Small apparel import firms are facing increasing challenges, and hardly any research is done to study these firms. The purpose of this study is to analyze the performance of these firms; there reasons of survival and causes of failure are studied using a case study method. Market analysis was indicated as the important factor governing success and failure of small apparel import firms. It was also concluded from this study that there is a large opportunity and need of research in this field; also reliable source of data collection is needed. It is very difficult to survey small apparel import firm owners without help of any trade association or organization as most of the business owners are very busy and does not have time for academic studies.

INDEX WORDS: small business, apparel import firms, entrepreneur, firm performance
A CASE STUDY ANALYSIS OF SMALL APPAREL IMPORT FIRM PERFORMANCE IN THE UNITED STATES

by

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Bachelor of Technology, University of Mumbai, India, 2005

A Thesis Submitted to the Graduate Faculty of The University of Georgia in Partial Fulfillment of the Requirements for the Degree

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A CASE STUDY ANALYSIS OF SMALL APPAREL IMPORT FIRM PERFORMANCE IN THE UNITED STATES

by

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CHAPTER 1

INTRODUCTION

It is emphasized in a news release by the U.S. Small Business Administration (U.S. SBA), 99% of U.S. businesses are small. Small business contributes to approximately 50% of the United States GDP (U.S. SBA, 2007). Around 75% of net new jobs are created by small businesses (U.S. SBA, 2006). Therefore, small firms are a very important part of the United States economy. According to the SBA Office of Advocacy, small business employees are 13 to 14 times more innovative than large firm employees. The Small Business Administration reports the difference between small and large firms, by mentioning that they are more innovative, flexible and daring than big businesses. The small Business Administration also stated that, “small businesses keep intact the heritage of ingenuity and enterprise and they help keep the ‘American Dream’ within the reach of millions of Americans” (U.S. SBA, 2006, p. 1).

The U.S government decision makers understand the importance of small firms and are continuously trying to contribute to the success of small business and thus enhancing the nation’s economy. Government regulations and policies are usually in favor of small businesses; otherwise, the survival of small businesses would be very difficult.

Despite the prominent role played by small businesses and the commitment by the U.S. government to help enhance small firms, small businesses are burdened with tremendous difficulties and survival issues. According to the SBA, approximately 66% of small businesses survive their first two years. However, the survival rate drops to only 39.5% after six years of operation, and to less than 20% after 10 years of operation.
According to the SBA, small businesses are heavily burdened by the costs of government regulations and excessive paperwork. Advocacy research shows that firms with fewer than twenty employees annually spend 45% more per employee than larger firms do to comply with federal regulations.

There can be many causes of firm failure, such as the lack of managerial competence, the lack of resources, and the lack of strategic planning. Churchill & Lewis (1983) found that even though small firms vary widely in size and capacity for growth, they had some common problems arising at similar stages in development. Several researchers have studied the causes of failure of small firms, but these studies were done mostly in the manufacturing and retail sectors.

Wholesale and retail trade account for approximately 50% of small business in the United States. Together wholesale and retail trade produce almost 16% of all small business GDP, about the same share as trade’s contribution to overall GDP (U.S. SBA, 2007). The United States has long been influenced by international trade. Requena-Silvente (2005) mentioned that as international trade is growing, policy makers in major trading nations are acknowledging that successful business performance in overseas market is very important for enhancing competitiveness in the globalized world.

The textiles and apparel manufacturing sector, which is a labor intensive sector, is traditionally considered a key sector in international trade (Dickerson, 1999). As apparel manufacturing is a labor-intensive sector, most of the apparel manufacturing is done in developing countries. Also, as the United States is a developed nation, it is a major apparel importer in the world. According to Rees & Hathcote (2004), the United States possesses one of the world’s largest and most lucrative markets for textile and apparel products. The volume of imported apparel in the United States continues to increase. Specifically, after the quota phase
out in January 2005, there has been a large surge in apparel imports to the United States from developing countries such as China, Mexico, and India. This leads to an increase in the number of apparel importers in the United States that distribute to retailers. Due to this drastic increase, increased competition and challenges to survival for apparel importers have surged in this globalized world. Also, there is an increase in the number of countries exporting apparel to the United States, which again increases supply while posing greater challenges for apparel importers in the United States.

There have been high rates of small firm failures in United State’s history. The research that has been done in the past on small firms, treated small firms similar to large firms, which gives a large margin of error. There has been tremendous research done in the field of exporting, while the field of importing has been neglected, even though the United States is one of the largest apparel importers (Bernard, Jensen & Schott, 2005). Also, there is a trade association for small business exporters, termed as Small Business Exporters Association of the United States (SBEA), but there is no such association for small business importers (Swartout, 2007).

Even though small businesses and imports have been important economic factors in the United States, little research has been done in this field. Bernard, Jensen & Schott (2005) found that there is no research documenting and analyzing importing firms.

**Statement of purpose**

Small apparel import firms are facing increasing challenges and problems in the age of globalization. This important, but neglected area will be studied in this research. This study will focus on factors affecting performance of small apparel importers in the United States. Also, factors contributing to the survival of thriving firms will be identified. Apparel import firms that are facing survival problems, firms that are succeeding and also novice entrepreneurs, those who
are planning to start small apparel import business, will benefit from this study. The literature review shows that little research has been done in the field of apparel import firms, so this study will be beneficial not only for the apparel industry, but also for small business and import firm research.

**Statement of Objectives**

1. To identify the factors contributing to survival of existing small apparel import firms in the United States.
2. To identify challenges faced by small apparel import firms in the United States.

**Assumptions**

1. The survey was completed by research participants that are owner or manager of the small apparel import firm.
2. Participants were honest in answering questions asked during the in-depth phone interview.
3. The participants answered the questions in the survey truthfully.
4. The participants have understood the survey questions and have answered the questions appropriately.
5. Small apparel import firm performance can be indicated by percent increase or decrease in number of employees in the firm.

**Conceptual Definitions**

1. Entrepreneurial intensity- Degree and amount of entrepreneurship in an entrepreneur or firm (Morris & Sexton, 1996).
2. Task motivation- The intensity of entrepreneurial motivation to attain the goal (Gaskill, Auken & Manning, 1993).
3. Perceived Strength of Environmental Influence- The perceived analyzability, perceived predictability and perceived adequacy of information; perceived analyzability is termed as the ability to analyze cause-effect relationships for an environmental issue, perceived predictability is the ability to predict outcomes of external events and perceived adequacy of information is utility of external information for decision-making” (Boyd & Fulk, 1996).


6. Characteristics of Task Motivation- Structure of the industry in which the organization operates (Gaskill, Aukin & Manning, 1993).
CHAPTER 2

LITERATURE REVIEW

Historically, researchers have treated small firms as similar to large firms and have used theories that were developed for studying large firms (Dandridge, 1979). The assumption, that small firms are smaller versions of large firms, was argued by many researchers in the 1980s. To support his argument on large and small firms, Dandridge (1979) commented that children cannot be treated as little grown-ups, or little adults, in the same way, small businesses cannot be treated as little large firms. The treatment of small firms as large firms can lead to wrong conclusions. Dandridge (1979) also reported, several studies have concluded that large firm theories are inadequate to explain small firm performance. As there is no concrete theory for small firm performance, it suggests that very little research has been conducted in the field of small firm performance.

Robinson & Pearce (1983) studied planning in small firms and concluded that the presence, or absence, of planning can influence the eventual survival of the small firm. Betton & Dess (1985) emphasized the role of the environment based on a population ecology model in determining the survival of organizations. On the other hand, some other researchers such as Muldowney (1988), and Low & MacMillan (1988) traced the importance of cash flow, budget management, and entrepreneurship for small firm survival.
Some previous researchers captured important factors affecting performance of small firms, (such as Sels, Winne, Delmotte, Maes, Faems and Forrier (2006), Covin and Slevin (1989)). On the other hand, some researchers studied factors contributing to survival of small firms (such as, Robinson & Pearce (1983), Low & MacMillan (1988)) but hardly any research gives a big picture that includes all the important factors and interactions between those factors that affect small firm performance. In contrast, in the last decade, there have been tremendous amount of studies done to identify factors contributing to success of small and medium sized firms in different parts of the world. Ghosh, Liang, Meng and Chan (2001) studied top Singapore small and medium sized firms, to identify their key success factors. At the end of the study, they identified factors contributing to success such as good customer relationship, close working relationship between top management and employees, and satisfying customer needs. They also found that the contribution of these factors for the top firms’ changes over time as the firm faces more challenges and become more established.

Pasanen (2003) examined factors affecting small and medium sized enterprises (SME) and characteristics of successful SMEs in the Eastern Finland, giving emphasis on the field of strategic management. He found that there are different success formulas for different levels of SMEs. There were some similarities and differences in characteristics of successful and failed firms. Also, depending on the type of industry in which the firm is operating, there can be large differences in the factors responsible for success or performance of the firm.

