

# **INFORMATIONAL AND FUNCTIONAL EXPORT BARRIERS FACED BY SMALL AND MEDIUM ENTERPRISES IN EMERGING ECONOMY**

Irfan Butt, Sultan Qaboos University, Muscat, Oman  
Muhammad Athar Siddiqui, Karachi School of Business & Leadership

## **ABSTRACT**

*The performance of small and medium enterprises is very important for both the economic and the social development of most emerging markets. Although Small and medium firms account for a large number of the industrial firms in emerging markets, their involvement in export related activities is considerably smaller. However, in view of the dynamics of the current global business environment, small and medium firms need to prepare themselves better to take advantage of trade liberalization and borderless economies. Hence it is very important for us to determine the factors that hinder emerging market small and medium firms from exporting their products abroad We used qualitative methods to explore our research topic and interviewed managers and CEOs of 49 small and medium firms in diverse industries of Pakistan. Data were collected in 2014. Our research confirms the internal and external barriers highlighted by earlier research. However, we noticed that there is a dearth of inter-organizational collaboration among the firms. This dimension has not been captured in the internal and external barriers approach. The existing literature on networks stresses the importance of inter-organizational relationships and networks among firms in general and specifically among small and medium firms. The emerging market small and medium firms must collaborate with each other, both in terms of operational resources and handling large export orders, if they want to enter in the competitive export markets. The government can also help such firms by encouraging the formation of export production networks.*

**JEL:** M310, O19

**KEYWORDS:** Export Barriers, Informational Barriers, Functional Barriers, SMEs

## **INTRODUCTION**

**G**lobalization of the world has been caused by various factors including trade liberalization, deregulation of industries, reduction of tariff and non-tariff barriers, regional economic integrations, advances in information and communication technologies. The world has become interdependent and interconnected and there has been tremendous increase in worldwide trade in last three decades. Export driven strategy of economic development has proved its merits due to the enormous success of Asian countries like Japan, South Korea, Taiwan, Singapore, Hong Kong, and China lately. Japan was the first country after World War II to adopt the export led strategy and it became the member of the elite club of developed countries long time ago. South Korea has been making a transition from a third world developing country to a developed country in last two decade. It has shown the highest export growth of all the Asian Tigers and after Japan it is the only country to have established its own successful brands and product distribution networks in North America and around the world. China, on the other hand, has achieved astounding export growth in the 1990s, despite being a poor third world country.

Yet Pakistan is unable to replicate the success of its Asian neighbours. In fact, Pakistani exports have declined in 2014-15 as compared to previous year. The performance of small and medium enterprises (SMEs) is very important for both the economic and the social development of most emerging markets. Although SMEs account for a large number of the industrial firms in emerging markets, their involvement in export related activities is considerably smaller. However, in view of the dynamics of the current global business environment, SMEs need to prepare themselves better to take advantage of trade liberalization and borderless economies. Hence it is very important for us to determine the factors that hinder Pakistani SMEs from exporting their products abroad.

It is already established in the literature that SMEs face a myriad of internal and external export barriers (Sudarevic and Radojevic, 2014; Leonidou, *et al.*, 2010). The internal barriers include informational, functional and marketing while the external barriers include procedural, governmental, task, and environmental. Nevertheless, the empirical verification of these barriers is primarily limited to SMEs in the developed world.

Firm's inability to assess the nature and extent of barriers to exporting can lead to firm's failure in foreign markets and can cause financial loss. It can also breed negativity about exporting among current and potential exporters (Bilkey, 1978). It is therefore important to focus on the export barriers faced by companies in Pakistan. This would help us in determining the specific nature and type of problems faced by Pakistani exporters. Thus, the objective of this research is to discern specific informational and functional problems and obstacles faced by small and medium firms in Pakistan while exporting their products to rest of the world. Understanding these export obstacles can benefit a number of stakeholders. Small business managers/owners can take appropriate actions to minimize their impact, particularly internal barriers which are relatively easier to overcome. Government policymakers can develop export promotion programs to provide assistance to exporters. Business academicians can offer educational programs to enhance knowledge, understanding and capacity building of small and medium size exporters.

