

Bank relationships' contributions to SME export performance

SME export
performance

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Abstract

Purpose – The purpose of this paper is to examine to what extent, and in what ways, various types of bank support improve small and medium-sized enterprise (SME) export performance. It contributes to bank marketing and international marketing theory and practice by clarifying bank contributions to SME export performance at the firm level.

Design/methodology/approach – The study method is an on-site survey, encompassing 135 manufacturing Swedish SMEs. Five hypotheses are tested using ordinary least squares regression.

Findings – The higher the export performance, the greater the importance attributed to bank funding of international business. The importance of transaction and/or currency services provided by banks for SMEs' ability to do business abroad was confirmed, but with the important limitation that the effect diminishes as the number of markets increases. Furthermore, the results indicate that SMEs with low export performance attach a high importance to the advisory services that banks can offer regarding international business. No significant results for knowledge sharing or support from bank contacts were found.

Practical implications – SME managers are encouraged to view banks as potential providers of a diverse set of value-added resources while taking into consideration that some banks will have more developed resources and support policies than others. The study results also assist banks in building effective strategies for enhancing their relationships with SME clients, as it provides detailed information on how SMEs relate different kinds of bank services to their export performance.

Originality/value – As the first paper to describe SME-perceived relationships between different bank services and export performance, this study informs bank marketing and international marketing theory about bank contributions to SME internationalisation.

Keywords Bank services, Sweden, Export performance, Manufacturing industry, SME internationalisation, Bank relationships

Paper type Research paper

Introduction

Internationalisation is a way for small and medium-sized enterprises (SMEs) to grow, and exporting is regarded as a very suitable foreign market entry mode (Chen *et al.*, 2016). It has therefore been argued that “more attention should be devoted to the issue of how such enterprises improve export performance” (Chen *et al.*, 2016, p. 631). This study adheres to this call by addressing the potential contributions of export performance from bank relationships.

Decisions on international expansion are affected by several factors but a key aspect is resources, like funding and knowledge. While the limited scale of SMEs can imply flexibility and facilitate adaptation to the requirements of foreign markets, their lack of resources may reduce the pace and extent of internationalisation (Coviello and McAuley, 1999). It has therefore been argued that banks play an important role, not only in the financing of SMEs, but also in their ability to facilitate buyer-seller transactions (Durkin *et al.*, 2013).

Internationalisation not only implies financial challenges. Entering a new market entails considerable risks of various kinds (Sapienza *et al.*, 2006) and SMEs often need operational and developmental support (Beck *et al.*, 2011). Knowledge acquisition has thus for a long time been seen as fundamental to successful foreign market entry (Johanson and Vahlne, 1977; Musteen *et al.*, 2014). Knowledge can be developed by learning from experiences (Johanson and Vahlne, 1977), but also results from deliberate search actions (Arthur and Huntley, 2005) or unprompted information transfers during interaction with business



partners (Tolstoy, 2009). Direct and indirect connections to other business actors function as conduits of information and knowledge. The presence of knowledgeable actors within a firm's business network is therefore beneficial to internationalisation, as they may indicate new opportunities (Bradley *et al.*, 2006) and contribute to bridging the knowledge gap *vis-à-vis* foreign markets (Loane and Bell, 2006). Banks may be such a source of knowledge and business advice (Binks *et al.*, 2006), and banks can thus be important partners, especially to small firms (Boter and Lundström, 2005).

SMEs are arguably important bank customers (Connolly, 2000 in Silver and Vegholm, 2009). Banks could thus be expected to support SMEs. Research from a customer perspective is, however, scarce (Guo *et al.*, 2013). Very few studies have examined actual contributions to export performance from institutional actors such as banks (Lindstrand and Lindbergh, 2011), especially regarding specific bank services (Boot and Thakor, 2000) and non-tangible services supporting customers' value-creating processes (Puustinen *et al.*, 2014). Additional studies of firms and products have thus been called for (e.g. Guo *et al.*, 2013; Nejad, 2016). This is not the least warranted by the contradictory results of previous studies: while some studies report that SMEs view their banks as a key partner that is used for obtaining funding, information on international markets, and advice (Boter and Lundström, 2005; Lewis *et al.*, 2007; Meyer and Skak, 2002), others have reached the opposite conclusion (Lindstrand and Lindbergh, 2011). The lack of consensus is likely caused by a lack of comparability between previous studies that were carried out in different countries, using varying approaches in evaluating bank support. Furthermore, there has been a lack of nuance. There are different types of bank support but several studies have only considered a single or a few services. Furthermore, the specific types of bank support needed are likely to vary depending on export performance, but also due to factors like firm age, turnover and years of export. Firms with limited experience of foreign markets are, for instance, more likely than firms with high export performance to need external resources in the form of knowledge and advice. Addressing the above stated gaps in our knowledge of the impact of various kinds of bank support on the export performance of various types of SMEs, this paper reports the findings of an on-site survey of 135 Swedish manufacturing SMEs. The findings make theoretical contributions to bank marketing and international marketing and provide practical implications by extending the analysis of bank relationships and shedding light on how various kinds of exporting SMEs that are likely to need and appreciate specific bank services.

In the following, previous studies of SME internationalisation are presented, focussing on various forms of bank contributions. This is summed up into five hypotheses that subsequently are tested, using ordinary least squares regression. Thereafter, the results are presented, followed by a concluding discussion including implications, limitations and some suggestions for further research.

Frame of reference

Small and medium-sized enterprises

SMEs typically account for more than 90 per cent of all firms and two-thirds of a nation's workforce (Baas and Schrooten, 2006). Not surprisingly, they are considered crucial for economic development at national, as well as regional and local levels of society (Porter, 1990). Their well-being and growth is thus an important topic, both for practice and research.

For SMEs, not the least those with limited home markets, international expansion is not only a way to spread investment costs, but also key to growth. A successful export performance, i.e., "the outcome of a firm's activities in the export market" (Chen *et al.*, 2016, p. 626), is however not self-evident. Entering a foreign market is a development step that comes with challenges to SMEs due to their limited resources (Coviello and McAuley, 1999), such as funding and knowledge about foreign markets.

