

# THE FACTORS CONDITIONING THE EXPORT BEHAVIOUR OF THE FOOTWEAR INDUSTRY IN FRANCA, SÃO PAULO, BRAZIL

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## INTRODUCTION

Issues related to international trade have assumed increasing significance within the national economic debate, mainly due to the vulnerability of the Brazil's foreign accounts, as shown whenever there is an exchange rate crisis. Within this context, evidently, it is important to study the sectors of the Brazilian economy that are capable of increasing the volume of our international sales, in particular those industrial sectors that are characterised as being labour intensive, as is the case of the footwear-leather chain. It is important to increase exports in this sector, not only in order to improve the country's foreign accounts, but also to reduce the unemployment rate.

The general objective of the present study is to identify the internal factors of the footwear industry in the city of Franca, São Paulo State, which influence its export performance and discuss a model that explains the permanence of firms in the international market.

Besides this general objective, an attempt is made to analyse the pattern of development of the internationalisation process of the firms in the sector and identify the degree of concentration of international sales, in relation to both the countries and the international buyers. Furthermore, the study focuses on identifying the characteristics of the managers of exporting firms and non-exporting firms, their perceptions regarding international activities and the nature of their influence on the export performance of the firm.

### **The context of the Brazilian footwear industry**

A study by Sindifranca – the Footwear Industry Association in Franca - (2002) shows that, historically, the production of shoes in Brazil is mainly concentrated in two centres. The first, located in the Vale dos Sinos (Rio Grande do Sul State) is specialised in women's shoes (40% of national production, 75% of total exports and almost 50% of the jobs in the sector). The

second is Franca (SP), with around 760 firms (men's leather shoes, 6% of national production and 3% of Brazilian exports). Also worth noting are Birigüi (SP), with children's shoes (180 firms, 2% of national production and 2.5% of total exports) and Jaú (SP), with 150 firms (women's shoes, 2% of national production and less than 0.5% of total exports). The firms located in these three cities in São Paulo State (Franca, Birigüi and Jaú) absorb around 18% of the labour employed in the sector.

The study highlights, moreover, two other traditional centres of the footwear industry, those of Santa Catarina and Minas Gerais. The footwear industry in Santa Catarina, specialised in women's shoes, is centred on the town of São João Batista, where there are 120 firms making around 1% of the national production. The footwear sector in Minas Gerais is composed of around 1500 firms that are mainly concentrated around Belo Horizonte and specialised in women's shoes while in Nova Serrana, there are 730 firms, which produce sports shoes and beach shoes in synthetic materials and together they are responsible for around 10% of national production.

From the 1990's with the migration of large firms from the South and Southeast regions, a new footwear-manufacturing centre appeared in the Northeast. The formation of the new footwear-manufacturing centres in the Northeast occurred, basically, due to two factors: the unmatched subsidies offered by the governments of the States in the Northeast, in particular those of Ceará, Paraíba and of Bahia; and the wages paid to the workers in these states that are, on average, half those paid in Franca and Vale dos Sinos (HENRIQUES, 1999).

The footwear-leather chain is of particular importance in the Brazilian economy, not only because of the volume of exports, which total 212 million pairs and the entry of foreign currency worth the order of US\$1,809 million, in the year 2004, but also for the generation of employment, around 313 thousand jobs, in the same year, considering only the direct jobs in the 8,400 footwear firms within the chain. According to the same source, the great variety of raw material and component (1,500 firms), machines and equipment suppliers (around 100 firms), allied to the technology and innovations, make the Brazilian footwear-leather sector one of the most important in the world. Furthermore, in 2005, more than 400 firms specialised in the tanning and finishing leather processed more than 30 million hides.

In 2004, the Brazilian footwear manufacturing sector produced around 725 million pairs of shoes. Although 2004 was one of the most significant for the domestic footwear industry, with recovery of the production levels seen prior to the Real Plan and good export performance, since the end of that year, the sector has faced a serious crisis due to the

devaluation of the US dollar, which has led to a loss of competitiveness of its products in the international market and a reduction in exports (ABICALÇADOS, 2006).

### **Performance on the International Market**

In the 1980's, as there was a need for foreign currency (dollars), the Brazilian Federal Government introduced a policy designed to stimulate exports (REIS, 1994), the main purpose of which was to obtain a positive trade balance in order to meet the financial commitments of the foreign debt. To this end, the Government sought to promote exports and contain imports. As part of the Government's policy a number of incentives were introduced that were intended to encourage exports in the 1980's (tax exemptions, subsidies and export program tax benefits), as well as an exchange rate policy consisting of constant mini-devaluations.

Taking advantage of these benefits, the footwear industry significantly expanded its exports, from 22 million pairs and an influx of around US\$ 93 million in 1973 to 93 million pairs and US\$ 682 million in 1983 and, at its highest point in 1993, reaching exports of 201 million pairs and US\$ 1,846 million (ABICALÇADOS, 2006).