The remainder of the paper is divided into four sections. The introduction is preceded by a literature review which highlights relevant previous studies and addresses the existent gaps in research. The methodology section explains how the research was designed and data was collected. Subsequently the research findings are first presented in detail and then discussed with regards to relevance. Lastly the limitations of the study are highlighted and some directions for future research are given.

## LITERATURE REVIEW

The empirical research on export barriers started in mid 1960s but it experienced acceleration in 1980s, in line with more focus on globalization and as both academic and practitioners tried to understand what hampers firm's efforts to export their products overseas (Leonidou, 1995). The research in this domain initially started from USA but it caught the interest of researchers from other developed and developing countries. A large majority of these studies focused on small and medium-sized firms rather than large firms (Leonidou, 1995). It is thus implied that small and medium enterprises (SMEs) are more likely to face these barriers due to resource constraint, lack of managerial experience, in adequate organizational structures, and fewer human resources capabilities.

Barriers to export refer to all those constraints that hinder the firm's ability to initiate, to develop, or to sustain business operations in foreign markets. These barriers create scepticism among managers of small firm about exporting, develop negative attitude among many exporters and deteriorate performance of such firms (Leonidou, 2004; Leonidou and Katsikeas, 1996). Building on a classification proposed by Leonidou (1995), Morgan (1997) categorized barriers into internal and external and further classified them as domestic and foreign. Later on the basis of a systematic review of 32 studies conducted during

the period of 1960 - 2000, Leonidou (2004) categorised 39 export barriers into three *internal* (functional, informational and Marketing) and four *external* (procedural, governmental, task and environmental) categories that are perceived differently by *non-exporters*, *current exporters* and *ex-exporters*. A number of empirical studies have been conducted in the past using this classification scheme. A classification of export barriers is given below in Table 1.

It was also found that the experience, knowledge and resources of managers contribute to the severity of barriers perceived by exporting firms (Sullivan and Baurischmidt, 1989). It was determined that much can be done internally to reduce the anticipated impact of export barriers by using the most appropriate decision making style. For example setting targets and successively meeting these targets will in turn reduce the impact of trade barriers (Shoham and Albaum, 1995). It has also been suggested in the literature that some of the barriers such as resource constraints, marketing barriers, knowledge and experience barriers, and export-procedure barriers are “export stage dependent” (Kahiya and Dean, 2016).

Table 1: Classification of Export Barriers

<b>Internal</b>	<b>External</b>
<p><b>Functional</b> Lack of managerial time to deal with exports Availability of trained personnel for export business Insufficient working capital for exports</p> <p><b>Marketing</b> Product, Price, Promotion, Logistics</p> <p><b>Informational</b> Limited information to locate/analyze foreign markets Unable to identify foreign business opportunities Inability to contact the overseas market</p>	<p><b>Environmental</b> Economics Political-legal Socio-cultural</p> <p><b>Governmental</b> Lack of home government assistance Bureaucratic requirements/complex export regulations</p> <p><b>Task</b> Competition in foreign market</p> <p><b>Procedural</b> Unfamiliar exporting procedures Slow collection of payments from abroad</p>

Source: Adapted from Leonidou (2004)

Tesfem and Lutz (2006) classified barriers into company, product, and industry, export market and micro environmental barriers. It is interesting to notice yet again that the focus is on external trade barriers. The only consideration with respect to internal barriers relates to marketing and its components i.e. product, price, distributions, logistics, Promotion. Since external barriers are more macro in nature, it is not possible for SMEs to influence them. Internal barriers are micro in nature and it is possible for individual organization to minimize those barriers with some assistance from government and industry associations. Thus the focus of our research is on internal barriers, in particular information and functional, which are discussed next.

According to Morgan and Katsikeas (1997) informational barriers refer to problems in identifying, selecting and contacting markets due to informational inefficiencies. In this study we are focusing on three major information barriers – limited information to locate/analyze foreign markets, inability to identify foreign business opportunities, and inability to contact the overseas market (Leonidou, 2004). Functional barriers relate to inefficiencies of the various enterprise functions such as human resources, production, and finance, with regard to exporting (Vozikis and Mescon, 1985). This category contains three barriers related to limitations in managerial time, inadequacies in export personnel, and shortages of working capital (Leonidou, 2004).

