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SLACK RESOURCES AND THE EXPORTING BEHAVIOR OF PRIVATE FIRMS (INTERACTIVE PAPER)

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SLACK RESOURCES AND THE EXPORTING BEHAVIOR OF PRIVATE FIRMS

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Principal Topic

Exporting is an important path to boost firm growth and performance (Autio et al., 2000; Bloodgood et al., 1996). Despite the importance of understanding the antecedents of firms' exporting behavior, few studies have focused on how slack resources—those resources firms possess in excess of resource demands from current business—influence firms' exporting behavior (Tseng et al., 2007). On the one hand, slack resources may provide the means necessary to cross borders and allow firms to compete in international markets with less binding constraints. This is expected to stimulate firms' exporting activities. On the other hand, slack resources may shield firms from external pressures, which reduces firms' incentives to adapt to environmental pressures and to engage in risky projects. This is expected to hamper firms' exporting activities. The goal of this study is to examine how different types of slack, including financial slack and human resource slack, influence firms' exporting behavior, including the decision to export, the export intensity and the export diversity.

Method

We constructed a unique longitudinal database by merging two separate databases: a confidential database of the National Bank of Belgium that contains information on the exporting behavior of all Belgian firms and a database that contains detailed annual accounts data for Belgian firms from the Central Balance Sheet Office at the National Bank of Belgium. This resulted in a sample of 3,391 firms active in the manufacturing sector between 1996 and 2009.

Results and Implications

First, we found that both financial and human resource slack positively influence the decision to export but this positive effect diminishes (and may even become negative) as slack levels increase. Second, we failed to find a relationship between financial slack and the export intensity, while human resource slack negatively influences the export intensity. Third, we found that both financial and human resource slack positively influence the export diversity but this positive effect levels off at very high levels of slack. Taken together, our results suggest that there are no simple answers to questions, such as whether, how and to what extent slack resources affect firms' exporting behavior.

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