companies This leads to the area of monitoring and evaluation, which from the statement above needs to be more robust to determine the reasons for the low uptake by emerging exporters.

There is currently insufficient data to adequately assess the impact that EMIA has had on company export performance, “so the focus is on this export sales that were generated but not necessarily to go down to assess each and every company that we have assisted to say this company was a SMME when we started with the company. Now they are an other-sized company due to our intervention.”

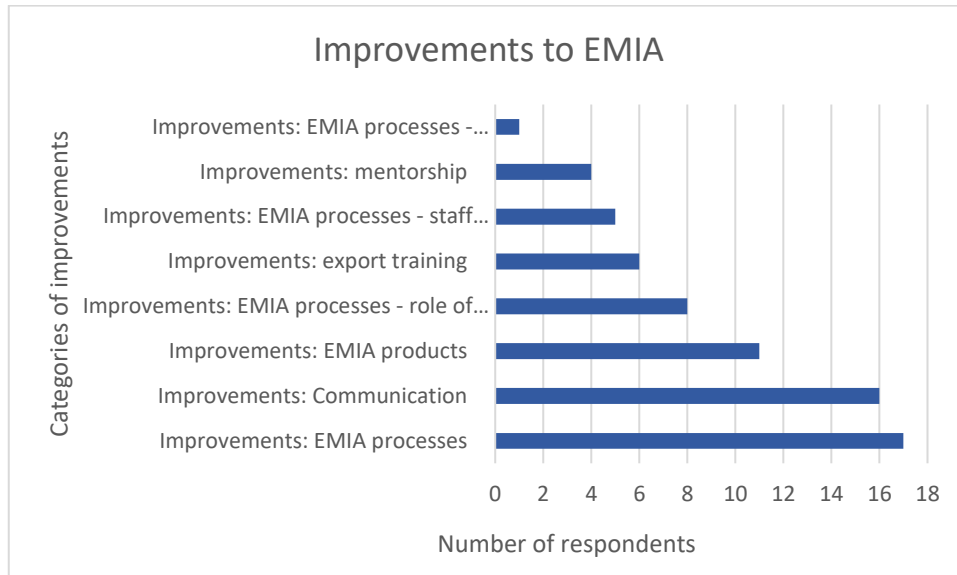
Strategies at country, market and product level are reviewed annually, “this analysis that we have to do on a yearly basis in terms of reviewing our country’s strategies, products, strategies as global activities change.” In addition, other monitoring includes, “measuring the domestic competitiveness of the respective sectors that you spoke about, we would then have to look at how have we translated that into

international competitiveness.” Return on investment is another key metric that is measured, “so then we have to review how far we are, always have to reach to see how far we are in reaching the target and how much return on the investment we get out of every mission. So, our average, ROI, for every R1 spent we expect R3 back.” However, ROI is measured differently for events in Africa, “the return on investment for events happening in Africa will not necessarily be the same, as the return on investments of our events happening in Europe, traditional markets. So there would be that consideration of our diversification strategy, which also looks in, takes into account political factors.” The proximity of the African market presents export opportunities for South African exporters, “I think is also the target towards Africa because as we build competencies within our localization program and due to the proximity of the market, it's just right that we look at taking those products and services into the continent.” Another key area of monitoring relates to the targets that have been set for FER's, “economic representatives have a target, they have to generate leads about 50 leads a month.” FER targets are set, “so that they can actively go in their market and time those needs find who's looking for a particular product, trade leads are import we share them they are on our website.

The overall export promotion strategy is developed collaboratively, “so like hybrid model is not just us as officials deciding, it has to involve consultation with the actual operators and actual business people. People, that do the productive work that we don't get to do.” The focus of the strategy is also shifting towards a mono-industry approach, “so we moving closer to mono sectoral or mono industry missions for example, with agro processing you did look, we look agri business [as a complete value-chain]. So we'll take a mission that looks at the whole value chain from agriculture to agro processing to the axillary support structure. So support products around agriculture, machinery, irrigation, fertilizes, that sort of thing.” This will ensure that as the dti senior management indicated,” we'll have now that the model we've taken as to move away as far as possible from multi-sectorial missions. So then we can zone in really on specific sectors. But multi-sector you can, you tend to confuse and complicate the focus of the delegation because for example, if you're going to miss on mining people and agro processing people, when you're in those meetings where you're discussing mining and the agro people, but they're all part of the same delegation.”

5.7 Improvements to EMIA

Figure 11 illustrate key themes that emerged from the interview questions relating to how EMIA could be improved.



Source: Author's own

Figure 11 - Improvements to EMIA

5.7.1 EMIA process improvements

Seventeen out of eighteen respondents indicated that general process improvements to EMIA must be made. This category spanned aspects ranging from the screening and selection processes, planning, targeted marketing, the development of an export promotion framework, leveraging the dti's network, communication and a feedback mechanism to exporters, priorities, changes to guidelines, dti responsiveness, market research and systems ad these will be discussed.

5.7.2 Selection processes

Two exporter respondents suggested a product review as part of the pre-selection process and wanted the opportunity to physically demonstrate their products to the EMIA team. "I would say in the process of the selection I think it would be good to have the opportunity to really introduce your projects, to prepare from there because I think it would help EMIA to make sure that your company fits into what they want to

do.” There was an expressed need for “someone that actually sees the potential in your company and maybe listen and if we could get the opportunity to actually come through to the dti and do a pitch on our products and what we are all about and what we have and I think that when they are deciding on outward missions and international exhibitions they could choose people on that basis on the here and now whereas they could possibly see first-hand the capabilities of smaller companies like ours.” So, the pre-selection criteria could be reviewed to include a physical product assessment and this pre-assessment could be done by EMIA officials who have undergone product development training.

Some of the respondents felt that the selection process for exporters to exhibit was not rotated sufficiently as the same companies are seen show after show, “And just saying that everyone can go. I tell you there are guys who have gone with me; I have only been on two, but they are like the same old customers just going for the free ride. I mean it is fine and they are working but it doesn’t seem very serious, it doesn’t seem like we are doing a proper policy and we stick to the policy and we go and invest and take the bull by the horns.” This was supported by another exporter respondent, “I participated twice, and I would say half of the companies were the same. So it looks like there is always [the same people] recurring same kind of people which if you want to be efficient I think it should just be a way to add companies to start but then as soon as you have recurring things, it shouldn’t be no real reason why some company is getting used to these trips.” This was reinforced by a focus group discussion who admitted, “we tend to be recycling same companies in these events that we are undertaking these trade missions and national pavilions.” The focus group reported that more needed to be done to “reach out to more companies” and another focus group admitted that the number of applications was not forthcoming, as many companies apply at the last minute.

Stricter adherence to policy imperatives, especially in relation to BEE was mooted by an exporter respondent, “I would say 90-95% of the exhibitions that I participated in were white origins. I remember because I visited some fairs as a visitor and not an exhibiter and when you arrive at the South African pavilion you don’t have a lot of black people which was surprising.”

Some exporter respondents agreed that “newbies” needed to be linked with an exporter who was already exporting for some time and also needed to attend a compulsory briefing. “Something that I think could also be hugely beneficial is people where it is their 1st pavilion/outward selling mission for there to be a compulsory briefing session” and “There again, it could tie into at that meeting where you could actually introduce the mentorship and in order to make that mentorship work, the person who is being the mentor must be expected to do x, y..... with that person. I think about how many of these outward selling missions I’ve been to where the person on the stand; the “newbie” hasn’t got brochures, haven’t got samples and people will just walk past their stand.” In assessing the exporter respondents who did not attend any export training prior to exporting, 41% indicated that they had no exporter development training prior to exporting. Attendance at relevant exporter development training should be compulsory before attending any national pavilions or exhibitions. This could also be extended by means of a briefing session to first time exporters to a new destination as a recent case of an exporter into the US market did not have a distributor, “The one bad point is that we did a show in Miami recently and we didn’t know that we had to have an agent and a distributor there in order to do business with Miami, etc. So I guess before we get chosen for a show if these things are pointed out to us then, honestly, it was a bit of a waste of time because everyone who wanted to purchase from us couldn’t because we needed a distributor there and we were just in the dark as far as that goes.” This “waste of time” could have been avoided if the selection process identified this gap and asked applicants for this kind of information. The same respondent also admitted to not attending training and seminars that were organised prior to an event and that “we could have taken more seriously. But now obviously that we have exported for the first time we will certainly wait on these training sessions and make sure that we find the time to actually go take in all the knowledge that that are imparted at these missions.” It is not clear whether the EMIA officials who adjudicated the applications understood that distributors must be in place and this is a subject for further research.