With the introduction of the Real Plan, in 1994, the Brazilian footwear industry experienced a sharp decline in its performance in the international market, as a result of the unreal valuation of our currency in relation to the dollar, which removed the competitiveness of our products abroad. In 2000, two years after the end of exchange rate parity, the sector began a process of recovering foreign sales, but only in 2004, more than ten years later, was it able to match the number of pairs exported in 1993, though without reaching the turnover of that year, which was only surpassed in 2005.

In 2004, with the production of 755 million pairs, Brazil was placed third in the ranking of the largest footwear manufacturers in the world; the fifth exporter, with an exported volume of 212 million pairs; and the fifth largest consumer of shoes on the planet, with an annual consumption of 552 million pairs. In 2005 the figures of the footwear industry were slightly lower: 725 million pairs produced; 189 million pairs exported and 552 million pairs consumed.

An important characteristic of the sector that should be highlighted is the large volume of exports concentrated in a limited number of firms. In the year 2004, of the total of US\$ 1.9 billion in revenue obtained by the sector from exports, around US\$ 1.2 billion (65.9%) remained with a mere 46 firms, which represent 3.7% of the total number of exporters. The other 1,218 exporting firms in the sector obtained US\$ 699 million from the international

market, or around 34.1% of the total value obtained from footwear exports that year (MDIC / SECEX, *apud* ABICALÇADOS, 2006).

In Brazil, the concentration of exports in a small number of firms is not only limited to the footwear sector Seragini (*apud* NEVES, 2001) shows that, of a total of 2 million industrial establishments, only 15 thousand firms in Brazil export. Moreover, 60% of the total exports are made by less than one thousand firms, so that 40% of the exported value corresponds to transactions between firms (*business-to-business*).

For Campanhol and Smith (2002, p. 335), the difficulties of Brazilian firms, particularly micro and small footwear manufacturers in Franca, in entering the international market are mainly concentrated “on the failure to centre the marketing on the brand, quality and style, so that, the footwear from Franca has no identity abroad”.

A study carried out by SEBRAE (2004), among 87 footwear manufacturers from Franca (SP) shows that 70% (seventy percent) of the footwear exports are made through exports agents using non-maker brand names, normally those of the large international distributors. In making their sales through these international distributors, the firms in the sector fail to develop their own brands abroad, and their own distribution channels. It is the agents that determine the models to be manufactured, demand their brands names are placed on the products and stipulate the prices to be paid.

Another worrying aspect of the Brazilian footwear industry exports is the excessive dependence on the North American market. In 2004, of a total exported value of US\$ 1.81 billions, 56.6%, that is, US\$ 1.02 billion, corresponding to around 97.6 million pairs, were sold to the USA. The second market for Brazilian shoes is the United Kingdom (UK), which, in that year, imported 9.5 million pairs of shoes from Brazil, for US\$ 136 million.

In the Brazilian exports, shoes made from quality leather predominate, which are products with higher added value, destined to a public with average income (REIS, 1994). The Asian countries, mainly China, South Korea, Hong Kong and Taiwan, specialise in the production of sports shoes made from synthetic materials.

In 2004, Brazil exported around 123 million pairs of quality leather shoes, which produced earnings in the order of US\$ 1.4 billion, **corresponding to 80.3% of the value of the country's exports that year**. This type of shoe obtains an average price of US\$ 11.81 in the international market. The second most exported product, the assembled plastic shoe, had a sales volume in the order of 63 million pairs, and revenue of around US\$ 240 million, at an average price of US\$ 3.81 per exported pair.

### **The footwear industry in Franca**

The footwear industry in Franca (SP), the focus of this study, is specialised in the production of men's leather shoes, sold in all the Brazilian States, it has a significant share of the international market and constitutes the main footwear industry centre in the São Paulo State (CONSTANZI, 1999).

Estimates from Sindifranca (2006), show that, at the end of 2004, the sector employed around 23 thousand people, registered in its 760 firms, produced, in that year, 35.4 million pairs, with 25.3 million destined to the domestic market and 10.1 million sold on the international market, corresponding to 5% of the national exports. In 2005, in the sector there was a general decline in all these figures: 18 thousand jobs (-21.7%); 27.9 million pairs produced (-21.2%); 19.6 million pairs sold in the domestic market (-22.5%); and 8.3 million pairs exported (-17.8%), corresponding to 4.5% of national exports (CONSTANZI, 1999).

Even with the partial recovery of the foreign sales in the sector, which occurred in recent years, this fall in yield, from 2004 to 2005, may be a reflex of some historic deficiencies within the sector, such as the concentration of exports in a relatively small number of firms, dependence on export agencies, the small volume of sales with own brand name, the absence of their own distribution channels and the preponderance of sales to the American market, as well as the susceptibility of the sector to variations in the exchange rate.