**Model for small firm performance**

Keats & Bracker (1988) developed a conceptual model of small firm performance, combining the important factors previously identified from the extant theories in strategy, entrepreneurship, and organization. Keats & Bracker’s (1988) model was developed to explain
the dependence of small firm performance on owner characteristics, behaviors and contextual factors. According to this model, small firm performance is influenced by many factors, such as Entrepreneurial Intensity, Task Motivation, Perceived Strength of Environmental Influence, Behavioral Strategic Sophistication, Cognitive Strategic Sophistication, and Characteristics of Task Environment. In the same year, Cragg and King (1988) formulated a small firm financial performance model. In this model, emphasis was placed on owner characteristics, objectives, managerial practices and markets in which firms operate. It was emphasized that owner’s characteristics influence owner’s objectives which then influence managerial practices and markets in which firms operate, which then impact firm financial performance. In this model, small firm performance is measured in terms of financial performance only.

Box, White & Barr in 1993, proposed a contingency model of new manufacturing firm performance based on Keats & Bracker’s (1988) conceptual model of small firm performance. The contingency model of new manufacturing firm performance is similar to both Keats & Bracker’s and, Cragg & King’s (1988) model, in the way that these models study small firm performance and factors affecting it. The major difference between these models is that the Box, White & Barr’s model and Cragg & King’s model are geared towards the influence of individual level characteristics of firms (entrepreneur characteristics) on firm performance, while the Keats & Braker’s model is geared towards the influence of firm level characteristics (like Entrepreneurship Intensity) on firm performance. Also, Box, White & Barr’s model is for new ventures and not for established firms. Therefore, for this study, the conceptual model by Keats & Bracker (1988) will be used, as the model considers all important factors that could affect small firm performance, with the exception of the background characteristics of the entrepreneur.
Figure 2.1: Conceptual Model of Small Firm Performance (Keat and Bracker, 1988)
Several studies have been conducted to reveal the differences between small business owners and entrepreneurs. Carland, Hoy, Boulton & Carland (1984) emphasized innovation as the critical factor differentiating the small business owner and the entrepreneur. Stewart, Watson, Carland & Carland (1998) emphasized the need of achievement, risk-taking propensity and preference for innovativeness as being the factors differentiating entrepreneurs from small business owners. They indicated that entrepreneurs will score higher on the scale of these factors compared to small business owners.

There is ambiguity and inconsistency, however, in defining an entrepreneur or entrepreneurship. Low & MacMillan (1988) found that entrepreneurship cannot be defined by a single characteristic. Rather, it is a phenomenon with a complex set of contiguous constructs such as innovation, management of change, and new product development. Some authors have defined entrepreneurship on the basis of locus of control and need of achievement, while others have defined it on the basis of risk taking ability, proactiveness, and planning strategy. Ma & Tan (2006) have combined these approaches and have advanced the 4p (4p stands for pioneer, perspective, practice and performance) framework to define entrepreneurship. The major components of the 4p framework are: pioneer (denoting the entrepreneur as innovator), perspective (denoting entrepreneurial mindset), practice (denoting entrepreneurial activities and performance (denoting the outcome). They mentioned that many researchers have defined entrepreneurship by emphasizing who entrepreneurs are and what they do, however, this definition is incomplete unless provided with information on why, when and how they do it.

Numerous researchers have focused on entrepreneur traits and their influence on business performance. Box, White & Barr (1993) conducted a survey of new manufacturing firms to study relationships between psychological differences, background characteristics and scanning
behavior of the owner and firm performance. They collected samples from population of manufacturing firms located in the Tulsa Metropolitan Statistical Area. They studied the influence of psychological characteristics, background characteristics and scanning intensity of the entrepreneur on firm performance measured by the growth in the number of employees over a certain amount of time. They found positive relationships between psychological characteristics, background characteristics and scanning intensity of the entrepreneur and firm performance.

**Entrepreneurial Intensity**

Morris & Sexton (1996) have explained Entrepreneurial Intensity and its influence on a Firm’s Performance. They found that entrepreneurship is present in all organizations, but it occurs in different degrees and amounts, which is termed as Entrepreneurial Intensity. They have developed a matrix to measure Entrepreneurial Intensity. The graph shows the x-axis as the degree of entrepreneurship and y-axis as frequency of entrepreneurship. To measure the degree and frequency of Entrepreneurial Intensity, responses to survey questions were used. On the other hand, Firm Performance was assessed in six factors- increase or decrease of revenue, profit, employees and the size of their customer base over the past year. The result of this study showed a positive relationship between Entrepreneurial Intensity and Firm Performance.

Barringer & Bluedorn (1999) agreed with previous research done in the field of Entrepreneurial Intensity and concluded that Entrepreneurial Intensity is a firm-level phenomenon. They emphasized that all firms’ fall in a range from highly conservative to highly entrepreneurial along a conceptual continuum. They studied the relationship between corporate Entrepreneurial Intensity and scanning intensity, planning flexibility, planning horizon, locus of planning, and control attributes. The results of the study indicated a positive relationship between
corporate entrepreneurship intensity and scanning intensity, planning flexibility, locus of planning, and strategic controls.

Figure 2.2: Variable nature of entrepreneurship (Morris & Sexton, 1996).

**Task Motivation**

Task motivation can be defined in simple terms as the intensity of entrepreneurial motivation to attain the goal (Gaskill, Auken & Manning, 1993). Shye (1978) reviewed the concept for achievement motive (task motivation) and concluded that the studies provided important ideas, but did not use explicit definition of achievement motive. He developed a theoretical framework, suggesting a multi-faceted definition for achievement motive. He defined achievement motive by its components and by means of mapping sentences with three facets: behavior modality, type of confrontation and task-relative time perspective. He also developed a questionnaire to measure achievement motive based on mapping sentence definitions of achievement motive.
Some researchers have commented that desire, intention or motivation with which a person enters in the task, decides its outcome as success or failure. Several researchers have emphasized that there are two basic types of motivations: intrinsic and extrinsic. Intrinsic motivation is due to internal factors while extrinsic is due to external factors or rewards. In the same way, Leonard, Beauvais & Scholl (1999) have explained sources of motivation, reviewed work motivation theory and also proposed a meta-theory of work motivation incorporating theories of self-concept.

McClelland (1962) explained that achievement motivation leads to success in any task or business. He tested the differences between motivation level of professionals or specialists and managers or executives by showing them a picture and then asking them to write a story on that picture. Then, he analyzed and scored the stories written by the professionals and executives. The result was not surprising that executives scored higher on the test as they demonstrated high achievement motivation in their story while professionals scored less, and thus it can be concluded that high motivation can lead to high task performance or to higher level positions.

Berman & Miner (1985) studied motivation using the Miner Sentence Completion Scale, and concluded that entrepreneurs or managers with high motivation will score higher if compared to those with lower motivation. Miner, Smith & Bracker (1994 & 1989), did an extensive study on entrepreneurial task motivation and its impact on firm performance. They also commented on differences between entrepreneurs and non-entrepreneurs. They conducted a survey of entrepreneurs and non-entrepreneurs in 1989 to get insight into their task motivation by sampling the grant applicants for the National Science Foundation Small Business Innovation Research Program. To measure the task motivation they used the Miner Sentence Completion Scale-Form that measured firm growth developed from the innovative technology survey. The
results indicated that task motivation was higher among entrepreneurs compared to non-entrepreneurs. Then after five and half years these entrepreneurs and non-entrepreneurs were again surveyed to measure the growth of their firms. They concluded that task motivation can be a very good predictor of firm growth at the level of individual entrepreneur.

**Perceived Strength of Environmental Influence**

As explained by Keat & Bracker (1988), Perceived Strength of Environmental Influence is the perception of control on environmental factors affecting the firm’s performance. While Gaskill, Auken & Manning (1993) termed it as strategic choices or reactions in response to environmental elements. Gelderen, Frese & Thurik (2000) found that environmental factors and uncertainties related to the firm are responsible for the strategy chosen by the firm.

Matthews & Scott (1995) studied the perception of environmental influence on strategic planning in small firms, to find out how environmental uncertainty, impacts strategic planning in a small firm. They provided definitions of environmental uncertainties perceived by entrepreneurs and small firm owners. They emphasized that entrepreneurial firms are more likely to have control over environmental uncertainty and thus influencing firm performance by utilizing good strategic planning.

**Behavioral Strategic Sophistication**

Strategic planning is a very important factor for firm performance of not only small, but all types of firms. Robinson and Pearce (1983) reviewed the studies conducted before 1983 in the field of strategic planning, and commented on the lack of consistency and extensive empirical study done in this field. They also gave answers to important questions such as why many small firms do not use strategic planning. They reported that many small firms do not use strategic
planning because of scarce time, lack of knowledge to planning process, lack of expertise and lack of trust and openness.

