ATILIM UNIVERSITY
GRADUATE SCHOOL OF SOCIAL SCIENCES
THE DEPARTMENT OF BUSINESS ADMINISTRATION
BUSINESS ADMINISTRATION PHD PROGRAMME

EXPORT BARRIERS AND THEIR ROLE IN REDUCING THE EXPORT CAPABILITY OF LIBYAN SMALL AND MEDIUM-SIZED ENTERPRISES

PhD Thesis

Afaf Salem

Ankara- 2019

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Supervisor

Prof. Dr. Mithat Üner

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ACCEPTANCE AND APPROVAL

This to certify that this thesis titled 'Export Barriers and Their Role in Reducing the Export Capability of Libyan Small And Medium-Sized Enterprises' and prepared by Afaf Salem meets with the committee’s approval unanimously as PhD thesis in the field of Business Administration following the successful defense of the thesis on June 28.06.2019.

Prof. Dr. Dilaver Tengilimoğlu(Director)

Prof. Dr. Mithat Üner(Supervisor)

Prof. Dr. Alper Özer(Jury Member)

Assc. Prof. Dr. Pelin Özgen(Jury Member)

Assc. Prof. Dr. Mehmet Baş(Jury Member)

Assc. Prof. Dr. Metehan Tolon(Jury Member)

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I hereby declare that;

- I prepared this thesis in accordance with Atılım University Graduate School of Social Sciences Thesis Writing Directive,
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28.06.2019

Afaf Salem

ÖZ

Salem, Afaf. İhracat Bariyerleri ve Libya'da Küçük ve Orta Ölçekli İşletmelerin İhracat Kapasitesini Azaltmadaki Rolleri, Doktora Tezi, Ankara, 2019.

Operasyonları uluslararası çapta genişletme kararı alırken, bir iç pazarda belirli bir şirketin karşılaştığı çeşitli riskler ve zorluklar var. Operasyonların genişletilmesi süreci uluslararasılaşma olarak bilinirken, dış pazarlara erişimi engelleyen engeller ihracat engelleri olarak bilinmektedir. Bu çalışmanın temel amacı, uluslararasılaşma sürecinde zorluklarını anlamak için Libyalı KOBİ'lerin ve ihracatçıların karşılaştığı ihracat engellerini tespit etmektir. İhracat engelleri ve literatürden gözden geçirilen uluslararasılaşma modellerine dayanan bir anket tasarlanmıştır. Tasarlanan anket, Libya'nın ihracat ve ithalat otoritesine kayıtlı iki yüz elli dokuz ihracatçı firmaya dağıtılmıştır. Yüz yirmi bir anket Cronbach'ın 0.956'nın alfa seviyesine ulaştı. Çalışmanın sonuçları, Libya'daki KOBİ'ler için yıllık satış hacimlerinde ve yıllık ihracat hacimlerinde önemli farklar getiren on dokuz ihracat engelinin bulunduğunu göstermektedir. Ayrıca, on yedi ihracat engelleri, Libya şirketleri arasında farklı uluslararasılaşma aşamalarında önemli farklılıklar göstermiştir. Her üç uluslararasılaştırma aşamasındaki şirketler için en önemli üç engel, şirketler açısından önem derecelerine göre sıralanmaktadır. Kesin sonuçlar, Libyalı KOBİ'lerin karşılaştığı en önemli ihracat engellerinin yerel hükümet desteği, döviz istikrarsızlığı ve uluslararası kalite standartlarını karşılama ile ilgili olduğunu gösteriyor.

Anahtar Sözcükler

Uluslararasılaşma, İhracat engelleri, Libya, KOBİ'ler

ABSTRACT

Salem, Afaf. Export Barriers and their Role in Reducing the Export Capability of Libyan Small and Medium-Sized Enterprises, Ph. D Thesis, Ankara, 2019.

There are several risks and challenges that face any given company in a domestic market when taking the decision to expand the operations internationally. The process of expanding the operations is known as internationalization, while the obstacles that hinder the access to foreign markets are known as export barriers. The main aim of this study is to identify the export barriers that are facing Libyan SMEs and exporters in order to understand their challenges during the internationalization process. A questionnaire was designed based on the export barriers and internationalization models reviewed from the literature. The designed questionnaire was distributed on the two hundred fifty-nine exporting companies registered with the exportation and importation authority of Libya. One-hundred and twenty-one questionnaire were qualified, achieving a Cronbach's alpha of 0.956. The results of the study show that there are nineteen export barriers that impose significant difference in annual sales volumes and annual exportation volumes for the Libyan SMEs. Moreover, seventeen export barriers showed significant differences between the Libyan companies at the different internationalization stages. The top three barriers are ranked according to their importance to the companies at each internationalization stage. the final results show that the most important export barriers facing Libyan SMEs are related to domestic government support, foreign currency instability and meeting international quality standards.

Keywords

Internationalization, Export barriers, Libya, SMEs

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TABLE OF CONTENTS

LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNP	Gross National Product
SMEs	Small and Medium Enterprises

LIST OF TABLES

LIST OF FIGURES

1. INTRODUCTION

The concept of internationalization is to target markets that are growing by utilizing the high production rate in the domestic economy. The way the new markets are targeted determines the concept that is used to enter the market balancing the risks and the benefits through several stages. Therefore, understanding the target market, as well as the capabilities of the company is essential in order to create a seamless internationalization process with the least losses and facilitating maximum profitability (Stremtan, 2009). Furthermore, small and medium enterprises (SMEs) are considered the core of a country’s economy and due to their limited capabilities, they are expected to be faced with bigger challenges that would hinder the expansion of their operations to other markets. Generally, internationalization has been defined in different sources; however, the concept mainly describes the process a company undertakes to expand their operations to new markets through stages aiming to make a gradual movement without jeopardizing current operations in the domestic economy or impose losses in the new market (Welch and Luostarinen, 1988; Calof and Beamish, 1995; Pasco-Berho, 2000).

There are different definitions for SMEs according to the source and the classifying organization. Nonetheless, there is no doubt that small and medium enterprises face challenges in their operations that are similar to big enterprises, while the impact that can be imposed by those challenges can be more influential. Regardless if they choose to implement internationalization or not, the growth of SMEs on the domestic level has been shown to be affected by international trading factors (Sanjo and Ibrahim, 2017). Moreover, there are different factors that motivate SMEs to pursue internationalization, which can be classified into proactive and reactive, depending on the reason that pushed the company for the decision (Hollensen, 2011).

The entry modes that are used by the company depends on the method that allows it to achieve the maximum benefits from implementing the process. Exportation, turnkey projects, licensing, franchise and joint ventures are all different form of entry that are used by foreign companies in a new market (Masum and Fernandez, 2008). Thus, the internationalization process model that is adopted by the company plays a major role into determining the best entry mode to use for a new market, in addition to formulating a gradual process that allows achieving the objectives of internationalization (Coviello and McAuley, 1999).

There are several models and processes that were developed for internationalization, where choosing the suitable model depends on the capabilities of the company and the ultimate goal to achieve in the new market. The Uppsala model and the model of innovation are considered the top models used by enterprises to move towards new countries (Coviello and McAuley, 1999). Both models target internationalization through stages and develop processes and strategies that support their success. The Uppsala model targets taking the company through an exportation through an agent to owning subsidiaries in the new market. The model of innovation focuses on one mode of entry, exportation, taking it from experimental exportation to fully committed exportation (Johanson and Vahlne, 1977; Bilkey and Tesar, 1977).

The obstacles that face a company during the internationalization process are called barriers. Furthermore, since exportation is one of the most important entry modes, the barriers that face companies through it are considered very significant. Therefore, many exportation barriers have been identified. Export barriers can affect companies that are aiming to enter new markets to the extent of failure (leonidou, 2004). The factors that affect the way those barriers are perceived are also important to consider during research. Company characteristics and performance has many indicators that are studied in conjunction with export barriers (Martinovic and Matana, 2017).

This study performs an extensive study on the concepts of internationalization and export barriers in order to compile a suitable list to be utilized during the investigation. Targeting understanding the export barriers that hider internationalization in Libyan companies, a questionnaire is created and filled by a suitable sample. The results and discussion will help understand the issues that face Libyan exporters, as well as recommending solutions to the main problems faced by them.

1.1 Aim of the Study

The main aim of this research is to identify the export barriers that are facing Libyan SMEs and exporters, which leads to understanding their challenges during the internationalization process. Based on the study results, recommendations and strategies can be provided to support Libyan exporters with their pursuit for operation expansion into new markets. Thus, several objectives are identified in this research to achieve the main objective:

1. Understand the concept of internationalization, its motives and the models used to implement it.
2. Study the nature of export barriers, as well as surveying the literature studies for barriers and their classifications.
3. Understand the nature of small and medium enterprises and the way they are affected by export barriers and international business operations.
4. Survey Libyan SMEs and exporters for barriers that are hindering their exportations.
5. Identify factors that influence the perception of export barriers among Libyan exporters.
6. Provide recommendations and strategic plans that can be implemented by the Libyan concerned authorities and exporters in order to increase the capabilities needed to compete in new foreign markets.

The methodology used to carry out the research are based on two main strategies; literature survey and a questionnaire for the Libyan exporting companies. The study starts by understanding the main concepts associated with internationalization and export barriers. The goal is to review books, articles, journals and other source types to accumulate the maximum relevant knowledge on the subject. In studying internationalization, the research conclusion is given by understanding its implementation methods, in addition to the models that are used to enter new markets. The researcher would like to review two main internationalization models, which are widely used for the process; Uppsala and the model of innovation. In studying export barriers, several aspects are reviewed in order to understand their nature and impacts. The main conclusion drawn from the review of export barriers is to understand the way export barriers are classified, as well as the way they are considered by different studies. The aim of this review is to select a classification that represents the majority of the barriers and carry out the investigation based on them.

In the investigation, the questionnaire is designed taking into consideration the export barriers and internationalization models provided in the literature. Through understanding the perception of Libyan exporters towards the export barriers, as well as correlating it to the characteristics of the companies and their performance, the researcher could be able to build a profile for exportation and its barriers in Libya. The results are then compared to the theoretical study performed earlier by understanding similarities and differences. The methodology used in this research is designed to fulfil the main aim of understanding the export barriers faced by Libyan exporters and the correlation between these barriers and other business indicators.

1.2 Study Problem, Significance and Contribution to Literature

The domestic economy of a country depends on the total production that is performed by within the country in a given year. There are economic indicators like the Gross Domestic Product (GDP) and Gross National Product (GNP) that measure the amount of production performed in a given country and subsequently the shortage or surplus within a given sector or product. The strategy of a healthy economy aims to diversify the income sources in order to reduce risks and produce a strong portfolio that supports the development ambitions of the nation. In the Libyan case, 95% of the Gross Domestic product depends on oil production and exportation, which contradicts the goals of a sustainable economy. Moreover, fluctuations in oil prices make it hard to build a steady development plan for the country as income from petroleum products cannot be reliable for such a goal. Additionally, the Libyan economy and exportation do not include a diversified portfolio that reinforces the strategies presented by the government. The non-oil exports formed only up to 5% of the total exports in the years prior 2016. Therefore, it is evident that the country has a problem regarding its exportation portfolio diversity and strength.

In the years following the 2012 security instability in Libya, the economy suffered from stagnation leading to a significant drop in the volume of exports. However, as the security dilemma is enhancing in the recent years, it is time for exporters and the government to look into issues and obstacles that are hindering the development of the economy, specifically exportation barriers with the goal to tackle them and imposing plans that allow more production and exportation. As small and medium enterprises form at least 85% of any given economy, addressing these challenges within these companies would have the most positive impact on the economic status of the country. Understanding the perception towards export barriers helps the concerned authorities to either increase the awareness towards the possible strategies to overcome them from the companies' perspectives or implement laws, policies and international trade agreements that allows remove or alleviate the impacts of export barriers.

The significance of the research emerges from its need, as no previous study has addressed the problem for the Libyan case. The current research forms a cornerstone for future research on the subject; allowing the continuous assessment of the internationalization status in the Libyan economy, in addition to evaluating the perception of export barriers within Libyan exporters. Such an understanding allows the concerned authorities and economic entities in the country to identify issues that hinder exportation and creates a communication channel that facilitates further solutions. The current Libyan export portfolio is humble in comparison with other developed and developing countries. Thus, the current study should highlight the issues that are suffered by the Libyan small and medium enterprises in pursuit for exportation.

Furthermore, the research allows the decisionmakers to understand the scientific correlations between the export barriers and the different characteristics of the company that would increase the efficiency of implementing internationalization policies. It is expected that the current study motivates the further investigation into laws and agreements that are considered obsolete within the current economic status on the domestic, regional and global levels. Moreover, understanding export barriers provides small and medium enterprises, that are entering the internationalization process, with a picture of the challenges that they are expected to face during the different stages.

The study contributes to the literature through providing the most comprehensive data possible on identifying the export barriers facing the Libyan SMEs. The literature lack such an important research, which allows the exporters, exporting expert, scholars, decision makers and government entities to identify the issues that are hindering the economic growth in Libya internationally. The data found in this study can be reproduced to diagnose more challenges of internationalization and exportation for the Libyan market. Moreover, the recommendations provided in this research are focused on the direct and indirect solutions that can be implemented on the short, medium and long terms in order to facilitate a prompt movement into new markets.

1.3 Thesis Structure

The structure of the research is narrated into six chapters that include the theoretical and practical study performed by the researcher. The first chapter contains a brief overview over the main concepts of the research; internationalization and export barriers. Moreover, the main aim of the research and the associated objectives are set in order to focus the study towards the expected academic and practical outcomes. The research problem is identified through the need for the study for the Libyan economy, which clarified the significance of the study. The thesis structure is also reviewed in order to give the reader an idea about the content and the expected parts within the thesis. The second chapter addresses the concept of internationalization through five main section;

internationalization definition, internationalization of SMEs, motivations, foreign markets entry modes, and the internationalization process. The most important part of this theoretical review of the concept of internationalization is to understand the models that are used by the companies to facilitate their entry into foreign markets. By comparing two of the most important models, Uppsala and model of innovation, the researcher is able to understand the models and their associated stages.

The third chapter addresses the export barriers studied in the literature through four sections; concept, nature, scope and classification. This chapters aims to understand the export barriers and the way they affect companies expanding their operations to foreign markets, especially small and medium enterprises. The last section within the third chapter reviews the different export barriers provided within more than forty studies in the literature and the classification used to group these classifications in order to choose the most suitable classification for the current study. The fourth chapter reviews the methodology used for the assessment of the investigation. The research question is reviewed, along with the scale used to construct the questionnaire. A view over the participating enterprises is provided, as well as the sampling and analysis techniques. The fifth chapter provides the results of the questionnaire, statistical analysis and discussion of results in conjunction with literature findings. The sixth chapter draws the conclusions of the study and the researcher’s recommendations to overcome export barriers for Libyan exporters.

2. INTERNATIONALIZATION PROCESS

The internationalization of companies is a result of implemented efforts of a group of companies to open up to new markets, especially the markets of countries that are growing rapidly, with the goal to market their products in addition to benefiting from economies that have a high production rate. Such efforts are reflected on the profitability of the company and the evolution of its performance and products. Companies are developing, reengineering and redesigning their products as required by the new markets and the preferences of new consumers by adopting precise strategies to achieve their planned objectives (Ibrahim, Abdullah, & Ismail, 2016).

In light of the rapid and successive developments witnessed by the world in recent years due to the technological and informational revolution, globalization have emerged in all domains: political, cultural and social fields. Globalization changed the world into a small village. The competition between various companies has increased, in addition to the establishment of economic organizations such as the World Trade Organization. A new type of organizations has appeared and became known as multinational companies, which broke barriers of geography, politics and culture, and dominated the mechanisms of the market on the global economy. Thus, internationalization of small and medium-sized enterprises is not a secondary activity except in the cases of saturation or severe competition in local market. It is a requirement for companies as a condition of survival and continuity (Ibrahim, et al., 2016).

These developments and changes in the economic environment at the international level influenced the strategies of the management of small and medium enterprises that cannot cope up with competition, as they found themselves forced to keep pace with these new challenges and find ways to maintain their survival in the markets. As there are differences that distinguish each country and each institution, in addition to investment expansion and increase of economic competition, many small and medium enterprises have resorted to the policy of internationalization. Therefore, adopting a policy of internationalization has become a mechanism for growth and external expansion by most small and medium (Ibrahim, et al., 2016).

In this chapter, the concept of internationalization is highlighted and some topics that are related to internationalization with a focus on internationalization process are adopted by the small and medium enterprises in order to achieve a better understanding of internationalization.

2.1 The Concept of Internationalization

Depending on the way a company is entering a foreign market, several concepts have emerged to describe the stages, economic factors and networks that accompany its process. The concept of internationalization has determinants that depend on the firm's capabilities; commercial and industrial, the environment in the domestic and target markets, and the opportunity presented that motivates the initiation of an internationalization process. Similar to other business management decisions, internationalization bring a certain level of risk, which should be evaluated in order to ensure a successful operation; however, the risk taken by expanding the operations of the company brings opportunities (Stremtan, 2009).

Small and medium enterprises are working hard to accelerate and diversify international expansion strategies. Thus, the main aim was to obtain new opportunities for growth through expanding to the international economy's level (Dominguez & Mayrhofer, 2017). The entry of these institutions into the international market requires them to follow several stages in the internationalization process, where their entry must be incremental, allowing them to configure an accumulated knowledge about the market (Johanson & Vahlne, 1977; Dominguez & Mayrhofer, 2017). By presenting the various models of the process of internationalization, it is noticed that the concept includes a set of steps or stages. In this aspect, the study will be presenting the models of internationalization process, which are Uppsala Model, Innovation-Related Internationalization Model, Network Theory, and International Entrepreneurship

Theory. However, it is necessary to present a set of points and concepts related to internationalization.

For several decades, internationalization has attracted the attention of researchers. There are many reasons companies are heading towards internationalization, including a small domestic market that seeks maximizing profits. Internationalization is not a new phenomenon. From a historical perspective, the internationalization of companies begun with the ability of people to travel overseas and borders (Masum & Fernandez, 2008). Scientists and academics tried to define the concept of globalization based on several variables and perspectives throughout the literature. Internationalization is a vague term and its definitions are based on the phenomenon it contains. The following are the definitions for the concept of internationalization:

Welch and Luostarinen (1988) provided a definition of internationalization as the process that increase the involvement of the company with international trading processes.

Calof and Beamish, (1995, p. 116) illustrated that internationalization is "adapting corporate operations (strategy, structure, resources, etc. to international environments"

According to Kotler, et al. (2006), internationalization is the development of products and services to enter foreign markets.

Internationalization is also defined as a gradual process involving stages to enter into foreign markets (l'OCDE, 2007). Some scholars have pointed out that the concept of internationalization refers to the process companies utilize to identify future direct and indirect international transaction factor that can assist them with expanding their operations to new countries (Masum & Fernandez, 2008).

Ruzzier believed that internationalization is the process of geographical expansion of economic activities outside the borders of the country, while others believe that internationalization is "a process or successive stages based on a combination of different skills that the institution have or control. These strategies allow institutions to gradually gain experience in international markets.[1]

It is clear that the concept of internationalization revolves around the intrusion of companies into foreign markets. This intrusion into foreign markets is not random but is planned and based on experience gained through exploiting a market close to the characteristics of the local market or by agents and partners who work in those markets (Pasco-Berho, 2000, p230). Therefore, the researcher can define internationalization as steps that were taken by companies to create demand for their products in foreign markets in order to take advantage of the multiple advantages that the company can gain when it enters such markets containing huge amounts of developed goods.