Following this outline of the Brazilian footwear manufacturing sector, the next part of the article offers the concepts related to the theories on the process of company internationalisation and their application to the footwear industry.

### **The theories on the process of company internationalisation.**

A great number of the models that deal with entry strategies into international market suggest that the internationalisation of a firm occurs through a series of stages, the number of which differ according to the author.

This view of internationalisation as a sequential process covers several models that, despite presenting different conceptions, originate from the same basic premise: the firms, in developing their international activities, evolve in a sequential and consistent manner, through continuous organisational learning.

### **The Johanson and Vahlne model**

According to Melin (1992), of the models that share a sequential character of internationalisation, the most mentioned, discussed and the most influential in the field of business is that developed by the Scandinavian School.

The theory of “development phases” establishes that the firm goes through four different stages in the penetration of a foreign market, constituting what the authors denominate “**chain of establishment**” (Johanson and Wierdersheim-Paul, 1975):

- Stage 1 – Sporadic irregular exports;
- Stage 2 – Exports mediated by independent representatives;
- Stage 3 – Installation of a commercial subsidiary in the foreign country; and
- Stage 4 – Installation of a production unit in the foreign country.
- 

This pattern of behaviour results from a process of rational decision making within firms that seek, at the same time, to reduce the risk of acting within international markets and preserve the *status quo* existing in the firm (Dominginhos, 2001). Thus, the amount of resources that the firm invests in the target market depends on the degree of knowledge that it has of that market - the greater the knowledge, the greater the volume of resources that the firm will be prepared to invest.

The second corollary of this model is related to the geographic progression of the international activities, linked to the concept of psychological distance, defined as a set of factors that impede or hamper the flow of information between the firm and the target market (linguistic, cultural, political, educational differences or those related to industrial development).

Johanson and Vahlne (1990) admit the possibility that exceptions may occur to this linear sequential process of entry into the international market. According to some authors, there are cases in which the firms having sufficient resources can make greater leaps, acquiring, for example, firms installed in the target market. Moreover, when market conditions are stable and homogeneous, the relevant knowledge can be obtained in ways other than direct experience, like, for example, by hiring human resources specialists. Lastly, it may occur that those firms that have broad experience in markets with similar conditions may generalise with regard a specific market.

### **The innovation model**

Equally developed by the Scandinavian School, and also with the same sequential focus, emerges another current of authors - Bilkey and Tesar (1977), Cavusgil (1980), Reid (1981) and Czinkota (1985) – whose work gave rise to the “I Model”, as they look at the process of company internationalisation from the perspective of innovation (Andersen, 1993). This is made up of a set of models that have in common, on the one hand, the defence of the sequential nature of the process and, on the other, the use of distinct levels of commitment to the export activity, on the part of the firm, as a defining variable of the distinct stages of the firm’s international expansion.

### **The networks in the process of internationalisation**

The question of relationship networks can be considered a natural evolution of the Uppsala school model, which came to be known as the Nordic School of International Business. Its followers “have played a central role in the development of the company networks perspective, focussing on the relationships existing between firms and industrial markets” (HEMAIS and HILAL, 2002, pag. 30).

According to Barretto (1998, P. 52), “a network is formed by long-lasting commercial relations developed and maintained through the interaction between different firms acting in industrial markets – for example clients, clients of clients, suppliers, distributors, agents, competitors – that form a base of knowledge and reciprocal trust.”

### **The critiques of the models about exporter behaviour**

The behaviourist theory of entry into the international market, though supported by several studies, is the object of criticism by some experts in the process of internationalisation.

One of the main critiques of the model concerns its determinist vision, in not recognising that a firm can remain at a determined stage and not evolve, or adopt a different strategy in relation to entry and expansion in the international market (ANDERSEN, 1993). There is also criticism regarding the theoretical consistency of these models, in which they are considered conceptually and methodologically insufficient, incapable of explaining why the process occurs (or otherwise) and of predicting the passing of one stage of internationalisation to the next (ANDERSEN, 1993).

### **Cost transaction theories and internationalisation**

Another approach to the process of company internationalisation is offered by the set of theories that seek to explain the behaviour of firms based on the concept of transaction costs. The initial concepts of this theory were laid out by Williamson (*apud* Barretto, 1998) and begin with the principle that the firms are able to basically use two ways of organising their activities: Markets, through the contraction of external activities; and hierarchies, that is, the use of their own structure in order to conduct their activities. The firm would opt for the alternative that presented the most favourable transaction cost, considering the aspects relative to the environmental (uncertainty and complexity) and behavioural (limited rationality and opportunism) variables. This approach is presented in two main forms: the theory of internationalisation is the so-called eclectic paradigm of production (BARRETTO, 2002).