Rue & Ibrahim (1998) mentioned that recently, numerous articles in academic publications, as well as practitioner-oriented journals, have recognized the importance of planning for small businesses. They comment that there has been tremendous inconsistency in the definition of strategic planning, and many researchers have used strategic planning, strategic thinking, strategic management and strategic learning interchangeably, which is incorrect. They defined each of these concepts and emphasized on strategic planning by reporting that it centers on the setting of long-term organizational objectives, and the development and implementation of plans designed to achieve them. For their research purpose, strategic planning was defined as “the devising and formulation of organizational level plans which set the objectives, strategies and policies of a business, driving the organization towards its vision of the future” (Rue and Ibrahim, 1998). In similar terms Hopkins and Hopkins (1997) defined strategic planning as “a process of using systematic criteria to formulate, implement, and control strategic alternatives and formally documenting expectations concerning the process”.

Boyd & Reuning-Elliott (1998) have reviewed the studies conducted in the field of strategic planning. They also have developed and validated a measurement scale termed as, multiple indicator measure of strategic planning. After reviewing the literature they identified some key indicators of strategic planning including mission statements, trend analysis, competitor analysis, long-term and annual goals, action plans and ongoing evaluation.

Matthews & Scott (1995), in their study of relationships between environmental uncertainty and strategic planning between small and entrepreneurial firms, found that there is no significant difference between entrepreneurial and small firms with regard to strategic planning.
They surveyed small and entrepreneurial firms, and measured strategic planning, perception of environmental uncertainty and firm performance using different scales. They found that when environmental uncertainty increases, strategic planning decreases in small and entrepreneurial firms.

There have been many studies on the relationship of strategic planning in a firm and its performance. Mathew & Scott (1995) have emphasized a positive relationship between sophisticated strategic planning and firm performance. Similarly, Rue & Ibrahim (1998) emphasized that greater sophisticated planning can lead to greater sales or greater firm performance.

Robinson & Pearce (1983) have studied the impact of formalized strategic planning on financial performance of small firms. They found that there was no significant difference in performance between formal planners and non-formal planners.

**Cognitive Strategic Sophistication**

Several studies have been conducted in the field of cognitive behavior of entrepreneurs. Roux, Pretorius & Millard (2005) studied entrepreneurial cognition; they defined cognition as the mental processes used to deal with environmental factors by entrepreneurs. They also mentioned that cognition differentiates entrepreneurs from non-entrepreneurs. To trace the understanding of cognition they commented on research on cognition by mentioning that “Research in ‘entrepreneurial cognition’ is about understanding how entrepreneurs use simplifying mental models to piece together previously unconnected information that helps them to identify and invent new products or services, and to assemble the necessary resources to start and grow businesses as well as pursuing opportunities or not” (Roux et al, 2005, p. 4).
Forbes (1999) mentioned that new ventures are generally created under high uncertainty; therefore entrepreneurial cognition is very important for creation and development of a new firm/venture. He reviewed cognition research and concluded that there is still very little research done in this field. Some researchers have associated entrepreneurial cognition with risk taking ability and judgment. Roux, Pretorius, and Millard (2005) surveyed entrepreneurship, business, non-business students, and entrepreneurs to test their cognitive processes by asking them to study a case, and then answer a questionnaire dealing with new venture creation (will they proceed to create a new venture). They found that this study supported the notion that heuristics (shortcuts) and biases were probably used in the decision. Thus, they concluded that entrepreneurial cognition is of significance in exploring a new venture opportunity.

Keh, Foo, and Lim (2002) studied the cognitive processes of entrepreneurs; specifically, they studied the opportunity evaluation process of entrepreneurs. They have developed a model to find the factors influencing the opportunity evaluation process of entrepreneurs, and concluded that illusion of control and belief in the law of small numbers were related to how entrepreneurs evaluate opportunities. As mentioned by Keh, et al (2002), belief in the law of small numbers refers to individuals using a limited number of informational inputs to draw firm conclusions. On the other hand, illusion of control refers to a bias in which an individual overemphasizes the extent to which his/her skills can increase performance in situations where chance plays a large part and skill is not necessarily the deciding factor.

**Characteristics of Task Environment**

Several researchers such as Fuentes-Fuentes, AlbacetepSaez & Llorens-Montes, (2004), have emphasized that apart from personal characteristics of the owner/manager, environment has a strong impact on firm performance. Characteristics of environment are very important factors
influencing the decision making process of the firm. Environment of a firm is characterized by industry structure, market demand, competition, product life cycle.

Porter (1981) emphasized industry structure by implying that it impacts strategic planning in a firm which ultimately impacts firm performance. Whereas Dess & Beard (1984) combined dimensions of task environment, used by other researchers and described an approach to measure those dimensions. Three major dimensions explained are munificence, dynamism and complexity; munificence is termed as the degree to which the environment can support growth, dynamism is the rate of environmental change, while complexity refers to heterogeneity in the range of firm activities (Fuentes-Fuentes, AlbacetepSaez & Llorens-Montes, 2004).

Fuentes-Fuentes, AlbacetepSaez & Llorens-Montes (2004) studied the influence of environmental characteristics on total quality management and organizational performance using three dimensions of task environment. They found that environmental characteristics were a significant variable governing the impact of total quality control management on business performance. Bain (1968) mentioned that industry growth rate is an important factor of industry structure. Several researchers have found that new firms entering in high growth industries will be more successful if compared to firms entering in low growth industries. To explain this, they mentioned that, in high growth industries even if an entrepreneur enters with low task motivation, it can survive; there will not be retaliation to a great extent by the competition. Some researchers argue that high growth industries can lead to a firm’s failure or low firm performance. To explain their point, they emphasize that if industry growth is high, many firms will enter at the same time so there will be more intense competition and more failures.
**Firm Performance**

As mentioned earlier, there are several recent studies on small firm performance, linking strategic planning, entrepreneurship, and environmental uncertainty to small firm performance, but there is no consistency in definition and measurement of small firm performance. Some of the studies define performance on the basis of sales growth, profitability, or the increase in the number of employees. Brush & Chaganti (1998) emphasized that definition of performance depends on the industry type and goals of the entrepreneur or the firm. In their study, they defined performance as net cash flow and increase in number of employees indicating growth.

Sels, Winne, Delmotte, Maes, Faems and Forrier (2006) studied the link between human resource management and small firm performance. In their view, performance can be differentiated depending on the stage of development of the small firm. Three levels of performance were: behavioral outcomes, employees’ performance (labor productivity) and higher level of firm performance. In contrast Keats & Bracker (1988) emphasized that regardless of the dimension of performance, its outcome will be influenced by the constructs in the model of small firm performance.

Covin and Slevin (1989) studied the impact of environment on strategic management and the performance of the small firm. They defined small firm performance in financial terms. To measure performance they used a subjective approach rather then objective approach. To explain this they mentioned that small firms are reluctant to disclose their financial information, so it is better to ask the respondents subjective questions. They used a modified version of an instrument developed by Gupta & Govindarajan (1984), in which respondents indicated on a five-point Likert-type scale the importance their firm places on specified financial performance criteria. The findings of this study indicated that in hostile environment, small firm performance was
positively related to long-term financial orientation, high product price, a concern for predicting industry trends while in benign environment, performance was positively related to a competitive profile characterized by short-term financial orientation and so on.

Brush and Chaganti (1998) examined the influence of human and organizational resources on performance of small service and retail firms. They measured the performance in terms of net cash flow (NCF) using a 5-point scale and firm growth using logarithm of percent change in total employment during the last three months. It was found that human and organizational resources are associated with more cash flow, while industry and market factors were related to growth.
CHAPTER 3
METHODOLOGY

This chapter provides an outline of the research methodology used for the present study, which includes both quantitative, and qualitative sections, as well as, study limitations. Due to a low survey response rate, a qualitative methodology was added to the research methodology. The quantitative section includes selection of research participants, survey content, and survey administration, while the qualitative section includes case study details. The reasons for utilizing a qualitative methodology are also discussed.

Operational Definitions
1. Small Firm- A small firm with fewer than 100 employees. *The Directory of United State’s Importers (2006)* was used to identify the population. In this study, firms that currently have more then 100 employees but were started with less then 100 employees are also considered to be small. Studying these high performing firms will provide insight into the reasons of their high performance, which can be beneficial for low performing firms.

2. Entrepreneurial Intensity – In this study, entrepreneurial intensity was measured in three dimensions, they include innovativeness, risk-taking and proactiveness. These three dimensions were measured using a scale developed and validated by Covin and Slevin (1986). The higher the score the firm demonstrates the more entrepreneurial intensity it exhibits (Barringer & Bluedorm, 1999).

3. Task Motivation- In this study, task motivation was measured in terms of preference to perform difficult, problem-solving types of tasks using the scale developed by Shye (1978). The
scale measures the desire to perform a difficult task, if given a choice of easy, simple task and related concepts of task motivation.

4. Perceived Strength of Environmental Influence- This factor was measured as a perception of adequacy for decision making, understanding the company’s external environment, ability to predict how event or trends that may affect their firm and the amount of change taking place in a firm’s environmental sector, using Boyd and Fulk’s (1996) scale.