## DATA AND METHODOLOGY

This study uses qualitative research to collect data from respondents. Based on extensive literature reviews an interview guide was designed which contained questions to address barriers to exports these businesses faced. A sample of 49 heterogeneous small and medium enterprises (SMEs) was selected for this purpose. SME were defined as having an employee base of less than 1000. Once the questionnaires was finalized, in-depth interviews of the management were conducted to gain insight into the subject. Semi-Structured interviews were personally conducted by trained researchers. The respondents were the export manager, Managing Director, proprietor, the marketing manager, or other suitably knowledgeable executives. The respondents were free to give any additional insights that they felt necessary. The length of the interview was almost an hour and the respondents were informed that the interview would be taped for accuracy purposes, but their identities would be kept confidential.

The data was first transcribed, then organized into spreadsheets and finally analyzed. The qualitative analysis of data comprises classification of responses into categories, identification of major themes, and interpretation of findings in the light of existing academic literature. All firms in the sample were first classified by generic industry groups based on the export product and then qualitatively analyzed based on industry specifics. These industries included Engineering (including Paper, Petro-Chemicals and Plastic, Textiles, Food, IT, Sports & Surgical Leather, Footwear, Carpet and Furniture). The main themes pertaining to export barriers were identified within each industry and more generic theme were also identified and compared with previous studies.

## RESULTS AND DISCUSSION

The findings of qualitative research for information and functional barriers are given below:

### Informational Barriers

Informational barriers refer to problems in identifying, selecting, and contacting international markets due to Information inefficiencies (Leonidou, 2004). The findings related to informational barriers are discussed below.

Respondents were asked if they actually had access to sufficient information for analysis of foreign opportunities. Sufficiency was defined as constituent of both accuracy and adequacy of quantity. Even if the firm undertakes intensive and detailed methods for analyzing foreign opportunities, the quality and availability of data can be significant hurdle.

Lack of sufficiency of information was perceived by a few industries in particular. In the plastic and petrochemical industry a number of respondents felt that the information wasn't adequately sufficient to cater to their needs. The furniture industry is faced with different issues. It is a relatively new industry exporting at a very low scale. It gathers information through word of mouth and internet alone, which is not sufficient for any kind of expansion. A respondent from the furniture industry reported *"If we go after the big buyers, we wouldn't have the capacity to meet their demands. We do not have enough resources to manufacture in bulk without the surety of orders. Even when we get big orders, we cannot build the capacity that quickly."* So it's not just an informational issue but a functional one as well. Lastly, the respondents of the paper industry felt that they did not have sufficient information about the global export opportunities and would like to know more so that they could expand businesses but they did not know where to look for further information.

It was observed that, the internet was the main source of information to a majority of the subjects. The main issue mentioned in this regard was the inaccuracy of information. It was highlighted that internet

data was not always updated and therefore could lead to misinterpretation. Misinterpretation in turn can lead to improper planning which could have dire impacts on future business viability. The second most popular source of trade data retrieval was participation in trade fairs. It is a common conception among respondents that the government is not doing much in this area and more trade fairs and similar events should be organized so as to aid import and exports. Lastly, the third most important source of information was via personal contacts. The limitation of these is that they can only be employed by firms who have been in the business for a reasonable period of time, and therefore pose a barrier to firms new to exports. Identification of foreign business opportunities is crucial to the viability of any organization. It aids in gauging future prospects as well as preparing ahead. Six types of channels were employed by the SME sample to analyse business markets in order of popularity. They include web portal and Internet, trade fairs and exhibitions, contacts personal visits and old customers, distributors and wholesalers, word of mouth, agents and offices in different countries.