2.2 Internationalization in SMEs

2.2.1 Concept of small and medium enterprise (SMEs)

There is a variety of activities that small and medium enterprises operate, including agriculture, trading, manufacturing and services. Specific trades can range from mechanical workshops, handcraft specialists to software development, which have a wide range of skills contributing in their operations. SMEs are often owned by families, contribute with a great percentage into the economy and responsible for employing the majority of the workforce. The classification of SMEs is made through asset values and the number of employees in the company. There are several definitions and classifications that were established to create appropriate measures for SMEs through understanding their level of contribution into the economy. Therefore, minimum and maximum criteria were created for SMEs in different countries (Lukacs, 2005, P. 10).

In order to accurately identify small and medium sized enterprises, scholars apply quantitative criteria such as number of employees, capital money, market position, and

[1] Serge Amabile et autres, "Les strategiés de dévelopement adaptées par les PME internationales –les cas de pme méditerranéénnes",Au site d'internet :http://www.medeu.org/documents/MED4/Dossier3/AMABILE-LAGHZAOUI-MATHIEU.pdf,
p4.

profits. However, the number of employees and the business turnover rate are often used as appropriate quantitative standards. Therefore, European Commission (2015) definition stated that "the SMEs category is the companies that contain less than 250 people and their annual turnover does not exceed 50 million euros, and/or the total annual budget does not exceed 43 million euros".

No matter how far small and medium enterprises seem to be distant from the influence of internationalization within their domestic markets, the impacts can be observed in an open and globalized trading environment. However, some countries may have different effect depending on the involvement of the domestic market in the international level and the trading laws imposed by the authorities. A Nigerian Study have shown statistically no correlation between the growth of SMEs in the country and trade openness, Foreign Direct Investment (FDI), exchange rates and overall international business (Sanjo & Ibrahim, 2017). Another study interviewed nine high ranked executives of SME companies in Malaysia, who believed that internationalization has an effect on the competency of SMEs. The study also indicated that the SMEs need to focus on key aspect in order to maintain their positions and compete with the presence of internationalization, which are mainly innovation, market knowledge, supply chain and management practices (Ibrahim, Abdullah, & Ismail, 2016).

2.2.2 Internationalization of SMEs

As mentioned previously, the influence of internationalization on SMEs differs from one country to another, as well as the need of SMEs to implement certain operational and managerial techniques that could enhance their growth and performance with internationalization. The status of SMEs and internationalization can also be measured through their performance. Through surveying forty-seven SMEs in Iran, which perform exportation in their operations, a study showed that focusing on spatiality and new product are the top niche strategy utilized. The companies mainly looked for differentiation in their product through their packaging, design and style, followed by uniqueness and quality. In marketing, the survey showed that the companies prioritize brand building, developing new markets and dedicating budgets for promotions. The surveyed companies differentiate their service through fast product deliveries and response to orders. Moreover, innovation is important to create competitiveness. Therefore, the results show using advanced communication technology and focusing on product innovation are significant to SMEs in Iran (Mousavi Tatfi, 2012).

SMEs are known to be important for economic growth in countries; however, competition made the survival of these companies more challenging, prompting them to search for ways to ensure growth and continuity (Kubickova, Votoupalova, & Toulova, 2014). Thus, such economic conditions motivated SMEs to search for new markets outside the borders of the country to expand and achieve its objectives. The entry of small and medium-sized companies to foreign markets stems from the several motivations that stimulate them to internationalization, which are identified into proactive motives and reactive motives (Wu, 2015, p. 22). These motivations illustrate the conditions and decision-making process that push SMEs in domestic markets to use exportation in order to provide providing their products and services.

2.3 Internationalization Motivations for SMEs

Internationalization in SMEs is motivated by various factors, which can be divided into reactive and proactive motives based on the source of drive (Hollensen, 2011). The desire of the firm to increase their completeness and widen their opportunities defines proactive motives, which are emerging from the interests perceived by the company. Nonetheless, if internationalization is driven by market pressures and actual or perceived threats in the domestic economy or a foreign economy, then the company is considered to have a reactive motivation that requires them to make adjustment to their activities (Hollensen, 2011).

2.3.1 Proactive motives

The proactive motives are reviewed from Hollensen (2011) and Hollensen (2013), as follows:

1- **Profits and growth**: generating profits on the short-term and the long-term is significant for SMEs, especially at the beginning of export operations. Growth is another motive that is critical for SMEs in order to be able to compete and sustain their existence. The pursuit of the firm for growth leads to the increase in the number and types of activities in their operations and profitability.
2- **Managerial urgency:** a proactive motivation for companies to internationalize their activities. Managerial urge reflects the management's attitude towards global market. In SMEs internationalization decisions may be the decision from decision-maker his self. Thus, the managerial attitudes play an important role in determining the exporting activities of the firms. Often, however, the managerial urge to internationalize is simply a reflection of general entrepreneurial motivation-of a desire for continuous growth and market expansion.
3- **Uniqueness and competence in technology and product:** the desire for distinction could also drive companies to internationalize. If the product or/and technologies are unique, they can certainly provide a sustainable competitive edge and result in major business success abroad and firms which have developed unique competences in its domestic market have high possibility to explore the market overseas.
4- **Opportunities in foreign markets through available Information:** it is apparent that market opportunity is one of the stimuli only if the companies is able to secure the resources necessary to respond to the opportunities. And generally speaking, decision-makers prefer to focus on a limited number of foreign market opportunities and they also prefer these foreign market opportunities that are to some extent similar to the opportunities in their home market. Besides, having specialized marketing knowledge about certain countries or access to information is also the stimuli for firms to internationalize.

5- **Economic scale:** participation in new markets can allow the company to increase its output and then forming economies of scale, which help to reduce production cost because of factors such as component costs, flexibility, supplier availability, wages and different legislations and become more competitive.
6- **Taxation:** this factor is directly related to profitability. New markets with lower taxation can enable firms to sell their products and services competitive prices with lower costs, hence, increasing their profit margins.

The proactive motives for SME internationalization are limited to the business goals that are set by the corporation, sector or country. Companies take advantage of external business environments that allow them to gain more growth and benefits, mainly on the financial level. Nonetheless, the reactive models that are reviewed in the next section are various due to the fact that they occur based on a market situation or status that requires the SMEs to take the decision to expand their operations (Lockefeer, 2010). Furthermore, some companies look for diversification of their international activities in order to gain trust from international investors and stakeholders (Lis, Nienstedt, Proner, Yalazi, & Mauch, 2012).

2.3.2 Reactive motives

1- **Competitive pressures:** internationalization is majorly motivated by the external factor of competition (Hollensen, 2011). Shares in the local market can impose a challenge on companies motivating them to acquire shares in foreign markets through internationalization. However, gaining shares in international markets can be threatened by domestic competitors who pursuit the same markets. Therefore, competitive knowledge in international markets motivates firms for internationalization.
2- **Demands of local and foreign markets :** domestic markets can have a limited scale that motivates firms to explore possibilities in foreign markets in order to gain a sufficient scale. This phenomenon is also known as market saturation,

while the ability of the company to identify products and service that have declining demands in their domestic markets and have more demands in foreign markets can help these companies initiate the internationalization process to sustain the level of sales.

3- **Excessive production capacities:** opportunities are looked for in foreign markets in cases where supply exceeds demands. Moreover, developing production capacity that is excessive can motivate companies to create or find demand in other markets. Production capacity might as well not be fully utilized, which allows the firm to use it in international markets (Hollensen, 2011).

4- **Unwanted foreign orders:** at initial orders by foreign customers, a significant percentage is cancelled for variety of reasons. Such incidents motivate the firm to seek more buyers to solve the issue and can initiate new business relations with other customers in the foreign market (Hollensen, 2011).

5- **Seasonal products:** the main issue with seasonal products' sales is their instability within a given domestic economy. Therefore, the differences in seasons around the globe enables companies to sustain demand through finding markets that has demands for these products at the domestic off season.

6- **Closeness to foreign customers (proximity):** the physical and psychological distance between the firm and the customer in foreign markets can act as a burden that can be solved through internationalization (Hollensen, 2011).

The business environment provided in other countries, other than the mother country of an SME, can also cause several reactive motivations that can be utilized by the company. The different environments that the companies expose themselves too lead to a diversified risk portfolio that is preferred from a business management perspective. Other opportunities, such as having executive staff with foreign experience, helps companies to enter markets in an informed manner. Therefore, the management and staff employed by the company motivates the decision to internationalize operations (Lis, et al., 2012).

2.4 Foreign Market Entry Modes

There are three key decisions that project management must identify prior entering the foreign market; determining the target market, planning the timing of entry and deciding the scale of entry. The company must determine the most suitable foreign market, and balance between the benefits and costs and risks. Moreover, market entry timing is very important for companies, there are two types of entry into the market in terms of timing: the first type is that the company enters the market before anyone else preceded it in its field to that foreign market. The second type is entering the market later after the entry of the companies. It is worth saying that market first entered market gain great benefits of being the leading company in that market. It has gained the required experience and knowledge in the nature of that market, while bearing the expensive costs. On the other hands, companies that enter the market later will avoid these costs and risks. Here, the company will get benefit from the experience of the company’s first entered market (Hill, 2007).

Company can choose between entering the market at a small or large level, based on the extent of participation it wishes. Broad entry means fast access, great resources. In contrary, Small-scale entry permits the company to adapt to its experience in the selected market at the lowest possible cost. After the company has made the previous three major decisions, it has to choose the manner to enter the market. The researchers mentioned that there are six ways in which the company can obtain internationalization. These six methods could not be wrong or correct. It basically depends on size, age and nature of its resources and also depends on the market itself. The six ways are further elaborated in the following sections. (Hill, 2007, p.486):

2.4.1 Exportation

Exportation is one of the simplest forms of entry into new and foreign markets as it is characterized with a lower risk level than other methods and traditionally the first step in entering the international markets. Moreover, it is considered as the starting point for future international expansions and the most suitable strategy for SMEs lacking resources and knowledge in international markets. There are several advantages for exportation, which are mainly led by the desire of companies to avoid manufacturing costs in the host country. This may also be considered one of the disadvantages of export in the case where production costs in the host country are lower. The company may a have large-scale economy in terms of its international sales volume, which occurs when it produces in the home country and exports to the foreign market. The company also has another advantage, as it acquires more knowledge and experience about the foreign market. Export defects are when companies endure the taxes of transporting products to the host country. Some countries impose high customs such as tariffs in order to protect the local market.

2.4.2 Turnkey Projects

This type of project depends on the existence of two companies responsible for the establishment of a factory or company, which are used to enter to the market by companies in certain sectors such as: construction, metallurgy, refinement of petrochemicals, chemicals' production and medicines, as the first company to have such resources for production. However, technological knowledge is needed to advance with production. The other company – the contractor – establishes the factory and trains the workers. This method can be considered as exporting knowledge to other countries (Masum & Fernandez, 2008). This type of market entry has several benefits, which can be summarized as follows (Hill, 2007, p486):

- Great economic assets provided by knowledge as it is an asset of value to companies.

- Another advantage is that at the completion of the project, the contractor has no further long-term commitments in the foreign country. Such a condition can turn into an obstacle if the country is a major market in the exportation expansion plan.

- Creating a competitor may inadvertently happen. The company's technology and knowledge processes are valuable assets. Therefore, selling or transferring those assets to another company may cause the transference of major knowledge and assets to potential competitor; causing the company to lose its competitive advantage.

- it is useful in cases that Foreign Direct Investment (FDI) is restricted to the Government of the foreign country.

2.4.3 License

License means that the licensed company sells intangible intellectual property rights, which can take the form of technology, knowledge, methods of work, copyright, patent of invention, trademark to another company for a limited period for fees obtained by the intellectual property company. This type of agreements is common in the medical and pharmaceutical industries, where inventions and patents are widespread (Kotler & Keller, Marketing Management, 2006).

Advantages of the licensing method are (Hill, 2007):

- When the company enters a host country, it is not exposed to the cost and risk of entry.
- Such a mode of entry pattern is suitable for companies that lack the capital money for international production.
- In case of government laws and regulations that do not allow the company to enter into this specific market that the company wants to enter.
- Companies with intangible intellectual property are unable or unwilling to develop, tend to use this method.
- Licensing is a method of testing the market and developing it for direct investment later.

In contrast, this method involves several disadvantages, such as corporate monopoly and control over the production and sale of a particular product. The license determines the company's scope in coordination of strategic operations across countries using the business gains in one country to create competitive advantage in a new country. The sale of technological knowledge involves risk. It may create competitors by providing competitive knowledge to them and losing the competitive advantage.

2.4.4 Franchise

A franchise is a right that the company obtains from another company, which permits it to conduct certain business operations, e.g. the sale of goods or services, under the name of a particular company, such as Kentucky and McDonald's. The franchise is a form of license, but it is characterized by a more extended time period. The franchised company has to follow strict regulations on the manner business operations are carried out in terms of type, quality, etc. On contrary, the franchising company gets a fee that is often associated with the revenues earned by the franchised company.

This type has merits such as the franchised company avoids the risks and costs associated with starting up in the new market and gives it the advantage of being present in the largest number of markets with the most minimized costs. One of the demerits is the difficulty in monitoring quality levels (Hill, 2007, p. 492).

2.4.5 Joint Ventures

It is a method used by large companies to invest abroad via a partnership contract with a partner in the target new market, stating that to share revenues and costs. These agreements may be a long-term relationship or just a project. Usually, companies are forced to obtain a local partner in the new market for political reasons as some countries impose a local partner in any foreign investment (Kotler and Keller, 2006, p481). For example, Sony introduced its technological experience to Ericsson and began to manufacture mobile phones with camera and creative designs. Typical joint projects are these projects in which 50/50 parties are involved. The agreement determines, through contracts, the role and type of participation to which each company is committed (Masum & Fernandez, 2008).

The advantages of this method are (Hill, 2007, p.493):

- Making use of the knowledge and experience of the local partner in the new hosting country, its language, culture, political and commercial systems to use the existing competitive advantage.
- Sharing risks and costs between partners.

- In certain conditions and markets, this mode becomes the only way for entry.
- The company may reduce certain risks through giving up the control of its technology for another joint venture partner.

The issue with type of entry mode is the lack of a strong control over international and local subsidiaries with this type of partnership. Conflicts can arise or created in case of conflict of interests or simple differences in visions, operational plans, or styles of business conduct.

2.4.6 Wholly owned subsidiaries

It means that the firm owns all the shares of another firm in the target market. According to this method, internationalized is done through either the establishment of a new company in the new market, or by controlling an existing company and using it to promote the company's products. This method is characterized by full control over the company on the efficiency of production and quality in the subsidiaries. The dominant company gets the total profits and will assume more costs and risk.

2.5 Internationalization Process

Different internationalization models are common and consists of a series of stages called the construction series (Coviello & McAuley, 1999), but they differ in the nature and number of stages of the process of internationalization according to the authors' different perceptions. Thus, the French specialized authors identify two analytical models of the process of internationalization; Uppsala mentioned in Johanson and Vahlne (1977) and the model of innovation mentioned in Bilkey and Tesar (1977).

2.5.1 Uppsala model

The model of Uppsala is considered a significant model of internationalization as it structures the internationalization process through development stages based on the level of participation in the international market. The competitive advantage of the model is created through the acquired knowledge of the company and the level of commitment that is provided for new markets. The model was developed by researching in the Scandinavian (Swedish) industrial companies that were internationalized in the 1970s and performed gradual internationalization (Johanson & Vahlne, 1977).

This model was developed for the first time by Johansson and Wiedersheim-Paul (1975) by researching four companies from Sweden. They noticed internationalized companies move in in gradual steps called " establishment chain" or "step by step".

The model is created in 1977 by Johansson and Vahlne, where it emphasizes four aspects that companies must confront during entry to new markets, which are market knowledge, current commitment decisions, new commitments and activities that are separated into many stages. It is critical for success to establish an efficient flow of information between the company and the market. The researchers focused strongly on the concept of "psychological distance" as companies wishing to internationalize their activities usually start in a market close to the local market, which is known as short psychological distance. The company finds some difficulties when entering the foreign market represented by culture and language learning, business practices and political systems (Mitgwe, 2006).

The main article in this model was Johansson and Wiedersheim-Paul (1977), which envisioned the internationalization of a company as a process embodied by increasing commitment gradually to the external market. The authors stated that local empirical knowledge gradually progressed in market knowledge and subsequently raised a founding chain of the international organization. The establishment chain or series of the organization is defined as a series of stages of the organization to enter the foreign market, where companies acquire a gradual experience, adopt administrative efficiency and decrease vagueness to raise investments in target markets gradually (Hermannsdottir, 2008).

To further clarify the concept of the organization's chain creation, the researchers state that companies initially do not have a former international presence and then use exportation to start internationalization. Operations in foreign markets later evolved into using agents in the foreign market for sales. Thereafter, these companies create affiliated companies to offer their goods. Subsequently, these companies start producing their goods or services in the external market (Johanson & Wiedersheim-Paul, 1975).

Johanson and Wiedersheim Paul (1975) distinguished four different manners to enter an international market, which are characterized by higher degrees of international involvement. The stages are follows, and as illustrated in Figure 2.1 (Andersen, 1993):

Stage 1: Activities of exporting are not regular.
Stage 2: Export is performed through independent representatives.
Stage 3: Founding sales subsidiary.
Stage 4: Creating production units overseas.

Figure 2.1: Uppsala model process, adaptation from the theory

According the process chain, the structure of the model consists of two main variables; alteration and state features. Alternation is a variable that shows the way companies change after learning from previous actions and processes in domestic and foreign markets. As companies make commitments and decisions throughout the internationalization process, these operations define their position within competitors in the new market. Alternatively, the definition of commitment evolves in internationalization through the size of the investment made.