5. Behavioral Strategic Sophistication- This variable was measured in terms of emphasis given to a firm’s mission statement, long-term objectives, external environment, evaluation, implementation and control of strategic options using a scale developed by Boyd and Reuning-Elliott (1998).

6. Cognitive Strategic Sophistication- The measure for this factor involves thinking process as used by a manager/ managerial team in the firm to devise a strategic plan for the firm. It was measured using questions created by the researcher.

7. Characteristic of Task Motivation- This factor was measured in terms of its three dimensions- munificence, dynamism and complexity using the scale from Fuentes-Fuentes, Albacetep Saez & Llorens-Montes (2004) scale. Munificence is the degree to which the environment can support growth; dynamism reflects the rate of environmental change, while complexity refers to heterogeneity in the range of firm activities” (Fuentes-Fuentes et al, 2004).

8. Firm Performance- This variable was measured as percent increase in number of employees in the firm over a five year period. Brush & Chaganti (1998) measured firm performance as net cash flow and increase in number of employees indicating growth.
**Quantitative Methodology**

After approval from IRB (Institutional Research Board), a quantitative research methodology was implemented in two stages. In the initial stage of the study, qualitative data were gathered via phone interviews designed to serve as a foundation for a mail survey. In the second phase, a survey instrument was developed with questions based on information obtained from phone interviews and model variables. The instrument was pre-tested, and the final mail survey was distributed to all apparel import firm owners in United States based on *Directory of Apparel Importers in the United States* (2006).

**Survey Population**

Subjects were selected from the *U.S. Directory of Importers* and *Directory of Apparel Importers* (2006). The *U.S. Directory of Importers* was used for selecting participants for the phone interview. Approximately 50 participants were randomly selected from this directory. Phone interviews were very short and basic apparel import business questions (Questions are attached in Appendix A). The response rate for phone interview was very low (approximately 10%). A few of the participants selected, had changed or closed their business so could not answer phone interview questions, and had to be eliminated from the sample.

The research sample for the second phase of the study was drawn from the *Directory of Apparel Importers in the United States*. It provided information on the year of establishment, sales revenue, commodities that they import, and contact information of 884 apparel importers. In the second phase, a mail and electronic survey instrument was developed with questions based on information obtained from the phone interviews and model variables. The instrument was pre-tested, and the final survey was distributed to apparel importers in United States via mail and
email. For the second phase the research sample was the same as in phase one, as surveys were sent to all apparel importers listed in the directory.

The Preliminary Survey

As mentioned earlier, little research has been conducted in the field of apparel import firms so there was no established questionnaire. Therefore, phone interviews were conducted to identify the best wording to describe apparel import factors in this study. Upon completion of the phone interviews, the questionnaire was modified to reflect participants’ preferred wordings. During the phone interview, participants were asked about their most preferred survey method such as phone, online or mail-in survey. Sixty percent of the participants preferred a mail-in survey method while the remainders of the participants were in favor of online surveys. Also they were asked to share their reasons of success and/or causes of failure.

Upon completion of the phone interviews, it was decided that both online and mail-in surveys should be used. Participants, who had provided email addresses (not the customer service or sales email address but contact person’s email address), were sent an online version of the survey, while the remainders of the participants were sent a mail-in survey. The survey was pretested using online version before sending the survey to all the participants.

Survey Contents

Survey questions were divided into three sections- business (sales growth, demographic characteristics of founder of the company, number of employees added, etc), organization related factors (entrepreneurial intensity, task motivation, behavioral strategic sophistication, etc) and personal information (age range, education, etc).

To investigate the relationship, if any, between the business demographics and performance of the company, Section 1 included questions on business characteristics (appendix
1, section 1). To verify, if the apparel import businesses in the United States followed the conceptual model of small firm performance, Section 2 included questions relating to model variables/factors. For measuring Entrepreneurship Intensity (Entrepreneurship Orientation), a psychometric scale developed and validated by Covin and Klein (1986) was used. This scale is termed as a self-reported scale and consists of nine-items which collectively measure the three dimensions of entrepreneurial intensity (orientation) - innovativeness, risk-taking and proactiveness. This scale also is validated by Barringer and Bluedorm (1999), who emphasized that the three sub-dimensions can vary independently and affect the firm performance. They concluded that the three dimensional Entrepreneurship Orientation (EO) scale is the best model fit. They reported, “the results led strong support to modeling the EO measure as consisting of three unique sub-dimensions: innovation, proactiveness and risk taking” (Barringer & Bluedorm, 1999, p.11).

Similar to entrepreneurial intensity questions, other factor questions were drawn from different reliable scales. To determine if demographic characteristics of the owner of the company and/or decision-making team members impact the performance of company, section 3 included demographic questions for the respondent. Performance was measured by the percent change in the number of employees over a five year period. Along with these questions, participants were asked to briefly comment on their company’s current performance (to what factor do they contribute their success). Human subjects information and participant consent/agreement information was included in the survey.

Survey Pretest

For the survey pretest, half of the research participants were pulled from the Directory of Apparel Importers and half were pulled from an apparel consultant’s contact list. Around 50
people were asked to participate in the online survey pretest, while some were not able to be reached (due to incorrect contact information) only 5 of the subjects responded. After the survey pretest, it was indicated that two of the questions (section B, Q40 and Q41) were misunderstood by almost all the participants In addition; a few questions had limited variability in responses. As the response rate was very low, no statistical analysis was used on survey pretest data. Some of the questions were modified for better understanding of the participants.

**Survey Administration**

As mentioned earlier the response rate for phone interviews and survey pretest was low, approximately 10%, so the final survey was sent to the entire research subject population instead of sending to a small sample. After seeking permission from the Human Subjects Review, the survey was sent with a cover letter, stating the importance of this study for the improved performance of small apparel importers in the United States. Participants were encouraged to respond to the survey by providing them a copy of the completed study. As mentioned earlier, the survey was sent by two methods- mail-in and online. Ninety-seven apparel importers provided their owner’s email addresses in the directory so these subjects were sent online surveys, while the remaining 757 apparel importers received mail in surveys. After the surveys were sent, phones calls were made to approximately 400 participants to remind them about the survey.

**Qualitative Methodology**

Due to the extremely low survey response rate, qualitative methodology was added later in the research methodology. A case study method was used to identify the factors contributing to the current performance of small apparel import firm. There are several researchers such as Pasanen (2003) who have utilized case study method to study small firms. As the subjects for
case study were the respondents for survey, there was available data to add to the additional phones interviews including company background information, company, and owner characteristics.

Subjects, who responded to the survey, were called and asked if they would be willing to participate in a phone interview lasting 10-15 minutes. Out of 20 respondents, 7 agreed to participate in the phone interview, while the remaining 13 respondents either were traveling or were too busy to participate. Out of the seven case study respondents, one participant was not an apparel importer but was a small retailer so could not be used for the phone interview. One of the remaining six case study respondents had redirected his business from importing apparel to importing cleaning products. This one respondent provided insight into what could be some of the causes of failure of apparel importers and is included in the study.

Questions asked during the additional phone interview are attached in Appendix D. Questions were very straight-forward and clarification were given when needed. Questions asked to the respondent which had redirected its business to non-apparel products were somewhat different from those for respondents of successful firms. Interviews were conducted in a quiet room using a speaker phone. For the better reliability, researcher and a recorder were both responsible for taking notes. For all interviews, the same recorder was used. At the end of each interview, both the researcher and recorder’s notes were matched and transcribed.

Limitations

The main limitation for this study was the low survey response rate. Also, the study was limited to only firms, which agreed to participate, so findings are not generalizable. No statistical analysis was conducted in this study. The lack of a reliable statistical data source that provides information on small apparel import firms was also one of the limitations. The data source used
in this research – *Directory of Apparel Importers in the United States*, did not have updated comprehensive information on the apparel importers. In addition, it did not distinguish small and large firms. Some apparel importers were out of business, but their information was still listed in the directory. Also, it was found that some of firms listed in the directory were not apparel importers. Even contact information of the apparel importers was not updated carefully. When the Directory of Apparel Importer’s customer service personnel were contacted, they indicated that they listed whatever information was obtained from the apparel importers. Therefore, there is a need for a system to collect reliable contact information of apparel importers both- small and large.

Also, there is no established theory in the field of small firm performance. Since no research was found that analyzed small import firms, there was no valid and reliable set of concepts to survey those firms. There are also inconsistencies in the definition of what constitutes a small business. Studies done in this field use different definitions, therefore it is difficult to compare the results used in these studies.
CHAPTER 4

RESULTS

In this section, survey data and information collected through case studies will be analyzed and discussed.