Entering a new market requires coping with paperwork as well as finding information and ways to finance exports. The greater the firm's export performance, the more important the international business. In the manufacturing industry, export performance has previously been related to factors like technology, R&D and innovation (Ioannidis and Schreyer, 1997), product quality (Brooks, 2006), international orientation (Moen *et al.*, 2016), human capital and managerial factors (Bianchi and Wickramasekera, 2016) and top management team composition (Acar, 2016). This study addresses gaps regarding to what extent manufacturing firms with varying export performance have received support from banks (Lindstrand and Lindbergh, 2011).

Bank services

The bank relationship is key to firms' businesses (Tyler and Stanley, 2007); not the least, banks play an important role in the financing of SMEs (Durkin *et al.*, 2013). Entering a new market entails handling a new situation, which implies additional costs. For instance, searching for suitable business partners and customer credits, and the absence of adequate funding are major obstacles to such entrepreneurial processes (Westhead and Wright, 2000). While small firms may choose to, or simply have to, rely on loans from their family and friends (Hussain and Matlay, 2007), growth oriented firms usually depend on funding provided by banks, financial institutions or venture capitalists (Donckels, 2000; Kumar and Rao, 2015). Exporting is a common way to grow, and firms that are proven exporters are likely to have developed a track record and a reputation that is beneficial for funding approval (Van Caneghem and Van Campenhout, 2012). This leads to the first hypothesis:

- H1.* SMEs with high export performance find banks' loans or credits of high importance to the funding of their international business.

Banks offer a variety of financial services, not only funding in the form of loans and credits, but also services related to payments and letters of credit (Binks *et al.*, 2006). This complexity, however, is often not recognised in bank studies (Norberg, 2016). Moreover, SMEs cannot be expected to act in the same manner and have the same needs. It seems likely that the more international business a firm undertakes, the more it will need to rely on various transaction and currency services for conducting its business in an efficient and profitable manner. Banks can then assist in making SME international operations and financial transactions flow more smoothly and efficiently. The second hypothesis thus goes:

- H2.* SMEs with high export performance find transaction and/or currency services provided by their banks of high importance to their ability to do business abroad.

Internationalisation knowledge

Many resources that are crucial for international business are knowledge based. While pursuing a business opportunity in a foreign market, firms cope with uncertainties to the best of their abilities, using their existing stock of knowledge. Some information needed is of a formal character, i.e., hard facts, and can be obtained from secondary sources. However, often, tacit knowledge developed from experience, so called experiential knowledge (e.g. Reid, 1984), is of importance, such as knowledge of foreign markets' norms and business cultures. The knowledge residing in a firm or otherwise accessed by a firm will affect the feasibility of foreign-market-entry strategies, and thereby the resulting scale and scope of the firm's internationalisation (Stouraitis *et al.*, 2017). It forms a knowledge corridor that decides whether opportunities can be identified by a specific firm or not – and if so, how these opportunities will be evaluated and possibly acted upon (Venkataraman, 1997). When the relevant knowledge is limited or not available within the

firm, knowledge acquisition from external sources becomes fundamental to successful international market entry (Musteen *et al.*, 2014). Not surprisingly, small firms often rely on outside advice (Silver *et al.*, 2015).

Network relationships as conduits of knowledge

Business networks, i.e., long-term business relationships between independent firms, provide a firm with additional resources and an extended knowledge base (Håkansson, 1982), also during internationalisation (Crick and Spence, 2005; Forsgren, 2016). Network theory has therefore been suggested as especially useful in explaining SME internationalisation processes (Ojala, 2009). By providing information resulting in the identification and development of opportunities, business partners can function as bridges to new markets (Guercini and Runfola, 2010) and have been shown to play a critical role in SME internationalisation (Chetty and Blankenburg Holm, 2000). Various actors can contribute with resources and knowledge in different phases of an internationalisation process (Schweizer *et al.*, 2010).

Business networks thus facilitate the internationalisation process (Coviello and McAuley, 1999), but each SME has a unique network, consisting of a limited number of direct relationships with customers, suppliers, public agencies, etc. In addition, there is, in principle, an unlimited number of indirect relationships; for instance, their bank's other partners. Taken together, the total number of relationships make up an endless network. In practice, however, each network has a limitation, a network horizon (Henders, 1992), in the eyes of the beholder. The network horizon defines the part of the network that is seen and taken into consideration during decision-making processes. Relationship development is a time consuming investment (Forsgren, 2016). SMEs are thus likely to have fewer direct relationships than large firms and a lesser number of firms within their network horizon. They may therefore find it hard to know where to turn when specific knowledge is sought for. It is, however, likely that banks are included within the network horizon of an SME. Their relationships are often long lasting and important to SMEs (Durkin *et al.*, 2013; Tyler and Stanley, 2007).

Banks can be a source of knowledge and business advice for SMEs (Binks *et al.*, 2006). Nevertheless, bank interactions have usually been studied from the viewpoint of "transaction banking"; that is, in the form of discrete exchange episodes, somehow isolated in time (Proença and Mota de Castro, 2000). Only a minority of studies (Carson *et al.*, 2004; Walsh *et al.*, 2004) have viewed banking relationships as including a mix of transaction-based and relationship-based interactions. Furthermore, although numerous business network studies have shown the importance of firms' relationships with business customers and suppliers, very few studies have dealt with the content of, and perceived contributions from, SMEs' bank relationships (Murray and Wallbridge, 2000), and the results have been contradictory.

Meyer and Skak (2002) found that the bank is a key networking partner for many SMEs, and one fifth of their respondents used their bank to obtain information on international markets. Also, Lewis *et al.* (2007) found that for SMEs, bank representatives were among the most frequently turned-to sources of support. Likewise, in the Swedish context, Boter and Lundström (2005) found that in comparison with auditors and legal advisers, employment service agencies, county administrative boards and national business-support organisations, banks were the most frequently mentioned source of advisory services. In fact, half of the SMEs were in regular contact with a bank for advice. In contrast, however, Lindstrand and Lindbergh (2011) found that for internationalising Swedish SMEs, in comparison with customers, competitors, suppliers, newspapers/magazines, trade organisations, databases, consultants and authorities, banks were the least used source of information, playing a very passive role during SME internationalising.