A related point is the efficiency and robustness of the evaluation and adjudication process. The provincial respondent requested that EMIA officials conduct due diligence as an application that had originated from a FER was rejected until “eventually the FER had to write a motivation and we recommended it because we

understood what the opportunities were. Sometimes these things fall through the cracks.”

Many respondents also indicated that both the dti, the FER and the embassies need to have a sharper and more targeted approach to marketing the event so that the right level of buyers attend. An exporter respondent stated, “let’s take Anuga now for very little extra effort – if the embassy on the ground or somebody from the dti goes across and invites specific targeted companies to the event, it will be more successful; the exports.” Another exporter who had attended the Fancy Food show in New York reported, “needs to be more effort by embassy/government that brings supermarket buyers and their importers to the pavilion and arrange meetings with them. This is a massive opportunity that we are missing.” Another suggestion from an exporter said, “I think there could be some kind of facilitation of setting up potential distributors with SA exporters, that would help so much.” Feedback from another exporter, “Trade shows specifically – could be a larger effort to get us direct contact with the retail buyers and decision-makers whereas you don’t meet them by chance” linked a more targeted marketing and matching process with buyers and decision-makers. Two exporters cited their experience at Gulfood as extremely positive as the right contacts were introduced to them and they met with the big players in the region. Getting a better understanding of the export market was also another suggestion made by exporters, who wanted in-depth information and not information that could be accessed on Google and suggested, “when it is market research or market understanding, the best thing would be to organise a meeting with entrepreneurs that have a real experience of the market and something that even if it is on the confidential side that tells you exactly the do’s and don’ts are and what you need to be careful about and the thing you need to properly watch. I would say [information] about how the population is increasing, about how the GDP is going – Google will give you the same.”

Many of the exporters indicated that improvements could be made to the dti’s planning and communication processes as companies wanted to support the dti on outward selling missions for instance but then received notice of these events three days before the event. They did not have enough time to prepare and six exporter respondents raised timing as an area to be improved. As one said, “I got invited to one in Japan, but like three days before the guys were leaving. I don’t even have a

passport, its in for a Schengen visa and now you're asking me to go." Another, "a last-minute rush every time. My suggestion would be that it is organised a little bit earlier so that we have time to prepare properly" and these companies wanted to support the dti but just required more lead times to plan properly.

Exporters also raised communication and the dti's responsiveness as areas to be improved and there were many suggestions in this regard. The suggestions were primarily centred on, "Outward selling mission to Pakistan – there is no communication on it, and didn't communicate until I called", "so, it could be much more efficient if there were more lead times and more communication as to what is happening and how it is happening and how can we assist to make better for the other guys. So, lead times and preparation I think is where I would say there's room for improvement." Regarding the dti's responsiveness, an exporter noted, "be more responsive, when we do have questions that there is someone on the end of the line when you phone to answer questions and you can actually work with someone on the other line. Often, it is a dead end. You start talking but when you put down the line you know it is not going to help." Other suggestion included the allocation of a dedicated dti representative to visit companies or to be allocated to a region/ group of companies who could be available to "see a representative to take the time out to come to our company to explain all these little things to us and help us make the better choices so that we are more educated so far on what's on offer." Another suggested, "allocate someone that we could work with. So maybe if there are 500 businesses, maybe all the businesses can be allocated a representative from the dti. Not one on one but maybe one to 50 so that all 50 are represented by one individual where all enquiries go through the one where we actually have someone to lean on."

The development of a comprehensive system to manage trade leads was also raised by exporter respondents and an automated system was raised by the focus group respondents. They cited duplication of work, propensity for human error, especially in a heavily audited area of the dti, incentive administration, manual creation of files and sheer volume as reasons for an automated system. This was also acknowledged by the divisional head who cited the need for modernisation, "the biggest increment has to be back office. Because by modernizing, by allowing electronic applications, you are able to also check people that are double dipping, triple dipping because it becomes difficult even for the officials to track who had been supporting more than

the maximum.” Another focus group indicated that an automated system would also facilitate the collation and dissemination about a company to the various dti divisions that need access to that information, “let's be honest, we spend so much time, it's in each unit and see people and the regional office people and these even IDD people visiting plants, I don't know who speaks to what data is collected, but ultimately it must come together in one place.”

In summary, improvements to EMIA have been suggested by all respondents and there has been agreement with the dti officials in the focus groups about similar concerns raised by exporter respondents. The need for modernisation within the EMIA application and adjudication processes, the review of the EMIA criteria and the need for more targeted marketing and market research in the importing country are all suggestions made by respondents. This chapter, chapter 5, discussed and presented the research findings based on the four research questions posed in chapter 3. The next chapter, Chapter 6 will discuss the results according to each research question.

CHAPTER 6:DISCUSSION OF RESULTS

6.1 Introduction

Chapter six provides an analysis of the results presented in Chapter five and are discussed according to each research question.

6.2 Discussion of Research question 1

6.2.1 What are the export barriers South African SMMEs face within the agro-processing sector?

The results demonstrated that export barriers do exist in the agro-processing export community and that the barriers identified in the 2014 review of EMIA are still relevant and applicable in today's context. The results confirmed the presence and prevalence of these export barriers as challenges faced by South African exporters and as discussed in Chapter 2. Given that these export barriers are still prevalent today, it can be assumed that little was done to address the challenges noted in the 2014 EMIA review.

Understanding export barriers are important for three categories of people: small business owners need to deeply understand the risks and rewards of exporting so that they can plan and mitigate these export barriers; government and policy makers need to understand how to redesign export promotion initiatives in order to address these specific export barriers and what support is better suited to which kind of export barrier; academics who are able to use the findings in this research paper to further export promotion theory as a field of study (Leonidou, 2004).

Given the definition of what an export barrier is, as outlined in Chapter 2 this definition encompasses export barriers that are both internal and external to the company. Internal export barriers relate to what is called company dynamics in this research paper and it include barriers like managerial characteristics, turnover, company size, production processes, quality control and assurance as well as the length of time that managers involved in exporting have spent at that company or elsewhere to gain exporting knowledge and skills. Below is a diagram of how these export barriers have been allocated in this research paper.

Table 5 - Allocation of export barriers into internal and external categories

| Export barriers | |
|--|--|
| Company dynamics (Internal) | External barriers |
| Lack of market knowledge | Product standards in export markets |
| Cultural and language barriers | Exchange rate volatility |
| Company export readiness | Cost of registering, patents, trademarks |
| Lack of contacts/networks in foreign markets | Customs/admin procedures |
| Cost of marketing | Tariffs or duties in export markets |
| Company export readiness | Transport costs or logistics |
| Pricing | Pricing |
| Training | Access to trade finance/insurance |
| Company competitiveness | Legal aspects of exporting |
| | Product availability |
| | Trade agreements |
| | Import duties on products needed in production |

Source: Author's own

This distinction is important as it enables SMMEs to develop an understanding of what can be managed internally within the firm and what is external to the firm. This distinction also enables policy makers to understand what are the external export barriers that need to be addressed through policy. The categorisation of export barriers into internal and external export barriers finds resonance in literature as many SMMEs mentioned the exchange rate volatility and the absence of favourable terms of trade in trade agreements as export barriers (Cardoza, Fornes, Farber, Gonzalez Duarte, & Ruiz Gutierrez, 2016; Paul, Parthasarathy, & Gupta, 2017). These barriers will be discussed in detail in the next sections.

Below is a network diagram that has the linkages between the various identified export barriers mapped and these will be discussed in each of the sections relating to specific export barriers.