Some others include trade magazines, yellow pages, TDAP (trade Development Authority of Pakistan) databank. The most popular and widely used was the internet. Efficient utilization of Internet-based resources like marketplaces, website, B2B portals, and other tools allowed these exporters to locate right connections, build up affiliations and associations, increase revenue, and promote their goods. It was for these reasons that almost all exporters used Internet aggressively to enhance their export potential. Effectively all industries except furniture carpets and sports, rely heavily on this mode to prompt up sales and identify foreign opportunities. The second most widely used source includes trade fairs and exhibitions. Trade fairs (trade show, trade exhibition or expo) are organized so that companies in a specific industry can showcase and demonstrate their latest products, service, study activities of rivals and examine recent market trends and opportunities. These are very popular among almost all industries. A number of benefits were cited by the respondents who mentioned its use. Primarily they provide contact to a large number of prospective customers at a single point in time and place. It also provides immediate feedback on commodities and price and provides the opportunity to gain knowledge of markets, products, trends and any competition. They also help in identifying new market opportunities. Trade fairs were employed by textile, IT, sports, engineering, food, carpet and surgical goods industry. Not all industries have access to trade fairs despite their numerous benefits. Many small firms do not have access to trade fairs due to the higher cost associated with its participation.

Thirdly contacts, personal visits and old customers' listings and databases were employed by petrochemical, engineering, food, leather and paper industry. Other means were less popular or less consistent among these industries. It is interesting to note that the larger the industry becomes the more means of information they employ. The larger export industries like engineering and textile employ the maximum avenues for gaining information about the business opportunities abroad, in contrast to smaller and less experienced industries. For example, furniture industry is comparatively new industry in the exports field so the industry does not identify the buyers instead the buyers are attracted through word of mouth or references. Once opportunities have been identified, it is important for a business to establish communication with the target client effectively. This calls for a reliable means of communication. The main modes used to contact overseas customers were similar to those used to identify business opportunities abroad. The difference is in the popularity of different channels employed. The major channels employed included personal meetings, internet, emails, subcontracting, technological partnerships, wholesaler's indenters and trade fairs.

The most popular among these was internet, including emails, web portals and B2B search engines. They were employed by almost all industries except carpets, sports and food. The carpet industry contacts the customers through travelling and meeting in person. Footwear industry is approached by the customers directly and the communication is established through emails and other channels. Textile, being a large industry, employs a mix of approaches to establish contact with customers. Its encompasses contacts through conventions, exhibitions, trade fairs, overseas offices, listing in manufacturers lists, exploring the

market through overseas visits, electronic means of communication, active engagement with exporters and importers. Seminars and publications are also important sources of establishing the first contacts. Buying agents are another source of contacting the customers.

A number of hurdles prevent many industries from actively contacting customers. Although internet has reduced the impact of geographical distance, still limited exposure to listing of potential customers pose hindrance in establishing contact for smaller industries like footwear and carpets etc. Once again size of the industry emerges as a dominant barrier. Still other industries, like furniture, lag behind on the pretext of taking a half-hearted approach toward carrying out systematic research in overseas market. This passivity plays a role in the stunted growth of export promotion for such industries.

### Functional Barriers

Functional barriers relate to inefficiencies of the various enterprise functions such as human resources, production, and finance, with regard to exporting (Vozikis and Mescon, 1985). The findings related to functional barriers are discussed below.

Respondents were asked if the senior management had sufficient time and resources to spend on export activities. A significant thirty percent responded negatively. On taking a more detailed look at the reasons provided, a number of interesting trends came up. The management style of executives assumes great importance in carrying out day to day business. The analysis shows majority of respondents get involved in export related activities because they think it is vital for their business growth. Some others however remain busy in other activities or hire personnel for export related activities. The analysis shows that experience in export business carries a lot of weight. The respondents having experience ranging from 5 to more than 20 years involve themselves in export related activities and manage their business properly. On the other hand respondents who do not find time have much less experience. The respondents who answered who spend less time and resources on exports are predominantly from business like engineering, surgical, furniture, carpet/rugs and IT etc. These kinds of exports are technology intensive and exports potential in these areas have recently been explored. The respondents from relatively smaller firms seem to be engaged more in all kinds of activities and give little time to their export related activities. Their businesses seem just taking off but not established. On the other hand the respondents who give more time to these activities seem well established and experienced.