The majority of these SMEs did not consider banks to be valuable counterparts in their business networks. Bank manager interviews in the UK and China (Guo *et al.*, 2013) have indicated a focus on relationship banking, but the above reported studies examining value creation from a customer perspective do not fully confirm this picture.

National banks are increasingly active on international markets, creating a foreign presence through branches or partner banks (Ambos *et al.*, 2009). As a result:

[...] if the bank's business is sufficiently integrated, domestic corporate advisors can contact foreign branches to help customers do business in and gain knowledge of that specific foreign market (Lindstrand and Lindbergh, 2011, p. 65).

Nevertheless, banks don't seem to make use of their international networks in supporting SMEs (Jonsson, 2009; Lindstrand and Lindbergh, 2011). Initially, it has been argued, they often underestimate the differences between the varying business environments, but over time they have to learn about the specific business conditions of each market (Hadjikhani *et al.*, 2017). Consequently, as business partners, they could be expected to improve their ability and willingness to give advice and have knowledge to share with firms exporting to international markets.

Knowledge acquisition is often both time consuming and resource demanding. Cooperation with experienced firms, such as established multinational firms, is therefore an important option (Bradley *et al.*, 2006). Banks can contribute to the development of the knowledge base through adhering to or enriching the management vision and cognitive map (Basly, 2007), especially in relation to firms with limited experiential internationalisation knowledge (Boter and Lundström, 2005). It thus seems likely that firms that have developed a high export performance perceive a lesser need for banks' advice and gain lesser benefits from banks' knowledge than firms with limited experience of international markets. In addition, firms with low export performance are less likely to apply path dependent routines for export (Dutta and Crossan, 2005), and thus are more likely to welcome advice and integrate new knowledge into their knowledge base. The following hypotheses thus read:

- H3. SMEs with low export performance find advisory services provided by their banks of high importance to their ability to do business abroad.
- H4. SMEs with low export performance derive a high degree of benefits from their banks' knowledge of international markets.

Moreover, banks may have valuable contacts with other international actors to share. The contacts may be a source of information or become a partner in the foreign markets. Especially for an SME with limited international experience, this could be a valuable contribution. In entering a new market, unfamiliarity with circumstances, actors and relationships in that market, causes a liability of outsidership (Johanson and Vahlne, 2009) that is often a major obstacle. This line of reasoning leads to the following hypothesis:

- H5. SMEs with low export performance derive a high degree of benefits in their international business from their banks' contacts with other international actors.

Method

Sample

Swedish firms have a very limited home market as the population is only about ten million people. Consequently, many SMEs thus have to turn to export in order to grow and many Swedish banks have entered international markets. The sample consists of Swedish manufacturing SMEs (less than 250 employees). Based on data from Statistics Sweden, all firms located within five counties in different parts of Sweden, in total 214 firms, were contacted by phone to check the size and export criteria and set up a meeting to make the survey on site.

These regions were chosen to provide regional variation within Sweden (cf. Robson *et al.*, 2016). In total, 168 firms (78.5 per cent) agreed to participate in the study. The items used for this study were part of a larger study focussing on SME internationalisation. In some cases, questions regarding the bank relationship were left unanswered; for instance, when the person with the most knowledge of the bank relationship had left the company or was unavailable for other reasons, resulting in a usable sample of 135 firms (63 per cent). Since there is no reason to believe that the choice of respondent made by the company is related to the questions, no bias is supposed to occur from the omitted observations.

Data gathering

Addressing the risk of systematic biases related to a common rater of both dependent and independent variables, several procedural remedies suggested by Podsakoff *et al.* (2003) and MacKenzie and Podsakoff (2012) were applied. First, the survey instrument was presented to, and discussed with, other researchers during research seminars as well as on an informal basis. Second, the ability to understand and answer the questions was checked by pre-testing the survey on ten firms. This resulted in some further clarifications in wording, making the questions less abstract or complex. Third, the measurements of dependent and independent variables were separated into different parts of the questionnaire to avoid answers based on the respondents' implicit theories on causal relationships and/or aims for consistency. Fourth, reversed scales and different formulations of statements were also used to disrupt undesirable response patterns and reduce the impact of social desirability in answering the questions. The latter effect was also achieved by the use of a self-administered method of data collection, that is, a traditional paper and pencil questionnaire. Fifth, each firm visit lasted between one and two hours. Making the survey on-site using a written presentation of items decreased the risk of inaccurate responses. In addition, it was possible to check who completed the survey, provide explanations and enhance their motivation by explaining the importance of the questions, and assure the respondent that there are no right or wrong answers, which improved data reliability (Holbrook *et al.*, 2003; MacKenzie and Podsakoff, 2012). Finally, the respondents, usually the CEO (68 per cent) or the sales manager (24 per cent), were willing to participate; they did not hurry through the questionnaire but rather seemed to find the issues of personal relevance, often making additional comments while giving their responses. The procedural remedies described above, especially the respondents' broad knowledge of the subject and the motivation of the respondents caused by personal interviews and voluntary participation, are likely to largely reduce the common method bias in this investigation.

Measures and control variables

The dependent variable export performance was taken from information provided by the respondents, as it cannot be found in any public records. In line with a large number of export performance studies (Chen *et al.*, 2016; Katsikeas *et al.*, 2000), it is measured as the percentage of the total sales at firm level that is exported. It has been shown that export share has a strong association with subjective measures of export performance for SME exporters, probably as it indicates that satisfying payoffs have been achieved from previous export investments (Madsen and Moen, 2018).

The items on the bank relationship are related to the most important bank in cases when a company has more than one bank relationship. Although many SMEs use multiple banks, they all reportedly have a main bank (Mäenpää, 2012). The main variables measured are funding (bank loans and credits), transaction services, advice, knowledge and contacts. The items used are presented in Table I. For the answers, a Likert scale (1–7) was used with 1 representing “I completely disagree” and 7 representing “I completely agree”.