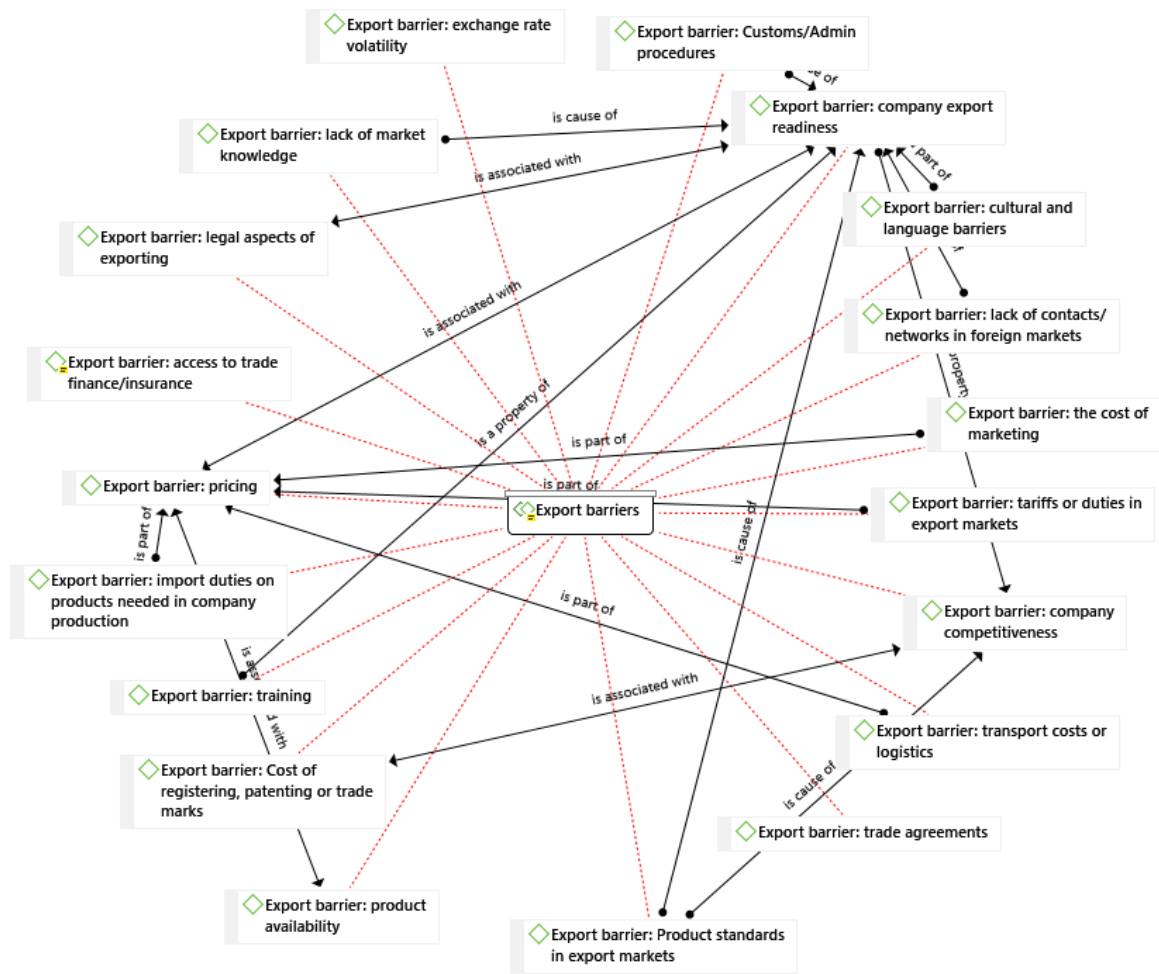


Figure 12 - Network diagram of export barriers Source: Author's own network diagram from Atlas Ti

The network diagram has mapped out all the export barriers identified in the respondent interviews and focus group discussions. The interviews tested the prevalence and presence of eleven export barriers and resulted in an additional eight barriers being identified. This section will discuss the top 5 export barriers in detail.

6.2.1.1 Product standards in export markets

Product standards in export markets was identified by 12 respondents in the interviews and given that all of the exporter respondents are in the food sector, it is understandable that these exporters would be concerned about it. Product standards affect the ability of small firms to increase their export intensity and choice of destination (Brooks, 2006; Rahman, Uddin, & Lodorfos, 2017). The literature identified different classifications for export barriers and were broadly categorised as export barriers that are internal to a company and those that are external to the company. Leonidou (2004) identified 39 export barriers and these are human resource related, financial related, production related, logistical related, competition

related, information and communication related as well as foreign country related barriers. The research by Mpinganjira (2011) dovetails with this research paper as all the export barriers can be categorised in the above classifications. What is interesting to note is that Mpinganjira's (2011) research identified that companies in the agribusiness sector indicated that they experienced all of these export barriers. This contrasted with the craft industry who experienced export barriers in human related, financial related, competition and production related export barriers in that order. This research has revealed that eleven out of twelve exporter respondents identified product standards as an export barrier that is significant and the extent to which exporter respondents rated it as a challenge is outlined in Table 6 below.

Table 6 - Summary of responses and the extent of this export barrier

| | No challenge at all | 1 | 2 | 3 | 4 | Very significant challenge |
|---------------------------------------|---------------------|----------|----------|----------|-----------------------------|----------------------------|
| Challenge | 0 | 1 | 2 | 3 | 4 | 5 |
| Product standards in export standards | 0 | 5 | 1 | 2 | 3 Depends on the country | 2 |

Exporter respondents also linked product standards with certification and referred to the onerous process rather than to the actual certification itself as exporter respondents employed people to specifically focus on quality controls and were all accredited to external certification bodies for their accreditation. The literature confirmed this as the International Trade Centre (2016) has recorded in its research that the bulk of the challenges faced by exporters is not with the product certifications itself but rather with the procedural challenges that arose as part of the certification process. Tesfom & Lutz (2006) also product quality export barriers to how export products are designed, styled, the packaging, labelling and any product adaptations for a targeted export market.

One area of interest that arose from the research and this was relevant to only one exporter respondent in biscuit manufacturing. This exporter respondent indicated the import duties on products that needed to be imported from the UK for the production of biscuits in SA was prohibitive and the company then had to pay export duties when exporting it back to the UK. The literature refers to this as intermediate imports and South Africa's largest exporters, "super exporters" are also large importers (Edwards et al., 2018; Treasury, 2018). These firms import capital equipment, technology and

other inputs as many of these goods cannot be produced by the domestic market (Treasury, 2018). So any export promotion strategy as part of broader trade policy will need to look at how to facilitate the importation of these intermediate goods to ensure that these intermediate exports are realistically priced (Treasury, 2018). Edwards et al.(2018) provide evidence to indicate that the use of intermediate imports increases the chances of exporting in three different ways. Firstly, intermediate imports can lead to an increase in the productivity of the firm; secondly, if the intermediate imports are obtained at a lower cost, this can increase revenue and finally, intermediate imports can improve product quality (Edwards et al., 2018).

In conclusion, product standards are linked in the network diagram to company export readiness and company competitiveness as in some instances the exporter respondents indicated that their participation at national pavilions and exhibitions has resulted in investments to revamp quality control and production processes and this investment made this exporter respondent competitive. However, there were some product lines that were not yet globally competitive due to product input costs as a few products required for its biscuit manufacturing had to be imported. These input costs, or intermediate exports, were briefly discussed but not fully explored in this study.

Another link in the network diagram refers to when companies have certified quality control processes in place, they become export ready and one exporter respondent who supplied to the domestic market in SA noted that one large retailer had taught them much about the importance of quality control. Having gained the experience of supplying into the domestic market had improved this exporter respondent's exporting capabilities and quality control processes.

6.3 Research question 2: What are the factors that enable or hinder export performance?

Table 7 - Details the factors that enable export performance

| Factors that enable or hinder export performance | Details of the factors | Supporting literature | Reference section in this paper |
|--|--|--|--|
| Export destination | Certification | (Kahiya, 2018) (Mallick & Yang, 2013) (Atkin et al., 2014) (International Trade Centre, 2016) | Chapter 2.6 – theory Chapter 5.4 – examples from interviews |
| | Legislation | (Kahiya, 2018) | Chapter 2.6 – theory Chapter 5.4 – examples from interviews |
| | Regulation – agricultural surcharge/intermediate imports | (Edwards et al., 2018; Treasury, 2011) | Chapter 2.6 – theory Chapter 5.4 – examples from interviews |
| | Bureaucracy – product quality of which labelling is part | (Tesfom & Lutz, 2006) | Chapter 2.6 – theory Chapter 5.4 – examples from interviews |
| Market dynamics | Market research Consumer preferences Market size | | |
| Learning by doing | Managerial characteristics Experience | (Monteiro et al., 2019) (Haddoud, Onjewu, et al., 2018) (Bianchi & Wickramasekera, 2016) (Hessels & Terjesen, 2008) (Leonidou et al., 1998) (Pickernell et al., 2011) | Chapter 2.2.2 – DCV & Chapter 2.5 for theory Chapter 5.5.1 – examples from interviews |
| Visibility | Company visibility | (Department of Trade and Industry, 2015) | Chapter 2.2.2 – DCV for theory Chapter 5.3.5 for examples from interviews |

It should also be noted that export destinations with a higher standard of living generally had higher expectations of product quality (Cadot, Fernandes, Gourdon, & Mattoo, 2015).