According to the same author, the Theory of Internationalisation can be considered as being the theory of transaction costs applied to international business. For the theorists of this model, exporting can be considered only as a departure point for direct foreign investment, which would occur when the benefits of internationalisation outweigh its costs.

Rugman (*apud* Barretto, 1998) propose the following stages for the process of internationalisation: first, exporting; second direct investment; and third, licensing.

The eclectic paradigm of production was developed by Dunning (1988) and proposes to explain the breadth, form and the pattern of international production, based on market imperfections that give rise to three groups of advantages: the specific advantages of property; the locational advantages; and the advantages of internalisation.

The advantages of property refer to both the possession of property rights or intangible assets (patents, trade marks, technological and organisational capacities as well as those of resource structure and knowledge), and the advantages arising from administration of a network of assets located in different countries, which result from the very multinational nature of the firm (ORTEGA, 1999; IGLÉSIAS; VEIGA, 2001).

The locational advantages (availability of natural and human resources (cost and quality of resources); technological knowledge; infrastructure; market size; political and economic stability; exchange rate policy; and government economic policy), which would define where the production would take place, tend to reflect not only “the Ricardian-type resources like spatial distribution of the endowment of the factors, but also assets derived from the cultural, legal, political and institutional environment.” (ORTEGA, 1999, pag. 32).



The advantages of internalisation appear, still according to the same author, due to the existence of transactional market deficiencies, which lead firms to diversify and realign the organisation of their activities of value, in part in order to “maximise the net profit of the lower transaction costs derived from the common direction, and, in part in order to ensure that maximum economic yield is obtained from the property advantages they possess” (ORTEGA, 1999, pag. 32).

### **Methodology**

According to Machado Neto (2006) there are 760 (seven hundred and sixty) footwear manufacturers in the city of Franca, São Paulo State, which are distributed as follows, by size: 552 micro-businesses; 130 small businesses; 65 medium-sized businesses; and 13 big businesses.

For the purposes of this study, the micro-businesses have been excluded, as the original study, upon which the present study is based, focused on the export behaviour of firms, and the role of micro-businesses is insignificant in relation to international trade. Then, the research universe was composed of the other 208 footwear manufacturers in the city of Franca, São Paulo State: 130 small businesses; 65 medium-sized businesses; 13 and big businesses. The methodology applied in categorising these firms by size is that adopted by *IBGE* and *SEBRAE*.

This criterion of classifying firms by the number of employees has been used by Carvalho Neto (2004), Dourado (2001), Smith (2000) and Figueiredo and Almeida (1988), in studies on the footwear industry.

It was decided to send the questionnaire, by email, to all the 208 firms listed in the Footwear Industry Registry in Franca, of which 146 collaborated with the survey by returning the completed questionnaires, which represents a significant rate of return of more than 70%. For the most part, the survey was answered by managers and the main executives of the firms, who expressed their perceptions in relation to the different aspects of the internationalisation process within their firms.

### **Multivariate Data Analysis**

Several statistical procedures were developed with the aim of analysing the collected data. Factor analysis was used in order to reduce the data obtained (HAIR *et al*, 2005). In order to test the statistical possibility of separating the firms in the sample into three homogenous

groups (non-exporters, occasional exporters and experienced exporters), conglomerate analysis was preformed.

Following this, logistical regression was carried out (AAKER et al, 2001; PESTANA and GAGEIRO, 2003; HAIR et al, 2005). Multiple regression was used in the present study to predict and explain the variables and factors that most discriminate the groups of firms.

Lastly, Confirmatory factor analysis, also known as “structural equation modelling” was performed. This represents an extension of several multivariate techniques, which combine elements of multiple regression with factor analysis, making it possible to not only assess relatively complex the inter-related dependence relationships, but also incorporate the effects of measurement errors on the structural coefficients at the same time (HAIR *et al*, 2005). For reasons of limited space, only the results of the structural modelling are given in detail in this article.

### **Research Findings**

In this sub-item the main aspects involving the process of internationalisation of the firms will be analysed, which should provide assistance in verifying whether the models of company internationalisation existing in the literature adequately explain the behaviour of the footwear manufacturing in Franca in entering the international market.

### **Entry into the International Market**

The theory of company internationalisation, in particular that of the “Uppsala model” (U-Model), establishes that the firm passes through four stages: the first stage, irregular sporadic exports; the second, exports mediated by independent representatives; the third, the installation of a commercial subsidiary in the foreign country, and the fourth, the installation of a production unit in the foreign country.

In order to find out whether the behaviour of the footwear industry in Franca fits this evolutionary pattern, the firms were asked to enumerate the sequence adopted by them in the internationalisation of their activities, in the following areas: sales by export consortia; sales by export agents; autonomous sales (direct export); installation of commercial subsidiaries abroad; and installation of production units abroad.