The respondents more experienced in export are managing time and resources properly. They divide the responsibilities successfully amongst various level of business leaving enough time to devote on core business needs i.e. exports. The respondents who do not find time for export related activities either have separate department for that purpose or find it hard to manage business affairs properly. The data revealed that almost all the exporters have also been conducting local business and it started much earlier than their exports business. So it depends on the strategy of respondents whether they give priority to their local or export business. The data reveals that the respondents who find time for their export related activities certainly give priority to export segment of their business. Respondents were asked if they had trained workforce available for exports. It was observed that out of 49 exporters who participated in the survey, one third of them had issues with the recruitment or availability of trained work force. This issue was then further scrutinized by analyzing their responses.

The industry specific analysis gave a very different perspective. It appears that the Engineering sector is very much satisfied with the availability of skilled labour. This may primarily be due to the reason that they hire qualified engineers and associate engineers from established institutes and it may also reflect that they can hire trained labour from their competitors or give on job training to fresh graduates.

Food sector gives a very split verdict, it seems that it is only new high tech units which are facing problem as they are unable to find skilled labour. *“Since the machinery is being imported, as such trained human management is not available in Pakistan. There is need of Government institutions for long term planning to produce technical expertise who could meet the challenge of science & technology era”* said one of the interviewed managers. Units operating on old technologies are not facing such problems. Similarly petrochemical, leather and textile units are not facing any such problem most probably for the same reason.

On the contrary industries like sports goods manufacturers and surgical units, where more than machinery, it is the craftsmanship of the worker which matters, are facing problem of skilled labour. The primary reason for this is lack of technical training institutions where youth could obtain such skills. One of the respondents reported that *“Low wages of labour (in a bid to remain competitive in the wake of international competition) are forcing youth to take up other professions”*.

Working capital is a measure of how well an organization meets its short term obligations with ease. It is, therefore, essential for the day to day operations of the organization and forms the crux of its functionality. The firms in the sample were enquired about the sufficiency of working capital in the organization. Almost one fourth of them reported insufficiency and said that better availability of working capital would enhance their export operations. Numerous reasons were cited for this lack of working capital. The main reason was the increased cost of credit, non-availability of funding, and high collateral requirements. One of the respondents said *“Shortage of credit from the market and tightening monitoring policy from the government is resulting in increased cost of borrowing”*. It was observed that this lack of liquidity was more pronounced in relatively smaller units because they did not have the resources to cater to the collateral or high interest requirements. Similarly, industries which manufacture products that need storage, such as paper, experience working capital problems. Their capital is locked in in higher inventory costs, which leads to longer operating cycles.

An industry wise analysis illustrates that the most serious lack of working capital is experienced by engineering and surgical industry. One third of respondents in the engineering and surgical industry claimed insufficiency. According to one of the respondents *“We need almost 100 percent increases in present working capital”*. Although these industries are well established, the anomaly was attributed to the structure of the business. These businesses face capital intensive production process which shifts a major part of financing to the manufacturing process, thus leaving less funding for working capital. A summary of findings is given below in Table 2.

### Discussion of Results

The preceding analysis has established adequately that the small and medium enterprises (SMEs) path to internationalization is beset by a significant degree by obstacles of dissimilar degree pertaining to information and functions. The size of the business and the type of the industry plays its role in factoring the degree of the effect that particular export barrier has on it business. Regarding informational barriers it can be stated that the smaller and less formalized organizations, primarily due to resource constraints, lack proper evaluative structure for exports, and geographical distance poses greater barrier to contacting customers. For these firms, there also remains a lack of awareness regarding ‘How to find’ sufficient export data to expand business. It is also observed that firms from larger and well established industries are well at ease to employ a wider variety of channels to gauge export opportunities which is contrary to the situation of relatively smaller business export units. Moreover, inaccuracy of export data predominantly stems from the inaccuracy of internet based information, the most widely employed tool, which reduces its reliability.