Survey data analysis

To better understand the results, only firms which responded to the additional interviews were analyzed. As mentioned in the methodology section and also visible in the survey attached in Appendix C, five-item scales were used to measure entrepreneurial intensity. The respondents’ ratings on these items were averaged to arrive at a single entrepreneurial intensity index for each firm. The higher the index, the greater the firm’s entrepreneurial intensity. Similarly, respondent ratings for other variables were also averaged to arrive at a single value for each firm. In order to relate higher scores to higher characteristics (such as high entrepreneurial intensity, high task motivation and so on) Q16, 17, 20 and 33 were reversed.

<table>
<thead>
<tr>
<th>Company</th>
<th>Age (in years)</th>
<th>No of employees at the company establishment</th>
<th>No of employees currently</th>
<th>Sales Volume</th>
<th>No of decision making team members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>78</td>
<td>10</td>
<td>15</td>
<td>$6-10 million</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>60</td>
<td>6</td>
<td>5</td>
<td>More than $20 million</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>25</td>
<td>1</td>
<td>6</td>
<td>$1-5 million</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>38</td>
<td>2</td>
<td>125</td>
<td>More than $20 million</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>34</td>
<td>40</td>
<td>125</td>
<td>More than $20 million</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>20</td>
<td>2</td>
<td>10</td>
<td>$1-5 million</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 4.2: Demographics of the survey and case study data
<table>
<thead>
<tr>
<th>Model variables (average score)</th>
<th>Firm 1</th>
<th>Firm 2</th>
<th>Firm 3</th>
<th>Firm 4</th>
<th>Firm 5</th>
<th>Firm 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Intensity (Q16-Q20)</td>
<td>2.2</td>
<td>3.2</td>
<td>3.6</td>
<td>3.8</td>
<td>2.6</td>
<td>2.8</td>
</tr>
<tr>
<td>Task Motivation (Q21-Q23)</td>
<td>3.3</td>
<td>2.6</td>
<td>2.6</td>
<td>3.3</td>
<td>3.3</td>
<td>3.6</td>
</tr>
<tr>
<td>Perceived Strength of Environmental Influence (Q28, 29)</td>
<td>4</td>
<td>2.5</td>
<td>4</td>
<td>4.5</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Behavioral Strategic Sophistication (Q24-Q27)</td>
<td>4</td>
<td>2.5</td>
<td>2.5</td>
<td>4.5</td>
<td>4</td>
<td>2.5</td>
</tr>
<tr>
<td>Cognitive Strategic Sophistication (Q37-39)</td>
<td>3.3</td>
<td>3.6</td>
<td>2.3</td>
<td>5</td>
<td>3</td>
<td>3.3</td>
</tr>
<tr>
<td>Characteristics of Task Environment (Q30-Q36)</td>
<td>3.7</td>
<td>4</td>
<td>2.4</td>
<td>3.3</td>
<td>3.9</td>
<td>4</td>
</tr>
<tr>
<td>Firm Performance (% change in number of employees in last five years)</td>
<td>50%</td>
<td>0%</td>
<td>-25%</td>
<td>0%</td>
<td>212%</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: 1-5 scale used, with 1 being strongly disagree and 5 being strongly agree while for interpretation 1 indicates lower intensity of the characteristic, 3 indicates average intensity of the characteristic, and 5 indicates higher intensity of the characteristic.

Table 4.2: Responses to survey section B

In the last five years, there has been a 50% increase in the number of employees in firm 1. This firm, (refer Table 1), is not very innovative or high in risk-taking but is proactive; it has low Entrepreneurial Intensity. Key business managers of this firm prefer challenging tasks rather than easy tasks, but do not prefer tasks involving individual responsibilities. This suggests the firm managers do not have confidence and motivation to perform the task individually, but if working as a team they have confidence to tackle challenging tasks. So Task Motivation for this
firm can be regarded as medium. Since this firm has a mission statement, long-term objectives, and it evaluates, implements, and controls strategic planning, it has high behavioral strategic sophistication. The management team in this firm perceives that they have adequate information before making decisions and also keeps abreast of events affecting the firm; therefore it has high perceived strength of environmental influence. Survey results also show that this firm has an average level of cognitive strategic sophistication. According to this firm, the apparel import industry is dynamic and complex.

Similarly, each firm was analyzed with regard to model variables. Comparing the data on firm 3 with other firms (especially firms 1 and 5, as they have high performance in terms of increases in the number of employees over five years) provided in Table 1, there is not much difference in the ratings of Entrepreneurial Intensity, Task Motivation, Perceived Strength of Environmental Influence, and Cognitive Strategic Sophistication by high and low performing firms therefore, so it cannot be inferred that these factors impact the performance of small apparel firm performance. On the other hand, Behavioral Strategic Sophistication, and Characteristics of Task Environment influence the performance of high performing firms in this study.

It should be stressed that the sample size used in this research is very small so the results are not statistically significant and cannot be generalized. Inferences made here will give a direction to future research using a large sample size.

**Case Study Analysis**

Qualitative data, that is, information collected through additional phone interviews with the survey respondents provided additional insight into six of the apparel firms. Survey data completed by the respondents was used to describe the company, its activity and owner
characteristics. At the beginning of each case analysis, the company characteristics and its activity are briefly described. At the end, factors contributing to that firm’s performance and the owner’s advice to the firms facing many problems and survival threats are presented. Analysis of each case provided information on factors influencing performance of small apparel importers, reasons for survival and high performance of surviving and high performing firms, and precautions to be taken or traits to avoid the bankruptcy and failure.

Case 1: Firm 1

Firm information: This firm was established 78 years ago by an American male college graduate. It started with 10 employees and currently employs 15 employees with a sales volume of $6-10 million. The products imported include work wear, rain wear and other apparel products. Its customers are retail stores, warehouses, and safety stores.

This firm has a decision-making team, consisting of three members who have taken retailing training. The company does not have a formal written mission statement, but it does receive a regular newsletter from a professional organization. The firm owner and/or employees attend trade shows. Customer research is used to forecast fashion or trends in the market.

The respondent was the owner of the firm. The owner had one year of experience before entering the apparel import business. He did not undertake any business related training over the past five years. The firm owner is goal-driven, prefers difficult tasks rather then easy tasks but believes in shared responsibilities rather then individual responsibilities. The owner studies not only their customers but also their competitors. He believes his firm is fairly successful as 95% of the products they import are sold while 5% do not sell. He believes his firm can do better with technology upgrading in this apparel import industry, for example upgrading in computer
To achieve current firm high performance, the owner had to surmount challenges such as adapting to constantly changing market trends, finding good employees, and good loyal customers. When asked about the high failure rate of apparel importers in the United States, he emphasized that a major cause of failure of apparel importers could be an introduction of wrong products—products that do not fit right or do not fit the current market.

*Reasons for survival and high performance of their firm:* Knowing and understanding the market and customer, adapting to the changing market, and good managers.

**Case 2: Firm 2**

*Firm Information:* This firm was established 56 years ago by an American male college graduate. It started with 6 employees, and currently it has 90 employees and has sales volume of more than $20 million. It imports hosiery from European countries. Its customers are small wholesalers and direct customers. It sells its products via internet, so it does not have branch offices.

This firm has a decision-making team consisting of three members, who have undergone accounting and general business training. It does not have a formal written mission statement and also does not attend trade shows, but it receives a regular newsletter from a professional organization. It uses information from literature, the apparel market and buying offices to forecast fashion or trends in the market.

The respondent was the owner of the firm. He did not have prior business experience and also did not undertake any business-related training in past five years. He was ambitious but was a little skeptical about the success of his company. He was not very satisfied with the way his
firm was performing and emphasized there is always room for improvement and his firm could do better. He wished to expand his company 100% per year and also earn 100% profit. He wished to expand the business and ship all over the world.

The owner emphasized that international issues, international mail and shipping were his major challenges in achieving this success. When asked about the high failure rate of small apparel import firms in the United States, he mentioned that most of the entrepreneurs do not understand the business and think it is very easy. “Most people want to deal with family members”. He commented that owners are not serious about their business; they enter the business because they feel that they know people overseas so they can operate an import business. They buy cheap products and do not care about quality. They fail to understand the market and also do not know their target customers. They seldom have marketing skills, which is very important for an import business.

Reasons for survival of their company: Good quality and good product assortment were the main reasons of survival. Business via the internet means there is no need of branch offices. The firm does not have any problems sourcing the products from their exporting country (Europe). The owner of the firm understands the market and customer needs while possessing good marketing skills.

Case 3: Firm 3

Firm Information: This firm was established 25 years ago by a female American high school graduate. The firm was started with just one employee, the owner, and currently has six employees. The firm has a sales volume of $1-5 million. It imports apparel, shoes and other products.
This firm does not have a decision-making team. It does not have a formal written mission statement, but it does receive a regular newsletter from a professional organization and also attends trade shows. There was no information on how this company forecasts the market trend.

The respondent was the owner of the firm. She had 27 years of managerial experience before entering the small apparel import business. When asked about high failure rate of apparel importers in the United States, she emphasized that the major cause of failure of apparel importers could be the complexity of the business.