As for the state features, the firm's experience in the new market is a major factor in determining its knowledge level about that market. The gathered knowledge impacts decisions of resource allocation to new markets and operations that take place within them. Therefore, the model on internationalization and its processes are energetic interaction between the current state and the changes, as shown in Figure 2.2 (Johanson & Vahlne, 1977; Johanson & Vahlne, 2009)

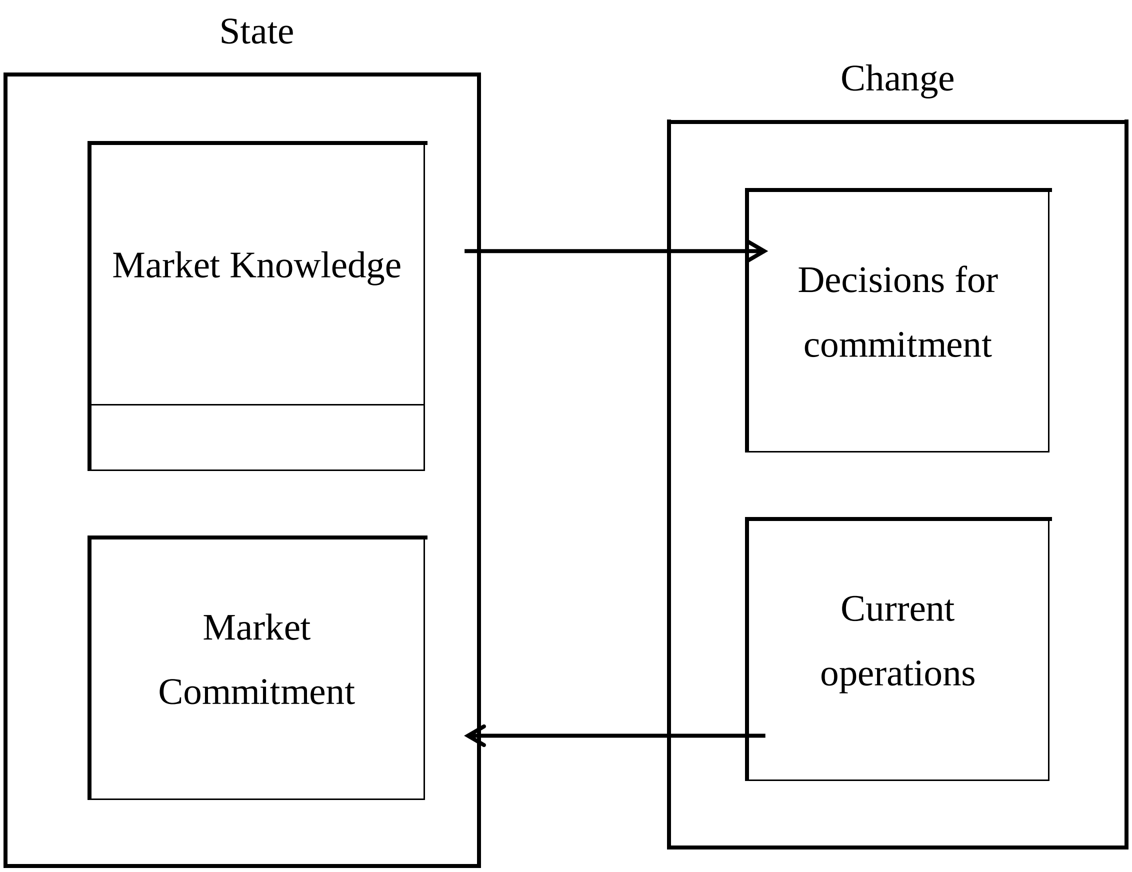

Figure 2.2: The Basic Mechanism of Internationalization – State and Change Aspects, (Johanson & Vahlne, 1977, p. 26)

The theories and operations of the Uppsala model have been under criticism as they were found inappropriate to certain business cases by other researchers. Nonetheless, other researchers accepted the model with observations, application and modifications on other business cases (Mitgwe, 2006). The strength and weaknesses of the model were tested, along with applicability, through plenty of studies by other researchers. Criticism perspectives were mainly focused on the assumptions of the model, which were addressed through a lot of empirical studies (Andersen, 1993). The issues that challenged the model:

- The lack of explanation or business reasons that could explain the reason behind initiating internationalization, as well as the relationship between knowledge and commitment (Andersen, 1993).
- The model does not take into consideration the interdependencies of the internationalization process between the different markets, as they highly influence each other in operations and logistics. The process is assumed to be initiated independently every time a new market is targeted (Hollensen, 2011).
- There is a contradiction between the theoretical and experimental aspects of the model.
- The model explains that the four stages of internationalization are successive to each other through the relationship between increasing commitment and foreign market operations, while there were no specific mechanisms given to explain the motives to proceed from one stage to another.
- Some scholars criticize the progressive nature of the theory of internationalization and consider that companies may go beyond some stages and achieve internationalization quickly (Chetty & Campbell-Hunt, 2003).

A study on European SMEs, that interviewed key executive position holders of three companies from Sweden and Germany, found that companies were able to predict their internationalization path through the Uppsala model; however, the success in using the model was also the result of the proximity of the geographical and cultural factors to their domestic markets. Moreover, the same companies that experienced success in some markets withdrew from other relatively far markets due to cultural differences. Nonetheless, another company applied the Uppsala model and depended in their internationalization process on the business networks they succeed to create in other countries, regardless of the cultural differences. The second company in the investigation led to observing that the network of the management team can alleviate the effects of geographical and cultural differences. This view is reinforced as the third firm asserted that their decision to internationalize to other markets was based on the trust they have put in the person in charge. Furthermore, the ability to build trust with partners in the new markets is an essential factor to overcome the conventional obstacles geographically and culturally, as well as eliminating the uncertainty factors and put the right commitment into the trustworthy partnerships. It was also concluded in the study that regardless of the type of service or product provided, the Uppsala model can be used successfully for SME internationalization (Tykesson & Alserud, 2011).

Based on further findings through the continuous studies on the Uppsala model, it was modified in 2009 to include more than the geographical and cultural differences. It became evident that building partnerships and relationships in the new markets are the most key factors that influence implementing the model. Different from the basic Uppsala model, it became evident that opportunity is the main motive behind initiating the internationalization process. The company then proceeds into building trust and commitment that allows them to learn the new market gradually, as shown in Figure 2.3. Later developed processes advocated that internationalization emerges from the dynamic and operational capabilities of the company, which allows them to reconfigure them into commitments. Thereafter, the company enters the inter-organizational process that allows them to learn, create and built trust with their partners, resulting into adjusting their network position on the external, internal and focal levels (Oliveira, Figueira, & Pinhanez, 2017).

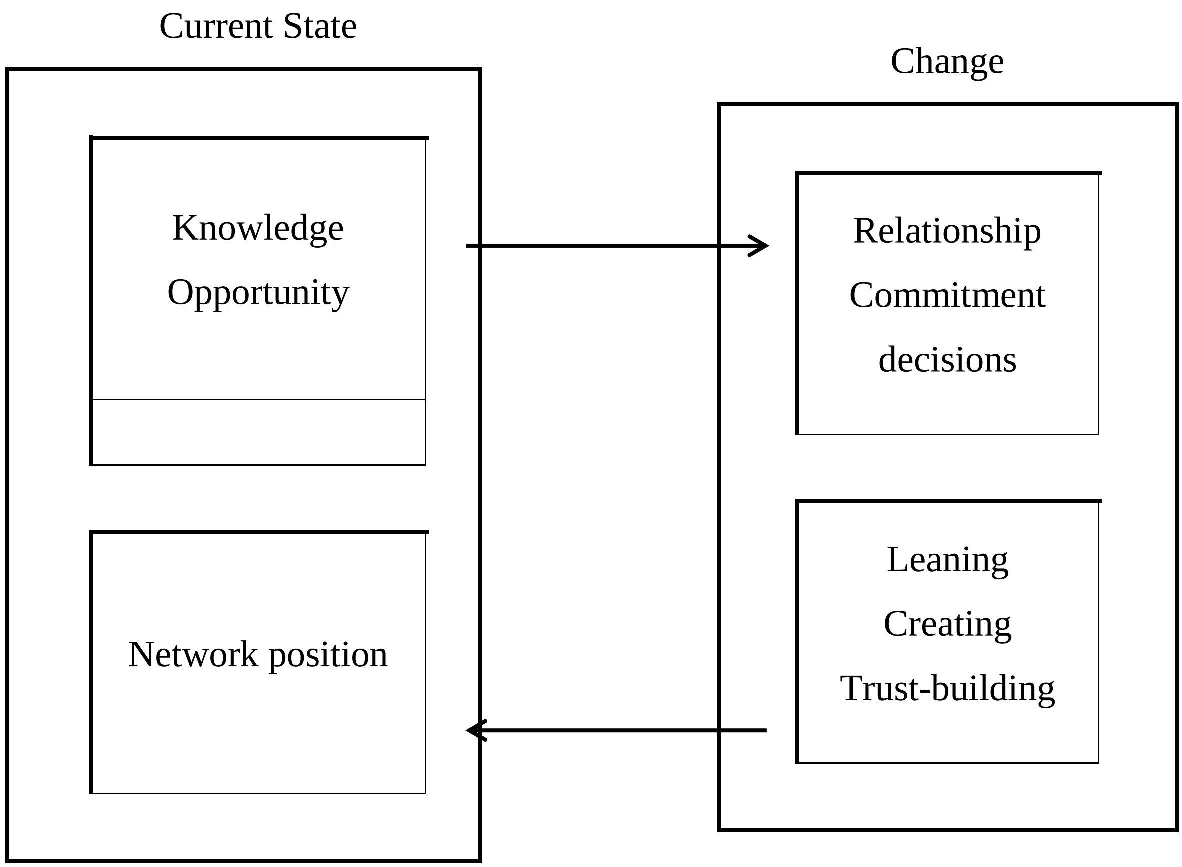

Figure 2.3: The evolution of the Uppsala model into a business network process (Oliveira, Figueira, & Pinhanez, 2017)

2.5.2 The innovation-related internationalization models (I-M)

The research of Johanson and Vahlne (1977) describes the internationalization process to the individual firm’s level, which became potentially the motivation to create internationalization models elated to innovation (Andersen 1993). The stages structured by Rogers described the process of adoption (Rogers 1962).

Models related to innovation describe the selection of innovation as a strategy in comparison with other possible strategies for adoption at a certain business period (Zaltman & Stiff 1973). Innovation adoption strategy is used through the exportation decision-making in the literature by Simmonds and Smith (1968). However, Bilkey and

Tesar (1977) are responsible for advancing the concept through structuring the internationalization process into stages that address several issues of the decision-making for each of these stages.

There were plenty of researchers that evaluated the progression of the firm throughout the internationalization continuum and made recommendations that each internationalization stage operates through a “stop and go” proxy, illustrating the stepwise nature of each stage towards global participation (Dalli 1994). In each group of stages, there is the imbedded fact that firms go through steady development, where they create and combine resources as a response to unintentional ecological situations, as a measure to permit them to proceed to the next stage. Table 2.1 illustrates the models that explained the process of internationalization through stages that are innovation-related, which emphasize that inventions are accepted through a certain learning order. The taxonomies specifically highlighted in Table 2.1 have similar features in common. Nevertheless, the number of stages described by each model differ between these models. For instance, six stages were described by Czinkota (1982) and Bilkey and Tesar (1977), while four stages were classified by Naidu (1992).

Bilkey and Tesar (1977) assumed that the cumulative engagement of the firm in exportation to further markets leads to progressing from one stage to another. Based on a six stage exportation phases, the authors considered extreme cases with companies who have no intentions for exportation or expansion internationally to gradually to moving towards international markets on a step by step basis.

The taxonomy of Cavusgil (1980) is divided into five stages that specified the firm’s operations in relation to national advertising, pre-export participation, actively participating in exportation, participating in exportation with commitment. The development process is based on the results achieved by the firm at each stage and confirming those results over a sufficient period of time. The recommendations of the authors state that evidences of success have to be obtained through key performance indicators and managerial decision-making criteria in order to the decision to proceed from a stage to another.

Czinkota (1982) presnted a model that can assist firms targeting internationalization to gain the possible internationalization assistance from the government through several stages. Six stages were specified ranging from firms that have no interest in exportation and focusing on the national market to firms with extensive exportation experience. Through empirical data, managerial and organizational strategies were distinguishing factors between firms at the different stages.

Reid (1981) supposed a clear novelty acceptance order of exportation by considering the trend of passing through phases: export consciousness; exportation meaning; trials for expansion; assessment of exportation; and acceptance of exportation. Therefore, acceptance of exportation required a solid attitude from the management, available opportunities in new markets and the availability of extra resources.

Table 2.1: Internationalization process as per the literature

Bilkey and Tesar (1977)	Cavusgil (1980)	Czinkota (1982)	Reid (1981)
Stage 1 : No interest from management for exporting	Stage 1: Domestic marketing	Stage 1: No interest in exportation	Stage 1: Awareness of exportation possibilities
Stage 2 : Unsolicited orders are fulfilled without studying active exportation feasibility	Stage 2: Engagement in pre-exportation	Stage 2: Partial interest in exportation	Stage 2: Existence of exportation intention
Stage 3: Active exploration of exportation is studied by management	Stage 3: Experimental exportation involvement	Stage 3: Presence of some exportation	Stage 3: Experimenting with exportation
Stage 4: Experimental exportation is taking place to close markets	Stage 4: Active exportation involvement	Stage 4: Experimental exportation	Stage 4: Assessing exportation
Stage 5: Experienced exportation	Stage 5: Committed exportation involvement	Stage 5: Small exportation volume	Stage 5: Acceptance of exportation
Stage 6: Exportation to more distant countries is explored.		Stage 6: Experienced and large exportation	

It is not enough for this model for the SME to develop an innovative product in order to be ready for internationalization. Navarrete-Hinojosa, et al., (2016) presented a model that can be used to evaluate the innovation level of an SME before deciding that it is ready for internationalization, as presented in Figure 2.4. Innovation capabilities of an SME emerge from the entrepreneurial orientation, organizational competitions, institutions and capital available for the company. These aspects mainly increase the competitiveness and the productivity of the company allowing it to consider internationalization. The innovation of the company includes four aspects; product, organizational, process and marketing, which need to be developed to cop up with the needs, requirements and expectations of the target market. Once all of the aforementioned aspects have evolved into the required level.

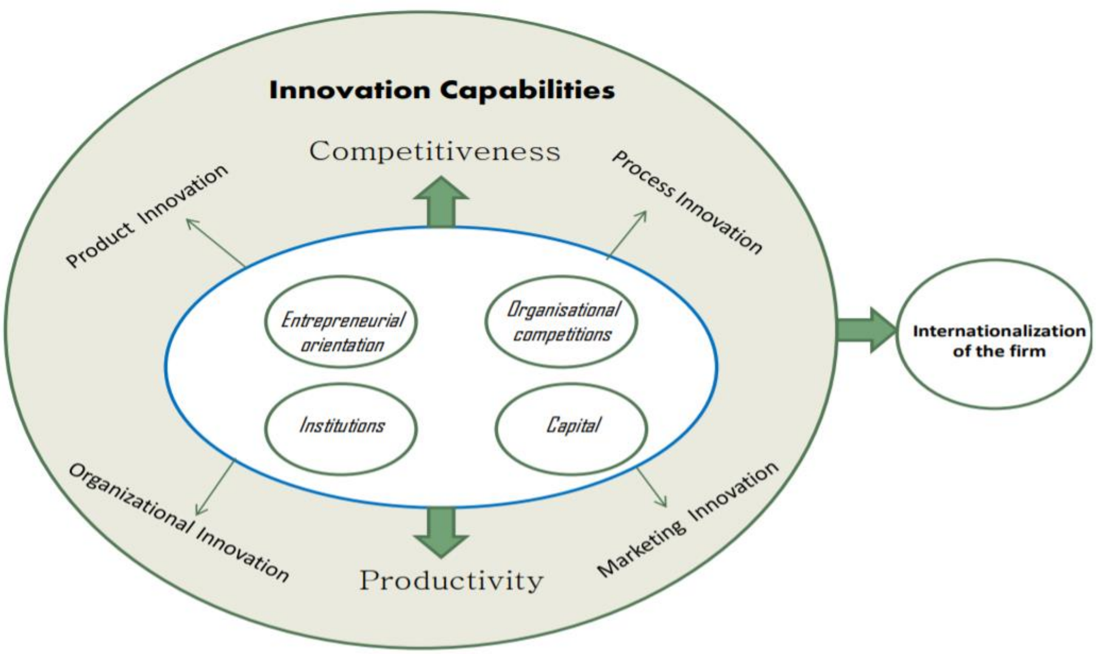

Figure 2.4: Innovation level model for SME internationalization (Navarrete-Hinojosa, et al., 2016)

2.5.3 Comparison between the Uppsala and I-M models

According to Stremtan (2009) the choice of an internationalization model depends on the motives behind expanding the operations of the company on an international level. Moreover, there are four main determinants that shall be studied in choosing a certain model over another; commercial, industrial, environmental and opportunity. Nevertheless, these determinants are more related to the company capabilities that is making the decision of internationalization and the target market. The target of this section is to compare the two presented models, i.e. Uppsala and I-M, according to their structure and concept that enables SMEs to choose them. It is also understood that the capabilities and the management skills of the company influences the choice between the two models as they determine the extent of expansion in the international market (Masum & Fernandez, 2008).

Table 2.2: Comparison between the Uppsala and I-M internationalization models

Aspect	Uppsala	I-M
Base of process	Network building and relationship focused process	Innovation focused process
Aim	Establishing a fully operational entity in new market	Becoming a major exporter to new market
Entry mode and stages	No specification of entry mode as it can evolve during the process; however, export is identified as the natural form of entry	Export is the primary and only mode for this model, which is performed gradually

Table 2.2: Comparison between the Uppsala and I-M internationalization models

Aspect	Uppsala	I-M
Definition of core concept	Relationships and partnerships that increase the likability of learning the new market, shortening the learning curve, and producing mutual benefits	Increasing the competitiveness and productivity of the company, besides innovations on the product, process, organizational and marketing levels, which results into increasing the readiness of the company for internationalization
Expansion magnitude	Focusing on one target country, or few, at a time by establishing the full expansion process from export to local manufacturing	Fast expansion to the biggest number of countries and the furthest possible through export
Pace and development	Gradual using commitment level as stages	Gradual using export level as stages
Competitive advantage	Strong relationships and partnerships that leads into learning the market and subsequently taking decisions and making commitments	Innovation is identified as the main firm’s source of competitive advantage

As a conclusion, it can be understood that while the process in the Uppsala model focuses on building relationships and partnerships in the target markets, the I-M model focuses on increasing the innovation level to readiness for it. The Uppsala model recognizes that export is the least risky entry mode that could evolve into different stages to local manufacturing; however, the stages in the I-M model depends on incremental and gradual export reaching to the level, where the SME gains full experience and access to the trading process in the new market. Such entry modes and stages affect the main aim of the model. The Uppsala model aims to establish a fully operational entity in the new market, while the I-M model aims to developing the company to become a major exporter.

The core concept can be defined as a partnership and relationship process that eliminates the geographical and cultural obstacles of market entry through trust building. Nonetheless, the I-M model is based on increasing the competitiveness and innovation of the SME in the domestic market to the level where the products and services can be exported to other new markets. It also seems that the two models are designed for different business concepts, which can differ according to factors associated with the domestic market environment. The Uppsala model depends on developing a full establishment success in a specific country, while the I-M model measures the magnitude of the success through exporting to the largest number of countries and the furthest possible. Finally, the Uppsala model builds the company based on partnerships, while the I-M model builds it through strengthening the innovation aspects of the company.

3. EXPORT BARRIERS

The main objective of studying the barriers in exportation that face SMEs in the process of internationalization is to understand their nature and impacts on the companies that performed it. Several lessons learned can be understood from different countries, in addition to facilitating the process of risk identification and market research, which are crucial to taking the decision to initiate internationalization. As reviewed in the previously, export is the first form of the internationalization process, which makes it one of the most challenging modes. Through this chapter the literature is surveyed for export barriers that were studied in different articles and case studies in order to enable the researcher to design the investigation of this research with the most comprehensive classification.

The significance and influence of SMEs in national and international economies cannot be ignored, as their contribution is well established in the literature and through economic indicators. SMEs have attracted considerable attention from economic researchers. The focus of the researchers has been on export barriers. The outcomes of researches revealed that the small and medium enterprises are the most impacted by exportation barriers, particularly in developing countries. For example, according to Ibeh (2004), small and medium enterprises in the Organization for Economic Co-operation and Development (OECD) countries own 4-6% of total exports, while small and medium companies in the Asian economies own 12% (Junaidu, 2013)

Studies indicate that SMEs influenced more by imaging problems than larger companies because they do not have the enough resources and expertise to deal with and overcome these problems (Karelakis, Mattas, & Chryssochoidis, 2008). Access to international markets and working there is not easier for a new company than a company that works in the local market or used to work in international economies Professor Sune Carlson, a pioneering specialist in internationalization, confirmed such a challenge by saying that "The nature of human beings is doing international business" (da Rocha, Freitas, & da Silva, 2008).