Table 2: Summary of Research Findings

<b>Informational Barriers</b>	<b>Functional Barriers</b>
<b><i>Limited Information to Locate Foreign Markets</i></b>	<b><i>Lack of Managerial Time to Deal with Exports</i></b>
Plastic, petrochemical and furniture industry face more problems. Information on Interest is not always updated. Personal contact is not import source but used only by experienced companies.	Involvement of top management in export is crucial for success. Managers of bigger and experienced companies spend more time on exporting. Managers who consider export important for their business allocate more time.
<b><i>Unable to Identify Foreign Business Opportunities</i></b>	<b><i>Unavailability of Trained Personnel</i></b>
Internet-based resources like marketplaces, website, and B2B portals, etc. are crucial for most industries to locate right connections and promote goods. Trade fairs are also very popular as they provide contact to a large number of prospective customers at a single point in time and also provide immediate feedback about products and prices. Smaller firms do not have access to trade fairs due to the higher cost associated with participation.	One third of firms had issues with the recruitment or availability of trained work force. Engineering sectors is satisfied but food sector with new technology faces problems. Lack of technical training institutions for craftsman causes shortage for sports goods manufacturers and surgical units.
<b><i>Inability to Contact Overseas Customers</i></b>	<b><i>Insufficient Working Capital</i></b>
Personal meetings, Internet, emails, subcontracting, technological partnerships, wholesaler's indenters and trade fairs are used to contact buyers. Seminars and publications are also important sources of establishing the first contacts. Buying agents are another source of contacting the customers.	Most firms find it difficult to get working capital due to increased cost of credit, non-availability of funding, and high collateral requirements. Smaller units face more problems due to lack of resources. Firms facing higher inventory and warehousing costs such as paper experience working capital problems.

*This table provides a summary of the research findings in this paper.*

With respect to functional barriers it is seen that the amount of time management spends on exports, the skill of workforce and insufficiency of working capital act as export barriers. The former is affected in turn by the management philosophy, experience, industry and size of business, division of responsibilities and prioritization of business segments. Alarmingly, there exists a high level of structural unemployment at high tech units with newly adopted technology. Even the availability of skilled labor is a problem due to lower wages, forcing manpower to look for alternatives. The lack of training institutions also deserves due mention. Lastly, the high cost of finance poses the biggest hurdle, causing significant working capital issues in smaller organizations. It is also seen that organizations in the business of manufacturing with excessive storage costs face more problems pertaining to working capital adequacy. These export barriers, firm specific and are internal to the firm, are as important in inhibiting an organizations export performance as external barriers and thereby deserve, in the least, equivocal academic attention.

The results build on several of the studies on export barriers conducted earlier. In line with Leonidou (2004), we also found that management experience and the development level of the industry is a significant factor in determining the severity of barrier faced by its management. Sullivan and Baverschmidt (1989) also concluded from a comparative study between European and U.S paper industry that experienced and committed exporters view many of the operational complexities as manageable rather than overwhelming challenges. Our study confirms that the firms belonging to well established industries or those that have been in the business for significant period of time perceive these informational and functional barriers to a lesser extent than do organizations with little or no experience. Thus, the knowledge of business gained overtime and the familiarity with various limitations to exports prepares these managers on how to handle and tackle them well and they thereby perceive such constraints as less of a threat compared to those with comparatively less experience and exposure. This also confirms the finding of Johansson and Vahlne (1977) who theorized that the most important obstacles to internationalization are lack of managerial knowledge, resources and disinterest in foreign market opportunities. This fact was demonstrated by the furniture industry's lethargic efforts to seek out foreign opportunities. It must be noticed, however, that one of the supposition while studying informational barriers was that firms that have separate organized units for exports outperform other

organizations, after adjusting for the size of the firm. The reason for this is the additional formalized attention focussed on exports translates into better export performance results (Leonidou, *et al.*, 2002). Therefore lack of such formalized structures was given due consideration as a significant trade barrier and it was found that the presence of such a barrier relates to the relative size of the organization and the type of industry. Moreover the study supports the findings pertaining to internal barriers that a firm faces highlighted by Ali (2006) that small firms usually face internal barriers to export which arise from within the organization. Therefore this study has its contribution in establishing that validity of the applicability of internal informational and functional barriers to small and medium enterprise in emerging markets and how the intensity of the effect of such barriers is dependent of type of industry and relative size of the organization. The study also confirms the proposition presented by Bagchi-Sen (1999) that important internal barriers faced by Small and medium enterprises include management time, operating capital, and lack of in house expertise. In addition to the aforementioned, this study points out that formalized evaluative unit for export performance, accuracy and sufficiency of export data and ability to identify and contact customer, if hindered can erect significant barriers to trade, especially in context of emerging markets and developing economies.