In the hypotheses tests, seven variables were controlled for in order to explain their respective effects on export performance, thereby isolating these effects from the

effects of the main variables. The connection between first, firm size and export performance has often been investigated but is still a controversial issue (Sousa *et al.*, 2008). It was controlled for by firm turnover for the year preceding the survey, as small firms are more likely to face problems in internationalisation, due to, for instance, a lack of funding or knowledge (Bonaccorsi, 1992). In addition, second firm turnover per employee for the year preceding the survey was calculated and controlled for in order to capture the possible influence of the type of firm. Third, the number of years that have passed since firm inception (firm age) was controlled for. It is an often-used predictor for the likelihood of firm internationalisation as new firms are more likely to experience a lack of resources or human capital (Westhead *et al.*, 2001). Over time firms encounter various opportunities and challenges that stimulate development of a broader and more sophisticated set of resources (Penrose, 1959). Moreover, in relation to banks, firm age is of relevance as older firms have developed a track record and a reputation that is taken into account in funding decisions (Van Caneghem and Van Campenhout, 2012). Older, well-established firms are thus more likely to receive bank funding than new, small firms. Fourth, the length of the relationship with the main bank (relationship duration) was included as a longer time period of interaction facilitates relationship development, which in turn increases the propensity to share knowledge and give advice (Ford, 1980). The bank relationship duration was captured by the use of four intervals (years): < 5, 6–10, 11–15, > 16. The firm's experiential knowledge, a key determinant of export performance that nevertheless has met with contradicting results (Sousa *et al.*, 2008), was captured using two dimensions: fifth, time – the number of years the firm has been conducting export (years of export) – and sixth, scope – the number of international markets exported to (number of markets). The longer the experience of acting on international markets, the greater the experiential knowledge is expected to be (Schweizer, 2012). Furthermore, firms acting on a large number of markets may have developed extensive experiential knowledge of international business even if the share of export is limited. On the other hand, a large share of export might result from a single market and in such cases the experiential knowledge of international business may still be quite limited. Finally, due to varying resource availability and varying strategies, some firms can be expected to more actively search for information (Sousa *et al.*, 2008), for instance by contacting their banks asking for various services or advice, while others act more passively. Seven, firm proactiveness in the form of amounts of time and resources dedicated to finding new international opportunities was thus included as a control variable using the item: "In our company, we dedicate significant amounts of time and resources to finding new international business opportunities" (Likert 1–7).

Models

The means, standard deviations, maximum values, minimum values and correlations between the variables are presented in Tables II and III. To test the hypotheses, the relations

Main variable	Item
Funding	Loans or credits from our bank have been important for our financing of international operations
Transaction services	Transaction and/or currency services from our bank have been important for our ability to do business abroad
Advice	Advice from our bank has been important for our ability to do business abroad
Knowledge	Our bank has knowledge of international markets that our company has benefitted from
Contacts	Our bank has contacts with other international players that have benefitted our company

Table I.
Items for the
main variables

between the dependent variable and the independent variables are estimated by ordinary least squares regression.

As shown in Table II, the mean values indicate that the sampled firms view themselves as fairly average in terms of proactiveness (mean 3.9 out of 7). They are, however, experienced exporters (mean 25 years of export), acting on a large number of markets (mean 14.1 markets) and their export performance is rather high (mean 42 per cent). The relationship duration with their main bank is long (the mean of the ordinal variable duration is 2.9, indicating a duration of about 15 years). The importance of the main bank for funding is however quite limited (mean 3.4 out of 7); transaction services are of the greatest importance (mean 4.7 out of 7). The respondents slightly disagree with the statement that bank advice has been important for their ability to do business abroad (mean 2.9 out of 7). Likewise, the statement that the bank's knowledge has benefitted the firm is slightly contested (mean 3.1 out of 7). Finally, the statement that the bank's contacts have benefitted the firm is slightly contested (mean 2.6 out of 7).

Table III shows the correlations between the variables. The correlations between the export performance and the main variables are significantly positive for all variables except advice, which is insignificant. This is in accordance with *H1* and *H2* but not in accordance with the other hypotheses. The problem with this interpretation is however that only one independent variable at the time is considered. Furthermore, several of the control variables are correlated with export performance and many of the independent variables have fairly high correlations with each other. Thus, in the following, different regression models are investigated to take all the variables simultaneously into account.

In the first model, model 1, no interaction between the independent variables is assumed. However, some of the variables are transformed to give a more realistic model. First, the logarithm of the dependent variable export performance is used, as it seems more realistic that a change in an independent variable gives a relative response that is proportional to the change in the independent variable, instead of an absolute response proportional to the change in the independent variable. This means, for example, that a change in one independent variable giving a predicted change from 10 to 20 per cent in export performance will give a predicted change from 50 to 100 per cent. This contrasts to a model linear in the export performance where a five times larger change in an independent variable is required to change the predicted value from 50 to 100 per cent. The data cannot be used to validate this assumption. However, a robustness test (presented later) is performed where the conclusions are compared for the logarithmic model and the linear model. In the same way, the independent variables number of markets and turnover are logarithmically transformed.

Table II.
Number of observations (*n*), means, standard deviations (SD), max and min for the variables

Statistic	<i>n</i>	Mean	SD	Min.	Max.
Export performance	135	42.4	29.5	1	100
Funding	135	3.4	2.1	1	7
Transaction services	135	4.7	1.9	1	7
Advice	135	2.9	1.8	1	7
Knowledge	135	3.1	1.9	1	7
Contacts	135	2.6	1.6	1	7
Relationship duration	135	2.9	1.1	1	4
Number of markets	135	14.1	16.4	1	100
Proactiveness	135	3.9	1.7	1	7
Turnover	135	100,029,000	182,900,000	2,000,000	1,400,000,000
Turnover per employee	135	2,479,000	2,287,000	50,000	22,118,000
Years of export	135	25	17	0	93
Firm age	135	36	30.0	3	223

	Export perform.	Funding	Trans. services	Advice	Know ledge	Contacts	Rel. durat.	Number markets	Proact. Turnover	Turnover employee	Years export	Firm age
Export performance	1.00											
Funding	0.38***	1.00										
Transaction services	0.26***	0.21**	1.00									
Advice	0.12	0.25***	0.49***	1.00								
Knowledge	0.23***	0.36***	0.41***	0.63***	1.00							
Contacts	0.18**	0.31***	0.35***	0.68***	0.79***	1.00						
Relationship duration	-0.10	-0.12	0.07	0.08	0.00	0.10	1.00					
Number of markets	0.59***	0.29***	0.14	0.21**	0.23***	0.27***	0.07	1.00				
Proactiveness	0.42***	0.20**	0.17**	0.20**	0.34***	0.18**	-0.12	0.30***	1.00			
Turnover	0.20**	0.05	0.15*	0.16*	0.16*	0.12	0.02	0.32***	0.10	1.00		
Turnover p. employee	0.09	0.04	0.05	0.07	0.05	0.06	-0.01	0.13	0.02	0.55***	1.00	
Years of export	0.26***	0.07	0.14*	0.27***	0.21**	0.25***	0.25***	0.34***	0.12	0.32***	0.08	1.00
Firm age	0.03	-0.05	0.08	0.22**	0.06	0.20**	0.25***	0.12	-0.05	0.32***	0.70***	1.00