*Reasons for survival of their firm:* Hard work, marketing and technology were the main reasons of survival.

*Reasons for low performance:* United States duty taxes and payment of bills were the reasons for low performance.

**Case 4: Firm 4**

*Firm Information:* This Company was established 38 years ago by a male American high school graduate. The firm was started with two employees; the owner and his partner, and currently employs 125 employees. The firm has a sales volume of more than $20 million. The firm imports apparel and helmets.

This firm has a decision-making team, consisting of five members, who have had human resource and general business training. It has a formal written mission statement, receives a regular newsletter from a professional organization, and also attends trade shows. Market trends are forecasted using information from focus groups, and customer research.

The respondent was the owner of the firm. He did not have any business experience, before entering the small apparel import business. He is satisfied with his firm’s growth because
he believes this is a determinant of success. His greatest challenges at the beginning were credit problems, and getting a clothing visa; while currently, his challenge is getting good enthusiastic employees.

When asked about the high failure rate of apparel importers in the United States, he commented “It’s very easy to fail in this business as the apparel industry is very trendy, stylish, everything moves very quickly and you need to be on top of everything to succeed”. He emphasized that getting in the business without doing market research can lead the firm to failure.

*Reasons for survival:* The owner attributes their current business performance to good market analysis and ability to fulfill customer needs.

**Case 5: Firm 5**

*Firm Information:* This firm was established 34 years ago. The firm was started with 40 employees, and currently has 125 employees with a sales volume of more than $20 million. This firm’s parent company is located in Japan. This firm has a decision-making team, consisting of five members, who had human resource, general business and customer relations training. The firm has a formal written mission statement and also attends trade shows. It forecasts fashion or trends in the market regularly.

The respondent was a sales manager, and had a good insight into the firm. According to the respondent, to achieve success in this industry the firm had to overcome challenges of getting their firm’s brand out and in peoples’ minds. Finding new customers also was a challenge. When asked about high failure of small apparel importers in the United States, the respondent emphasized that competition is the basic source of failure in this industry. There is vast competition, especially after the removal of the quota system in 2005. Companies try to reduce
the price margin as much as possible, and it finally kills the company. Companies buy cheap products and do not give importance to quality which can lead to brand disloyalty and failure.

*Reasons for survival and high firm performance:* The parent firm is located overseas, so the firm believes that this is an advantage over other import companies; there are not many vendor problems, quality issues. Also, hiring good employees is one of their reasons for high performance.

**Case 6: Firm 6 –**

*Firm Information:* This firm redirected its focus from importing apparel to importing cleaning products. It was established 20 years ago by a male Chinese college graduate. The firm was started with two employees and currently it has ten employees with sales volume of $1-5 million. It began importing apparel products but due to losses and other related problems, switched to importing cleaning products. Its customers are retail stores, warehouses, and distributors.

This firm did not have a decision-making team. It did not have a formal written mission statement and also did not receive a regular newsletter from a professional organization but the firm managers attend trade shows. It used to participate in apparel market research forecasting trends in the market.

The respondent was the owner of the firm. He did not have any business related experience before entering the apparel import business. During the interview, he was expressing his experience with the apparel import business. When asked about his challenges, he mentioned that only apparel importers who can provide the lowest price can succeed, while if they try to lower the price to compete with the competitors, it can ruin the company profit and survival.
Reasons for loss in apparel import business:

The owner of the firm stressed government regulations, marketing, catering lower price and non-fashionable products as the main causes of loss in the apparel import business. Also, he emphasized that not targeting high end customers and not attending trade shows could contribute to apparel import business loss.

Lessons learned from loss in apparel import business:

He commented that he learned many important lessons after his apparel import business loss. He learned that higher price products catering to a higher end market are important and can be beneficial to start a firm. Market analysis, is one of the major factors to success.

Also, understanding the competition can help outwit the competitors and be ahead in the game.
CHAPTER 5

DISCUSSION AND CONCLUSION

Firm performance was indicated based on percent change in number of employees in the firm over five year period. Out of the six firms that participated in the case studies, two firms (firms 1 and 5) were performing well (50% and 212% increase in number of employees), firms 2 and 4 exhibited average performance (as no change in number of employees after five years), while one firm (firm 3) was not performing well (the number of employees decreased 25%) and one firm (firm 6) had redirected its the business from apparel importing to importing cleaning products. As emphasized earlier, it should be noted that performance is measured by percent change in number of employees in the firm in the past five years. There can be other measures of performance such as sales volume, profit, etc. Small businesses would not have felt comfortable exposing their financial data to the researcher so number of employees was used to measure the performance.

The additional phone interviews with the owners of the six small apparel import firms generated three main factors that seemed to relate to small apparel import firm performance in the United States.

1. Market analysis
2. Product quality and assortment
3. International issues
Market analysis

Market analysis appeared to be one of the most important factors in the performance of small apparel import firm performance. Market analysis is considered as understanding of the customer needs and competitor’s strategies. Firms which analyze the customer needs, competitors’ products and strategies tend to satisfy the customers and be profitable. Mostly market analysis is conducted by talking to customers, asking their needs, attending trade shows and so on.

The constantly changing trends in apparel market and complexities of this business make market analysis very important for the apparel industry. Lack of proper market analysis was regarded as one of the causes of apparel import firm failure by case study participants. Improper market analysis leads to introduction of wrong products in the market. “People just enter the business without understanding its complexities and then are faced with many problems as everything is very quick in this business. It is a very difficult and complex business; much information is required to run and monitor this business. Everything is very fast and quick; when you realize you made a mistake, it’s too late to analyze and solve the problem. It has a lot of competition”. (Firm 1, owner)

“People who enter this business think it is very easy, but it is not at all easy. Understanding the business is very important; if they don’t understand the business, then it’s just a mess. This business requires much hard work, attention and marketing, if owner/entrepreneurs do not focus on this, they tend to fail”. (Firm 3, owner)

Along with market analysis, adapting to the changing market was also emphasized by the case study participants.
**Product quality and assortment**

Product quality was traced by majority of firm owners for customer loyalty. Firm 2 and 5 emphasized that cheap products lead to firm failure. “You get what you pay for” (Firm 5). Product quality depends on the target customer, if the target customer demands cheap products with low quality then higher quality product will not sell in that market. On the other hand, mostly small apparel import (surviving) firms emphasize higher quality and good product assortment as they target customers demanding high quality products. Cheap and lower quality products are targeted by large firms; as it is economically more feasible for them, while small firms may not be able compete with large firms. Good product assortment is indicated by having variety of products that customers are looking for. Good product assortment results from good customer needs analysis.

Firm 6 which redirected its business focus emphasized that one of the causes of their apparel business loss was due to lower quality products and poor product assortment.

**International Issues**

International issues include government regulations, tax duty, quota limitations, international shipping, and overseas vendor relationships. With the exception of firm 5, all the firms indicated that international issues were major factors determining small apparel import firm performance. “It is very important to know, from which country to import, due to different ethical standards. He doesn’t want to import from Africa, Russia, etc (due to theft of products and credit cards). He commented, since 9/11, it had become harder to get things through customs; there are a lot of paper work and legal concerns to take care of” (Firm 2).
**Discussion of objectives**

1. To identify the factors contributing to survival of existing small apparel import firms in the United States.

Factors responsible for small apparel import firm performance are interpretations from the interview by the researcher. Most of the firms contributed their survival to being able to provide good product quality and assortment to the customers. Evaluating the extent of competition was important to survive in intensely competitive apparel import market. All the respondents directly or indirectly emphasized on being able to understand the complexity of the apparel import business and knowledge of technology as important factors for surviving in apparel import market. Also, hiring good employees, understanding international issues, and establishing good vendor relationships appeared to be factors governing survival of small apparel importers in the United States.

These factors can be compared to the Keats and Bracker’s 1988 model variables and can be categorized accordingly. Government regulations, competition, international issues and vendor relationships can fall under environment, in which firm operates (is termed as Task Environment). In contrast, other factors did not fit into descriptions of any other model variables (such as Entrepreneurial Intensity, Task Motivation).

Participants also shared specific factors contributing to high performance of their company apart from factors contributing to just survival of their company. Thorough market and customer needs analysis were the most important factors contributing to high performance of firms participating in the study. Also, understanding the complexities of the apparel import business, good product quality and diversity in product assortment and better use of computer technology
were the reasons of their success (in this study success is associated with high performance that is indicated by an increase in the number of employees).

*Advice to novice entrepreneurs and firms facing survival threats by the participants of this study:*

- Knowledge and understanding of business, market and the customer
- Knowledge about international issues- “what countries to avoid and what countries to import from” (Firm 1)
- Do not concentrate only on cheap products, quality is also important- “Only buy what can sell, avoid large inventory” (Firm 2)
- Buy less but greater variety of products
- Have good marketing skills
- Hard work is the key to success
- Price and quality are both important- “Do not go for only the cheap products” (Firm 5)
- Check for legitimate overseas companies- ethical standards
- Very strong financial backing is important
- Hire a good merchandising manager
- Hire good sales people
- Allow time for your company to grow- “don’t expand too quickly” (Firm 5).