The study also, highlights a number of significant insights which were either missing in earlier research or contrary to certain previous notions on certain accounts. Few findings emerge which are contrary to prior generic belief that much can be done internally to reduce the anticipated impact of barriers pertaining to lack of training. The existing research contends that such barriers can be eliminated by setting targets to periodically train employee by setting up training institutions within the organization (Shoham and Albaum, 1995). In the context of emerging markets, specifically small and medium enterprise have access to limited resource capital which is a requisite for setting up such training structures. As can be seen by the responses from the study, the only way for firms operating in emerging economies to counter such barriers would be with the help of government. Uniquely, in the emerging market context, lack of skilled labor, although internal, is the result of an external interplay of forces, which include, reduction in real wages in certain sectors causing a substitution effect for workforce to switch to other high paying industries. Thereby leaving these already less established industries shrinking further.

The findings of this study are useful to exporters who could make changes to the internal functioning of the company as well as provide important guidelines to their employees to make best of marketing effort. However, more importantly the findings can aid government agencies to formulate export promotion policies which could expand export business for small and medium enterprise and reduce export barriers. The effectiveness of export promotion programs targeting SMEs was experienced by Malaysian government (Ayob and Freixanet, 2014).

## CONCLUDING COMMENTS

The objective of this research is to determine the factors that hinder emerging market small and medium enterprises (SMEs) from exporting their products abroad. It also chronicles the activities performed by exporters to perform their functions. We used qualitative methods and conducted in-depth interviews of managers and CEOs of 49 SME firms in diverse industries of Pakistan.

It was found that exporting is driven by technology. Internet was the main source of information; marketplaces, websites and B2B portal were used to form connections and promote goods and emails were used to establish contact. However, information on Internet was not always updated. Trade fairs provided immediate feedback about products and prices and served as a conduit to contact a large number of customers at one place. However, smaller firms didn't participate due to higher fees. Involvement of top management is crucial for success of exports but only experienced managers of bigger firms understand this aspect. The non-availability of skilled personnel is faced more by firms needing craftsmen

due to shortage of technical training institutions. Smaller firms find it difficult to get working capital due to increased cost of credit, non-availability of funding, and high collateral requirements.

There are a number of issues surrounding the research that are limiting the generalizability of the research. Firstly, the research was based on small and medium enterprise only and covers only a limited number of industries. Moreover, the sample was random, but a stratified random sampling or sampling based on industry weightage would have been more representative. Also, the research was focussed primarily on current exporters, when some good representation of potential and ex exporters would have additionally been better. This implies a high probability of survivorship bias as only current exporters have been taken into account, thereby the reasons (potential barriers) which hinder firms to expand globally or which deterred exporting firms to halt global operations could not be considered.

Further research is needed with a relatively more representative sample of small, medium and large firms. And a supporting framework of quantitative analysis would aid in gauging the influence of economy wide export barrier in the emerging market context. Moreover, research should address the fact that do informational and functions problems pose hindrance to entrepreneurial globalization. Focus should be on export development in the emerging markets alongside export barriers.

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## BIOGRAPHY

Dr. Irfan Butt is an Assistant Professor of Marketing in the College of Economics & Political Science at Sultan Qaboos University. Dr. Irfan has taught a number of marketing courses at the bachelors, masters, and doctoral levels. Dr. Irfan's research interests include International Marketing, Consumer Behavior, and Content Analysis research methodology. He is the author of one book chapter, two case studies in McGraw Hill textbook and more than 25 refereed papers in leading academic journals and proceedings of international conferences. Dr. Irfan has received several awards for his research contributions. He can be reached at College of Economics & Political Sciences, P.O. Box 50, Al Khoud, Muscat, Oman; Tel: +968 2414-1971; Email: irfanb@squ.edu.om

Muhammad Athar Siddiqui, Karachi School of Business & Leadership. Email: Athar.Siddiqui@ksbl.edu.pk