**Table 1 – Modes of entry into the international market of the footwear industry in Franca**

Stages of Internationalisation	Forms /Modes of Entry				
	Consortia	Agents	Autonomous	Subsidiaries	Production Unit
not used	135	56	90	133	143
1 <sup>st</sup> Stage	1	75	21	1	0
2nd Stage	5	13	28	2	0
3rd Stage	2	0	5	5	1
4th Stage	1	0	0	3	0
<b>Total</b>	<b>144</b>	<b>144</b>	<b>144</b>	<b>144</b>	<b>144</b>

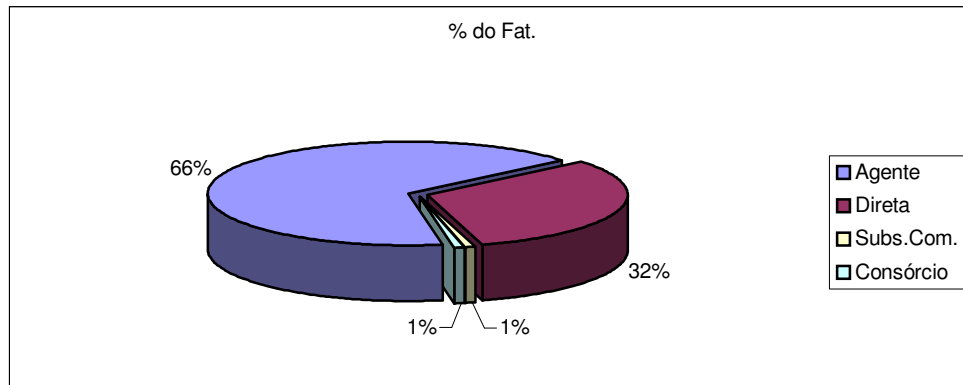
The findings (Table 1) seem to indicate that the entry process of the footwear industry in Franca into the international market can, in part, be explained by the theories of internationalisation. Most of the exporting firms began their activities abroad from the second predicted stage, that is, sales mediated by export agents. This mode of placing products on the international market is still used by a large number of exporting firms, even by those that have a great deal of experience in exporting. This means that by continuing to sell by intermediaries the firms in Franca apparently fail to acquire the knowledge of the international market which would permit them to advance to later stages (installation of subsidiaries and/or production units abroad).

Hence, the premise contained in the theory of internationalisation, that the firms begin to export late and enter into the international market slowly and sequentially appears to be confirmed, till now, though very slowly, in the footwear industry in Franca.

### **Stages of internationalisation**

The use of intermediate agents remains the mode most frequently used by the footwear firms in Franca when placing their products on the international market. Of the 81 firms that exported in 2005, 73 said that they used export agents, of which 31 sold all their exported goods through such intermediaries. The second most used mode of marketing was direct export, mentioned by 49 firms. A mere 8 firms said that they had commercial subsidiaries abroad and only 6 said they were members of export consortia.

Graph 1 shows that in the last two years, sales through intermediaries have remained insignificant, reaching slightly more than 2% of the exports. On the other hand, sales mediated by agents correspond to 66% of exports and direct exports account for 32%.



**Graph 1 Marketing modes in exporting.**

The modes of placing products on foreign markets most widely used by the manufacturers in the sample are considered the most embryonic stages of the process of international entry in the cited theory of internationalisation. Only 8 of the 81 firms that exported products in 2005 showed they had advanced to the third stage of the process, with the installation of commercial subsidiaries abroad and only one firm had established a production unit abroad.

The failure to install production units abroad and the maintenance of production in and around the city of Franca, could be explained but the fact that the local wages as well as the other production costs in the local productive arrangement, have allowed the footwear industry in Franca to retain, at least until now, its international competitiveness. The size of the domestic market, which absorbs more than 70% of production of the local firms and the fact that exports are preferentially destined for the USA, are among the other factors that have led the local firms not to express any great interest in internationalising their production.

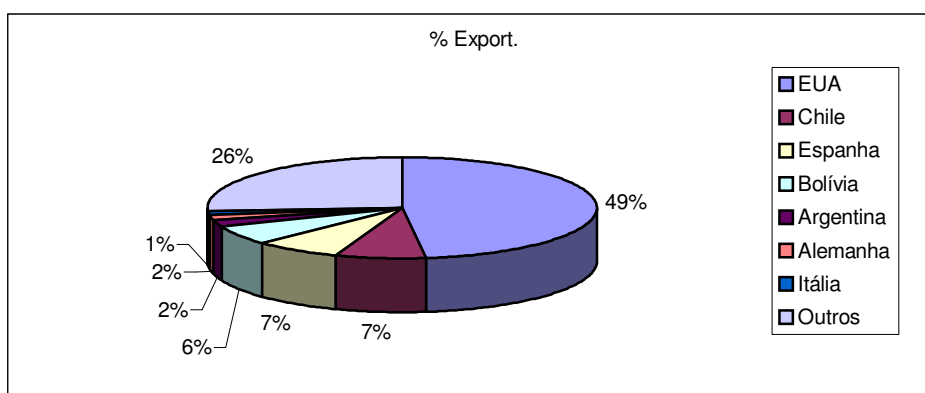
Currently, the strong presence of China in the North American market and its entry into the Brazilian market, however, appear to be bringing about changes in this scenario, with some exporting firms transferring part of their production to units in Northeast Brazil and abroad. At least one large firm, taking advantage of the tax incentives and cheap labour in Northeast Brazil, now produces 70% of its products destined for export to the USA in that region. Another firm, of medium-size, taking advantage of favourable conditions in relation to exchange rate, taxes and production costs has installed a production unit in China, where it manufactures 50% of the products that it distributes in our country.