In summary, the research question has been answered since export destination and market dynamics were identified as factors that hinder export performance and this

was supported by literature as outlined in Table 7 above. Learning by doing and visibility were identified as factors that enhance export performance and this was supported by the dynamic capability view that as companies learn, they adapt and reorganise.

6.4 Research question 3: What are the company dynamics that facilitate exports within the agro-processing sector?

| Company dynamics | Details of the company dynamics | Supporting literature | Reference section in this paper |
|-------------------------|--|---|--|
| Company dynamics | Managerial characteristics | (Gassmann & Keupp, 2007) (Pickernell et al., 2016) | Chapter 2.5 Chapter 5.5.1 for practical examples from the interviews |
| | Turnover and company size | (DPME and the Department of Trade and Industry, 2014) | Chapter 5.5.1 for examples from the interviews |
| | Quality control & assurance | (Kahiya, 2018) (Atkin et al., 2014) | Chapter 2.6 for theory Chapter 5.5.1 for examples from the interviews |

Research by Hauser and Werner suggest that SMMEs do not use foreign trade promotion programmes to the same extent as their larger counterparts and this is refuted by the evidence in this research paper. However, given that the sample size was 2 other-sized companies (as indicated by the dti focus group respondents) this could be an area for further research.

“Firm characteristics that influence export intensity are set out in Wagner (2010) in his study on the German manufacturing industry. He contends that export intensity increases with the number of employees, the intensity of physical capital, human capital and Research and Development (R&D). In a study done on the German manufacturing industries by Wagner (2010), based on data from two firm-based surveys, it was also found that firm size, human capital intensity, physical capital intensity and R&D intensity have significant positive relationships with a firm’s export activity level. This reinforces the conclusions already made by looking at South African data. In addition to these characteristics, the study also shows that exporting firms in the German manufacturing sector pay higher wages than the non-exporting firms. This is also shown by De Rosa (2006) to be true in the Russian manufacturing sector.”(DPME and the Department of Trade and Industry, 2014)

In summary, the company dynamics that facilitate exports within the agro-processing sector are managerial characteristics, turnover and company size as well as quality control and assurance.

6.5 Research question 4: How can EMIA be improved to facilitate a greater volume and rand value amount of exports for SA?

In all of the interviews, exporter respondents lauded the value of EMIA and the suggestions to improve were around communication, selection and application processes, including the criteria for selection, developing a more inclusive role for businesses to participate, especially big exporters who do not rely on government funding to enter new markets. Below is a list of suggestions for improvement:

| Code group | Key focus area | Improvement suggestion |
|-------------------|-----------------------|--|
| Export promotion | Role of business | Mentorship More active with industry associations and export councils to raise concerns about intermediate imports Partnership with government Explore bringing smaller exporters into the global values chains of the company to give them exposure to the realities of exporting and create a learn by doing culture |
| | Role of government | Develop a common understanding of priorities with all stakeholders annually Consistent communication about policy priorities, e.g. BEE More active engagement with business to drive their exports Allocate a Key Account Manager to a group of companies in a geographic area or per sector Develop a more expansive export promotion ecosystem involving the provincial investment promotion agencies in EMIA – pilot with more capacitated provinces initially Review the split of EMIA into two divisions, should be housed in one area Targeted generic campaigns for industries where the big exporters are located Create and institutionalise sharing mechanisms so that business can talk among themselves Advertise those aspects of EMIA like patents and trademarks where there is not much uptake Different mechanism to communicate trade leads Revamp dti's website Standardised KPIs for FERs and active monitoring thereof Impact assessment of EMIA to be done Review of EMIA – efficiency, effectiveness, sustainability |
| | Role of the FERs | Better training and understanding of network theory and its direct application to export facilitation and promotion |

| Code group | Key focus area | Improvement suggestion |
|-------------------|-----------------------|-------------------------------|
| | | Targeted marketing drives |

CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

7.1 Introduction – review of the study’s main questions

This study has answered four fundamental questions relating to the export promotion ecosystem:

- What are the export barriers that South African exporters face within the agro-processing sector?
- What are the factors that either enable or hinder export performance?
- What are the company dynamics that facilitate exports within the agro-processing sector?
- How can EMIA be improved to facilitate a greater volume and rand value of exports for SA?

These research questions have all been answered and the key points to note are the following:

- The agro-processing sector is confronted with many of the same generic export barriers that other companies in other sectors are confronted with. Walt (2007) argues that export barriers between developed and developing countries are different and that company size is a differentiator as larger companies have the skills and capacities to deal with export barriers better than smaller sized companies. The point about a difference in export barriers between developed and developing countries was not investigated in this research paper as the primary focus was on the agro-processing sector. However, given the research findings of the two ‘other’ sized companies, they did appear to manage their export barriers better than the SMMEs interviewed. A case in point was the point raised by one exporter respondent who indicated that 3 of them would be attending the expo in China in November 2019, this was not a consideration with other smaller exporters.
- What was common between the study by Walt (2007) who focused on the manufacturing study and this study are the financial pressures that these exporters are under, especially from a cash flow point of view as they deal on 30-day terms with their customers. This hampers their ability to reinvest into their production processes to create efficiencies.
- Given all of these export barriers, recognizing that the lack of legal advice is an export barrier there is a need for a one-stop-shop for advice, especially

legal advice regarding the legal complexities of exporting as these costs would be prohibitive for a SMME.

7.2 Summary of the results per question

There is a need for a comprehensive export promotion ecosystem as many parts of the system are fragmented and due consideration needs to be paid to both the drivers of export performance as a way to enhance export intensity and performance. It is also important to understand the export barriers and their related impact on the various sectors within SA.

Looking at the Figure 13, the three player actors in the ecosystem are government (at all three tiers), industry (in the form of export councils and industry associations, formal and informal) and companies. Government is responsible for setting the scene and monitoring the overall performance and health of this ecosystem and needs to understand that education as a macro-economic variable must be strengthened for SA to have the workforce that it requires. EMIA as one of government's export promotion instruments must be revamped to include a closer relationship between businesses as well as between government and business. Closer partnership must be forged and yes – forged is deliberately chosen as the relationship between government and business is tenuous at best.

The role for industry is advocacy and co-ordination and serves to assist both government and companies.

Companies must also review how they interact as a single entity and as part of a broader collective and need to exhibit a learning by doing culture. Companies at the heart of the export promotion implementation and need to be supported to deliver on SA's export targets.

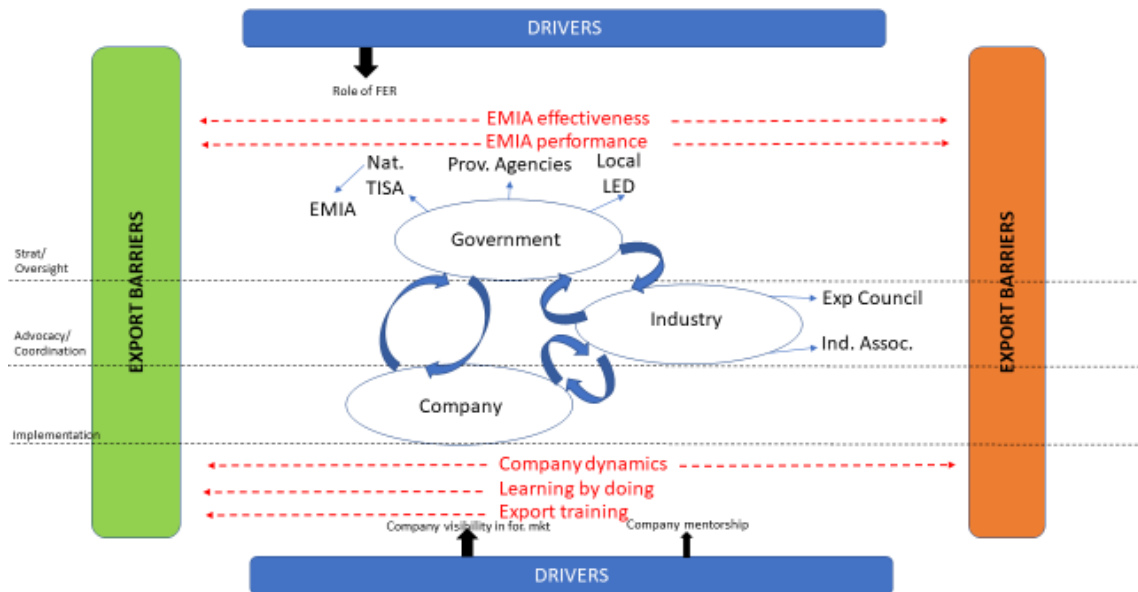


Figure 13 - South Africa's export promotion ecosystem

7.3 Implications for management and other relevant stakeholders

In the INES document, there are several recommendations for government as the largest stakeholder. The first recommendation is to focus on super exporters and offer them an incentive where they can claim back their marketing costs. This is important from an overall point of view as the exporter respondents noted the absence of big business at the South African pavilions and this need to be rectified. Subject to the necessary fiscal support from the National Treasury, "it is recommended that TISA and SARS to revisit the Income Tax Act export marketing allowances in order to incentivise the super exporters to participate on Group Missions, particularly National Pavilions. Thereby enabling established exporters to claim back marketing costs whilst allowing the EMIA incentive to focus on new exporters"(Department of Trade and Industry, 2015, p17).