Companies wishing to internationalize face a different marketing environment than those used in the local market. Due to cultural differences, these companies must adapt to their productive and commercial practices in line with international markets. Furthermore, the product quality and technological problems that have not been experienced by domestic market are challenges in international operations. Additionally, the increase in distance between markets proportionally affects transportation costs and increases administrative risks that require special capabilities for teleworking (Leonidou, 1995).

Many studies have attempted to answer the question of why companies sometimes export and stop exporting at other times. Some studies have indicated that there are many challenges to export development for SMEs. Shaw and Darrochj (2004) identified the main challenges experienced by SMEs wishing to perform exportation, which were mainly related to limited financial resources, lack of knowledge in external market conditions, absence of incentives and governmental support. Other studies indicated that the lack of exporters with adequate qualification and lack of knowledge of potential client markets are significant export barriers (Leonidou, 2004). Another study confirmed that the firms’ incapability to collect information about the potential market and lack of experience with companies are the reasons behind the lack of their enthusiasm for exportation, in addition to the inability to plan their operations according to foreign market standards (Leonidou, 2004).

Other barriers facing SMEs, that are related to the host country, is the cultural differences; tariff and management barriers, foreign exchange risk, fear of payment delay or default by foreign buyers, as well as barriers to the SME original country of lack of financial assistance, unavailable market information, unavailability of qualified staff, and unavailability of IT platforms (Pinho & Martins, 2010). Other studies, such as Tesfom and Lutz (2006), stated that the most significant barriers experienced by exporting companies are relate to the product’s nature and characteristics, in terms of quality and price, is that they affect the product’s competitiveness in international markest.

Finally, obstacles faced by the company may be enormous and extreme that they could prevent companies from entering foreign markets or pursue further development through international activities. Therefore, throughout this chapter the concept of export barriers and their different classifications are highlighted in detail focusing on those obstacles faced by SMEs in particular, as this study specifically addresses this topic and laying the foundation for the investigation which is applied to SMEs.

3.1 Concept of Export Barriers

The export barriers have received great attention from economists in the past years. Many studies have tried to develop a concept and a specific classification of these barriers. Each study has developed a different concept according to the environment in which the study was applied. The following are some of the definitions by the studies of export barriers.

Shepherd (1979) defined export barriers as "anything that reduces the likelihood, range or speed of entry of potential competitors into the market". Anders (2009) provided a definition of exportation barriers as "barriers that prevent firms from establishing in a particular market". The previous definitions limited the concept of export barriers to the problems and obstacles that impede the entry of companies when trying to enter the foreign market and did not include the impediments faced by companies during their export process, which may lead to their failure or prevent their development.

Furthermore, Fish et al. (2014) defined exportation barriers as "those restrictions that hinder the company from trading in foreign markets." Such a definition is also referred to the constraints faced by companies' operation in the foreign market and did not refer to those barriers facing companies that wish to enter the foreign market.

While the most comprehensive definition was adopted by Leonidou (1995), who gave a definition for barriers in exportation as "all those attitudinal, structural, operational, and other constraints that hinder the firm's ability to initiate, develop, or sustain interactional operations". It is apparent that this definition combines all the obstacles faced by companies in all stages of their work, from the entry stage to the foreign market. This definition also includes the obstacles faced by companies in the stage of export commencement and to the companies that used to export and continue to face some obstacles.

After reviewing different definitions in the study literature, it could be concluded that fundamental distinguishers are not present in defining the concept of exportation barriers. All of them focused on the obstacles faced by companies and the differences that arise only at the stage where companies face these obstacles. Therefore, the researcher defines export barriers as:

All the problems, internal and external obstacles that face companies and prevent them from entering the foreign market or limit their ability to develop the volume of exports and development or lead to the cessation of export.

The researcher believes that this definition includes all obstacles, whether from the same company such as administrative and operational impediments. It also includes obstacles related to the characteristics of the products and their ability to compete with similar products in foreign markets, or external obstacles that are outside the control of the company and are often related to the characteristics of the target market.

3.2 Scopes of Export Barriers

The export barriers have attracted great interest by scientists and researchers. It got a great deal in the empirical studies. Each study examined the constraints and problems faced by companies according to the environment in which the study was conducted. Therefore, it could be found that many different classifications of export barriers mentioned in the literature of the study (Leonidou, 2004).

Export barriers are certainly present at each exportation development stage; however, the nature of these constraints varies according to the nature and evolution of each stage.

Researchers have divided companies facing export barriers into three main groups (Leonidou, 2004):

1. **Non-exporting companies:** They include companies that do not export, but wish to export in the future, and these companies often face self-obstacles.
2. **Existing exporters:** They are companies that practice export, and this category of companies suffer from obstacles and problems during the current practice in foreign markets.
3. **Ex-exporters:** They include firms that used to export previously but no longer do. They look at exportation barriers cognitively and intellectually.

Export barriers have influence on the expansion performance and management decisions of a company. A study that correlated the company's characteristics and the perception of these companies to export barriers. The main characteristics that were considered in the study are the firm size, the experience period the firm has in exporting, the capital ownership and industry type. Furthermore, twenty-three export barriers were taken into consideration under internal environment characteristics, domestic market conditions and conditions in foreign markets. Through surveying 178 companies in the Serbian market of different characteristics, no influence was found from the company's characteristics on the way export barriers are perceived; however, the surveyed companies indicated that competition in foreign markets is their perceived top challenge, followed by financing for exporting and exchange rate of domestic currency (Radojevic, Marjanovic, & Radovanov, 2014). Therefore, it is understood that export barriers affect companies regardless of their size, experience, capital and industry. Moreover, resolving such challenges lies in the responsibility of all domestic market exporters to resolve them collectively through government economic entities.

3.3 The Nature of Export Barriers

Export barriers influence the ability of SMEs to enter an international market, regardless of whether these barriers are stable or dynamic (Kahiya, Dean, & Heyl, 2014). They are obstacles for exporters and non-exporters who seek to develop their exports. Studies on export barriers to know their impact (Yannopoulos and Kefalakin, 2010; Leonidou, 2004) and their kinds and how different they are from one stage to another of internationalization stages were executed (Uner et al., 2013). This interest in the exportation barriers commenced in the late 1960s, as shown by Groke and Kreidle (1967), stems from the important role played by the internationalization of SMEs in economic development (Paul, Parthasarathy, & Gupta, 2017).

However, export barriers expose all obstacles or hinders that limit the ability of firms to start exporting or developing exports (Leonidou, 2004; Yannopoulos & Kefalaki 2010; Arteaga-Ortiz & Fernandez-Ortiz, 2010). Many researchers have recognized export barriers as a set of environmental, structural, operational or operational factors that prevent the company from initiating or developing international marketing processes (Leonidou, 1995). Through literature review, it is found that it identifies two types of export barriers; pre-export and post-export barriers (Uner et al., 2013), which differ in nature from one another. Pre-export barriers reflect the opinions and views of managers and entrepreneurs while post-export barriers are barriers that face exporters on the ground through the various stages of internationalization. These difficulties may be internal or external, which often cause the failure of international marketing operations of companies, and led to many financial losses (Leonidou, 1995). It is worth to know that these barriers are three types (Leonidou, 2004):

1. Companies that that used to export and no longer do so;
2. Firms with no exportation activities whilst haveing the ability to export in the future;
3. Companies currently are engaging in export activities. All these companies face export barriers according to their internationalization stage.

There are variety of impacts of these barriers between the aforementioned types of firms. Difficulties can arise at any phase in the process of developing exportation (Leonidou, 2004). A Croatian study researched the influence of export barriers' perception on the export volume through surveying 100 manufacturing companies in the country. The most highly perceived barriers are the lack of government assistance, lack of target market information and high interest rates for financing exports. The correlational analysis showed no correlations between the seventeen considered export barriers. The regression analysis showed that export barriers influence the export volume by 23.2% (R^2= 0.232, β=-747, Sig.=0.000), while the percentage changed by 0.5% (R^2=0.238) when the company size factor was added (β=-0.761 for influence, Sig.=0.000 and β=0.326 for relation, sig.=0.001) and changed to the positive direction by 8% (R^2=0.318) when the manager's experience was added (β=0.422, Sig.=0.004) (Martinovic & Matana, 2017). Such results show the nature of impact of exportation barriers on the volume of exportation, which subsequently influences the domestic economy, in addition to the low influence of the company's size on the exportation barriers, its high influence on export volume and the significant positive influence of the manager's experience in exporting performance (Martinovic & Matana, 2017).

3.4 Classification of Export Barriers

This section aims at identifying the types and categories of export barriers that researchers have developed based on 45 articles. The main topic of these articles is export barriers and they are based on studies conducted in many regions and countries around the world, including America, Canada, Australia, New Zealand, Europe, African countries, Latin America and Asia. The studies aimed at identifying barriers to export in small and medium enterprises in these countries, as well as identifying the classification of these barriers under each study, as shown in Table 3.1.

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
An Analysis of the Barriers Hindering Small Business Export Development	Leonidou (2004)	**<u>Internal</u>** **Informational** Business opportunities' identification Lack of information required study markets Communication difficulties with customers in other markets Information and data that cannot be interpreted from market **Functional** Management has no time for exportation Maximized production capacity for local market Unavailability of specialized employees for exportation Unavailability of required capital to support exportation **Marketing** <u>Product:</u> Inability to Develop new products for other markets Product quality specification for exportation Design and style product adaption for exportation Technical aftersales service requirements Packaging and labeling requirements conformity <u>Price:</u> Giving suitable prices to foreign customers Lack of trust in giving credit services to foreign customers Inability to match or compete with prices in new market <u>Distribution:</u> Distribution channels in new markets are complex Lack of reliable representation in foreign markets Exportation distribution channels are inaccessible Inability to supply inventory

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		internationally Difficulty to control foreign middlemen <u>Logistics:</u> High costs of transportation and insurance Warehouses are not adequately available abroad <u>Promotion:</u> Adjusting promotional promotions for exportation **<u>External</u>** **Procedural** Unfamiliarity with procedures and paperwork required for exportation Payments' collection difficulty abroad Communication challenges with foreign customers **Governmental** Difficult local regulations and rules Unavailability of assistance and incentives from local government **Task** strong competition in foreign markets Foreign customers' habits and attitudes' differences **Environmental** <u>Economic:</u> Risks in currency exchange rates Economic circumstances abroad are deteriorating or poor <u>Political-Legal:</u> Foreign markets political issues and instabilities High tariff and nontariff barriers Strict regulations and rules in foreign countries <u>Sociocultural:</u> Unfamiliarity with business practices in foreign markets Language differences

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		Differences in sociocultural characteristics
Barriers faced by Romanian SMEs in exporting	Boscor (2017)	- Difficulties in negotiating prices of raw materials - Fluctuations in foreign currency - Inability to work with the letter of credit as a payment method - The SMEs cannot make enough investments in new equipment and technologies to ensure a very good quality of products - The lack of specialized export personnel - Climate conditions of a foreign country may be a critical obstacle - Limited financial resources - The risk of product counterfeiting by the foreign partner - Risk the takeover of the product - The unavailability of foreign markets' information - Limited access at production certificates - High product price in the foreign market - Additional costs of refinancing - The image of the company might be affected if the foreign intermediary is not very loyal - Lower negotiating power of SMEs - Cultural barriers and finding trustful partners are very important - Prejudice and distrust in Romanian companies.
A brief review of selected literature on SME export performance	Junaidu (2013)	**Financial barriers** Lack of capital for exportation Unavailability of financing resources to cover for export related investments Unavailability of financing to perform marketing studies abroad **Operational barriers** Unavailability of resources that are

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		required for the functional operation of exporting activities The difficulty in adaptation the product to ensure the required quality The difficulty in meeting packaging requirements of foreign markets Lack of appropriate technology **Human resource barriers** Unavailability of qualified employees Unavailability of special or dedicated department responsible for exportation operations The lack sufficient staff **Communication barriers** Inability of firms find distributors, partners, and customers abroad Language differences **Knowledge barriers** No knowledge on potentials and opportunities in new markets No information about exportation in general No knowledge on foreign cultures Unavailability of experience to manage exporting activities Lack of knowledge about government assistance programs **Image barriers** Low credit worthiness Customers perception of the firm's products The issue of the poor reputation of country **Marketing barriers** Product promotion in foreign markets Pricing for foreign markets Identifying customers in foreign markets Identification of reliable middlemen or distributors that the firm can work with abroad **Export support structures**

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		Unfavorable rules and regulations Lack of government assistance programs Lack of financial institutions that sufficient knowhow in dealing with exporting matters **Exogenous barriers** Risks with exchange rates Tariff and non-tariff barriers Corruption, and international trade agreements Strong competition in overseas markets Risks associated with exchange rates of currencies Instable Political or economic situations in the target market Inadequate infrastructure
A classification of export marketing problems of small and medium sized manufacturing firms in developing countries	Tesfom & Lutz (2006)	**Internal barriers** <u>Company barriers:</u> Information and knowledge on marketing Human resources Monetary resources <u>Product barriers:</u> Quality of products Technical adaptability **External barriers** <u>Market barriers:</u> Barriers with customers Barriers with procedures <u>Industry barriers:</u> Industry structure Competition <u>Macro environment barriers:</u> Indirect barriers Direct barriers
An Examination of Barriers to Exporting Encountered by Small Manufacturing Companies	Rabino (1980)	- Unfamiliarity with other cultures - Quality and safety standards differences. - Large local market demand and size - Exportation management and paperwork requirements - Unavailability of time

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
An investigation into Factors Impacting on Exports from South Africa to the Southern African development Community (SADC)	Fish. et al, (2014)	- Unavailability of foreign exchange - Documentation requirements and lack of simplification of paperwork - Corruption is a noteworthy hindrance - Import duties - Exchange rate volatility - Challenges associated with moving goods - Mandatory pre-shipment inspections - Lack of efficient human resource of export - Unavailability of financing - Unavailability of information on opportunities abroad - The Unavailability of management time
Barriers Inhibiting Export Performance of Small and Medium-Sized Manufacturing Firms	Moini (1997)	<u>Marketing Barriers:</u> International marketing know-how Competition with local and international companies overseas Lack of information on foreign markets and prospects Ability to price for international markets Dealing and negotiating with distributors overseas International advertising capabilities <u>Procedures:</u> Familiarity issues with procedures for exportation Dealing with exportation documentation Identification of logistical and distribution channels abroad <u>International Business Know-how and Practice:</u> Knowledge of business practices abroad Governmental regulations' compliance Communication with foreign clients <u>Financial:</u> US dollar strength Working capital unavailability Risks associated with foreign exchange Funds transfer and collection

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		Technical/ Adaptation: Service for repair abroad Products’ adoption for new markets Technical advice availability overseas Parts’ inventory abroad
Barriers to Export from India to the European Union	Chaudhari, et al (2012) / India	- Foreign Government rules and regulations - Certifications for phytosanitary and sanitary - Regulations for technical and safety aspects - Customs and licensing procedures - Labeling - Packaging - Market access problems - Exchange rate risks - Cultural differences - Unavailability of information - Lack of coordination between India and European Union
Barriers to export management: an organizational and internationalization analysis	Leonidou (2000) / Cyprus	- Foreign business practices knowledge - Unavailability of working capital - Staff training - High risks and costs overseas - Different customer habits/ attitudes - Procedures’ difficulty - Different cultural traits - Product standards differences - Rules and regulations restrictions - Unavailability of governmental incentives - Unavailable representation abroad - Inadequate transportation/ infrastructural facilities - Inability to provide suitable prices - Inadequate information for market analysis - Inability to offer after-sales service - Unfavorable foreign exchange rates - Strong competition in foreign markets
Barriers to Exporting:	Kneller &	Networks and marketing:

Table 3.1: Literature survey of Classification of Export Barriers

Title	**Author (years)**	**Barriers to export**
What are They and Who do They Matter to?	Pisu (2011) / UK	Lack of necessary data and information on new markets High advertising and marketing costs abroad Identification of communication channels at the beginning Building communication channels with potential business partners and customers Establishing key relationships to initiate exportation operations <u>Exchange rates and procedures:</u> Regulations on taxations and legal procedures abroad Exchange rates for foreign currency Issues with logistics <u>Cultural:</u> Language and communication issues Preference of foreign customers to do business with local companies Unavailability of representation offices in new markets Differences in cultures
Do barriers to export vary for born globals and across stages of internationalization? An empirical inquiry in the emerging market of Turkey	Uner. et al. (2013) / Turkey	**<u>Internal</u>** **Informational** Unavailability of data and information for market analysis Foreign market data is hard to interpret Identification of opportunities in foreign markets Difficulties in contacting foreign customers **Functional** Unavailability of time to manage exportation Lack of training on exportation operations Lack of excess capacity for export Unavailability of necessary capital for financing exportation **Marketing** <u>Product:</u>

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		New product development requirements Adapting design and style for new markets Product quality standards requirements Packaging and labelling requirements Required technical service abroad <u>Price:</u> Adjusting prices to be competitive Low prices offered by competition Difficulty in offering credit to customers <u>Distribution:</u> Distribution channels abroad are complex Distribution channels abroad are difficult to access Reliable representation abroad is hard to find Foreign middlemen are hard to control Supplying inventory abroad is difficult <u>Logistics:</u> Adequate warehouses are unavailable abroad Insurance and transportation costs are high <u>Promotion:</u> Promotional operations require adjustment for exportation **<u>External</u>** **Procedural** Procedures and paperwork for exportation are complex Communication issues with foreign customers Payment collection abroad is slow **Governmental** Domestic government does not provide incentives or assistance with exportation Domestic regulations are difficult **Task** Customers' attitudes and habits are different

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		Strong competition in available in new markets **Environmental** Economic: Economic and financial conditions abroad are poor Risks with currency exchange are high Political-legal: Foreign markets suffer from political instability Rules and regulation in foreign markets are strict Tariff and nontariff barriers are high Sociocultural: Business practice in foreign markets are different Differences in sociocultural characters Language differences
Exporting barriers: Insights from Potruguese small and medium sized exporters and non-exporters	Pinho & Martins (2010) / Portugal	- Unavailability of knowledge on new markets - Unavailability of trained staff for exportation - The requirement of new product designs and functionality to suite new markets - High competition in new markets - Administrative and tariff barriers - shortage in time to cope up with differences in language and culture - Warehouse availability and control of product supply to new markets - Lack of financial assistance - The lack of qualified executives
Barriers to exports of small and medium companies	Nesari. et al, (2013) / Iran	- Barriers to participation - Macroeconomic environment - Obstacles product - Marketing barriers - Market barriers and obstacles - Industry barriers
Barriers to export for non-exporting firms	Harcar & Karakaya	- Inadequate market information - Lack of financial resources