The second corollary of the internationalisation model is related to the geographical progression of international activities, linked to the concept of psychological distance, which can be defined as a set of factors that impede or hamper the flow of information between the firm and the target market (linguistic, cultural, political, educational differences or those related to industrial development). Although the psychic distance may be related to the

geographical distance, this is not necessarily the case. Some countries of the British Commonwealth are geographically distant, as, for example, the United Kingdom and Australia, but for different reasons they are close in terms of psychic distance. The United States and Cuba, on the other hand, are geographically close to each other, but, for political reasons, they are very far apart in relation to psychic distance.

Hence, in relation to psychic distance, exports mediated by agents, that are, almost always, representatives of large international distributors (mostly North American), and the fact that the USA is the world's largest importer of footwear, contribute so that the exports from the firms in Franca are predominantly directed towards that market. This behaviour is further reinforced by the fact that Brazil, since the end of the Second World War has been, almost always, politically aligned with the USA, though it cannot be said that the uses, customs and commercial practices are similar in the two countries.

Nevertheless, the fact that exports are affected by the export agents that, as representatives of large international trading companies, know the North American market permitted a reduction in the supposed psychological distance between the two countries and the placing of the USA as the main market for the footwear manufactured in Franca.



**Graph 2 - Footwear industry: destination of production in % of revenue**

In Graph 2 it can be seen that the sales of the firms composing the sample, for the North American market, represent around 50% of foreign revenue, followed by Chile, Spain and Bolivia with percentages of around 6% to 7% each one. Though, as yet, representing a small part of earnings from the foreign sales of the firms from Franca, the fact that Spain, Germany and Italy appear among the main destinations of the products exported by those firms shows a certain concern with diversification in the international market and the reduction of dependence on the North American market.

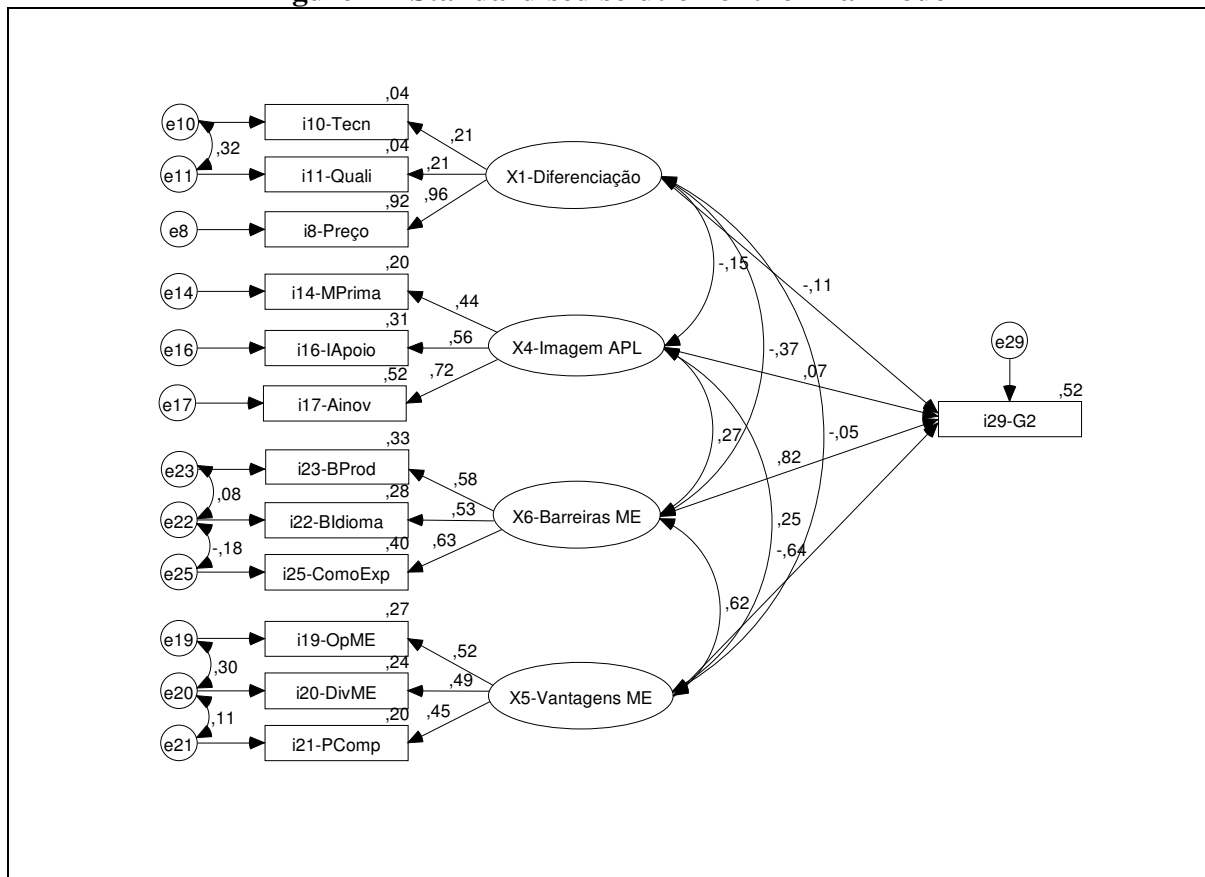
This search for new markets, especially in Europe, shows, in reality, an acceleration of the process initiated in 2002. That year, sales to the USA represented almost 84% of revenue of the footwear industry in Franca on the international market. The following year, there was a ten percent fall in that figure to around 72% and, in 2004, to around 69% of exports. The attempt to transfer part of these sales to the European market becomes clear in an analysis of the sales to Spain: in 2002 they represented 0.08%; in 2003, they rose to 2.38%; in 2004, they were 3.27%; and currently they are at a level close to 7% of our exports. A similar evolution has occurred with sales to Chile and Bolivia, which have risen from levels close to 1% to levels similar to those of Spain.

