Export networking challenges and opportunities for manufacturing firms from developing countries

Tsegay, G.T.

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PART II

LITRATURE REVIEW

Chapter 2

A Review of Empirical Literature on Export Problems of Manufacturing Firms from Developing Countries

2.1 Introduction

The objective of this chapter is to give an overview of the current state of conceptual knowledge on export barriers for manufacturing firms from developing countries. It has been concluded with a classification of the major export problems: barriers associated with the company, industry, market and macro environment. Furthermore, some trends in the research on export marketing problems for developing countries have been identified. This helps us to answer our first research question stated in chapter one as *what are the export problems of manufacturing firms in developing countries.*

The chapter is structured as follows. The first part discusses the method adopted in gathering and analysing the literature. The second part covers the literature review. Internal and external export barriers have been discussed in separate sections in line with the conceptual framework. It has been concluded with a qualitative model to study export problems of manufacturing firms from developing countries.

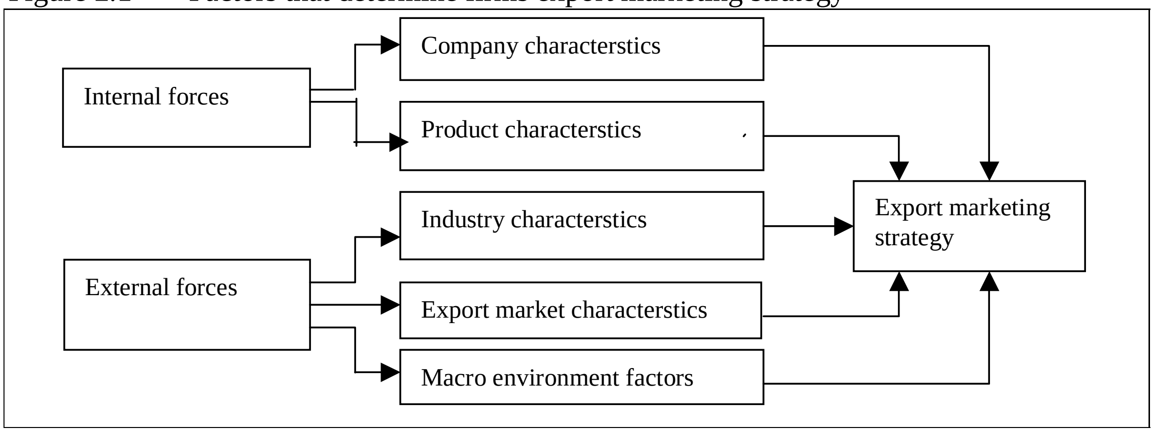
2.2 Method

In the literature export barriers have been operationalzed as export obstacles/ inhibitors, problems or impediments. They all refer to, attitudinal, structural, operational and other constraints that hinder the firms' ability to initiate, develop, or sustain international operations (Leondidou, 1995). This definition of export barriers includes several factors, which go beyond the marketing domain. Lall (1991, p.139) restricted his definition only to marketing barriers. He defined marketing barriers as "those gaps, which need to be filled before the competitive producer becomes a successful exporter." Since the focus of this research is on export marketing problems the latter definition is suitable to this study.

Although Lalls's definition was specific to marketing barriers, it included all export problems that hindered the producer from being competitive in the international market. He suggested that the marketing barriers should not be analysed in isolation but studied in a broader perspective. Studying the marketing problems from a broader perspective helps us to have a comprehensive idea not only about the problems themselves but also the factors that are contributing to their existence. In line with this argument, we investigated problems related to company, industry, market and macro environment factors that influenced the export marketing strategy of the firm. The export marketing strategy framework (Cavusgil and Zou, 1994 p.3), adopted to characterise the main export problems of manufacturing firms in developing countries, supports this argument. This framework took the company, product, industry, and export market characteristics into consideration. The Cavusgil and Zou (1994) framework classified the macro environment factors under the industry and export market factors.