Notes: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

Table III. Spearman correlations between the variables and p -values for tests with the alternative hypotheses that correlations are not zero

The rationale is likewise that a relative effect of a change in these variables is considered more realistic than an absolute effect. Table IV shows the estimation of model 1.

In the next step, models with the same variables as in model 1, but with one additional interaction variable added for each model, are estimated. The interaction variables are interactions between each of the bank variables funding, transaction services and advice, and each of the significant control variables number of markets, proactiveness and years of export.

The multicollinearity is tested for model 1 by calculating the variance inflation factors for all the independent variables (see Table V). The recommendation is to have variation inflation factors below 10 (Hair *et al.*, 2014), and all the variables have variance inflation factors well below this value.

Results from ordinary least squares regression

Table IV shows the estimations of the different models. All models have an R^2 value of 0.49–0.50. Thus, about half of the variation in the dependent variable is accounted for by the independent variables. The only model with a significant interaction effect is model 3, which shows interaction between transaction services and (the logarithm of) number of markets. This model also has the smallest Akaike information criteria (AIC) (Akaike, 1970) and the largest Adjusted R^2 , further supporting model 3 as the best model. Model 3 is thus used as the final model. In model 3, all variables except knowledge, contacts, turnover, turnover per employee and firm age are significant at the 0.05 level.

In Figure 1, studentized residuals (Cook, 1977) for model 3 vs independent variables and vs fitted values are shown. Since the relations are roughly linear there is no sign of misspecification in model 3.

Robustness tests

In Table VI, two models are shown, model 11 and model 12, where the dependent variable is the export performance without logarithmic transformation. Model 3 is also repeated in Table VI for convenience. Model 11 is the same as model 3 except for the choice of dependent variable and except for the interaction variable, and model 12 is the same as model 3 except for the choice of dependent variable.

Table VI shows that the coefficients have the same signs and that, with one exception, the same variables are significantly different from 0 at the 0.05 significance level. The exception is that the interaction effect is not significant in model 12. The conclusion is that in most respects the choice between the logarithm of export performance and the export performance is not important. The main difference is the interaction effect in model 3 that does not exist in model 12. Model 3 is preferred as it is considered more realistic in modelling the relations between the variables as discussed above.

Results

Hypotheses testing

In the following discussion, the significance level of 0.05 is applied.

H1 posited that SMEs with a high export performance find their bank loans or credits to be of high importance to the funding of their international business. Table V shows that the coefficient for the variable funding in model 3 is positive and significantly different from 0, which supports *H1*. Figure 2 illustrates the predicted relation between export performance and funding according to the estimated regression model. There is a substantial effect. For two hypothetical companies with mean values for all main variables except funding, where the first company has 10 per cent higher export performance, the importance

	Dependent variable									
	Model (1)	Model2 (2)	Model 3 (3)	Model4 (4)	Model5 (5)	Model6 (6)	Model7 (7)	Model8 (8)	Model9 (9)	Model10 (10)
<i>Main variables</i>										
Constant	2.13** (1.03)	1.98* (1.03)	1.51 (1.03)	1.79* (1.06)	1.78* (1.01)	2.21** (1.09)	2.74*** (1.06)	2.15** (1.07)	2.14** (1.08)	2.27** (1.08)
Funding	0.09** (0.03)	0.14 (0.09)	0.09** (0.03)	0.09** (0.03)	0.21*** (0.08)	0.09** (0.03)	0.09*** (0.03)	0.08 (0.06)	0.09** (0.03)	0.09** (0.04)
Transaction services	0.13*** (0.03)	0.13*** (0.03)	0.29*** (0.07)	0.13*** (0.03)	0.13*** (0.03)	0.12 (0.08)	0.14*** (0.03)	0.13*** (0.03)	0.13** (0.06)	0.13*** (0.03)
Advice	-0.12** (0.05)	-0.11** (0.05)	-0.11** (0.05)	-0.01 (0.12)	-0.11** (0.05)	-0.12** (0.05)	-0.23** (0.10)	-0.12** (0.05)	-0.12** (0.05)	-0.19** (0.08)
Knowledge	-0.07 (0.07)	-0.07 (0.07)	-0.07 (0.07)	-0.08 (0.07)	-0.07 (0.07)	-0.07 (0.07)	-0.08 (0.07)	-0.07 (0.07)	-0.07 (0.07)	-0.06 (0.07)
Contacts	0.05 (0.07)	0.05 (0.07)	0.06 (0.07)	0.05 (0.07)	0.04 (0.07)	0.06 (0.07)	0.05 (0.07)	0.05 (0.07)	0.05 (0.07)	0.05 (0.07)
<i>Control variables</i>										
Relationship duration	-0.12* (0.07)	-0.11* (0.07)	-0.13** (0.06)	-0.11 (0.07)	-0.11 (0.07)	-0.12* (0.07)	-0.12* (0.07)	-0.12* (0.07)	-0.12* (0.07)	-0.12* (0.07)
log(Number of markets)	0.42*** (0.08)	0.51*** (0.15)	0.84*** (0.14)	0.57*** (0.14)	0.42*** (0.08)	0.42*** (0.08)	0.41*** (0.08)	0.42*** (0.08)	0.42*** (0.08)	0.41*** (0.08)
Proactiveness	0.11*** (0.04)	0.11*** (0.04)	0.11*** (0.04)	0.12*** (0.04)	0.22*** (0.07)	0.09 (0.10)	0.02 (0.07)	0.11*** (0.04)	0.11*** (0.04)	0.10*** (0.04)
log(Turnover)	-0.03 (0.06)	-0.03 (0.06)	-0.03 (0.06)	-0.03 (0.06)	-0.03 (0.06)	-0.03 (0.06)	-0.04 (0.06)	-0.03 (0.06)	-0.03 (0.06)	-0.02 (0.06)
Turnover per employee	0.02 (0.02)	0.02 (0.02)	0.02 (0.02)	0.02 (0.02)	0.02 (0.02)	0.02 (0.02)	0.03 (0.02)	0.02 (0.02)	0.02 (0.02)	0.02 (0.02)
Years of export	0.01** (0.01)	0.01** (0.01)	0.01** (0.01)	0.01*** (0.01)	0.01*** (0.01)	0.01** (0.01)	0.01*** (0.01)	0.01* (0.01)	0.01 (0.01)	0.01 (0.01)
Firm age	-0.01* (0.003)	-0.005 (0.003)	-0.004 (0.003)	-0.01 (0.003)	-0.01 (0.003)	-0.01* (0.003)	-0.01* (0.003)	-0.01* (0.003)	-0.01* (0.003)	-0.01** (0.003)
<i>Interaction variables</i>										
Funding: log(Number of markets)		-0.03 (0.03)								
Transaction services: log(Number markets)			-0.09*** (0.03)							
Advice: log(Number of markets)				-0.05 (0.04)						