2. To identify challenges faced by small apparel import firms in the United States.

   It was interesting to notice that all small apparel import firms wanted to become more successful and were not completely satisfied with their firm performance. On the other hand, they had confidence that they can perform better in the future. They had various ideas, regarding growth, but emphasized that the dynamic nature of their business and many government regulations were barriers for their success. They also emphasized that there is very little
technology development for the apparel import industry compared to the way technology is upgraded in other industries.

The major challenges faced by small apparel import firms in the United States according to research participants were the lack of technology development in the apparel import industry, finding good enthusiastic employees, United States duty and taxes, and making their brand popular.

**Conclusion**

Inferences obtained from the case studies and survey data analysis can be combined to give a better account of the small apparel import industry. As mentioned earlier, the case study analysis found that the environment in which firm is operating is one of the most important factors influencing firm performance. Also, the case study analysis found understanding of business, competition and customer needs as most important factors for success or high performance in the apparel import industry, while survey data analysis from this sample implied that characteristics of Task Environment and Behavioral Strategic Sophistication as important factors influencing firm performance. These firms also inferred that those operating under complex environment tend to get affected by the environment. In the same way, firms that understand the dynamism and complexities in the environment, tend to make strategies and plans to overcome the environment uncertainties and thus succeed. These firms’ findings are in accordance with similar findings by Covin and Slevin (1989), Keats and Bracker (1988).

Results inferred in this study can also be matched with those obtained by Fuentes-Fuentes, AlbacetepSaez & Llorens-Montes (2004). Fuentes-Fuentes, AlbacetepSaez & Llorens-Montes (2004) emphasized that Task Environment has influence on total quality management of
the firm, which then impacts the firm effectiveness and performance that is there is an indirect relationship between Task Environment and Firm Performance.

Thus, it can be concluded that there is a great need for additional research in the apparel import industry. There also is a need of development of special trade associations for small apparel import firms to compile information on their successes and failures, so that it can be used for academic research studies. These trade associations could not only keep track of data on small apparel importers but also update them with relevant information about market and government regulations. Also, as the respondents mentioned, many people entering this business do not understand the apparel import business complexities; emphasis should be given on training and learning of the entrepreneurs and/or owners of the firm, before they enter this business.

Due to the low response rate, results presented in this study could not be generalized, but the participants’ insights provide a better understanding of factors influencing small apparel import firm performance. This study begins to support the idea of a relationship between behavioral strategic sophistication, task environment and firm performance. Also; major challenges in this business were identified as complexities in the apparel import business- fast market and competition, which again emphasize environmental factors.

From the interviews, it can be concluded that there is no one model of success of apparel import firms; rather they shared common traits since all the surviving firms understood the complexities of the apparel import business and they also analyzed the market and customer needs.
Reasons for low response rate and uniqueness of this study

There is hardly any research done in the field of small apparel import firms in the United States. There was an extremely low survey response rate in this study. All possible and feasible ways of contacting the firms for survey were done. The entire population of apparel importers was either sent a mail survey, email survey, and fax survey, also phone calls were made to remind and request respondents to complete the survey. Some of the reasons for low response rate were that the data source available was not updated; some of the phone numbers were wrong, and not in service.

Some owners did not know how to use internet or computer, and some firms had a policy of not completing any kind of survey. On the other hand, firms which participated in this study are distinct firms, they give emphasis to academic studies and believe that apparel import problems can be solved or at list brought to surface by research studies. Also, this study combines both qualitative and quantitative research methodologies which give an advantage to research. Onwuegbuzie and Leech (2005) have emphasized the importance and advantages of combining qualitative and quantitative research methodologies. They mentioned that combining these two methodologies can strengthen the strengths of the both the methodologies and also reduce their weaknesses.

This study can be a good foundation for future research as additional phone interviews with the survey participants provided a good insight into small apparel import industry and factors influencing performance of these firms. Also, as the present study utilized most of the survey research techniques, future researchers can choose the best research technique for their research.
Suggestions for future research

There is tremendous opportunity for further research in this field. Due to the low response rate in this research, there is a great opportunity to continue to do qualitative study in this field. Also, if time or money is not a major factor, quantitative data in this field would be very informative. Since data collection was a challenge, if more time and money are allotted, chances of getting medium to high response rate would increase. Research can be concentrated in a specific region such as coastal areas and non-coastal regions.

As emphasized in previous sections, there is a need of small firm performance theory, especially for small apparel import firms. The apparel import industry, as traced earlier, is a very distinct, dynamic and complex industry; there are unique factors influencing performance of small apparel import firms.

Research can be performed to identify if the location of the import industry, and country with which the firm is importing from have a major impact on firm performance. Also, as reported in previous sections, there is high failure rate of small apparel importers in the United States. Time series research can be done to identify if quota removal in 2005, made an impact on small firm performance. Research can be performed to compare the performance of small apparel importer in different countries (major importing countries) and research also can be performed to compare factors influencing performance in apparel import industry and factors influencing performance in other industries. Also, there is a need for research to study influence of entrepreneurial characteristics on small apparel import firm performance. Thus, clearly a lot of additional work needs to be done in this field.
REFERENCES


Appendix A

Initial Phone Interview

Consent Script

I am a graduate student at the University of Georgia. I am conducting research in partial fulfillment of my degree program. The purpose of my research is to identify factors influencing performance of apparel import firms in the United States. Your involvement in this study is voluntary and it won’t take more then 20 minutes. During the interview, you will answer the questions about your business like year of establishment, number of employees, etc. There are no foreseeable risks involved with this research. You can refuse to participate or stop taking part at any time without penalty.

The findings of this research will be very helpful for all apparel import firms in the United States. The results of the research study may be published, but your name will not be used. Your identity will not be associated with your responses in any published format. For any questions or concerns about your rights as a research participant should be directed to the The Chairperson, University of Georgia Institutional Review Board, 612 Boyd GSRC, Athens, Georgia 30602-7411; telephone (706) 542-3199; email address irb@uga.edu

Questions
Q1. When did you start your business?
Q2. Do you have a decision making team or you (owner) are the only decision-maker?
Q3. What makes your firm successful?
Q4. What obstacles did you come across to achieve success?
Q5. What kind of survey would you recommend to get other business owners to participate in this study?
   a. Online survey
   b. Phone interview
   c. Paper survey (mail-in)
Appendix B

Cover letter for final survey

Date

Recipient’s Address

Dear Sir or Madam:

I, Priya Gandhi am a graduate student at The University of Georgia, Athens. I am doing research in fulfillment of my graduate degree with my one of my professors, who has more than 40 years of apparel consultancy experience. My research is on factors affecting performance of apparel import firms in the United States. We have developed a short questionnaire (approximately 10 minutes) for apparel importers.

I would greatly appreciate it, if you could spare 10 minutes of your time on this questionnaire, and help me graduate successfully from The University of Georgia. This research can also prove to be very helpful for your company. To make your firm more successful, you can apply the recommendations or strategies, which we will formulate from our research.

There is currently a lack of research regarding different factors contributing to performance of apparel import firms. Through my research, I hope to find solution to problems faced by apparel import firms. If you complete this questionnaire and mail it back to me, I will send you a copy of my research findings. If you have any questions please call me at 706-207-9963

Sincerely,

Priya Gandhi
Appendix C

Final Survey

Part A. Please indicate below facts about your business/company

1. Year company was established: _________
2. Are you the owner of this company?
   a. Yes          b. No

If you answered NO for this question, please specify your position in the company:
   a. Manager       b. Human resource manager       c. Assistant manager
   d. Sales manager e. Chief financial officer
   f. Other (please specify) __________________________

3. In the past five years have you taken any business-related training?
   a. Yes          b. No

4. How many employees did you have when your company was first started?
   Number: _______

5. How many employees does your company currently have?
   Number: _______

6. Does your company have a decision-making team?
   a. Yes          b. No

   If you answered YES for this question, please specify the number of people in the decision-making team: _______

7. Did any of your decision-making team members undergo any business related training?
   a. Yes          b. No

   If you answered YES, please specify what type of training it was (you may select more than one option):
      a. Human resource training       b. Accounting training
      c. Entrepreneurship training     d. General business training
      e. Retailing training           f. Customer relations training
      h. Other (please specify) __________________________

8. Do you have previous business experience?
   a. Yes                  b. No
   If you answered **YES** for this question please select whichever applies to you
   a. Managerial experience              b. Entrepreneurial experience
   c. Apparel import industry experience
d. Other (please specify) ________________________________

9. How many years of previous experience did you have before this apparel import business?
   Number: ___________

10. Does your company have a formal written mission statement?
    a. Yes          b. No

11. Do you receive a regular newsletter from any professional organizations?
    a. Yes          b. No

12. Do you attend trade shows?
    a. Yes          b. No

13. How many clients/customers do you supply/serve?
   ______

14. How do you forecast fashions or trends in the market?
    a. Literature       b. Apparel market      c. Runway shows
d. Focus group        e. Expert consultation   f. Buying office
g. Customer research  h. Other (please specify) ___________________

15. On average, how much lead time do you require for delivery of merchandise?
   ________ days
Part B. Please answer all the questions based on your knowledge. There is no right or wrong answer.