Cavusgil and Zou (1994) investigated the marketing strategy-performance relationship in the context of export ventures. They pointed out that those internal forces, such as firm and product characteristics and external forces, such as industry and export market characteristics determine the marketing strategy in an export venture. The performance of the export venture, in turn, is determined by the export marketing strategy and firm's capability to implement the export marketing strategy. The framework is relevant for our study because the analysis of export performance will not only specify whether targets are attained but also what the major problems are in the organisation of export marketing. The framework shows how export-marketing problems influence the firm's export marketing strategy and also facilitates the classification of export marketing problems. We thus take this framework as the starting point and aim to modify it for the specific research area; export problems of small and medium-sized manufacturing firms in developing countries.

Figure 2.1 Factors that determine firms export marketing strategy



(Source: Adapted from Cavusgil and Zou, 1994)

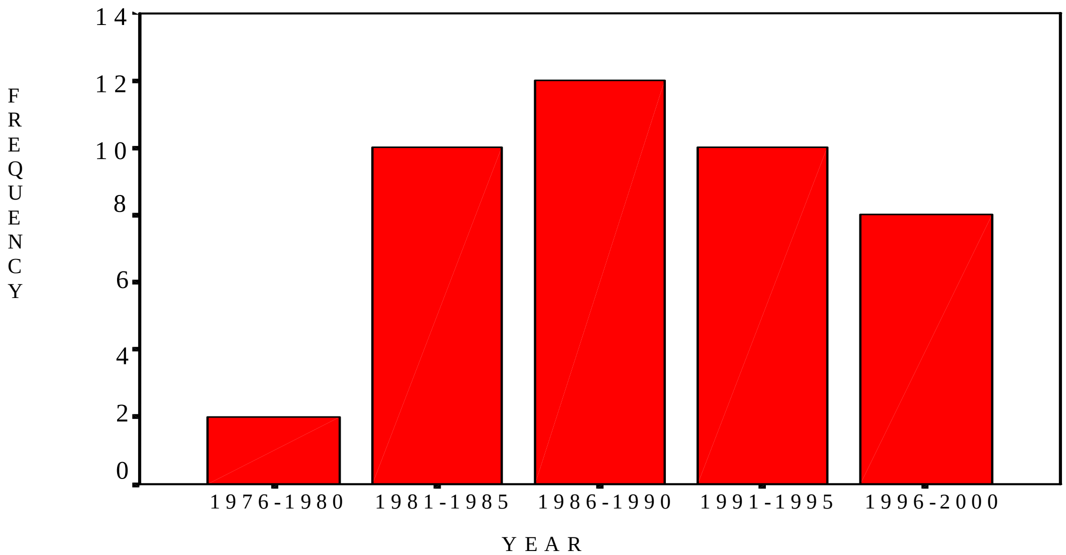
A disadvantage of the framework is that all factors rooted in the macro environment have been treated as industry or export market characteristics. The literature review showed us that the importance of barriers resulting from government policies, which were difficult to classify under these headings (Christensen and Da Rocha, 1994; Seringhaus, 1987). Factors such as a national recession, exchange rate instability, government regulations, and political instability stem from government policy and were not specific for an industry or export market. Moreover, government barriers come often from both the domestic and the foreign government. In order to accommodate these factors the macro environment dimension has been added to the framework.