The inability by the dti to also implement the recommendations from the 2014 review of EMIA do not also lend confidence in its ability and agility and the implications for the dti would be to consult widely and then to communicate progress to all stakeholders as often as possible, preferably quarterly.

The implications for academia are that this study has re-inforced previous studies done to identify export barriers and has led to the identification of additional export barriers for the agro-processing sector, with a notable inclusion of legal barriers to exporting.

7.4 Contributions of the study (theoretical, practical or methodology)

This research

7.5 Practical findings

The findings will be categorised into short, medium and long-term findings.

- Short-term findings:
 - Review the EMIA application form to determine more accurate information about the exact level of exports currently being done so that a more accurate tracking mechanism can be put in place to assess the level of export performance before and after receiving the incentive.
 - Initiate a project to procure or develop an online application system. The development of the system will be for the medium term
 - Engage the provinces to explore the practicalities of an expanded EMIA selection process that will include the provinces.
- Medium term findings:
 - Review the FER recruitment and selection model
 - Identify appropriate engagement model for smaller exporters to become involved in the global value chains of big exporters
 - Develop a mentorship model for business together with industry associations and export councils
- Long term
 - Review the KPI's for export performance
 - Establish a partnership with SARS to get access to their data for EMIA individual
 - Develop provincial export competence so that these officials can also become part of government's pool of FERs

7.6 Reflections on the limitations of the research

This research due to the sample size only concentrated on the Western Cape, KZN and Gauteng and the other 6 provinces have not been represented here. In addition, another limitation is the lack of the super exporters not being part of the sample to determine their views.

EMIA focuses on marketing activities and market research and this limits the scope of identifying what can be done to make the exporting ecosystem more robust.

7.7 Recommendations for future research

The table below captures three areas for future research:

| Thematic area | Proposed topic |
|-------------------------------|---|
| Foreign market entry barriers | it is imperative to conduct further research on SME foreign market entry barriers using samples from developing countries |
| Pre-exporting | Determine antecedents of SMME export activity in SA |
| | A limitation of the network and DCV theories is that they have been used in developed markets and it would be interesting to test them within a developing country context, however, this is research that can be undertaken further. |

7.8 Conclusion

In conclusion, this study confirmed sector specific export barriers as well as company dynamics that enhance export performance. The business processes around EMIA, as an export promotion tool needs refinement and must stronger communication with the export community. The dti needs to look at innovative partnerships with industry associations and exporting companies for more seamless engagement and review its model of engagement as exporters need more contact. The targets for EMIA need to shift to look at export-oriented employment and this study can be replicated across other sector to determine whether the export barriers are the same across the exporting community.

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APPENDIX 1: INVITATION LETTER

APPENDIX 2: CONSENT FORM



Letter of consent to participate in semi-structured interview

I am currently a student at the University of Pretoria's Gordon Institute of Business Science (GIBS) and completing my research in partial fulfilment of the MBA. I am conducting research on *Investigating the impact of the Export, Marketing and Investment Assistance (EMIA) incentive on the export capability and potential of South African companies in the agro-processing, forestry, paper, timber and pulp sectors.*

The interview is expected to last about an hour and a half at most and will help in understanding the factors that affect the export potential of companies in South Africa in the agro-processing, forestry, paper, timber and pulp sectors. Your participation is voluntary, and you can withdraw at any time without any penalty. All data will be reported without identifiers and if you have any concerns please contact my supervisor or myself. Our details are provided below:

Researcher Name: Jodi-Lynne Scholtz

Email address: 198377922@mygibs.co.za

Mobile number: 082 828 7995

Research Supervisor: Dr Marianne Matthee

Email address: mattheem@gibs.co.za

Mobile number: 082 459 1313

Signature of Participant:

Date:

Signature of Researcher:

Date:

APPENDIX 3: INTERVIEW GUIDE FOR EXPORTERS USING EMIA

Investigating the impact of the Export, Marketing and Investment Assistance (EMIA) incentive on the export capability and potential of South African companies in the agro-processing, forestry, paper, timber and pulp sectors.

Semi-structured interview guide for exporters

Section A: Meta-data

| | |
|---|--|
| 7. Interview number: | |
| 8. Date: | |
| 9. Job title of respondent: | |
| 10. Company size in terms of number of workers | Total number of workers: Permanent: <ul style="list-style-type: none"> • Core/technical employees: • Support employees: Temporary/Contractual: |
| 11. Annual turnover* (mark one option with an X): *Annual turnover bands taken from SARS: https://www.intergate-immigration.com/business-tax-rates-south-africa.php | a. Less than R1 million b. R1 million but less than R10 million c. R10 million but less than R25 million d. R25 million or more |
| 12. BEE level: | |
| 13. In which province is your company head quartered? | a. Gauteng b. Limpopo c. KwaZulu-Natal d. Western Cape e. Mpumalanga f. Eastern Cape g. Northern Cape h. North West i. Free State |
| 14. Your role in exporting: | |
| 15. Highest level of education (mark one option with an X): | a. Completed junior primary school (Gr 3) b. Completed senior primary school (Gr 7) c. Completed Gr 10 d. Completed high school (Gr 12) e. Completed undergraduate degree f. Completed TVET and/or other college g. Completed postgraduate degree h. No schooling |
| 16. Formal export training: | Yes/No: If yes, please specify what kind of export training you've had: |
| 17. Attended the dti's export development seminars: | Yes/No |

| | |
|---|--|
| 18. If yes, did it add value? Please expand to indicate which aspects were most and least useful. | |
| 19. Number of years with the company: | |

Section B: Meta-data for control group only

| To be completed by control group only: | | | | | | | |
|--|--------------------------------------|---------------|--------------|-------------|-------------------|----------|---------------------------|
| All questions below have been taken directly from the EMIA application form | | | | | | | |
| 20. Entity type (mark one option with an X) | (Pty) Ltd | Close Corp | Sole Prop | Partnership | Limited | Division | Other (Please specify) |
| 21. Have you participated in a trade show? | Yes/No/Not sure/Not applicable | | | | | | |
| 22. If yes, please specify name of show and date. If not, why not? | | | | | | | |
| 23. If yes, how many times have you participated in each trade show? | | | | | | | |
| 24. Is your company a black-owned entity? | Yes / No / Not sure / Not applicable | | | | | | |
| 25. Indicate whether your business is a (mark one option with an X): | Manufacturer | - | Yes | No | | | |
| | Exporter | | | | | | |
| | Outsourced Manufacturer | | | | | | |
| | Export Trading House | | | | | | |
| | Commission Agent | | | | | | |
| Emerging Exporter | | | | | | | |
| 26. State the number of products which can be manufactured per month and which are available for export: | | | | | | | |
| Description | Hs-code | Quantity | Unit-Price | Rand Value | Local Content (%) | | |
| | | | | | | | |
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|--|---------|------|--------------------|--|--|
| | | | | | |
| 27. Details of products exported over the past two years: | | | | | |
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| | | | | | |
| Previous Financial Assistance | | | | | |
| 28. Please indicate previous financial assistance received for export-related activity during the last three years (This includes both individual and Group offerings) | | | | | |
| Event | Country | Date | Programme offering | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Section C: Awareness of EMIA (questions replicated from DNA Economics' Report on Implementation Evaluation of the dti's EMIA programme, 2014)

| | |
|--|---|
| 29. Do you know about EMIA? | Yes / No |
| 30. How did you first hear about the EMIA incentive and offerings? (Single selection only) | a. Advertising or media (print, internet, electronic) |
| | b. Word of mouth / previous participants |
| | c. Industry associations |
| | d. Directly from the dti |
| | e. Through an agent/ consultant |
| | f. Other (please specify): |
| 31. Which of the following EMIA assistance offerings are you aware of? | a. Exhibitions |
| | b. National pavilions (domestic) |
| | c. National pavilions (foreign) |
| | d. Foreign trade missions (group) |
| | e. Exhibitions |
| | f. Inward trade missions (group) |
| | g. Foreign investment missions (group) |
| | h. Inward investment missions (group) |
| | i. Assistance to cover cost of international travel to meet potential |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|-------------|
| | investor | | | | | | | | | |
| | j. Assistance to cover cost of travel of potential foreign investor | | | | | | | | | |
| | k. Assistance to cover cost of travel of potential foreign buyer | | | | | | | | | |
| | l. Assistance to cover the cost of market research | | | | | | | | | |
| | m. Assistance to cover the cost of the registration of patents, trademarks or quality marks | | | | | | | | | |
| 32. How many times has your EMIA application/s been unsuccessful? | | | | | | | | | | |
| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 and more |
| | | | | | | | | | | |