### **The factors conditioning export behavior**

With the purpose of confirming the theoretical model proposed in the doctoral thesis “The determinants of export behaviour in the footwear industry in Franca” (Machado Neto, 2006), confirmatory factor analysis, also known as structural equation modelling (SEM) was carried out. This represents an extension of several multivariate techniques, which combine elements of multiple regressions with factor analysis, making it possible to not only assess relatively complex inter-related relationships of dependence, but also incorporate the effects of measurement errors on the structural coefficients at the same time (HAIR et al, 2005).

The standardised solution of the final model of this confirmatory factor analysis can be seen in Figure 1.

**Figure 1—Standardised solution of the final model**



**Source: MACHADO NETO, 2006**

The proposed model is the final result of a confirmatory factor analysis, a multivariate technique used to test (confirm) a pre-specified relationship. In this study it was used with the aim of identifying the factors determining the export behaviour of the footwear industry in Franca. This behaviour is represented in the model by the variable i29-g2, which are two groups of firms separated based on their export performance (non-exporters and occasional exporters in one group and experienced exporters in another).

In summary, it can be said that the proposed model was shown to be moderately fitted and the various factors were shown to be significant.

The construct that most reflects the behaviour, in exporting, of the firms in the sample, is the "X6 obstacles ME", with a factorial load of 0.82. It shows the perceptions of the managers of the firm in relation to the internal obstacles to entry into and remaining in the international market. It is not coincidental that this was also the first factor found in the factor analysis and the first discriminant factor in the logistic regression analysis. The three variables that reflect this construct have similar factorial loads, with "lack of knowledge of how to export" weighing slightly more. After this appears the construct "X5-Advantages ME" (-0.64) that

shows the perceptions of the directors in relation to the benefits of entry into the international market. The construct "X1-Differentiation" (of the product) appears next, influenced by the high factorial load of the variable "i8-Price", which also appeared, in the logistic regression analysis, as the most important in the discrimination of the groups of exporting firms and non-exporting firms. Lastly, comes the construct "X4-Image of the LPA", which seeks to verify the perception of the managers in relation to the advantages of being located within a footwear production centre. In reality, the findings of the SEM confirm those obtained with the factor analysis and in the logistic regression analysis, and make it possible to confirm the efficient fit of the proposed model.