Several information sources have been consulted and a systematic electronic and manual search was conducted to collect the literature. WebCat, and EBSCO Academic service[2] were among the electronic data bases visited. These contain bibliographical references of articles of over 12500 periodicals on all scientific fields published since 1992. Articles before 1992 were manually searched. The manual search helped us to track the articles that consider the export problems as a secondary importance. The references of major export marketing studies were used to facilitate the manual search. The following criteria were adopted to identify the relevant literature. The articles should focus on export problems and should concern manufacturing firms. Moreover, the focus should be on small and medium sized manufacturing firms from developing countries. In the literature different criteria have been

[2] Web Cat is a large collection of full-text electronic documents, provided by libraries from the Netherlands, Germany, the US and international publishers. EBSCO academic service contains bibliographical references of scientific periodicals in the field of business, social sciences, humanities, general science, physics and education sciences. It contains about 3000 articles.

used to define developing countries. The World Bank (2001) definition that states developing countries to have a GNP per capita lower than $9265 has been adopted. The key words that have been used to identify and collect the articles were export barriers, export problems, export obstacles, export impediments, and export inhibitors.

Figure 2. 2 Number of articles reviewed by year[3]



The search engine selected 120 articles. Out of which 38 have been found relevant. The articles excluded from this study were focusing on developed countries, the agriculture or services sector and macro policy issues. Furthermore, some of the excluded articles were focusing on the export problems of multinational companies and their subsidiaries. Out of the 38 articles analysed 26% were the result of an exploratory study conducted to identify export problems. A number of articles (21%) discussed the export problems in relation to export performance of firms, while 53% of the reviewed literature discussed export problems in relation to export development, market entry strategy, and export initiation. The articles published in 1990-2000 focussed on identifying the effect of the export problems on company performance, export development, market entry strategy and export initiation. This could be taken as a sign of maturity of the research on export problems in developing countries. The focus is shifting from exploratory studies (theory development) aimed at identifying export problems, to studies analysing export problems in relation to a certain performance indicator (theory testing).

Compared to the literature on export problems in developed countries the literature on export problems in developing countries has been from a more recent date. Many articles on export problems in developed countries were published in the 70s (Alexandrides, 1971; Rabino, 1980; Bilkey and Tesar, 1977; Bilkey, 1978; Rabino, 1979), while the results of our literature review suggest that the export problem for manufacturers in developing countries was put on the research agenda only in the 80's. No article on export barriers for developing countries published prior to 1976 has been found.

[3] The number of articles in this bar graph does not include the data gathered from different books

The following Sections review the existing literature. In line with the conceptual framework (Figure 2.1) first internal export barriers and, subsequently, external export barriers will be discussed.

2.3 Internal export barriers

Internal export barriers are intrinsic to the firm and are usually associated with insufficient organisational resources for export marketing. For instance; problems pertaining to meet importer quality standards and establishing the suitable design and image for the export market (Czinkota and Rocks, 1983; Kaynak and Kothari, 1984; Rabino, 1980); problems related to the poor organisation of export departments and the firm’s lack of competent personnel to administer exporting activities (Yang et al., 1992); the inability to finance exports; insufficient information about overseas markets (the identification of appropriate overseas distributors and communications with overseas customers). Although quite fragmented, they constitute internal issues that influence export performance.

In this Section the internal export problems in the literature are divided into problems related to company and product characteristics. Company problems identified in prior research concern, primarily, the organisational capacity of the firm to execute the marketing function (Katsikeas and Morgan, 1994). Most notably investigators have discussed obstacles associated with designing and implementing the marketing function such as marketing knowledge and information, and financial and human resource barriers. Product problems are related to quality and technical requirements of the targeted export market segment: export product design, style, quality, packaging and labelling requirements and product adaptation or modification (Keng and Jiuan, 1989). A summary of internal export problems is given in Table 2.1.

-*Company barriers*

Firm capabilities and constraints profoundly influence their choice of marketing strategy and ability to execute that marketing strategy (Aaker, 1988; Porter, 1980). Key assets and skills of a firm constitute its source of competitive advantage. The reviewed literature showed that the company barriers can be regrouped under the following headings: marketing knowledge and information, financial resources and human resources (Katsikeas and Morgan, 1994). Possession of such assets and skills enables an exporter to identify opportunities in the export market, develop appropriate export marketing strategy and execute it effectively.