(continued)

Table IV.
Linear regression estimations

Table IV.

	Model (1)	Model2 (2)	Model 3 (3)	Model4 (4)	Model5 (5)	Model6 (6)	Model7 (7)	Model8 (8)	Model9 (9)	Model10 (10)
Dependent variable Log(export performance)										
Funding:										
proactiveness										
Transaction services:										
Proactiveness						0.004 (0.02)				
Advice:										
proactiveness							0.03 (0.02)			
Funding, years of										
export								0.0001 (0.002)		
Transaction services:										
years of export									0.0001 (0.002)	
Advice, years of										
export										0.003 (0.002)
AIC	328.871	330.144	324.056	329.386	327.932	330.836	328.849	330.865	330.867	329.281
Observations	135	135	135	135	135	135	135	135	135	135
R ²	0.49	0.49	0.51	0.49	0.50	0.49	0.49	0.49	0.49	0.49
Adjusted R ²	0.44	0.43	0.46	0.44	0.44	0.43	0.44	0.43	0.43	0.44

Notes: Logarithm of export performance is the dependent variable in all the models. Model 1 is a model with all the variables but with no interaction variables. In model 2 to model 10, one interaction at the time is tested in addition to the variables in model 1. The *p*-values are calculated with heteroskedasticity-consistent covariance matrix estimation (White, 1980). Standard error in parentheses. **p* < 0.1; ***p* < 0.05; ****p* < 0.01

	Transaction services	Advice	Knowledge	Contacts	Rel. duration	log (Number of markets)	Proact.	log (Turnover)	Turnover employee	Years export	Firm age
1.490	1.497	2.466	3.661	4.551	1.183	1.568	1.339	1.823	1.435	2.390	2.214

Table V.
Variance inflation factors (VIF) for the variables for model 1

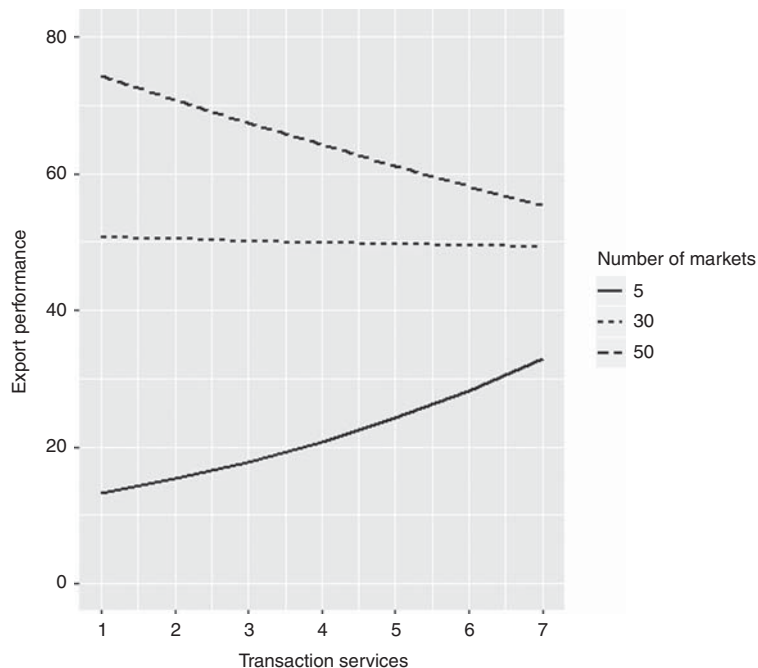


Figure 1.
Predicted values from Model 3 for different values of the variables transaction services and number of markets while keeping the other variables at the mean values

attributed to the funding of their international business is on average approximately three steps higher for the first company on the seven-point Likert scale.

Thereafter, *H2* posits that SMEs with high export performance attach high importance to transaction and/or currency services provided by their banks to their ability to do business abroad. Table IV, however, shows that the effect of the variable transaction services in model 3 depends not only on the coefficient for transaction services but also on the coefficient for the interaction between transaction services and (the logarithm of) number of markets. These coefficients are both significantly different from 0, which means that the effect is ambiguous and moderated by the variable (the logarithm of) number of markets. Notably, the effect can have different signs depending on the number of markets. Figure 3 illustrates the relation between number of markets, transaction services and export performance with all other variables fixed at their mean values according to the regression model. Three values of number of markets are chosen for the purpose of illustration. This moderating effect is not supported by the robustness tests in model 12, but since the logarithmic modelling in model 3 is preferred, the relationship is restated as the greater the SME's export performance, the greater the importance of transaction and/or currency services provided by banks for its ability to do business abroad, for a small number of markets. The effect diminishes as the number of markets increases. Internationally active firms likely become more attractive as partners and thereby more able to find alternatives to their main bank for these services.