Section D: Efficiency of EMIA (Efficiency measures the outputs - qualitative and quantitative -- in relation to the inputs. It is an economic term which signifies that the programme uses the least costly resources possible in order to achieve the desired results. This generally requires comparing alternative approaches to achieving the same outputs, to see whether the most efficient process has been adopted (OECD DAC criteria, 2019).

| |
|---|
| 33. What, in your opinion, can be done to make EMIA more efficient? |
| |

Section E: Effectiveness of EMIA in general (A measure of the extent to which a programme's activity attains its objectives)

| |
|--|
| 34. Would you say that EMIA is successful or not in relation to your company? Please give a reason for your answer |
| |
| <p>The objectives of EMIA are multiple:</p> <ul style="list-style-type: none"> • "Provide marketing assistance to develop new export markets and grow existing export markets; • Assist with the identification of new export markets through market research; • Assist companies to increase their competitive by supporting patent registrations, quality marks and product marks; • Assist with facilitation to grow FDI through missions and FDI research; and • Increase the contribution of black-owned businesses and SMMEs to South Africa's economy."(the dti, 2016) |

| |
|---|
| 35. Do you think these objective/s have been met? Why/why not? |
| |
| 36. What can be done differently by the dti to facilitate a greater volume of exports for your company? |
| |

Section F: Relevance of EMIA (The extent to which the programme is suited to the priorities and policies of the target group/recipients)

| |
|---|
| 37. What specific element of EMIA has been the most useful in exporting your products? |
| |
| 38. What specific element of EMIA has been the least useful in exporting your products? |
| |

39. “On a 5 point scale, where 0 is no challenge at all and 5 is very significant challenge, what are the biggest challenges to exporting experienced by your firm/organization?”(DPME and the Department of Trade and Industry, 2014)

| | No challenge at all | | | | | Very significant challenge |
|--|---------------------|---|---|---|---|----------------------------|
| Challenge | 0 | 1 | 2 | 3 | 4 | 5 |
| Transport costs or logistics | | | | | | |
| Customs administration/procedures | | | | | | |
| Tariffs or duties in export markets | | | | | | |
| Product standards in export standards | | | | | | |
| Cost of registering, patenting or trade marking products | | | | | | |
| Cultural and language barriers | | | | | | |
| Lack of market knowledge | | | | | | |
| The cost of marketing | | | | | | |
| Lack of contacts/networks in foreign markets | | | | | | |
| Exchange rate volatility | | | | | | |
| Access to trade finance/insurance | | | | | | |
| Other (state) | | | | | | |

Section G: Sustainability of EMIA (Sustainability measures whether the benefits of a programme are likely to continue after funding has been withdrawn)

| |
|---|
| 40. What can be done by the dti to ensure EMIA remains sustainable? |
| |

Section H: Company dynamics

| |
|---|
| 41. What are the skills of your employees in both managerial and non-managerial categories? Specify permanent versus temporary/contractual? |
| |
| 42. Why is your company distinct in terms of exporting? What makes your company great at exporting? |
| |
| 43. How can your company improve export performance? |
| |
| 44. What has been a key learning for your company in the exporting space? |
| |
| 45. How has this impacted your export drive? |
| |
| 46. Has your company hired an export agency? |
| |

Section I: Export landscape (Export barriers-the set of constraints hindering a company's ability to initiate international operations)

| |
|--|
| 47. What affects your ability to export? |
|--|

| |
|---|
| |
| 48. SA has a particular reputation globally – does this help your export drive or not? |
| |
| 49. What challenges do you experience when exporting? Does this depend on the country you are exporting to? If yes, then please indicate the country and why this is the case. |
| |
| 50. How can government assist to make exporting easier? |
| |
| 51. How many times a year do you export? Seasonal? Quarterly? |
| |
| 52. How do you determine new export destinations? |
| |
| 53. What were your top 3 export destinations last year? |
| |
| 54. What was your export sales to these 3 countries as a percentage of total exports? |
| |
| 55. "What are your export plans in the next 12-18 months: (Circle one) a. To start exporting b. To maintain your existing exports c. To grow your existing exports in established markets d. To expand your product profile in established markets e. To diversify your existing products into new markets"(DPME and the Department of Trade and Industry, 2014) |

End – Thank you for your participation!

APPENDIX 4: INTERVIEW GUIDE FOR FOCUS GROUP DISCUSSION



Letter of consent to participate in a focus group session

I am currently a student at the University of Pretoria's Gordon Institute of Business Science (GIBS) and completing my research in partial fulfilment of the MBA. I am conducting research on *Investigating the impact of the Export, Marketing and Investment Assistance (EMIA) incentive on the export capability and potential of South African companies in the agro-processing, forestry, paper, timber and pulp sectors.*

The interview is expected to last about an hour and a half at most and will help in understanding the factors that affect the export potential of companies in South Africa in the agro-processing, forestry, paper, timber and pulp sectors. Your participation is voluntary, and you can withdraw at any time without any penalty. All data will be reported without identifiers and if you have any concerns please contact my supervisor or myself. Our details are provided below:

Researcher Name: Jodi-Lynne Scholtz

Email address: 198377922@mygibs.co.za

Mobile number: 082 828 7995

Research Supervisor: Dr Marianne Matthee

Email address: mattheem@gibs.co.za

Mobile number: 082 459 1313

Signature of Participant: _____

Date: _____

Signature of Researcher: _____

Date: _____

Investigating the impact of the Export, Marketing and Investment Assistance (EMIA) incentive on the export capability and potential of South African companies in the agro-processing, forestry, paper, timber and pulp sectors.

Section A: Meta-data for dti officials working on EMIA

| | |
|---|--|
| 56. Interview number: | |
| 57. Date: | |
| 58. Job titles of respondents: | e. |
| | f. |
| | g. |
| | h. |
| | i. |
| 59. Your role in export promotion: | j. |
| | k. |
| | l. |
| | m. |
| | n. |
| 60. Highest level of education (mark one option with an X): | i. Completed high school (Gr 12) |
| | j. Completed undergraduate degree |
| | k. Completed TVET and/or other college |
| | l. Completed postgraduate degree |
| | m. Completed Masters/PhD |
| 61. Formal export training: | Yes/No: If yes, please specify what kind of export training you've had: |
| 62. Number of years experience in export promotion – circle one | 0-5 years: 5-10 years: More than 10 years: |
| 63. Number of years with the dti: | |

General questions to ask the dti officials working on EMIA about export promotion:

1. What informs the decision to grant approval for a specific type of programme – i.e. trade missions, business fora, etc.?
2. What economic or other data, in general, is considered when selecting the most appropriate export promotion initiative?
3. How often are these export promotion activities reviewed in general?
4. What would inform the need to review these export promotion activities for all IPAP sectors?
5. How are export opportunities identified?
6. What are the main ways of engaging with the export community?
7. How is information about export promotion activities disseminated to the export community? Would you say this is effective?
8. How do you define the success of EMIA in general?
9. What are the key performance indicators of EMIA?
10. What are the challenges you experience in the implementation of EMIA?
11. Based on your experience in the dti, what improvements in your view can be made to the EMIA scheme?

Thank you!