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
in development countries	(1997) / Turkey	- Insufficient demand in new markets and keen competition - Satisfactory profitability in local market - Unavailability of sufficient investment to target new markets - Lack of technological assets in the company
Common factors underlying barriers to export studies in the U.S. paper industry	Bauerschmidt et al. (1985) / US	- High value of US dollar relative to foreign currency - Risks involved in selling abroad - Comparative marketing distance - Management emphasis on developing domestic markets - Exogenous economic constraints - High transportation costs to transfer products to new markets - High foreign tariffs on imported products - National export regulations and policy - Lack of export commitment - Competition in targeted markets
Why Don't We Use the Same Export Barrier Measurement Scale? An Empirical Analysis in Small and Medium-Sized Enterprises	Arteaga-Ortiz & Fernández-Ortiz (2010) / Spain	**Knowledge Barriers** Not knowing the potential markets Inability to plan exportation through current staff Not knowing aids provided by exportation programs Lack of knowledge on the potentials of exportation (financial and non-financial) Lack of the know-how for exportation Not knowing what products and services are in demand abroad **Resources Barriers** Difficult and expensive means of payment for exportation operations Inability to invest time besides money until exportations yield returns Production capacity is not sufficient Lack of knowledge on exportation by domestic banks

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		Lack of foreign banks within the domestic market to support exportation **Procedure barriers** High costs for shipment and transportation Difficult documentation for exportation Differences in language Differences in culture Exportation tariff barriers Nontariff barriers regarding standards Product usage differences abroad Product adaption costs in new markets Difficulties in logistics Identification of suitable distribution channels **Exogenous Barriers** Keen competition abroad Foreign exchange issues Risks of losing money through international operations Political instability in targeted markets
Exporting barriers for small and medium sized enterprises: A literature review based on Leonidou's Model	Narayanan (2015)	**Internal** **Informational** Unavailability of data and information for market analysis Foreign market data is hard to interpret Identification of opportunities in foreign markets Difficulties in contacting foreign customers **Functional** Unavailability of time to manage exportation Lack of training on exportation operations Lack of excess capacity for export Unavailability of necessary capital for financing exportation **Marketing** Product: New product development requirements

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		Adapting design and style for new markets Product quality standards requirements Packaging and labelling requirements Required technical service abroad Price: Adjusting prices to be competitive Low prices offered by competition Difficulty in offering credit to customers Distribution: Distribution channels abroad are complex Distribution channels abroad are difficult to access Reliable representation abroad is hard to find Foreign middlemen are hard to control Supplying inventory abroad is difficult Logistics: Adequate warehouses are unavailable abroad Insurance and transportation costs are high Promotion: Promotional operations require adjustment for exportation **External** **Procedural** Procedures and paperwork for exportation are complex Communication issues with foreign customers Payment collection abroad is slow **Governmental** Domestic government does not provide incentives or assistance with exportation Domestic regulations are difficult **Task** Customers' attitudes and habits are different Strong competition in available in new

Table 3.1: Literature survey of Classification of Export Barriers

Title	**Author (years)**	**Barriers to export**
		markets **Environmental** <u>Economic:</u> Economic and financial conditions abroad are poor Risks with currency exchange are high <u>Political-legal:</u> Foreign markets suffer from political instability Rules and regulation in foreign markets are strict Tariff and nontariff barriers are high <u>Sociocultural:</u> Business practice in foreign markets are different Differences in sociocultural characters Language differences
Export Barriers and Strategic Grouping	López (2007) / Spain	**Managerial Factors** Experiences, trainings and responsibilities of management **Organizational Factors** Company's size Operation years of experience Financial challenges **External Factors** Region where the firm operates (affect all the firms in that region) Specific industrial sector factors (affect all the firms in that sector)
Export Barriers and Problems Associated With Exporting Icelandic Marine Products Under Conditions of Export or Die	Bjarnason, et al. (2015) / Iceland	- Difficulty in obtaining financial capabilities to commence exportation - Currency exchange rate continuous changes. - Communication challenges. - Foreign distributors identification and business conduct. - Language and cultural challenges. - Tariff and nontariff challenges. - Strong competition abroad. - Transportation costs are high abroad - Procedures and paperwork

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		- Production costs are high abroad - Unavailability of personnel with exportation knowledge and skills.
Export Barriers and Performance of Small and Medium Size Enterprises	Rutihinda, (2008) / Canada	**Firm Specific Barriers** Unavailability of time for management to deal with exportation. Lack of working capital. Unavailability of staff to deal with exportation. Quality standards conformity for exportation. Promotional activities require adjustment for exportation. Complexity distribution channels abroad. **Institutional Barriers** Rules and regulations are difficult in domestic market. Political issues in foreign markets. Lack of accessibility to distribution channels abroad. Rules and regulations are strict abroad. **Foreign Industry** Inability to offer competitive prices Currency exchange risks High insurance and transportation costs. Lack of information on foreign markets. **Governmental Barriers** Unavailability of domestic government support. Difficulty in controlling middlemen abroad Differences in business practices abroad.

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
Export barriers and path to internationalization: A comparison of conventional enterprises and international new ventures	Kahiya (2013) / New Zealand	**Internal Barriers** Marketing-related barriers. Managerial-related barriers Resource-related barriers. Knowledge-related barriers **External Barriers** Host-based market barriers Home-based market barriers Industry-level barriers
Export Barriers and Competitiveness of Developing Economies: The Case of the Ethiopian Leather Footwear Industry	Gebrewahid & Wald (2017) / Ethiopia	**<u>Internal Barriers</u>** **Company characteristics** Financial barriers. Lack of knowledge in international strategies Lack of qualified staff for exportation **Product characteristics** Product adaptation barriers. Product quality barriers **<u>External barriers</u>** **Industry barriers** Industry structure barriers**.** Competition barriers **Export market barriers** Procedural barriers**.** Customer barriers. **Macro environment barriers** Exogenous export barriers Government policy barriers.
Export Barrier Perceptions in Tanzania: The Influence of Social Networks	Milanzi (2012) / Tanzania	**<u>Internal Barriers</u>** **Foreign Market Knowledge Barriers** Business practices abroad require new knowledge. Unawareness of business opportunities abroad. Communication with foreign customers.

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		Lack of resources for exportation promotions. Information about availability of export support services. **Internal Capacity/ Competence Barriers** Development of exportation products in terms of design, quality and style. Lack of capacity for exportation supply. Inability to meet requirements of Skills of available staff. **Finance Barriers** Availability of working capital. Cost of materials/ inputs. Access to credit from financial institutions. **External Barriers** **Regulatory Institutions** Lack of institutional support from unions and government Taxation incentives for export by local government. Exportation procedures domestically **Barriers to Access Markets** Lack of a dedicated budget for marketing Lack of information on new markets Bureaucratic requirements Unavailability of skills required for exportation Exportation regulations are complex Lack of international agreements. **Barriers of Planning and Control** Inadequate practices for quality control Inadequate operations planning & control Uncompetitive quality of product

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
Do Perceived Export Barriers Change over Time? A Longitudinal Study of Brazilian Exporters of Manufactured Goods	da Rocha, et al. (2008) / Brazil	**Low Price Competitiveness** Noncompetitive production costs Low prices in international markets Aggressive competition in international markets. **Production Problems** Lack of production techniques Insufficient skilled labor Poor supply of raw materials **Lack of Production Capacity** Domestic market attractiveness Insufficient production capacity **Location problems** Inadequate plant location **Lack of Resources** Lack of financial resources
Export Barriers and Firm Internationalization from an Emerging Market Perspective	Ahmed, et al. (2008) / Malaysia	- Competition from firms in foreign markets - Lack of capital to finance expansion into foreign markets - Management emphasis on developing domestic markets - High value of currency relative to those in export markets - Lack of capacity dedicated to a continuing supply of exports - Confusing foreign import regulations - Risks involved in the selling abroad - Difficulty providing after-sales service - Difficulty collecting payment from customers abroad - The financial inhibitors - Difference of language and cultural - The technical/adaptation difficulties experienced in foreign markets
Export Barriers Facing Canadian SMEs	Yannopoulos & Kefalaki (2010) / Canada	- Slow payments by buyers - Payment defaults/bad debts - Trade barriers - Unfavorable conditions overseas - Lack of government initiatives - Insufficient assistance from support

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		services - Excessive red tape/bureaucracy - Transportation difficulties - Language barriers - Unavailability of competitive products
Export Barriers in Latin American According to Czech Companies	Kaprálová (2017) / Czech	**Internal-domestic** Lack of capital Qualification/adequacy of staff Lack of managerial time Production capacity **Internal-foreign** Difficult/slow collection of payments from abroad Technical limits of product (standards, certificates) Logistics (problematic transport, shipping costs) Difficult to obtain local distributors/partners Cultural differences **External-domestic** Unqualified/inadequate staff at embassies/governmental agencies Bureaucracy in the base country Limited info about foreign markets Not optimal governmental support with financing/insurance of export **External-foreign** Bureaucracy at the target country Protectionism (tariff/non-tariff barriers) Different foreign consumer habits/attitudes Keen competition Corruption Socio-economic or political instability
Export barriers insights from small and medium-sized firms	Suarez-Ortega (2003) / Spain	- Lack of foreign distribution channels - Lack of capital - Product usage differences - Risks in selling abroad

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		- Competition from local firms in foreign markets - Lack of productive capacity - Lack of US Assistance - Lack of US Tax Incentives - US Corrupt Practices Act - Shipping complexity - High value of the dollar - Complexity of trade documentation - Uncertainty of shipping cost - Language and cultural differences
Export Development and Perceived Export Barriers: An Empirical Analysis of Small Firms	Sharkey, et al. (1989) / U.S	- Export procedures barriers - Knowledge and experience - Political and legal barriers - Economic obstacles - Managerial focus and commitment - Marketing barriers - Resource constraints
Export Stages and Export Barriers: Revisiting Traditional Export Development	Kahiya & Dean (2016) / New Zealand	- Lack of knowledge of best potential markets - Lack of staff for export planning - Lack of finances for market research - Lack of awareness of export assistance available - Strong foreign competition - Export documentation requirements and red tape - Unwillingness of banks to serve small and medium-sized businesses - General lack of knowledge of how to export - Lack of private sector export marketing firms to serve wine industry - Differences in wine consumption habits - Lack of capital or credit to finance export sales - Lack of awareness of economic and non-economic benefits of export - Risk of losing money - Lack of manufacturing capacity

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		- Risk of variations in exchange rates - Transportation and shipping costs - Trade barriers to Spanish exports - Language and cultural barriers - Lack of local banks with adequate international expertise
Factors Inhibiting Export Performance of Firms: An Empirical Investigation	Kedia & Chhokar (1986) / US	- Knowing how to market overseas - Obtaining information on prospects and markets overseas - Knowing foreign business practices - Knowing export procedures - Pricing for foreign markets - Competing with foreign and U.S. firms overseas - Dealing with a strong U.S. dollar - Locating distributors overseas.
Factors Hindering Export Development in Africa: Empirical Evidence from SMEs in Nigeria	Okpara & Koumbiadis (2008) / Nigeria	- Lack of export market knowledge - Lack of export finance - General lack of knowledge of how to export - Lack of knowledge about export assistance available - Lack of qualified personnel to plan for export market - Difficulty in handling export documentation requirement - Intense foreign competition - Limited managerial time to deal with exports - Transportation and insurance costs - Language differences (verbal/nonverbal) - Lack of government incentives - Lack of knowledge on how exchange rates work - Corruption - Poor infrastructure

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
Internal and external export barriers: analysis from Serbian SMEs point of view	Sudarevic & Radojevic (2014) / Serbia	**External Barriers** Competition on export market Costs and procedures for obtaining loans for export Policy of exchange rate of the domestic currency Government's policy toward exporters Absence of export branding national policy Export tariffs and sale cost on export markets **Internal Barriers** Lack of capital for export financing Achieving price competitiveness Promotion on export markets Collecting information about export markets Adjusting products for export market demands
Internal Determinants of Export Marketing Behavior: An Empirical Investigation	Cavusgil & Nevin (1981) / U.S	- Expectations of management {about the effects of exporting on a firm's growth) - Level of commitment to export marketing (market planning, policy toward exports, and systematic exploration) - Differential firm advantages (firm's size, technology intensiveness, possession of a unique product) - The strength of managerial aspirations (for growth and for security of markets) - Lack of top management's determination to export
Motivations and barriers of export performance: Greek exports to the Balkans	Liargovas & Skandalis (2008)/ Greece	- Power of competitors - Price war - Profit margin - Trained staff/personnel - Distribution system - Technical support - Financing possibilities - Legal barriers

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		- Bureaucracy - Differences in language and culture - Political instability - Economic instability - Social instability - Criminality
Obstacles Facing Saudi Exporters of Non-Oil Products	Al-Qahtany (1996) / Saudi Arabia	- Competition with foreign firms in export markets - Lack of information about potential export markets - Dumping strategy in some export markets - Increasing tariffs in other countries - Restrictions in importing countries - Unclear trade agreement with other countries - Cost of importing raw material - Lack of the right personnel involved in exports - High transportation cost out of S.A - Lack of experience in exporting - Supplying services in foreign markets - High cost of Saudi seaports - Differences in product standards - Complex export procedures - Insufficient companies specialising in export - Cost of intermediate local products - Obstacles related to Saudi seaports - Unfamiliarity with export documents & licenses, shipping and procedures - High transportation cost in S.A - High standard requirement of technology in the industry - Difficulties in finance from international markets - Cost of labor in S.A - Insufficient production capacity to meet foreign demand - Lack of insurance cover

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		- Differences in exchanging currency
Obstacles to Export Initiation and Expansion	Morgan & Katsikeas (1997) / UK	- Lack of knowledge about overseas markets - Difficulty to communicate with overseas customers - Lack of resources for marketing research in overseas markets - Promotional needs required in overseas markets - Lack of awareness/access of export distribution channels - Lack of personnel experienced in exporting activities - Lack of government incentives - Lack of awareness about government information sources on overseas markets - Restrictive foreign tariffs, rules and regulations - Extensive export documentation requirements - Difficulty in meeting export product design and style requirements - Difficulty in meeting export product quality standards - Difficulty in meeting export packaging and labelling requirements - Strong overseas competition - Lack of products' competitive price in overseas markets - High relative value of UK sterling
Opportunities and Constraints for Small Agricultural Exporters in Egypt	Abu Hatab & Hess (2013) / Egypt	**Competition** Lack of competitive prices in comparison to competitors Packaging and labelling Inefficient production capabilities Lack of commitment by local suppliers to deliver the contracted quantities **Financial Constraints** Difficult of fund unexpected costs of exportation Exchange rate disparities

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		Lack of capital High cost of access to credit and export loans Unwillingness of banks to serve SMEs Inability of local banks to cope with international business Export credit schemes is poorly operated or underfunded Concerns about defaulting of customers on payment when selling abroad. **Administrative Barriers and Foreign Standards** Confusing regulations and import procedures in the target market Unnecessary export documentation requirements The enforcement of high export taxes The inefficient export risk guarantee schemes Lack of attractive export incentives and subsidy programs Involvement of many different ministries and the multiplicity of supervision authorities **Institutional Constraints** Firms' unfamiliarity with export assistance schemes introduced by government institutions Export expansion services ineffective or unrecognized by exporters Lack familiarity in legal matters related to export procedures and regulations Lack of knowledge regarding demands by foreign markets Poor institutional capacity to foster the organization of exporters Corruption and red tape in export authorities **Human Resources Constraints** Lack of skilled labor for export and technical activities

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		Difficulty in finding trained personnel to manage international trade activities. **Physical Infrastructure** Lack of refrigerated areas for perishable goods Inadequate storage space for goods High transportation and shipping costs Unavailability of equipped transportation
Perceived export barrier differences among exporters: Less developed economy evidence	Al-Aali, et al. (2012) / Saudi Arabia	- Limited information about foreign markets - Shortage of experienced or trained personnel for exporting - Limited ability in identifying foreign business opportunities - Inadequate export financing program - Difficulty in developing new products for foreign markets - Existence of substantial differences in exported products - Stiff price competition in foreign market - Difficulty in managing foreign distribution channels - Low profitability of exported products - Excessive costs of logistics - High cost of imported raw materials - Difficulty of adapting promotion activities to the foreign market - Lack of familiarity with export procedures and regulations - Presence of high risk in exporting - Severe fluctuations in foreign exchange rates - Limited government export promotion programs - High cost of production - High tariffs in importing countries
Problems Faced by Small and Medium Business in Exporting Products	Siringoringo, et al. (2009) / Indonesia	- Competition - Long duration of export document process - Product quality

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		- Export barrier from country destinations - Low capability in high production - Delay in transportation - Communication barrier - Lack of international market knowledge - Barrier of entering international market - Export administrative procedures - Inefficient production cost - Unofficial fee in export documents processing - Incapable to supply product in time - Lack of knowledge in transaction method - Limitation of destination country - Time limitation in cargo - Delay of shipping
Reducing the Impact of Barriers to Exporting: A Managerial Perspective	Shoham & Albaum (1995) / Denmark	- Trade Barriers (Tariffs, quotas) - Lack of Market Information - Foreign Public Attitudes - Foreign Government Attitudes - Providing Services - Financing Sales - Lack of Export Training - Higher than Domestic Risk - No Assistance from Danish Governmental - Arranging Transportation Packaging, - Communications with Foreign Unit - Controlling International Activities - Documentation Requirements
Solving Export Marketing Problems of Small and Medium-Sized Firms from Developing Countries	Tesfom, et al. (2008) / Eritrea	**Marketing Knowledge barriers** Lack of knowledge to locate foreign marketing opportunities Lack of specific information regarding foreign agents, distributors and prospective buyers Lack of export marketing research Language problems to communicate with overseas customers

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		Lack of pricing knowledge for foreign markets **Human resource barriers** Lack of personnel trained and qualified in export marketing Lack of experience in planning and executing export operations Lack of domestic experts in export consulting Low management (owner) emphasis on developing export market activities The lack of management exposure to other cultures and to different methods of doing business Lack of authority for management to decide on exports **Financial barriers** Inability of the firm to self-finance exports High cost of capital to finance exports Strict credit requirements of the bank Lack of private sector firms providing credit **Product quality barriers** Product quality problems High sensitivity of products to fashion **Product adaptation problems** Lack of adequate skill to adapt products for foreign markets Difficulty in meeting importers product quality standards Meeting export packaging and labelling requirements Lack of ability to supply required quantity on continuous basis **Industry structure** Lack of adequate quality of raw materials Too Small in size to initiate export operations **Competition** Strong competition from domestic

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
		producers in the foreign market Strong competition from other foreign producers in potential markets **Customer barrier** Poor image of products in foreign markets Insufficient foreign demand Country of origin effect **Procedural barriers** Lack of knowledge about export procedures and practices Extensive export documentation requirements Problems in making arrangements for getting paid Problems in making shipment arrangement and meeting delivery dates Restrictive foreign tariffs, rules and regulations **Government policy** Lack of government assistance in overcoming export barriers Red tape in public institutions Lack of export promotion programs sponsored by the government Lack of export promotion programs sponsored by international organizations (e.g. UNIDO) Protectionist barriers Inadequate diplomatic support **Exogenous economic barriers** Political instability in foreign markets Lack of private sector firms providing export services High interest rates High freight costs to foreign markets High international communication costs(telephone fax, travel) High value of domestic currency
The Determinants of Export Decisions and	Gripsrud (1990) /	- Transportation cost - Product quality

Table 3.1: Literature survey of Classification of Export Barriers

Title	Author (years)	Barriers to export
Attitudes to a Distant Market: Norwegian Fishery Exports to Japan	Norway	- Language and culture - Tariffs and quotas - The strong competition from other countries - The distribution system for fishery products in Japan - The risk involved in exporting to Japan - The long time necessary to achieve results in Japan

The main classification of the export barriers divides them into two categories; internal that are related to the operations, processes and activities of the company, and external that are related to the environment in the new targeted market. Some of the reviewed studies provided a comprehensive classification for the possible barriers an SME could face entering the new market through export. Nevertheless, other studies choose to focus on specific barriers that are suitable to an investigation related to a specific country or sector. The most comprehensive classifications in this aspect were provided by Leonidou (2004), Uner, et al., (2013) and Narayanan (2015). Such studies developed the classification further to address barriers related to functionality, marketing, product, price, distribution, logistics and promotions on the internal level. On the external level, the barriers were classified according to the procedures, governmental assistance and economic, political, legal and sociocultural environments in the new market.