Next, *H3* posits that SMEs with low export performance attach high importance to advisory services provided by their banks to their ability to do business abroad. The coefficient for the variable *advice* in Model 3 is negative and significantly different from 0, which supports *H3*. *H3* is further supported by the robustness tests in Table VI. Figure 2 illustrates the relation between export performance and advice with all other variables fixed at their mean values according to the regression model. There is once more a substantial effect.

	Dependent variable		
	log (Export performance)	Export performance	
	Model 3 (1)	Model 11 (2)	Model 12 (3)
Constant	1.51 (1.03)	22.93 (28.20)	15.37 (28.79)
<i>Main variables</i>			
Funding	0.09** (0.03)	2.18** (1.05)	2.18** (1.05)
Transaction services	0.29*** (0.07)	3.35*** (0.95)	5.32*** (1.76)
Advice	-0.11** (0.05)	-3.14** (1.52)	-3.12** (1.53)
Knowledge	-0.07 (0.07)	-0.97 (2.36)	-1.00 (2.34)
Contacts	0.06 (0.07)	1.59 (2.64)	1.69 (2.62)
<i>Control variables</i>			
Relationship duration	-0.13** (0.06)	-4.01** (1.82)	-4.14** (1.80)
log(Number of markets)	0.84*** (0.14)	11.62*** (2.26)	16.67*** (4.17)
Proactiveness	0.11*** (0.04)	3.74*** (1.16)	3.82*** (1.15)
log(Turnover)	-0.03 (0.06)	-1.85 (1.69)	-1.95 (1.69)
Turnover per employee	0.02 (0.02)	0.87 (0.73)	0.83 (0.72)
Years of export	0.01** (0.01)	0.45*** (0.17)	0.44** (0.17)
Firm age	-0.004 (0.003)	-0.11 (0.11)	-0.10 (0.11)
<i>Interaction variable</i>			
Transaction services: log(Number of markets)	-0.09*** (0.03)		-1.06 (0.85)
AIC	324.056	1229.16	1229.92
Observations	135	135	135
R ²	0.51	0.50	0.51
Adjusted R ²	0.46	0.45	0.46

Notes: The best model from Table IV, model 3, is repeated and two models with the dependent variable export performance instead of the logarithm of the export performance are added. Model 11 has the same variables as model 3 except for the interaction variable and model 12 has the same variables as model 3 including the interaction variable. The *p*-values are calculated with heteroskedasticity-consistent covariance matrix estimation. Standard error in parentheses. The numeric values of the coefficients in Model 3 cannot be compared to the coefficients in model 11 and 12 since the dependent variables are different. ***p* < 0.05; ****p* < 0.01

Table VI.
Robustness tests

If the first company then has 10 per cent higher export performance, the importance attributed to advisory services provided by their banks is on average approximately 2.5 steps lower for the first company on the seven-point Likert scale.

H4 and *H5* were not supported. It is, however, not clear if these results are due to banks' lack of knowledge and network relationships on foreign markets, or if it is due to a lack of interest among banks in offering such resources to SMEs.

Concluding discussion

The internationalisation processes of SMEs are hampered by their limited internal resource base. External support is therefore essential (Bonaccorsi, 1992). It has been argued that "the literature on export performance is probably one of the most widely researched and least understood areas of international marketing" (Sousa *et al.*, 2008, p. 344). In spite of this massive research effort, however, only a few internationalisation studies have addressed the resources gained from SMEs' interaction with banks (Lindstrand and Lindbergh, 2011; Sousa *et al.*, 2008), and even fewer studies have separated bank contributions into specific bank services (Boot and Thakor, 2000). Our knowledge is furthermore limited by the contradicting results of previous studies. Banks have been portrayed both as valued partners (Boter and Lundström, 2005; Meyer and Skak, 2002) and as unimportant partners

Figure 2. Predicted values from Model 3 for different values of the variables funding and advice, while keeping the other variables at the mean values

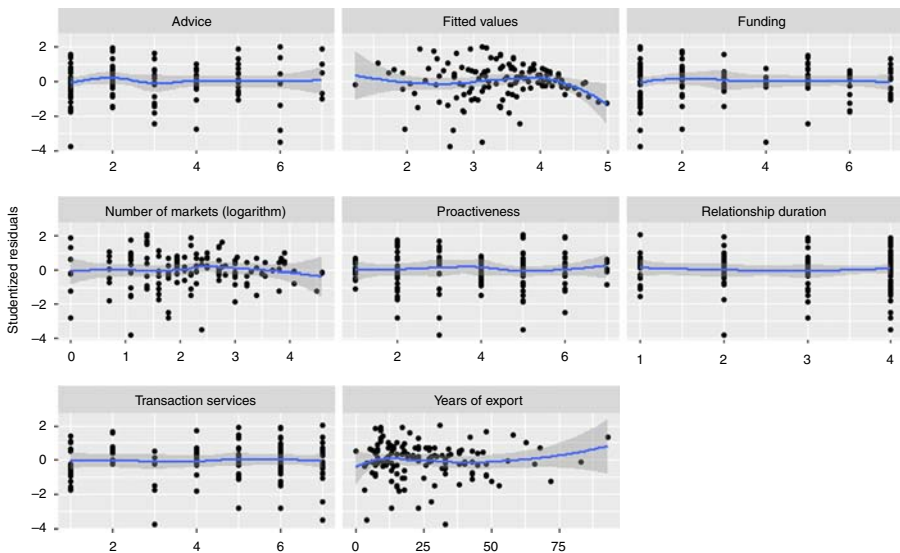
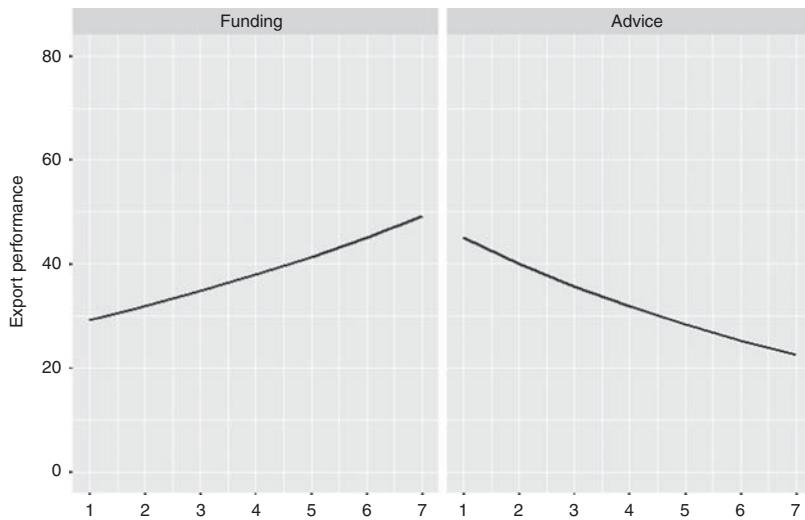


Figure 3. Studentized residuals vs different variables for Model 3 vs independent variables and vs fitted values

(e.g. Lindstrand and Lindbergh, 2011). This confusion might result from a lack of comparability as previous studies have focussed on different aspects of the bank relationship and have been carried out in different contexts, but also from a lack of detail regarding SME characteristics and types of services provided by banks.