Marketing knowledge and Information. Lack of knowledge to locate foreign opportunities and promising markets have been perceived as a major barrier for exporting SMEs from developing countries (Colaiacovo, 1982; Luis 1982; Dymsza, 1983; Bodur, 1986; Karafakioglu, 1986; Cardoso, 1980; Weaver and Pak 1988). Marketing knowledge is dependent on the relevance and depth of marketing information available to the firm. Firms that use relevant, accurate and timely information are in a better position to respond to export problems. Information about exporting and more specifically marketing information was mentioned as a serious problem for manufacturing firms from developing countries (Weaver and Pak, 1988; Figueiredo and Almeida, 1988; Brooks and Frances, 1991; Kaleka and Katsikeas, 1995; Burgess and Oldenboom, 1997; Bodur, 1986; Karafakioglu, 1986). Getting concrete information on prospective foreign markets is essential before exporting can occur. In design intensive industries, regardless of the location of the producer, the need for close and continuous information flows between design setters and manufacturers has been paramount (Lall, 1991). This problem is severe for small and medium sized firms in developing countries because they often lack the internal resources providing access to essential information, while large firms frequently have special departments geared to gathering information and promoting their products overseas. Furthermore, the average SME in developing countries can neither digest nor use effectively the vast quantity of general information and flood of statistical data that are routinely handed to them in response to their enquiries. Many of them lack the ability to sift through this mass of details and pull out the parts relevant to their specific and short-term operations.

Distribution has been a major problem area in exporting (Cardoso, 1980; Gereffi, 1992; Christensen and Da Rocha, 1994). Many SMEs in developing countries lack information about marketing channels and fail to establish marketing networks. Gereffi (1992) pointed out that the lack of internationally recognised company brand names, and appropriate marketing and retail networks were export barriers to Taiwan's indigenous manufacturers. Getting a reliable distributor who would adequately represent the company viewed very difficult (Cardoso, 1980).

Researchers have also identified several other marketing barriers that can inhibit exporting. For instance, pricing of the product in the international market. Christensen et al. (1987) concluded that successful exporters rely on international competitive prices as a benchmark and do not ask for premiums for exchange and extraordinary risks. This example shows that pricing a product is difficult for a manufacturer from a developing country with insufficient information about the export market. Deficient advertising and promotion programs are also mentioned as other factors that constrain export activities (Fluery, 1986; Brooks and Frances, 1991; Kaleka and Katsikeas, 1995; Weaver and Pak, 1988; Burges and Oldenboom, 1997).

Financial barriers. A sound financial position is one of the keys to secure price advantage in the target market. Many SMEs in developing countries run into problems for lack of timely and adequate working capital, which not only adds costs but can also endanger the entire production operation (Cardoso, 1980; Weaver and Pak, 1988; Kaleka and Katsikeas, 1995; Dicle and Dicle, 1992). Frances (1987), in his study of 75 Venezuelan exporting manufacturers identified unsatisfactory financial facilities as the major export barrier. Credit unworthiness and transaction costs have been reported as major factors that reduce access to credit. According to Collier and Gunning (1999), in Kenya more than half of the trade credits were extended, and delaying payments was the most common form of dealing with unexpected liquidity shocks. Because credit rating agencies have not been developed, manufacturing firms have to gather information about the customer in order to be able to access his credit worthiness. Bodur (1986) mentioned the high costs involved in export credit as a problem for Turkish manufacturing firms.

Human resource barriers. The success of the firms' export marketing activities depends on the attitudes and characteristics of the managers. Export marketing knowledge problems can be attributed to a large extent to the lack of trained and experienced human resources. Agarwal (1986), for instance, indicated that the quality of manufactured products in Venezuela, Argentina and Chile has stayed stubbornly at a low-level due to low quality human resources. A company that takes into account the requirements for international activities in its human resource management practices, particularly for its managerial and professional employees, is more likely to do better in its export attempts (Gomez-Mejia, 1988). The impact of human resource strategies on export performance of small and medium sized manufacturing firms in developing countries is well documented (Christensen and Da Rocha, 1994).