Another way to classify the export barriers was to divide them according to their discipline, whether it was marketing, human resources, operations, communication, financial, knowledge, image or support structure, which can be related to both internal and external levels. The most comprehensive classification provided in this aspect is by Tesfom, et al. (2008), Arteaga and Fernandez (2010), Abu Hatab and Hess (2013) and Junaidu (2013). Other studies did not provide a certain classification for the export barriers, rather than considering the most relevant. It can be concluded that the two main classifications are close to each other; however, it seems that classifying the barriers into internal and external barriers is the best first level of classification. Such a classification allows the company to address the problem according to their location. The sub-classification can address the internal and external aspects according to their relevance to the investigation design. Nonetheless, main business management aspects concerning product, marketing, processes and environmental imposed seem to be the most suitable to consider generally.

4. METHODOLOGY

The aim of this chapter is to structure the research question addressed by the investigation and the techniques used to answer it. Furthemore, the measuring scale used in the study, which evaluates the portfolio of the exporter and the perception towards export barriers, is reviewed and the questionnaire containing the measuring scale is explained. Moreover, a view over the participating firms is provided including their activities and portfolios. Finally, the sampling and analysis techniques used in the investigation are reviewed.

4.1 Study Question

Based on the study problem reviewed in the first chapter in this thesis, it is evident that the Libyan economy suffers from lack of exportation strategies to support a strong economic portfolio for the country. The understanding of the issues and problems that are facing Libyan exporters entering foreign markets is essential to propose plans that would allow for further openness from small and medium enterprises towards internationalization. Based on that, the main question to be answered by the investigation performed in this research is:

What are the export barriers that hinder the internationalization process for the Libyan small and medium enterprises?

Through an understanding of the way Libyan exporters look at the different export barriers, it is possible to identify the domestic and international issues and challenges that stop them from pursuing opportunities in foreign markets. It is also beneficial to study the characteristics of the Libyan enterprises in order to evaluate their readiness level for the internationalization process. Therefore, the study mainly considers the perception of the Libyan small and medium enterprises towards export barriers, as classified by the literature, in addition to a self-evaluation provided by them of their characteristics and business performance.

4.2 Measuring Scale and Questionnaire Design

There are several classifications for export barriers, as shown in section 3.4 of this thesis, titled “classification of export barriers”. Studies that considered a more broadened approach towards the export barriers’ classifications have a consensus that export barriers are mainly classified into internal barriers that emerges from the domestic environment and the characteristics of the exporters and external barriers that emerge from the environment at the foreign market. Nonetheless, the way export barriers are classified under these two categories differs between different studies, which either address them according to their discipline or functionality. Considering the current status of exportation within the Libyan market, it is beneficial to understand the functional issues that are facing exporters rather than specific discipline issues that can be addressed in a more developed economy. Therefore, the measuring scale adopted in this research is based on the scale provided by Uner, et al (2013) in a study that targeted understanding barriers to internationalization of Turkish companies.

The scale includes thirty-nine export barriers primarily divided into internal and external within seven secondary classifications. The internal export barriers are divided into informational, functional and marketing barriers as the main issues that face exporters prior entering foreign markets. Through an understanding of these barriers, the researcher is able to form an idea about the readiness of the firms towards internationalization based on internal issues. The external export barriers are divided into procedural, governmental, task and environmental barriers as perceived challenges in foreign markets based on experience. The external export barriers allow the researcher to form an understanding of the possible risks that are expected to face Libyan exporters when targeting foreign markets through the different stages of the internationalization process.

Based on the adopted scale, the questionnaire used for the study is designed with eight sections, as provided in Appendix A, and as illustrated in Table 4.1. The first section of the questionnaire provides an assessment of the participating firm based on its characteristics and export volume. Questions addressing the annual sales and total number of employees allows the researcher to classify the company into a small, medium or large enterprise. Furthermore, the participating firms are asked for their annual export volume in US dollars, years of exporting experience and the exporting stage they are in at the moment. The researcher aims to create an exportation portfolio for the participating companies to understand the relation between them and the perception towards export barriers. The participating firms are asked to indicate their main activity, merchandising, manufacturing and service, to evaluate the difficulties faced by each sector.

Table 4.1: Summary of questionnaire sections used in the research

Section Serial	Questions Type	Number of Questions
A	Company characteristics and export volume	6
B	Internal export barriers (Informational)	4
C	Internal export barriers (Functional)	4
D	Internal export barriers (Marketing)	16
E	External export barriers (Procedural)	3
F	External export barriers (Governmental)	2
G	External export barriers (Task)	2
H	External export barriers (Environmental)	8

The remaining seven sections of the questionnaire are divided based on the classification of export barriers provided by Uner et al. (2013), which are divided into internal barriers under sections B, C and D, and external barriers under sections E, F, G and H. The internal informational barriers in section B address the lack of information acquired by the company of the foreign market and the lack of ability to identify opportunities and contact customers. The internal functional barriers in section C deal with issues that emerge from the operational status of the company, where time, production, knowledge or capital shortage can hinder exportation. The internal marketing barriers in section D targets issues that are related to product, price, distribution, logistics and promotions, which evaluate the internal processes used within the company in order to be able to compete in foreign markets.

The procedural external barriers in section E of the questionnaire are designed to measure the unfamiliarity and communication issues that are faced by the domestic Libyan exporters when dealing with foreign market authorities and customers, as well as payment procedures that may decrease the flexibility of operations. Moreover, the governmental external barriers in section F target the difficulties faced by the exporters due to lack of support from their government or laws. The task external barriers in section G address the challenges that are faced by the differences in customer habits in new markets, in addition to competition within these markets. Furthermore, the environmental external barriers in section H allows the researcher to understand the economic, political, legal and sociocultural difficulties faced when dealing with foreign markets. Overall, understanding the internal and external export barriers in conjunction with the firm characteristics and export portfolio would enable the researcher to assess the readiness of the Libyan firms towards internationalization, while comparing the results to other studies would facilitate solutions and recommendations to overcome any difficulties.

4.3 Participating Firms

The population of firms is the registered companies with the national authority of international trading within the fiscal year of 2017 containing a total of 259 companies. The list provided by the authority for 2018 is not considered as some of the due date for registration renewal may be after the conducting this research. Through studying the population of firms, it can be noticed that 48.3% of the firms are manufacturing companies, while 39.4% are merchandizing and 12.4% are service companies, as shown in Figure 4.1. The locations of the firms play a major role in their ability to facilitate communication and operations for exportation. Through studying the locations of the firms, there are 104 companies that are located in Tripoli and 43 companies located in Misrata; however, the remaining 112 companies are distributed in small numbers among more than 20 regions, including Benghazi, Sabha, Tarhuna, Sobrata, Zawya, Zlitin and Zwara. Figure 4.2 illustrates the percentages according to city.

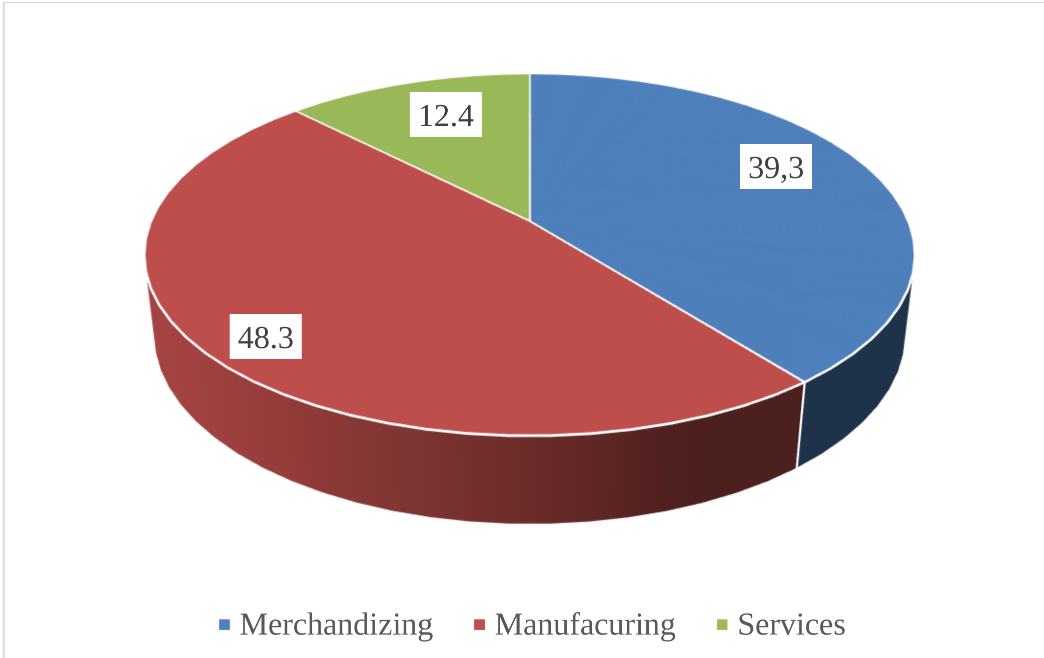

Figure 4.1: Registered exporting firms in Libya according to their main activity

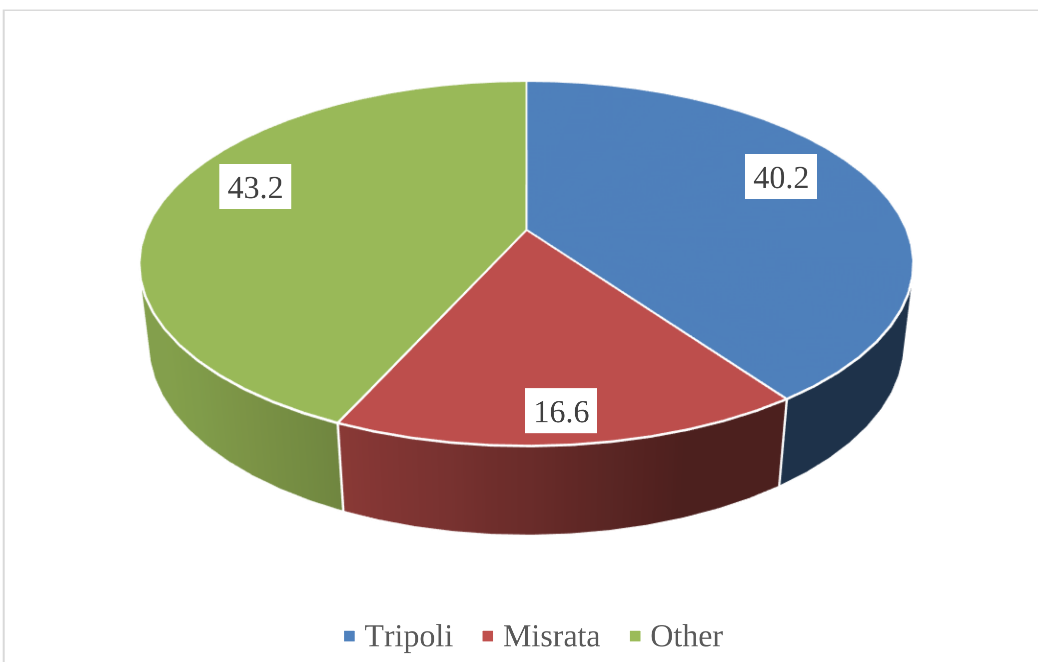

Figure 4.2: Registered exporting firms in Libya by region

4.4 Sample and Analysis

Considering the population as the registered exporting companies in the Libyan market, which is summed to 259 firms registered in 2017 with the exportation authority of Libya, the sample size depends mainly on three more factors; the error margin, confidence level and the response distribution depending on skewness. Table 4.2 shows the suggested sample size based on a constant 50% distribution, which gives the largest sample size possible. The optimal choice for sample size corresponds to 95% confidence level with 155 firms; however, a reliability analysis is performed for a less sample to justify its reliability. The firms are contacted through email by sending them a link to an electronic version of the survey, where the person in charge can fill the questionnaire according to their best knowledge. Moreover, data is collected through the months of October, November and December of 2018, entered into IBM SPSS Statistics for further descriptive statistics and analysis.

Table 4.2: Sample size based on error margin and confidence level

Error margin	Confidence Level	Sample Size
$P<0.01$	99%	256
$P<0.05$	95%	155
$P<0.1$	90%	54

The analysis performed to the compiled data depends on the desired outcome. The export barriers are evaluated based on the mean value provided on the 7-point Likert scale provided in the questionnaire (template in Appendix A). Export barriers exceeding the mark of 3.5 score indicate their high perception of importance of the sample towards them, while the highest scores would indicate their priority. Moreover, further statistical analysis is performed to understand the relations between firm characteristics, export portfolio and internationalization involvement. A variation analysis is used to identify the differences of export barriers' perception between the Libyan SMEs at different internationalization stages. An ANOVA analysis is performed, as well as a post-hoc analysis to identify the single variances between the different groups in case of a significant difference in the ANOVA analysis.

5. RESULTS AND DISCUSSION

5.1 Reliability Analysis and Descriptive Statistics

The questionnaires were sent to all 259 registered exporting firms in Libya in order to obtain the maximum sample possible in achieving the 95% reliability. Between the months of October and December 2018, all firms were contacted through telephone and email reminders in order to ensure their participation in the study. After obtaining 132 questionnaires, eleven questionnaires were disqualified due to incompletion. The remaining 121 questionnaires were entered into SPSS Statistics to run the reliability analysis, as the remining firms were not responsive. As shown in Table 5.1, the overall Cronbach's alpha is 0.954, which exceeds the 95% reliability targeted by the research.

Table 5.1: Cronbach's Alpha reliability analysis (n=121)

Barrier Type	Category Alpha	Overall Alpha
Internal Barriers	0.936	0.954
External Barriers	0.898	

In order to be able to perform the correlational analysis in the next section, the participating firms were asked to indicate their annual sales volume, annual export volume, their export experience years, the number of employees, the main firm's activity and the export stage. As shown in Table 5.2, more than 90% of the participating firms have an annual sales volume less than $15 million, which indicates that companies with export license in Libya are mainly small and medium enterprises. Moreover, the majority of the firms have less than 300 employees, which confirms this categorization. The majority of the SME's in Libya are manufacturing companies (66.1%), followed by 25.6% trading companies.

In studying the exportation characteristics of the Libyan SME's, 52.9% indicated that they are not exporting, while 41.3% indicated that they have no experience in exportation. Furthermore, 37.2% of SME's are only serving the domestic market, 22.3% studying exportation feasibility, 13.2% performing trial exportation, and 27.3% have active exportation between one or more countries. The results show that the majority of the Libyan SME's have issues and challenges that prevent them from exporting their products and service.

Table 5.2: Participating firm's operational and exportation characteristics

Data	Category	Number	Percent
Annual Sales Volume	Less than $100,000	47	38.8
	$100,000 to $3 M	42	34.7
	$3 M to $15 M	21	17.4
	More than $15 M	11	9.1
Annual Export Volume	No exports	64	52.9
	Less than $25,000	14	11.6
	$25,000 to $75,000	14	11.6
	$75,000 to $150,000	12	9.9
	$150,000 to $500,000	13	10.7
	$500,000 to $ 2 M	1	0.8
	$2 M to $5 M	1	0.8
	More than $5 M	2	1.7
Years of experience in export	Never exported	50	41.3
	Less than 1 year	11	9.1
	1 to 3 years	24	19.8
	3 to 7 years	19	15.7
	7 to 12 years	11	9.1
	More than 12 years	6	5.0
Company's number of employees	Less than 10 employees	42	34.7
	10 to 50 employees	56	46.3
	50 to 300 employees	20	16.5
	More than 300 employees	3	2.5
Company's main activity	Trading	31	25.6
	Manufacturing	80	66.1
	Services	10	8.3
Current export stage	Domestic Market	45	37.2
	Studying export feasibility	27	22.3
	Performing trial export	16	13.2
	Having active exportation	24	19.8
	Having export contracts	6	5.0
	Having export contracts in several countries	3	2.5

The export barriers are assessed in two categories; internal and external. The internal export barriers include informational, functional and marketing barriers. The mean values of the informational barriers, Table 5.3, have low to moderate importance range as the highest mean score was aggregated by international market data with 5.59. The functional exportation barriers had a lowest range through aggregating mean scores between 4.93 and 5.36, as shown in Table 5.4. The results show that the Libyan SMEs perceive the informational and functional barriers with low to moderate importance in hindering exportation from Libya. Nonetheless, the internal marketing export barriers had the highest mean scores among the internal barriers, as shown in Table 5.5. Challenges like offering satisfactory prices to customers and meeting export product quality standards aggregated 6.00 and 6.16 mean scores, respectively. Other barriers in the marketing category had low mean scores, which shows the ability of the Libyan companies to overcome warehousing, supply chain and providing credit to foreign customers.

Table 5.3: Descriptive statistics of internal informational exportation barriers in Libyan SME's (7-point Likert)

Export Barrier	Mean Score	Standard Deviation
Unavailability of data and information for market analysis	5.29	1.474
Foreign market data is hard to interpret	5.59	1.662
Identification of opportunities in foreign markets	5.12	1.747
Difficulties in contacting foreign customers	5.40	1.574

Table 5.4: Descriptive statistics of internal functional exportation barriers in Libyan SME's (7-point Likert)

Export Barrier	Mean Score	Standard Deviation
Unavailability of time to manage exportation	4.95	1.834
Lack of training on exportation operations	5.36	1.780
Unavailability of necessary capital for financing exportation	4.93	2.105

Table 5.5: Descriptive statistics of internal marketing exportation barriers in Libyan SME's (7-point Likert)

Export Barrier	Mean Score	Standard Deviation
New product development requirements	5.45	1.857
Adapting design and style for new markets	5.55	1.742
Product quality standards requirements	6.16	1.390
Packaging and labelling requirements	5.62	1.881
Required technical service abroad	5.33	1.795
Adjusting prices to be competitive	6.00	1.426
Low prices offered by competition	5.04	1.719
Difficulty in offering credit to customers	4.90	1.837
Distribution channels abroad are complex	5.23	1.726
Distribution channels abroad are difficult to access	5.17	1.948
Reliable representation abroad is hard to find	5.61	1.710
Foreign middlemen are hard to control	5.21	1.703
Supplying inventory abroad is difficult	4.88	1.768
Adequate warehouses are unavailable abroad	4.39	1.925
Insurance and transportation costs are high	5.54	1.817
Promotional operations require adjustment for exportation	5.21	1.898

Furthermore, the external export barriers were evaluated into four categories; procedural, governmental, task and environmental. The procedural barriers have low mean scores indicating the ability of the Libyan SMEs to adapt according to the procedures required from foreign customs, as shown in Table 5.6. However, the governmental barriers aggregated relatively high mean scores, as the participating firms indicated that there is a lack of assistance and incentives from the domestic governmental to increase exportation activities, as shown in Table 5.7. In Table 5.8, the mean scores yielded through the Libyan SME's evaluation of the task barriers show that foreign customers habits and attitudes have a low importance in hindering exportation, while a moderate mean score of 5.71 was given to the competition in foreign markets.