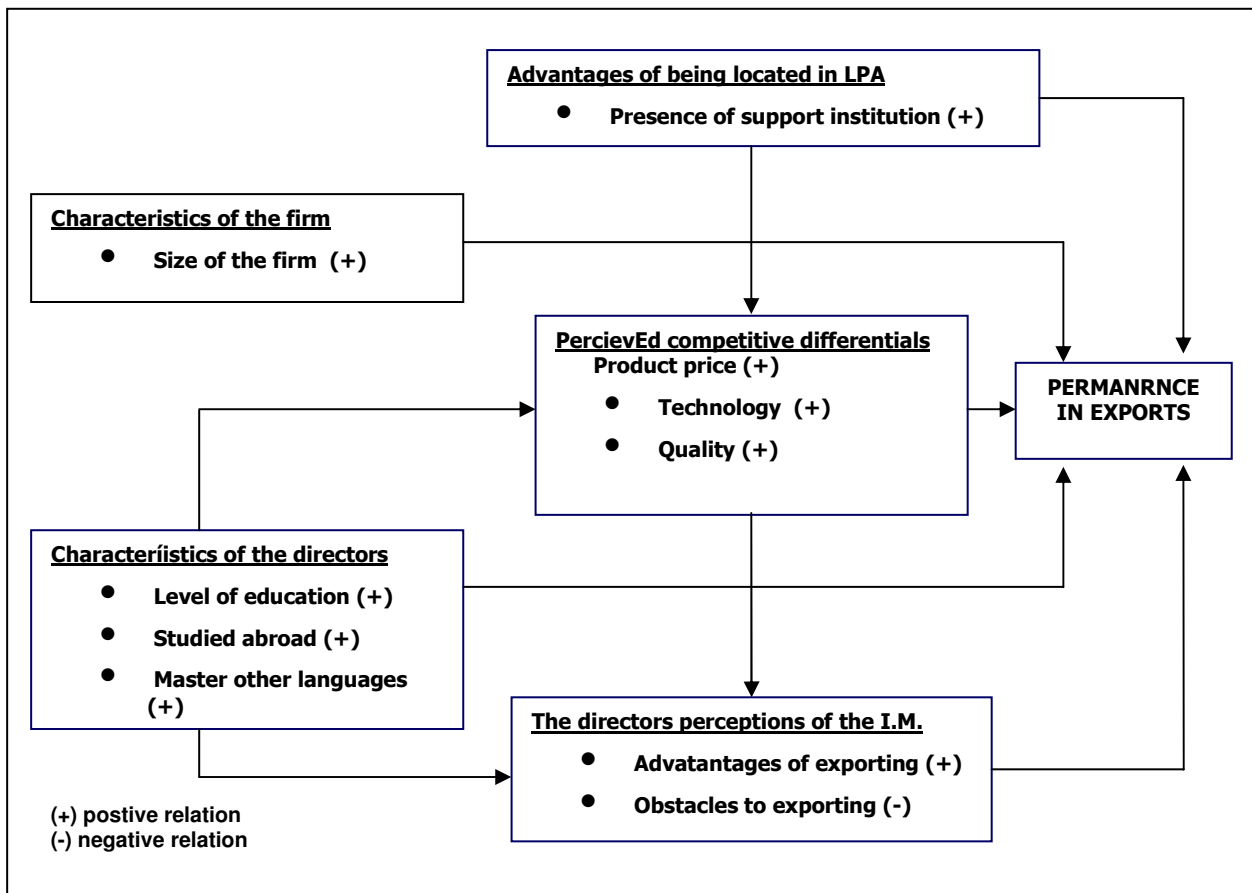
### **Conclusions and recommendations**

The present exploratory study, has attempted to investigate the internationalisation of the footwear manufacturers in the city of Franca, São Paulo State, in order to identify the main modes used to enter into the international market and the factors determining the export behaviour. In this item the main findings and contributions produced by the investigation are presented, together with their practical and academic results.

The suggested model of export firm in the footwear industry in Franca, based on the factors determining the export behaviour of these firms, can be seen in Figure 2.



Figure 2 – The proposed model of exporting firm



What is revealed by this model, in conjunction with the results of the other statistical analyses, is that the firms that do not export have internal problems related to the perception of a lack of production capacity to meet the international market, difficulty in dealing with language and cultural differences and a general lack of export know-how. All this is allied to a somewhat distorted view of the benefits that internationalisation can bring to firms, from the point of view of the opportunities of growth and of diversification of the manufactured products that the international market offers and of the yield to be obtained with exports. The perception of the directors is that such firms also lack sufficient quality and technology in their manufacturing process, which is reflected in lower sales prices when compared to those practiced by exporting firms.

In general, in order to achieve a structured and lasting presence in the international markets, the firms have to adapt to the international quality standards of products, which implies the use of better technology and the capacity for innovation, especially in the design of new products, accompanying the trends in the world of fashion. The exporting firms appear to deal better with these issues than the non-exporters

Accordingly, the increase in exports of the footwear industry in the city of Franca needs to undergo measures that diminish the negative perception of the business community in relation to their capacity to overcome these obstacles. These measures would include the better professional qualification of the managers and the need for periods of professional or academic experience abroad. Along these lines, the intervention of the export assistance bodies, the work of universities and the development of the local productive arrangement itself, may be the most suitable paths to change this situation.

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