APPENDIX 5: ETHICAL CLEARANCE LETTER

Appendix 6: Mapping of research questions to interview questions and themes

| Research question | Interview question | Related themes/codes |
|--|---|--------------------------------------|
| What are the export barriers South African SMMEs face within the agro-processing sector? | <ol style="list-style-type: none"> 1. What can be done differently by the dti to facilitate a greater volume of exports for your company? 2. "On a 5 point scale, where 0 is no challenge at all and 5 is very significant challenge, what are the biggest challenges to exporting experienced by your firm/organization? 3. Why is your company distinct in terms of exporting? What makes your company great at exporting? 4. How can your company improve export performance? 5. What affects your ability to export? | Export barriers |
| What are the factors that enable export performance? | <ol style="list-style-type: none"> 6. What specific element of EMIA has been the most useful in exporting your products? 7. What specific element of EMIA has been the least useful in exporting your products? 8. Would you say that EMIA is successful or not in relation to your company? Please give a reason for your answer 9. What informs the decision to grant approval for a specific type of programme – i.e. trade missions, business fora, etc.? 10. What economic or other data, in general, is considered when selecting the most appropriate export promotion initiative? 11. How often are these export promotion activities reviewed in general? 12. What would inform the need to review these export promotion activities for all IPAP sectors? 13. How are export opportunities identified? 14. What are the main ways of engaging with the export community? | Export promotion, export performance |
| What are the company dynamics that facilitate greater volume and value of exports within the agro-processing sector? | <ol style="list-style-type: none"> 4. What has been a key learning for your company in the exporting space? 5. How has this impacted your export drive? 6. How can your company improve export performance? 7. Why is your company distinct in terms of exporting? What makes your company great at exporting? 8. What are the skills of your employees in both managerial and non-managerial categories that facilitate exporting? Specify permanent | Company dynamics |

| Research question | Interview question | Related themes/codes |
|--|--|-------------------------------|
| | versus temporary/contractual? 9. Meta-data – company size, annual turnover, role in exporting, highest education level, formal export training, attendance at the dti's export development training | |
| How can EMIA be improved to facilitate a greater volume and rand value amount of exports for SA? | 10. What can be done by the dti to ensure EMIA remains sustainable? 11. What can be done differently by the dti to facilitate a greater volume of exports for your company? | EMIA, Improvements to EMIA |

Appendix 7: Export barriers – a summary

Figure : Export barriers and the extent to which they have posed a challenge

| | No challenge at all | 1 | 2 | 3 | 4 | Very significant challenge |
|--|---------------------|----------|----------|----------|-----------------------------|----------------------------|
| Challenge | 0 | 1 | 2 | 3 | 4 | 5 |
| Transport costs or logistics | 3 | 3 | 1 | 3 | 2 | 2 |
| Customs administration/procedures | | 2 | 5 | 2 | 2 (China) | 2 |
| Tariffs or duties in export markets | 2 | 3 | 2 | 2 | 1 | 2 |
| Product standards in export standards | 0 | 5 | 1 | 2 | 3 Depends on the country | 2 |
| Cost of registering, patenting or trade marking products | 0 | 3 | | 2 | 7 | 2 |
| Cultural and language barriers | 2 | 3 | 2 | 5 | 1 | |
| Lack of market knowledge | 1 | 2 | 2 | 5 | 1 | 1 |
| The cost of marketing | 1 | 1 | 1 | 3 | 4 | 3 |
| Lack of contacts/networks in foreign markets | | 2 | | 2 | 3 | 5 |
| Exchange rate volatility | | 1 | 2 | 3 | 1 | 5 |
| Access to trade finance/insurance | 4 | 3 | 1 | 1 | 2 | 1 |
| Total | | | | | | |

Annexure : Codebook

| Code | Comment | Code Group p 1 | Code Group p 2 | Code Group p 3 | Code Group p 4 | Code Group p 5 | Code Group p 6 | Code Group p 7 | Code Group 8 |
|---|---------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| Company dynamics: managerial educational level - grade 12 | | | | | | | | | |
| Company dynamics - BEE level - yes | | Company dynamics | | | | | | | |
| Company dynamics: BEE level - no | | Company dynamics | | | | | | | |
| Company dynamics: employee duration - 0-5 years | | Company dynamics | | | | | | | |
| Company dynamics: employee duration - 11-15 years | | Company dynamics | | | | | | | |
| Company dynamics: employee duration - 6-10 years | | Company dynamics | | | | | | | |
| Company dynamics: employee duration - more than 15 years | | Company dynamics | | | | | | | |
| Company dynamics: export readiness | | Company dynamics | | | | | | | |
| Company dynamics: export training - no | | Company dynamics | | | | | | | |
| Company dynamics: export training - yes | | Company dynamics | | | | | | | |
| Company dynamics: innovation | | Company dynamics | | | | | | | |

| Code | Comment | Code Grou p 1 | Code Grou p 2 | Code Grou p 3 | Code Grou p 4 | Code Grou p 5 | Code Grou p 6 | Code Grou p 7 | Code Group 8 |
|--|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------|
| Company dynamics: job - admin | | Company dynamics | | | | | | | |
| Company dynamics: job - executive | | Company dynamics | | | | | | | |
| Company dynamics: location - Gauteng | This refers to where the company is located | Company dynamics | | | | | | | |
| Company dynamics: location - KZN | | Company dynamics | | | | | | | |
| Company dynamics: location - Western Cape | | Company dynamics | | | | | | | |
| Company dynamics: managerial characteristics | This refers to managerial skills, knowledge and attitudes. It also includes experience, particularly in exporting. It also refers to the current role/function played in relation to exporting. | Company dynamics | | | | | | | |
| Company dynamics: managerial educational level - diploma | | Company dynamics | | | | | | | |
| Company dynamics: managerial educational level - grade 10 | | Company dynamics | | | | | | | |
| Company dynamics: managerial educational level - postgrad | | Company dynamics | | | | | | | |
| Company dynamics: managerial educational level - TVET and/or college | | Company dynamics | | | | | | | |
| Company dynamics: managerial | | Company dynamics | | | | | | | |

| Code | Comment | Code Grou p 1 | Code Grou p 2 | Code Grou p 3 | Code Grou p 4 | Code Grou p 5 | Code Grou p 6 | Code Grou p 7 | Code Group 8 |
|--|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------|
| educational level - undergrad | | | | | | | | | |
| Company dynamics: niche product | | Company dynamics | | | | | | | |
| Company dynamics: non- managerial characteristics | | Company dynamics | | | | | | | |
| Company dynamics: production processes | Refers to the supply of raw materials - everything needed to produce the goods and includes warehousing. | Company dynamics | | | | | | | |
| Company dynamics: quality control and assurance | | Company dynamics | | | | | | | |
| Company dynamics: size - medium | Refers to companies in the Agricultural sector with less than 100 employees - according to the National Small Business Amendment Act 2003, schedule 1 | Company dynamics | | | | | | | |
| Company dynamics: size - micro | Refers to companies in the Agricultural sector with less than 5 employees - according to the National small Business Amendment Act 2003, schedule 1 | Company dynamics | | | | | | | |
| Company dynamics: size - other | Refers to companies with more than 100 employees | Company dynamics | | | | | | | |
| Company dynamics: size - small | Refers to companies in the Agricultural sector with less than 50 employees - according to the National Small Business Amendment Act 2003, schedule 1 | Company dynamics | | | | | | | |
| Company dynamics: size - very small | Refers to companies in the Agricultural sector with less than 10 employees - according to the National Small Business Amendment Act 2003, schedule 1 | Company dynamics | | | | | | | |
| Company dynamics: turnover - less than R1m | | Company dynamics | | | | | | | |
| Company dynamics: turnover - R1 m | | Company dynamics | | | | | | | |

| Code | Comment | Code Grou p 1 | Code Grou p 2 | Code Grou p 3 | Code Grou p 4 | Code Grou p 5 | Code Grou p 6 | Code Grou p 7 | Code Group 8 |
|--|---------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------|
| but less than R10 million | | | | | | | | | |
| Company dynamics: turnover - R10 million but less than R 25 million | | Company dynamics | | | | | | | |
| Company dynamics: turnover - R25 million or more | | Company dynamics | | | | | | | |
| EMIA: accessibility | | | EMIA | | | | | | |
| EMIA: Awareness | | | EMIA | | | | | | |
| EMIA: Awareness - advertising or media | | | EMIA | | | | | | |
| EMIA: Awareness - assistance to cover cost of international travel to meet potential foreign investor | | | EMIA | | | | | | |
| EMIA: Awareness - assistance to cover cost of travel of potential foreign buyer | | | EMIA | | | | | | |
| EMIA: Awareness - assistance to cover cost of travel of potential foreign investor | | | EMIA | | | | | | |
| EMIA: Awareness - assistance to cover the cost of market research | | | EMIA | | | | | | |
| EMIA: Awareness - assistance to cover the cost of registration of patents, trademarks or quality marks | | | EMIA | | | | | | |
| EMIA: Awareness - directly from the dti | | | EMIA | | | | | | |
| EMIA: Awareness - exhibitions | | | EMIA | | | | | | |
| EMIA: Awareness - foreign investment missions | | | EMIA | | | | | | |
| EMIA: Awareness - | | | EMIA | | | | | | |