Table 5.6: Descriptive statistics of external procedural exportation barriers in Libyan SME's (7-point Likert)

Export Barrier	Mean Score	Standard Deviation
Procedures and paperwork for exportation are complex	5.17	2.091
Communication issues with foreign customers	5.26	1.914
Payment collection abroad is slow	5.10	1.809

Table 5.7: Descriptive statistics of external governmental exportation barriers in Libyan SME's (7-point Likert)

Export Barrier	Mean Score	Standard Deviation
Domestic government does not provide incentives or assistance with exportation	6.33	1.313
Domestic regulations are difficult	6.12	1.447

Table 5.8: Descriptive statistics of external task exportation barriers in Libyan SME's (7-point Likert)

Export Barrier	Mean Score	Standard Deviation
Customers' attitudes and habits are different	4.52	1.937
Strong competition is available in new markets	5.71	1.720

The last category of external export barriers was the environmental category, which evaluated the issues and challenges that cannot be controlled by the exporting firm. The assessment of the Libyan SME's show that differences in sociocultural traits, poor economic conditions abroad and political instability in foreign markets have the least importance as export barriers. Nevertheless, issues like foreign currency exchange risks and strict foreign rules and regulations have aggregated moderate mean scores of 5.99 and 5.83, respectively.

Table 5.9: Descriptive statistics of external environmental exportation barriers in Libyan SME's (7-point Likert)

Export Barrier	Mean Score	Standard Deviation
Economic and financial conditions abroad are poor	4.86	1.989
Risks with currency exchange are high	5.99	1.599
Foreign markets suffer from political instability	4.93	2.060
Rules and regulation in foreign markets are strict	5.83	1.574
Tariff and nontariff barriers are high	5.37	1.817
Business practice in foreign markets are different	5.21	1.704
Differences in sociocultural characters	4.31	1.957
Language differences	3.82	2.225

After the evaluation of the several export barriers compiled in this research, the participating firms were asked to indicate other exportation barriers that they believe is hindering them from accessing foreign markets. Several barriers were mentioned and comments from the participating firms, as follows:

- Participating firm no. 23: local laws and regulation and the passiveness of the domestic government in supporting exportation operations, as well as imposing procedures that hinder operations.
- Participating firm no. 29: the questionnaire mentioned the majority of the exportation barriers.
- Participating firm no. 30: lack of mechanisms and governmental bodies that follows up with companies that have export capabilities and incentivize them to export their products.
- Participating firm no. 31: the many unstudied decisions of the government and the change in foreign currency exchange rates.
- Participating firm no. 55: lack of government support to manufacturing.
- Participating firm no. 56: the continuously changing laws of the Libyan government.
- Participating firm no. 59: the supply and domestic market demand plays a role in the availability of production for export.
- Participating firm no. 62: complication policies and exportation procedures.
- Participating firm no. 64: exportation bans.
- Participating firm no. 66: quality standards required for certain products.
- Participating firm no. 71: the government protects the local consumer through banning and allowing products for exportation according to local demands.
- Participating firm no. 77: the unstable political and security situations in the country.
- Participating firm no. 79: the unstable political and security situations.
- Participating firm no. 80: lack of management and the unstable political situation.

- Participating firm no. 83: all barriers are mentioned in the questionnaire.
- Participating firm no. 86: lack of international recognition of the quality certificates issued in Libya.
- Participating firm no. 93: all barriers are mentioned in the questionnaire.
- Participating form no. 95: the language barrier, in addition to sociocultural barriers.
- Participating firm no. 96: lack of working capital.
- Participating firm no. 106: Lack of laws that incentivize exportation through protecting the local product and easing investments.
- Participating firm no. 118: lack of time to initiate exportation.

5.2 Statistical Analysis

According to the performed questionnaire for the registered exporting companies in Libya, the participating firms indicated that they are within one of the six exportation stages that vary between solely serving the domestic market and having export contracts in several countries. Therefore, the six stages are as the following, along with the number of firms falling into each stage from the sample between the brackets:

- Stage 1: Serving domestic market only (45 firms)
- Stage 2: Studying export feasibility (27 firms)
- Stage 3: Performing trial export (16 firms)
- Stage 4: Having active exportation (24 firms)
- Stage 5: Having export contracts (6 firms)
- Stage 6: Having export contracts in several countries (3 firms)

A statistical analysis is performed to understand the difference in export barrier perception between the Libyan companies at the different internationalization stages. A one-way ANOVA, as well as a post hoc (Games-Howell), test is performed for the several categories of export barriers. As shown in Table 5.10 for the informational export barriers, there is no significant difference in any of the barriers between firms at different stages, which indicates with the high mean score that these barriers are faced by all firms.

Table 5.10: Differences in internal informational exportation barriers in Libyan SME's based on internationalization stage (ANOVA) – Significant at the .05 level

Export Barrier	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6	Sig.
Unavailability of data and information for market analysis	5.11	5.19	5.87	5.13	5.83	6.00	.405
Foreign market data is hard to interpret	5.33	5.85	5.94	5.29	6.17	6.33	.481
Identification of opportunities in foreign markets	4.80	4.81	6.13	5.29	5.00	6.00	.121
Difficulties in contacting foreign customers	5.20	5.44	5.88	5.25	6.67	4.33	.173

For functional export barriers, as shown in Table 5.11, there is no significant difference in any of the barriers between firms of different internationalization stages. The mean scores of all barriers and for all firms at different internationalization stages have ranged between 4.00 and 5.85, which is moderate to high scores. Such results show that all Libyan companies suffer from these barriers in the same manner.

Table 5.11: Differences in internal functional exportation barriers in Libyan SME's based on internationalization stage (ANOVA) – Significant at the .05 level

Export Barrier	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6	Sig.
Unavailability of time to manage exportation	4.91	5.15	4.69	5.21	4.50	4.00	.450
Lack of training on exportation operations	5.38	5.85	4.81	5.37	5.83	2.67	.050
Unavailability of necessary capital for financing exportation	4.73	4.48	4.94	5.63	6.00	4.33	.306

The ANOVA testing of the marketing export barriers show that granting credit services to foreign customers, as shown in Table 5.12, unavailability of warehouse facilities abroad and excessive transportation or insurance costs are the export barriers that had the most significant differences between the firms at the different stages within this category. As shown in Table 5.13, firms at stage 4 were the highest to rate granting credit to foreign customers as an export barrier, with significant differences between firms at stage 1 and stage 2. Firms at stage 5 indicated that the unavailability of warehouse facilities abroad is of a high importance compared to firms in the other stages, with significant difference with firms at stages 1 and 2.

Firms at stage 4 were the highest to rate the excessiveness of costs of transportation and insurance, with significant difference with firms at stage 1. Furthermore, firms at stage 2 aggregated the highest mean score for meeting export product quality standards with a significant difference from firms at stage 1. Firms at stage 5 aggregated the highest mean score for complexity of foreign distribution channels with a significant difference from firms at stage 1. The non-significant results with mean score ranging between moderate to high levels show that Libyan firms face these barriers in the same way, which would require solutions from the firms individually and collectively, as well as from the Libyan government.

Table 5.12: Differences in internal marketing exportation barriers in Libyan SME’s

based on internationalization stage (ANOVA) – Significant at the .05 level

Export Barrier	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6	Sig.
New product development requirements	4.84	5.96	5.69	5.54	6.67	5.33	.079
Adapting design and style for new markets	5.33	5.41	5.62	6.13	6.17	3.67	.167
Product quality standards requirements	5.62	6.63	6.25	6.42	6.67	6.33	**.038**
Packaging and labelling requirements	5.51	6.00	5.81	5.38	6.33	3.33	.211
Required technical service abroad	5.53	5.52	4.94	5.08	5.67	4.00	.564
Adjusting prices to be competitive	5.73	6.07	6.13	6.25	6.50	5.67	.645
Low prices offered by competition	4.87	5.15	4.87	4.92	6.33	6.00	.401
Difficulty in offering credit to customers	4.64	4.33	5.38	6.08	4.67	2.33	**.001**
Distribution channels abroad are complex	4.76	5.59	4.75	5.83	6.33	4.67	**.038**
Distribution channels abroad are difficult to access	5.00	5.30	5.19	5.62	4.33	4.67	.697
Reliable representation abroad is hard to find	5.11	6.30	5.44	5.75	6.50	5.00	.058
Foreign middlemen are hard to control	4.98	5.63	4.94	5.29	5.17	5.67	.683
Supplying inventory abroad is difficult	4.64	4.89	4.69	5.54	5.33	3.00	.147
Adequate warehouses are unavailable abroad	3.87	4.41	4.38	5.08	6.00	3.33	**.038**
Insurance and transportation costs are high	4.78	5.81	6.00	6.25	6.17	5.00	**.012**
Promotional operations require adjustment for exportation	5.33	5.07	5.31	5.08	5.67	4.33	.921

Table 5.13: Internal marketing exportation barriers in Libyan SME's (Post hoc – Games Howell) – Significant at the .05 level

Export Barrier		Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
Product quality standards requirements	Stage 1	-	.028				
Difficulty in offering credit to customers	Stage 4	.002	.004		-		
Distribution channels abroad are complex	Stage 1	-				.002	
Adequate warehouses are unavailable abroad	Stage 5	.000	.009			-	
Insurance and transportation costs are high	Stage 1				.019		

For procedural export barriers, as shown in Table 5.14, there is no significant difference in any of the barriers between firms of different internationalization stages. The moderate to high mean scores ranging between 4.33 and 6.33 indicate that these barriers are faced by all of the participating firms and overall solutions shall be suggested.

Table 5.14: Differences in external procedural exportation barriers in Libyan SME's based on internationalization stage (ANOVA) – Significant at the .05 level

Export Barrier	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6	Sig.
Procedures and paperwork for exportation are complex	5.22	5.63	4.06	4.96	6.33	5.33	.158
Communication issues with foreign customers	4.93	6.15	4.69	5.25	5.83	4.33	.077
Payment collection abroad is slow	4.62	4.96	5.19	5.75	5.83	6.33	.114

For governmental export barriers, as shown in Table 5.15, there is no significant difference in any of the barriers between firms of different internationalization stages. The mean scores are very high ranging between 5.69 and 7.00 indicating the importance and priority of these barriers, which require the direct and immediate intervention from the Libyan government.

Table 5.15: Differences in external governmental exportation barriers in Libyan SME's based on internationalization stage (ANOVA) – Significant at the .05 level

Export Barrier	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6	Sig.
Domestic government does not provide incentives or assistance with exportation	5.98	6.44	6.25	6.92	6.00	7.00	.089
Domestic regulations are difficult	5.69	6.33	6.56	6.25	6.33	7.00	.184

As shown in Tables 5.16 and 5.17 for task exportation barriers' ANOVA and post hoc testing, the different habits and attitudes of foreign customer yielded the most significant difference, especially between the firms at stage 1 and stage 2. The keen competition in the foreign markets showed no significant differences between firms at the different internationalization stages, which means that the level of foreign markets' competitions is equally perceived by all the firms, regardless of their internationalization stage.

Table 5.16: Differences in external task exportation barriers in Libyan SME's based on internationalization stage (ANOVA) – Significant at the .05 level

Export Barrier	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6	Sig.
Customers' attitudes and habits are different	3.67	5.48	4.94	4.63	4.67	5.33	**.004**
Strong competition is available in new markets	5.42	6.48	5.13	5.67	6.33	5.33	.087

Table 5.17: External task exportation barriers in Libyan SME's (Post hoc – Games Howell) – Significant at the .05 level

Export Barrier		Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
Customers' attitudes and habits are different	Stage 1	-	.000				

In the environmental exportation barriers, as shown in Table 5.18, foreign exchange risks, strict foreign rules and regulations, and high tariff and nontariff barriers yielded the most significant differences according to ANOVA testing. Firms at stage 2 rated currency exchange and strict regulations with the highest mean score, while firms at stage 5 had the highest mean score for high tariff and nontariff barriers. The barriers with no significant differences between the firms at different internationalization stage indicate an equal or close perception between all participating firms towards those barriers. The mean scores were in the range between moderate to very high depending on the export barrier. Barriers such as poor economic conditions, political instability, unfamiliarity with foreign business practices, sociocultural differences and language difference require collective efforts between the Libyan firms and the government to find solution that can alleviate these issues and boost Libyan exportation.

Table 5.18: Differences in external environmental exportation barriers in Libyan SME's based on internationalization stage (ANOVA) – Significant at the .05 level

Export Barrier	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6	Sig.
Economic and financial conditions abroad are poor	4.38	5.59	4.50	5.25	5.33	3.33	.075
Risks with currency exchange are high	5.36	6.52	5.75	6.37	7.00	7.00	**.007**
Foreign markets suffer from political instability	4.62	5.56	4.19	5.17	6.17	3.67	.099
Rules and regulation in foreign markets are strict	5.27	6.41	6.13	5.88	6.50	5.67	**.046**
Tariff and nontariff barriers are high	4.87	6.07	5.56	5.67	6.33	1.33	**.000**
Business practice in foreign markets are different	5.29	5.48	4.88	4.96	6.17	3.67	.282
Differences in sociocultural characters	4.38	4.37	4.56	4.17	4.17	2.67	.766
Language differences	4.09	3.78	3.75	3.83	3.50	1.00	.348

In the post hoc testing, as shown in Table 5.19, more differences were found between the firms in the difference internationalization stages with regard to different environmental exportation barriers. Barriers related to risks in foreign currency exchange showed significant differences between firms in stages 2, 5 and 6 in comparison to firms in stage 1, significant differences between firms in stages 5 and 6 in comparison to forms in stage 3. Moreover, firms in stage 2 and stage 5 showed significant differences with firms in stage 1 in perceiving the strictness of foreign rules and regulations. Firms in stage 6 showed the lowest mean score for high tariff and nontariff barriers in comparison with all other stages.

Table 5.19: External environmental exportation barriers in Libyan SME's (Post hoc – Games Howell) – Significant at the .05 level

Export Barrier		Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
Risks with currency exchange are high	Stage 1	-	.015			.000	.000
	Stage 3			-		.040	.040
Rules and regulation in foreign markets are strict	Stage 1	-	.024			.028	
Tariff and nontariff barriers are high	Stage 1	-	.017				
	Stage 6	.002	.002	.000	.000	.000	-

5.3 Discussion

The analysis of the results given by the Libyan firms at the several internationalization stages indicate that the main differences are between the firms at stage 1, which have no exportation activities and serve only the domestic market, and the rest of the firms, which are involved with exportation to different extents. It is important to understand the most important export barriers for firms at each stage based on the obtained results. Therefore, Table 5.20 shows the top three export barriers based on the highest mean scores aggregated by the firms at each internationalization stage. The top export barrier perceived by Libyan firms is the lack of domestic government assistance and incentives, as it was indicated by as the first barrier by firms in stage 1, stage 4 and stage 6, and as the third barrier by the firms in stage 3. Another issue with similar importance is the ability to meet export product quality standards, as it was indicated as the first barrier for firms in stage 2, the second barrier for firms in stage 3 and stage 4, and the third barrier for firms in stage 5. The third urging export barrier is the risks associated with foreign currency exchange, as it was indicated as the first barrier for firms at stage 5, the second barrier for firms at stage 2, and the third barrier for firms at stage 4 and stage 6. Unfavorable domestic rules and regulations is an important barrier, as it is indicated as the first barrier for firms in stage 3, the second barrier for firms in stage 6, and the third export barrier for firms in stage 1.

Table 5.20: Top three export barriers perceived by Libyan SMEs

	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
First	Lack of domestic government assistance/ incentives	Meeting export product quality standards	Unfavorable domestic rules and regulation	Lack of domestic government assistance/ incentives	Foreign currency exchange risks	Lack of domestic government assistance/ incentives
Second	Offering satisfactory price to customers	Foreign currency exchange risks	Meeting export product quality standards	Meeting export product quality standards	Developing new product for foreign markets	Unfavorable domestic rules and regulation
Third	Unfavorable domestic rules and regulation	Keen competition in foreign markets	Lack of domestic government assistance/ incentives	Foreign currency exchange risks	Meeting export product quality standards	Foreign currency exchange risks

The results of the research show that both internal and external export barriers affect the export volumes and the exportation stages for the Libyan SME's. Table 5.21 summarizes the most influential export barriers on sales and export volumes. Thirteen export barriers were found influential on the sales volumes of the Libyan SME's and thirteen export barriers were found impacting their export volume. Seven of the thirteen export barriers are mutual between the two categories, which shows the link between the growth in sales and export volumes. The lack of working capital, difficulty in offering after sales service, difficulty in offering competitive prices and obtaining reliable foreign representation are the top internal export barriers facing the Libyan SME's. Moreover, keen competition in foreign markets, poor economic conditions abroad and political instability in foreign markets are the top external export barriers facing them.

Table 5.21: Impact of export barriers on Libyan firms' sales and export volumes (code in Appendix B)

Impact on	Export Barrier code	Export Barrier
Annual Sales Volume	IEP7*	Unavailability of necessary capital for financing exportation
	IEP10	Product quality standards requirements
	IEP12*	Required technical service abroad
	IEP13*	Adjusting prices to be competitive
	IEP15	Difficulty in offering credit to customers
	IEP18*	Reliable representation abroad is hard to find
	IEP21	Adequate warehouses are unavailable abroad
	EEP3	Payment collection abroad is slow
	EEP7*	Strong competition is available in new markets
	EEP8*	Economic and financial conditions abroad are poor
	EEP9	Risks with currency exchange are high
	EEP10*	Foreign markets suffer from political instability
	EEP11	Rules and regulation in foreign markets are strict
Annual Export Volume	IEP6	Lack of training on exportation operations
	IEP7*	Lack of excess capacity for export
	IEP12*	Required technical service abroad
	IEP13*	Adjusting prices to be competitive
	IEP18*	Reliable representation abroad is hard to find
	IEP23	Promotional operations require adjustment for exportation
	EEP1	Procedures and paperwork for exportation are complex
	EEP2	Communication issues with foreign customers
	EEP7*	Strong competition is available in new markets
	EEP8*	Economic and financial conditions abroad are poor
	EEP10*	Foreign markets suffer from political instability
	EEP12	Tariff and nontariff barriers are high
	EEP13	Business practice in foreign markets are different

*. Export barriers impacting both annual sales and annual export volume

Limitation in financial resources is mentioned as one of the most critical export barriers by Boscor (2017), as well as lack of exportation specialists within the Romanian companies. Such factors impact several aspects of the export operations including marketing, warehousing, supply chain and pricing. All of these barriers were indicated within high mean scores by the participating firms in the current study. Furthermore, Fish et al. (2014) found that shortage in foreign currencies and the changes in their exchange rates as one of the significant export barriers facing South African companies. The results of the current research indicate that the constant changes in the foreign currency exchange rates is one of the main factors that makes Libyan SME’s refrain from taking risks with exportation operations and contracts. The same study found also that lack of working capital is one of the major export barriers; confirming the results of Boscor (2017) and the current study on Libyan SME’s.