Instructions: Please indicate your level of agreement or disagreement with each statement by circling the response that best reflects your opinion. If you strongly disagree, circle 1. If you strongly agree, circle 5 and so on.

Note: If your company doesn’t have a management team, then answer following questions with regard to owner

16. In general, the top managers of my firm favor importing the same lines of merchandise (over seasons/years) instead of launching new product lines.

1  2  3  4  5
Strongly Disagree Disagree Undecided Agree Strongly Agree

17. In general, the top managers of my firm favor limiting imports from only one country.

1  2  3  4  5
Strongly Disagree Disagree Undecided Agree Strongly Agree

18. In dealing with my competitors, my firm always keeps a close look on what my competitors are doing (their product lines, marketing, etc.).

1  2  3  4  5
Strongly Disagree Disagree Undecided Agree Strongly Agree

19. In dealing with my competitors, my firm is very often the first firm to introduce new products/ designs/ styles in the market.

1  2  3  4  5
Strongly Disagree Disagree Undecided Agree Strongly Agree

20. My management team focuses on our strategy and not on competitors’ strategy.

1  2  3  4  5
Strongly Disagree Disagree Undecided Agree Strongly Agree

21. With regard to my company’s management style, my key business managers prefer tasks which require following instructions rather than problem solving.

1  2  3  4  5
Strongly Disagree Disagree Undecided Agree Strongly Agree
22. With regard to my company’s management style, my key business managers prefer to accept challenging and difficult tasks rather than easy tasks.

1. Strongly Disagree  
2. Disagree  
3. Undecided  
4. Agree  
5. Strongly Agree

23. With regard to my company’s management style, my key business managers prefer tasks involving individual responsibilities rather than shared responsibilities.

1. Strongly Disagree  
2. Disagree  
3. Undecided  
4. Agree  
5. Strongly Agree

24. My management team determines the company’s mission statement.

1. Strongly Disagree  
2. Disagree  
3. Undecided  
4. Agree  
5. Strongly Agree

25. My management team develops major long-term objectives.

1. Strongly Disagree  
2. Disagree  
3. Undecided  
4. Agree  
5. Strongly Agree

26. My management team assesses the external environment (competition) quarterly.

1. Strongly Disagree  
2. Disagree  
3. Undecided  
4. Agree  
5. Strongly Agree

27. My management team evaluates, implements and controls strategic planning of the company.

1. Strongly Disagree  
2. Disagree  
3. Undecided  
4. Agree  
5. Strongly Agree

28. My management team always perceives (feels) that they have adequate information before making any decisions (with vendors, dealers, etc.).

1. Strongly Disagree  
2. Disagree  
3. Undecided  
4. Agree  
5. Strongly Agree

29. My management team routinely keeps abreast of events or trends affecting the firm.

1. Strongly Disagree  
2. Disagree  
3. Undecided  
4. Agree  
5. Strongly Agree
30. With regard to the import industry, demand for imported apparel products is increasing.

1 2 3 4 5
Strongly Disagree Disagree Undecided Agree Strongly Agree

31. With regard to the import industry, there is continuous change in taste and preference of customers.

1 2 3 4 5
Strongly Disagree Disagree Undecided Agree Strongly Agree

32. With regard to the import industry, the tactics of the competitors in the apparel import industry is very changing.

1 2 3 4 5
Strongly Disagree Disagree Undecided Agree Strongly Agree

33. With regard to the import industry, consumer demand has been predictable.

1 2 3 4 5
Strongly Disagree Disagree Undecided Agree Strongly Agree

34. With regard to the import industry, the market strategies of my key competitors have affected my firm in many areas (pricing, marketing, delivery, service, etc.).

1 2 3 4 5
Strongly Disagree Disagree Undecided Agree Strongly Agree

35. With regard to the import industry, products are becoming outdated very quickly.

1 2 3 4 5
Strongly Disagree Disagree Undecided Agree Strongly Agree

36. With regard to the import industry, a wide diversity in marketing tactics is necessary in order to cater to different customers.

1 2 3 4 5
Strongly Disagree Disagree Undecided Agree Strongly Agree

37. On a scale of 1-5 (with 1 being not at all to 5 being extremely well), how well does your management team understands complex issues in the company?
38. On a scale of 1-5 (with 1 being not at all to 5 being extremely well), how well does your management team employ sophisticated strategic management concepts and techniques?

39. On a scale of 1 to 5 (with 1 being not at all to 5 being very successful), how successful do you think your firm is, compared to other apparel import firms?

40. On a scale of 1 to 5 (with 1 being NOT IMPORTANT and 5 being VERY IMPORTANT), how important are the following factors for the success of apparel import firm. Please circle the number:

  a. Team work
     1  2  3  4  5
  b. Hard work
     1  2  3  4  5
  c. Good product quality
     1  2  3  4  5
  d. Reasonable product cost
     1  2  3  4  5
  e. Good decision-making
     1  2  3  4  5
  f. Good design and style of product
     1  2  3  4  5
  g. Good Vendor relationships
     1  2  3  4  5
  h. Other ________________________________________________________

41. On a scale of 1-5 (with 1 being NOT CHALLENGING and 5 being VERY CHALLENGING), how challenging are the following factors, which can lead to failure of apparel import firms?

  a. Very high price point
     1  2  3  4  5
  b. International issues
c. Bad product quality (from exporting country)
   1  2  3  4  5

d. Very low price point
   1  2  3  4  5

e. Lack of team work
   1  2  3  4  5

f. Poor cash flow
   1  2  3  4  5

g. Lack of managerial skills
   1  2  3  4  5

h. Bad vendor relationships
   1  2  3  4  5

i. Lack of adequate training
   1  2  3  4  5

j. Other ________________________________________________________
______________________________________________________________
Please provide some personal demographic information about yourself. Please circle the BEST answer for each question below.

42. You are:  
   a. Male            b. Female

43. What is the highest level of education you have achieved?  
   a. No formal education       b. Grade 1-9       
   c. High School Graduate     d. College Graduate   
   e. Graduate degree

44. What is your nationality?  
   a. American          b. Chinese           c. Taiwanese     
   d. Indian               e. Pakistani           f. Mexican     
   g. Other ____________

45. What is your age in years?  
   _______ Years

46. Total sales volume in 2006 for your company was____  
   a. Less than $1 million     b. $1-5 million           c. $6-10 million       
   d. $11-15 million           e. $16-20 million       f. More than $20 million       
   (Note: All answers are confidential)

47. Would you like to add some comments on the successes or challenges faced by apparel import firms?  
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________

If you would like a copy of the findings please put your email address or mailing address here:  
   _________________________________________________________________
**Human Subjects information and your rights as a participant**

There are no risks or discomfort to you as a participant. Your involvement in the study is voluntary, and you may choose not to participate or to stop at any time without penalty or loss of benefits. The questionnaire has an identification number for data entry purposes only. If you have any questions, please call us at 706-207-9963.

Research at the University of Georgia which involves human participants is overseen by the Institutional Review Board. Questions or concerns about your rights as a research participant should be directed to The Chairman, University of Georgia Institutional Review Board, 612 Boyd GSRC, Athens, Georgia 30602-7411; Telephone (706) 542-3199; email address irb@uga.edu
Appendix D

Questions for Case Study/In-depth Interviews

For successful (surviving) firms

Q1) What products do you import? what are the major problem/barriers in getting those products? do you have hard time selling these products?

Q2) Why did you enter in small apparel import business? Where there any problems at the beginning?

Q3) Are you happy in this business or do you like this business? Would you recommend small apparel import business to your well wishers? If yes, why? if no, why?

Q4) Are you satisfied the way your company is going? If yes, why and If no., why? What are your biggest challenges?

Q5) Data shows there is high failure rate of small apparel import firms in the United States, why do you think is high? What advice would you give to the firms, which are facing many problems and survival threats?

Q6) According to you, what does a small apparel import firm need to be successful in this business?

For Failed firms

Q1) What products did your company import?

Q2) What were the major problem/barriers in getting those products? Did you have hard time selling these products?

Q2) Why did you enter in small apparel import business? Where there any problems at the beginning?

Q3) Could you recall some major decisions or periods along your company’s life cycle, which brought your company closer to closure/bankruptcy or to switch to other products?

Q4) What caused your firm to closure?

Q5) What did you learn from your experience in apparel import business?

Q6) What advice would you give to the future small apparel business owners/ entrepreneurs?