Previous findings in the Swedish context, not differentiating between various types of SMEs and various types of bank services, have shown differences in how exporting SMEs value bank support (Boter and Lundström, 2005; Lindstrand and Lindbergh, 2011). Lindstrand and Lindbergh found that 24 per cent reported dependency on banks whereas the remaining 76 per cent did not feel dependent. Likewise, Boter and Lundström noticed

differences in how often SMEs turn to banks for business support, as did Meyer and Skak (2002) among Danish and Austrian businesses, and Lewis *et al.* (2007) in a New Zealand study.

The present study contributes by filling a gap in bank marketing and internationalisation marketing theory and practice regarding export performance at the firm level (Sousa *et al.*, 2008). It extends the analysis of bank relationships by breaking it down into different services and relating these services to different types of exporting SMEs. As a result, several important nuances in the relationships between bank services and SME export performance have been identified. To start with, the importance of bank funding for export oriented SMEs that has been shown in previous studies (e.g. Kumar and Rao, 2015) was confirmed, but with an important specification: the higher the export performance, the greater the importance attributed to bank funding of international business. Likewise, the importance of transaction and/or currency services provided by banks for SMEs' ability to do business abroad, previously indicated by Durkin *et al.* (2013), is shown with the important limitation that the greater the SME's export performance, the greater the importance of transaction and/or currency services provided by banks for its ability to do business abroad, for a small number of markets. Notably, the effect diminishes as the number of markets increases. This result indicates that SMEs turn to partners other than their main bank for these kinds of services when a greater variety of markets are covered.

Bank support was further examined regarding advice on international business, knowledge on international markets and benefits derived from the banks' contacts. The results confirm the value of advisory services (Boter and Lundström, 2005), but also clarify how this perceived value is related to export performance. It is shown that SMEs with low export performance attach a markedly higher importance to advisory services that banks offer regarding international business than firms with high export performance. In terms of benefits derived from banks' knowledge on international markets and banks' contacts, no significant relationships with export performance could be found, and the reported evaluations of benefits obtained indicate that these kinds of support are seldom provided. In spite of an increased presence on international markets (Ambos *et al.*, 2009), banks thus still seem to make very limited use of their international networks in supporting SMEs.

Managerial implications

Research on bank-related antecedents of export performance is of interest to both banks and SME managers. SMEs are arguably important bank customers and also have the greatest growth opportunity (Connolly, 2000 in Silver and Vegholm, 2009). Banks should thus take an interest in building effective strategies for enhancing their relationships with SME clients. With greater understanding of the needs of SMEs acting on international markets, the odds of keeping them as customers would increase and, in addition, the SMEs are likely to become bigger and more profitable customers (Guo *et al.*, 2013). Banks thus need to identify potential weaknesses and address them to improve their customer relationships. Such remedies are however often both costly and risky and therefore need to be directed towards those firms that value them the most. This study contributes strategic direction by indicating that SMEs with high export performance are likely to have the highest demands on bank funding as well as transaction and/or currency services. The latter services, however, mainly relate to firms acting on a small number of markets. In this regard, banks need to investigate why they become less attractive as partners for SMEs acting on a large number of markets.

Banks furthermore need to consider if they should invest in advisory services for SMEs with low export performance. Further discussions on problems and opportunities related to advisory services would not only support these SMEs, but also provide the banks with more

background for their risk evaluations. Finally, banks should consider if their knowledge about international markets and their business contacts in other markets could form a basis for additional services. As previously noted (Mainardes *et al.*, 2017; Oliveira and von Hippel, 2011), new financial services are often the result of customer interactions. In light of increasing global competition within financial services, banks likely need to turn to innovative, and often intangible, services to stay competitive.

Banks have, however, been criticised for focussing too much on norms and policies at the expense of customer needs (Bick *et al.*, 2004) and for behaving “lazily” by preferring hard, standardized data at the expense of a relationship-oriented approach (Durkin *et al.*, 2013; Rostamkalaei, 2017). Technical advances facilitate the gathering of many forms of customer information, but the results from the present study underline the remaining gaps in building efficient relationships supporting both parties (Durkin and Kerr, 2016). The banks run the risk of losing SME customers if they do not provide transaction and/or currency services that attract SME managers acting on many markets. Furthermore, if their advisory services, the knowledge they share and their international network do not provide sufficient benefits to SMEs, they are left competing with interest rates only and can more easily be replaced by a competitor.

SME managers could encourage a change in bank behaviour by viewing banks as potential providers of a diverse set of value-added resources and proactively invite various forms of bank support. They should also take into consideration that there are differences among banks and some will have more developed resources and support policies than others.

Limitations and suggestions for further research

The present study has limitations that can be addressed in future studies. First, the self-reported export performance measure, although commonly used, has limitations that affect comparability (Katsikeas *et al.*, 2000). Studies using accounting data and/or multiple indicators could thus make a contribution. Second, the present sample is limited to manufacturing firms originating in Sweden. Further research could examine the findings of the present study against alternative samples from other lines of business and other parts of the world. Sweden is a developed market and firms' preferences may in such contexts be more oriented towards intangible aspects than in less developed markets (Nejad, 2016). Furthermore, although this study has contributed to increased nuances in research on SME bank relationships, this precision can be further enhanced as there are still many aspects of the SME bank relationships that have not been covered. In particular, a longitudinal study examining these issues over time would be welcomed.

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