The findings of the current study showed similar results with case studies in other countries. In the Portuguese market, Pinho and Martins (2010) found that non-exporters refrain from exportation due to the lack of knowledge of the potential, unavailable qualified staff for the task, lack of financing and lack of governmental support. Boscor (2017) studied the export barriers facing the Romanian SMEs, where currency exchange rate fluctuations, payment methods available for the companies, the unavailability of the specialized staff, unavailability of the financial resources and the lack of adequate support from the government were the most important export barriers.

Moini (1997) studied the export barriers facing the SMEs in Wisconsin in the United States through 242 participating firms in the region. The research studied the export barriers based on the importance and the difficulty level, where the results showed no significant difference between the results on both scales. A group of export barriers were identified as the most critical for the firms in the study region differentiating the exporting from the non-exporting companies, which are product adaption to foreign markets, pricing for foreign markets, currency exchange rates, acquiring information about foreign markets, technical support issues, export procedures, shipping and distribution operation overseas, financing, advertising and communication with foreign customers. Many of these barriers were found to be different based on the internationalization stage in the Libyan market. The currency exchange risks formed one of the most critical issues for firms at all stages. However, logistics abroad was identified as one of the most important barriers that are faced especially for companies at the earlier stages. Moreover, the different habits and attitudes of foreign customers differentiated companies that are exporting and not exporting in the Libyan market. The rules and regulations of foreign markets also differentiated companies in early and advanced internationalization stages in the Libyan market.

Chaudhari, et al. (2012) investigated the export barriers that are hindering Indian companies from exporting to the European Union through 60 firms in the country. The results show that the majority of the tested barriers yielded a significant difference through statistical testing. Nonetheless, the difference in safety regulations and quality standards, as well as sanitary measures, were the most important barriers amongst all. Procedures for customs, governmental regulations and certification were also ranked as important. The results also showed that the currency exchange risk as the top hidden export barrier, in addition to labelling and packaging regulations. The latter-mentioned findings are similar to the Libyan case, where the risk of currency exchange and quality standards formed part of the most important barriers.

The results of the research differed with other researches in the literature. Leonidou (2000) performed a study to identify the export barriers from the perspective of 100 exporting companies in Cyprus. The results of the study were different from the presented results of the current research for the Libyan case, as the top export barriers were the competition in foreign markets, offering competitive prices abroad and the bad economic conditions abroad. Kneller and Pisu (2011) examined the possible export barriers for companies in the United Kingdom through interviewing. The participating firms indicated that penetrating the foreign market through identifying the most suitable contact and initiating the contact was the top export barrier. The firms had the viewpoint that foreign customers prefer having a business relationship with local companies in the market, rather than foreign companies.

Uner, et al. (2013) studied the export barriers as perceived by Turkish companies and performed an analysis to identify the differences in perception between the participating firms based on the internationalization stage they are currently pursuing. The findings show that 67% of the forty-two export barriers showed significant differences based on the internationalization stage, while the current research showed that 17% of the barriers yielded a similar result. The top three export barriers for Turkish companies were mainly related to the logistics, distribution and the marketing operations of the companies. However, the Libyan firms attributed their barriers to environmental and governmental conditions.

Robino (1980) examined the export barriers experienced by small manufacturing companies in the United States through 46 firms in Massachusetts. The most issues faced by the surveyed companies were the high load of paperwork, lack of reliable distributors, nontariff barriers, the requirement of letter of credit, and communication with foreign customers. Barriers were also faced due to the focus on the large domestic market, the unavailability of staff time to address exportation and the difference in quality and safety standards. The export barriers found in the study are different in nature from the most important barriers experienced by the Libyan firms.

Solutions for the Libyan case can also be learned through the literature. Fish et. al. (2014) studied the export barriers facing South African companies in exportation to Southern African countries. The study findings show that there are no export barriers indicated by the participating firms due to the regional trade agreement signed between these countries, resulting into a free trade area. Such a solution can be useful in the Libyan case through activating free trade agreements with neighbouring countries in the African continent, as well as the close European countries in the Mediterranean.

6. CONCLUSION

The internationalization of operations is a result of excess production that is performed by a certain market in a certain good or service in order to increase profits and sales volumes. Furthermore, internationalization can be performed in order to seek new markets and opportunities, increase company’s profits and seek risk reduction in other potential markets. However, there are several risks and challenges that face any given company in a domestic market when taking the decision to expand the operations internationally. There are several internationalization models and processes that are used by companies to move their operations from the domestic level to the international level, which were discussed through the course of this research. Nonetheless, exportation seems to be the first stage preferred by all business in order to test the feasibility of the internationalization operations in the target markets.

The main aim of this study is to identify the export barriers that are faced by Libyan SMEs and exporters in order to understand their challenges during the internationalization process. The export barriers are correlated to other business aspects, including company characteristics, performance and capabilities. The methodology used to carry out the research were based on two main strategies; literature survey and a questionnaire for the Libyan exporting companies. The study started by understanding the main concepts associated with internationalization and export barriers by conducting a detailed literature review.

In the practical investigation of the research, a questionnaire was designed based on the export barriers and internationalization models reviewed from the literature. Through understanding the perception of Libyan exporters towards the export barriers, as well as correlating it to the characteristics of the companies and their performance, the researcher was able to build a profile for exportation and its barriers in Libya. The results were then compared to the theoretical study performed earlier by understanding similarities and differences. The methodology used in this research was designed to fulfil the main aim of understanding the export barriers faced by Libyan exporters and the correlation between these barriers and other business indicators, as well as differences based on sales volumes and exportation volumes per annum.

The methodology used in this research was a subjective method using a questionnaire tool. The scale adopted is based on the export barriers list provided by Under, et al. (2013), where each export barrier is evaluated on a 7-point Likert scale. The designed questionnaire was distributed on the two hundred fifty-nine exporting companies registered with the exportation and importation authority of Libya. One-hundred and twenty-one questionnaire were qualified, achieving a Cronbach's alpha of 0.956. The collected sample supports the goal of the research in achieving a minimum reliability of 95%.

The main analysis performed for the research is to understand the differences in export barriers faced by the Libyan firms at the different internationalization stages. The findings of the analysis showed no significant differences based on the internationalization stage for internal informational export barriers, internal functional export barriers, external procedural export barriers, and external governmental export barriers, which indicates that the Libyan SMEs and exporting firms are not differentiated through these barriers. Based on the mean score of each barrier, the majority of the barriers have aggregated a score above the 4^{th} point. Such a result shows that the Libyan companies at all export stages suffer from these barriers.

In internal marketing export barriers, significant differences were found between firms in stages 1 and 2, and firms in stage 4 for granting credit services for foreign customers, with stage 4 having a higher mean score. Under the same category, significant differences were found between firms at stage 1 and firms at stage 5 for both unavailability of warehouse facilities abroad and excessive transportation/ insurance cost. For meeting export product quality standards, there was a significant difference between firms at stage 1 and stage 2. Moreover, firms at stage 5 aggregated the highest mean score for complexity of foreign distribution channels with a significant difference from firms at stage 1. The significant differences found between firms at different internationalization stages mostly show that firms at early stages are facing these barriers more than the ones at more advanced stages. Such differences can be due to financial or operational capacities that the firms at an advanced stage have over the ones in the early internationalization stages.

Based on the findings of internal exportation barriers, the following recommendations are suggested to be implemented by the concerned entities:

1. As recommended by Boscor (2017), Moini (1997) and Chaudhari, et al. (2012), the Libyan government should support the local exporters through easing the exportation procedures and custom barriers, ease their access to financing and provide them with information on international markets at lower costs.
2. A national quality standard shall be developed based on international exportation qualities in order to be implemented in the manufacturing processes in the Libyan firms. Such a measure will enhance the quality standards of the Libyan product and ensures that they are aligned with international quality standards for exportation.
3. Working exporters in the Libyan markets could share their experience and resources with benefits with other national companies in order to help the country's economy. Such a recommendation is also suggested by Boscor (2017), who proposed a partnership between the exporters that can reduce promotional costs in foreign markets.

For external task exportation barriers, significant differences were found between firms at stage 1 and firms at stage 2 for different foreign customers habits/ attitudes. In the external environmental export barriers, significant differences were found between firms at stages 5 and 6, and firms at stages 1, 2 and 3 for foreign currency exchange risks, where firms at stages 5 and 6 aggregated a higher mean score. Moreover, significant differences were found between firms at stages 2 and 4, and firms at stage 1 for strict foreign rules and regulations, where firms at stages 2 and 4 aggregated a higher mean score. Finally, significant differences were found between firms at stage 6 and the rest of the firms at the other internationalization stages for high tariff and nontariff barriers, where firms at stage 6 aggregated a much lower mean score. The differences between firms at different internationalization stages emerge from the inability of the government to support Libyan exportation operations with foreign markets. Therefore, the following recommendations are suggested:

1. The Libyan central bank and the Libyan government shall work to enhance the stability of the foreign currency exchange rate fluctuations, while the government work on the political and security challenges facing the country.
2. The Libyan Central Bank and Monetary authorities shall find solutions with the local and international financial institutions to finance Libyan exportation in order to expand the market and increase sales volumes. These measures shall increase the government assistance and incentive for local exporters.

The results of the study show that there are nineteen export barriers that impose significant difference in annual sales volumes and annual exportation volumes for the Libyan SMEs. The shortage in working capital is considered one of the most critical issues that are facing the Libyan SME's. Moreover, the quality standards implemented in the Libyan market is challenging during the exportation process, as it becomes difficult to export to counties with strict quality and procedural regulations.

Based on the mean scores aggregated for the export barriers and for the firms at the different internationalization stages in the Libyan market, firms at stage 1 found the top three export barriers faced by them as lack of domestic government assistance/ incentives, offering satisfactory price to customers and unfavourable domestic rules and regulations, respectively. Firms at stage 2 found the top three export barriers faced by them as meeting export product quality standards, foreign currency exchange risks and keen competition in foreign markets, respectively. Firms at stage 3 found the top three export barriers faced by them as unfavourable domestic rules and regulation, meeting export product quality standards and lack of domestic government assistance/ incentives, respectively.

Firms at stage 4 found the top three export barriers faced by them as lack of domestic government assistance/ incentives, meeting export product quality standards and foreign currency exchange risks, respectively. Firms at stage 5 found the top three export barriers faced by them as foreign currency exchange risks, developing new product for foreign market and meeting export product quality standards, respectively. Firms at stage 6 found the top three export barriers faced by them as lack of domestic government assistance/ incentives, unfavourable domestic rules and regulations and foreign currency exchange risks.

Based on the results presented in for the top three export barriers for Libyan forms at each internationalization stage. There are four top export barriers faced by Libyan exporters at different stages, which are:

- Lack of domestic government assistance/ incentives
- Unfavourable domestic rules and regulations
- Meeting export product quality standards
- Foreign currency exchange risks

Based on the aforementioned findings and the results of the Libyan SMEs investigation, the recommendations needed for the Libyan market, according to the study results and inspired by literature recommendations of studies with similar results, are provided in the below list. These recommendations are added to the previous recommendations on the specific results of internal and external export barriers that were provided earlier.

1. National and foreign experts in exportations shall be encouraged to work with the government and the private sector in order to provide training and development programs that allows the Libyan exporters to gain knowledge on the most important aspects of the exportation and internationalization process.
2. A national association shall be established containing the exporters of Libya in order to advocate the rights of the exporters and encourage the government to ease procedures and provide incentives for the export operations.

3. The government can study international market in order to identify key foreign markets to be targeted. Thereafter, negotiations can be started with the governments of the foreign markets in order to ease procedures and issue a standardized quality certification for the Libyan products, as suggested by Chaudhari, et al. (2012).
4. A regional trade agreement and free trade zone agreements can be initiated with neighbouring and key foreign markets, as suggested by Fish, et al. (2014).

The future research on the subject shall take into consideration that there are several factors that are impacting the Libyan trading, manufacturing and internationalization process. The current political and economic issues facing the country are significant. However, there are governmental procedures that are hindering the attempts of the Libyan companies to expand their operations internationally.

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APPENDIX A: QUESTIONNAIRE FORM

Questionnaire on Export Barriers and their role in reducing export capacity for SMEs in Libya

Dear Sir/ Madam
This questionnaire is part of PhD research that is titled "Export barriers and their role in reducing the export capacity of small and medium-sized enterprises". The aims and objectives of the study are summed through an investigation of the perceived export barriers by the Libyan SMEs, which have or had experience in the domain, and their influence on the exporting capacity/volume.
We would like to request you to give us some of your valuable time in order to evaluate the different exports barriers, as well as indicating the performance information of your company. This study would help the concerned specialists on the subject to evaluate the problems that are faced by Libyan exporting SMEs and understand their impact on exportation from the Libyan market.
The survey is designed not take from 10 to 15 minutes.

Thank you for your time and effort.

Best Regards,
The researcher

Part A: Company Characteristics and Export Volume

1	Annual sales volume (Domestic and international)	□ Less than $100,000	□ $100,000 to $ 3 millions
		□ $3 million to $15 million	□ More than $15 million
2	Exports annual value	□ No exports	□ Less than $25,000
		□ $25,000 to $75,000	□ $75,000 to $150,000
		□ $150,000 to $500,000	□ $500,000 to $2 million
		□ $2 million to $ 5 million	□ $5 million to $10 million
3	Years of experience in exporting	□ No exports	□ Less than 1 year
		□ 1 to 3 years	□ 3 to 7 years
		□ 7 to 12 years	□ More than 12 years
4	Total number of employees	□ Less than 10	□ 10 to 50 employees
		□ 50 to 300 employees	□ More than 300 employees
5	Company's main activity	□ Trading/ Merchandising	□ Manufacturing
		□ Service	
6	What is the exporting stage your firm is at at the moment?	□ Domestic market only	□ Studying exporting feasibility
		□ Experimental exporting	□ Active exporting
		□ Committed exporting	□ Expanding exporting to more than one country

Part B: Internal Export Barriers (Informational)

Kindly evaluate the following export barriers according to their importance to your firm		Least Important						Most Important
		1	2	3	4	5	6	7
1	Limited in formation to locate/ analyze market							
2	Problematic international market data							
3	Identify foreign business opportunities							
4	Inability to contact foreign customers							

Part C: Internal Export Barriers (Functional)

Kindly evaluate the following export barriers according to their importance to your firm		Least Important						Most Important
		1	2	3	4	5	6	7
1	Lack of managerial time to deal with exports							
2	Inadequate/ untrained personal for exporting							
3	Lack of excess capacity for export							
4	Shortage of working capital to finance export							

Part D: Internal Export Barriers (Marketing)

Kindly evaluate the following export barriers according to their importance to your firm		Least Important						Most Important
		1	2	3	4	5	6	7
1	Developing new product for foreign markets							
2	Adopting export product design/ style							
3	Meeting export product quality standards							
4	Meeting export packaging/ labelling requirements							
5	Offering technical/ after sale services							
6	Offering satisfactory price to customers							
7	Difficulty in matching competitors’ price abroad							

Part D: Internal Export Barriers (Marketing)

Kindly evaluate the following export barriers according to their importance to your firm		Least Important						Most Important
		1	2	3	4	5	6	7
8	Granting credit services to foreign customers							
9	Complexity of foreign distribution channels							
10	Accessing foreign distribution channels							
11	Obtaining reliable foreign representation							
12	Maintaining control over foreign middlemen							
13	Difficulty in supplying inventory abroad							
14	Unavailability of warehousing facilities abroad							
15	Excessive transportation/ insurance cost							
16	Adjusting export promotion activities							

Part E: External Export Barriers (Procedural)

Kindly evaluate the following export barriers according to their importance to your firm		Least Important						Most Important
		1	2	3	4	5	6	7
1	Unfamiliar export procedures/ paperwork							
2	Problematic communication with foreign customers							
3	Slow collection of payment from abroad							

Part F: External Export Barriers (Governmental)

Kindly evaluate the following export barriers according to their importance to your firm		Least Important						Most Important
		1	2	3	4	5	6	7
1	Lack of domestic government assistance/ incentives							
2	Unfavorable domestic rules and regulation							

Part G: External Export Barriers (Task)

Kindly evaluate the following export barriers according to their importance to your firm		Least Important						Most Important
		1	2	3	4	5	6	7
1	Different foreign customer habits/ attitudes							
2	Keen competition in foreign markets							

Part H: External Export Barriers (Environmental)

Kindly evaluate the following export barriers according to their importance to your firm		Least Important						Most Important
		1	2	3	4	5	6	7
1	Poor/ deterioration of economic conditions abroad							
2	Foreign currency exchange risks							
3	Political instability in foreign markets							
4	Strict foreign rules and regulations							
5	High tariff and nontariff barriers							
6	Unfamiliar foreign business practice							
7	Different sociocultural traits							
8	Verbal/ nonverbal language differences							

THANK YOU FOR YOUR TIME AND EFFORT

APPENDIX B: EXPORT BARRIERS' INDICIES

Internal Export Barriers

Index	Export barrier
IEP1	Unavailability of data and information for market analysis
IEP2	Foreign market data is hard to interpret
IEP3	Identification of opportunities in foreign markets
IEP4	Difficulties in contacting foreign customers
IEP5	Unavailability of time to manage exportation
IEP6	Lack of training on exportation operations
IEP7	Unavailability of necessary capital for financing exportation
IEP8	New product development requirements
IEP9	Adapting design and style for new markets
IEP10	Product quality standards requirements
IEP11	Packaging and labelling requirements
IEP12	Required technical service abroad
IEP13	Adjusting prices to be competitive
IEP14	Low prices offered by competition
IEP15	Difficulty in offering credit to customers
IEP16	Distribution channels abroad are complex
IEP17	Distribution channels abroad are difficult to access
IEP18	Reliable representation abroad is hard to find
IEP19	Foreign middlemen are hard to control
IEP20	Supplying inventory abroad is difficult
IEP21	Adequate warehouses are unavailable abroad
IEP22	Insurance and transportation costs are high
IEP23	Promotional operations require adjustment for exportation

External Export Barriers

Index	Export Barrier
EEP1	Procedures and paperwork for exportation are complex
EEP2	Communication issues with foreign customers
EEP3	Payment collection abroad is slow
EEP4	Domestic government does not provide incentives or assistance with exportation
EEP5	Domestic regulations are difficult
EEP6	Customers' attitudes and habits are different
EEP7	Strong competition is available in new markets
EEP8	Economic and financial conditions abroad are poor
EEP9	Risks with currency exchange are high
EEP10	Foreign markets suffer from political instability
EEP11	Rules and regulation in foreign markets are strict
EEP12	Tariff and nontariff barriers are high
EEP13	Business practice in foreign markets are different
EEP14	Differences in sociocultural characters
EEP15	Language differences

APPENDIX C: CURRICULUM VITAE

Name and Surname: Afaf Salem

Place and Date of Birth: Libya, 2 February 1980

Education:

Degree	Field	University	Year
Bachelor of Art	Business Administration	Tripoli University	2002
Masters of Art	Business Administration	Libyan Academy	2007
PhD	Marketing	Atılım University	2019

Work Experience:

Workplace	Position	Year
Tripoli University, Libya	Lecturer	2008-2019
Tripoli University, Libya	Teaching Assistant	2003-2007

Foreign Languages: Arabic and English

Publications:

Salem, A. Export barriers and their role in reducing the export capability of Libyan small and medium-sized enterprises. Journal of Management, Economics and Marketing Research, 3(3).

Phone Number: +218 92 563 36 52

Email: haniallal02000@gmail.com

Date: 28.06.2019

salem.afaf

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