| Code | Comment | Code Grou p 1 | Code Grou p 2 | Code Grou p 3 | Code Grou p 4 | Code Grou p 5 | Code Grou p 6 | Code Grou p 7 | Code Group 8 |
|--|---------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------|
| foreign trade missions | | | | | | | | | |
| EMIA: Awareness - industry associations | | | EMIA | | | | | | |
| EMIA: Awareness - inward investment missions | | | EMIA | | | | | | |
| EMIA: Awareness - inward trade missions | | | EMIA | | | | | | |
| EMIA: Awareness - national pavilions - domestic | | | EMIA | | | | | | |
| EMIA: Awareness - National pavilions - foreign | | | EMIA | | | | | | |
| EMIA: Awareness - other | | | EMIA | | | | | | |
| EMIA: Awareness - through an agent | | | EMIA | | | | | | |
| EMIA: Awareness - word of mouth | | | EMIA | | | | | | |
| EMIA: Benefits | | | EMIA | | | | | | |
| EMIA: effectiveness | | | EMIA | | | | | | |
| EMIA: efficiency | | | EMIA | | | | | | |
| EMIA: process | | | EMIA | | | | | | |
| EMIA: relevance | | | EMIA | | | | | | |
| EMIA: sustainability | | | EMIA | | | | | | |
| EMIA: Awareness - advertising or media | | | EMIA | | | | | | |
| EMIA; relevance - least useful | | | EMIA | | | | | | |

| Code | Comment | Code Group p 1 | Code Group p 2 | Code Group p 3 | Code Group p 4 | Code Group p 5 | Code Group p 6 | Code Group p 7 | Code Group 8 |
|--|---|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|--------------|
| Export barrier: access to trade finance/insurance | Only captured export barriers that were rated a 2 and above since a 0 and a 1 are not helpful in assessing where the problem lie. | | | Export barriers | | | | | |
| Export barrier: company competitiveness | | | | Export barriers | | | | | |
| Export barrier: company export readiness | | | | Export barriers | | | | | |
| Export barrier: Cost of registering, patenting or trade marks | | | | Export barriers | | | | | |
| Export barrier: cultural and language barriers | | | | Export barriers | | | | | |
| Export barrier: Customs/Admin procedures | | | | Export barriers | | | | | |
| Export barrier: exchange rate volatility | | | | Export barriers | | | | | |
| Export barrier: import duties on products needed in company production | | | | Export barriers | | | | | |
| Export barrier: lack of contacts/networks in foreign markets | | | | Export barriers | | | | | |
| Export barrier: lack of market knowledge | | | | Export barriers | | | | | |
| Export barrier: legal aspects of exporting | | | | Export barriers | | | | | |
| Export barrier: pricing | | | | Export barriers | | | | | |
| Export barrier: product availability | | | | Export barriers | | | | | |
| Export barrier: Product | | | | Export barriers | | | | | |

| Code | Comment | Code Grou p 1 | Code Grou p 2 | Code Grou p 3 | Code Grou p 4 | Code Grou p 5 | Code Grou p 6 | Code Grou p 7 | Code Group 8 |
|---|--|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|-----------------|
| standards in export markets | | | | | | | | | |
| Export barrier: tariffs or duties in export markets | | | | Export barriers | | | | | |
| Export barrier: the cost of marketing | | | | Export barriers | | | | | |
| Export barrier: trade agreements | | | | Export barriers | | | | | |
| Export barrier: training | | | | Export barriers | | | | | |
| Export barrier: transport costs or logistics | | | | Export barriers | | | | | |
| Export performance: automation | Also refers to the use of technology in the production processes and automation. | | | | Export performance | | | | |
| Export performance: compliance | Includes product compliance as well as shipping requirements and compliance to shipping requirements. | | | | Export performance | | | | |
| Export performance: country dynamics | | | | | Export performance | | | | |
| Export performance: export destination | | | | | Export performance | | | | |
| Export performance: export training | | | | | Export performance | | | | |
| Export performance: key contacts | | | | | Export performance | | | | |
| Export performance: learning by doing | | | | | Export performance | | | | |
| Export performance: managerial skills | | | | | Export performance | | | | |
| Export performance: market dynamics | | | | | Export performance | | | | |
| Export performance: | | | | | Export performance | | | | |

| Code | Comment | Code Group p 1 | Code Group p 2 | Code Group p 3 | Code Group p 4 | Code Group p 5 | Code Group p 6 | Code Group p 7 | Code Group 8 |
|---|---|----------------|----------------|----------------|--------------------|----------------|------------------|----------------|--------------|
| marketing & research | | | | | | | | | |
| Export performance: niche product | | | | | Export performance | | | | |
| Export performance: number of exports per year (volume) | | | | | Export performance | | | | |
| Export performance: product distribution | | | | | Export performance | | | | |
| Export performance: resources - both financial and human | | | | | Export performance | | | | |
| Export performance: staffing levels | | | | | Export performance | | | | |
| Export performance: visibility | Visibility refers to both company and country visibility. | | | | Export performance | | | | |
| Export plans for next 12-18 months: diversify existing products into newmarkets | | | | | | Export plans | | | |
| Export plans for next 12-18 months: Expand product profile in established markets | | | | | | Export plans | | | |
| Export plans for next 12-18 months: Grow existing exports in established markets | | | | | | Export plans | | | |
| Export plans for next 12-18 months: Maintain existing exports | | | | | | Export plans | | | |
| Export promotion support: training | | | | | | | Export promotion | | |
| Export promotion: marketing of SA companies/sectors | | | | | | | Export promotion | | |
| Export promotion: Mentorship | | | | | | | Export promotion | | |

| Code | Comment | Code Grou p 1 | Code Grou p 2 | Code Grou p 3 | Code Grou p 4 | Code Grou p 5 | Code Grou p 6 | Code Grou p 7 | Code Group 8 |
|---|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|-----------------|
| Export promotion: partnerships | | | | | | | Export promotion | | |
| Export promotion: products and services offered | | | | | | | Export promotion | | |
| Export promotion: resources | Resources refers to human and financial resources as well as tools of trade like databases, systems required to perform the export promotion function. | | | | | | Export promotion | | |
| Export promotion: Rol | | | | | | | | | |
| Export promotion: role of FER's | | | | | | | Export promotion | | |
| Export promotion: role of government | | | | | | | Export promotion | | |
| Export promotion: SA's reputation - negative | | | | | | | Export promotion | | |
| Export promotion: SA's reputation - positive | | | | | | | Export promotion | | |
| Export promotion: selection | | | | | | | Export promotion | | |
| Export promotion: Strategy & KPI's | | | | | | | Export promotion | | |
| Improvements: Communication | | | | | | | | Improvements to EMIA | |
| Improvements: EMIA processes | This includes suggestions for more data, sharing SA's competitive advantage per sector as well as suggestions to improve internal processes within EMIA. | | | | | | | Improvements to EMIA | |
| Improvements: EMIA processes - internships | | | | | | | | Improvements to EMIA | |
| Improvements: EMIA processes - role of business | | | | | | | | Improvements to EMIA | |
| Improvements: EMIA processes - staff competence | | | | | | | | Improvements to EMIA | |

| Code | Comment | Code Group p 1 | Code Group p 2 | Code Group p 3 | Code Group p 4 | Code Group p 5 | Code Group p 6 | Code Group p 7 | Code Group 8 |
|-------------------------------------|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| Improvements: EMIA products | In addition to EMIA standard products, also need to cater to big exporters. | | | | | | | | Improvements to EMIA |
| Improvements: export training | | | | | | | | | Improvements to EMIA |
| Improvements: mentorship | | | | | | | | | Improvements to EMIA |
| Industry associations: advocacy | | | | | | | | | Stakeholders |
| Industry associations: coordination | | | | | | | | | Stakeholders |