Table 2.1 Internal export problems of manufacturing firms from developing countries

Company barriers	
Marketing knowledge barriers	
Lack of knowledge about export markets and exporting (South Korea, Latin America, Turkey, Brazil)	-Weaver and Pak, 1988; Bodur, 1986; Karafakiolu, 1986; Colaiacovo 1982, Dymsza, 1983, Fluery, 1986.
Lack of experience in exporting (Brazil)	-Cardoso, 1980.
Inadequate market information (Brazil, Venezuela, South Korea, South Africa, Venezuela, Chile, Costa Rica, Turkey)	-Figueiredo and Almeida, 1988; Brooks and Frances, 1991; Kaleka and Katsikeas 1995; Weaver and Pak 1988; Burgess and Oldenboom 1997; Bodur 1986; Karafakioglu, 1986.
Ability to identify customers/buyers in foreign markets and difficulty in communicating with clients overseas ((Brazil, Cyprus)	-Christensen and Da Rocha, 1994; Kaleka and Katsikeas, 1995, Cardoso, 1980.
Lack of own internationally recognised brand names (Taiwan)	-Gereffi, 1992.
Financial barriers	
Lack of financial resources to conduct market research in overseas markets (Brazil)	-Cardoso, 1980.
Lack of financial resources to finance exports (South Korea, Venezuela,, Turkey)	-Weaver and Pak, 1988; Frances, 1987; Dicle and Dicle, 1992.
Credit unworthiness (Kenya)	-Collier and Gunning, 1999.
Human resource barriers	
Lack of management emphasis/commitment to develop export activities (Cyprus, New Zealand, South America, Brazil)	-Kaleka and Katsikeas, 1995; Gray, 1997; Agarwal, 1986; Christensen and Da Rocha, 1994.
Lack of personnel trained and experienced in export marketing (Cyprus)	-Kaleka and Katsikeas, 1995;
Lack of managerial capacity (Latin America)	- Colaiacovo, 1982.
Product barriers	
Quality barriers	
Poor product quality (Brazil, Peru, Venezuela and Chile, Turkey)	-Figueiredo and Almeida, 1988; Cardoso, 1980; Agarwal, 1986; Bodur, 1986; Karafakioglu, 1986.
Short product life cycle/fashion sensitivity (Brazil)	-Cardoso, 1980.
Product adaptation barriers	
Poor quality control techniques (Brazil)	-Figueiredo and Almeida, 1988; Cardoso, 1980.
Poor quality of raw materials (Brazil)	-Figueiredo and Almeida, 1988.
Packaging and labelling requirements (Venezuela, Peru, Chile, Costa Rica)	-Brooks and Frances, 1991; Agarwal, 1986.
Strict product design and specification (Venezuela, Peru, Chile)	-Brooks and Frances, 1991.
Narrow product lines (Hondurans, Guatemala, Pakistan)	-Dominguez and Sequeira, 1993, Hasan, 1998.
Lack of experience to adapt products (Brazil)	-Christensen et al., 1987.

(Source: Literature on export problems of manufacturing firms in developing countries)

In addition to the lack of financial resources to develop human resources a negative managerial attitude toward exporting also constrains SME's activities in the international market. In several articles a lack of management commitment to develop export-marketing activities is reported (Kaleka and Katsikeas, 1995; Christensen and Da Rocha, 1994; Agarwal 1986). In conclusion, trained human resources, management attitudes and commitment towards exports are important factors that enhance export performance (Naidu et al., 1997). A firm is not likely to become a successful exporter unless management has an international vision and consistent export goals.

-Product barriers

The product barriers that influence the export marketing strategy of the firm could be grouped into quality and technical adaptability.

Quality barriers. Quality is often indicated as one of the most important conditions for entering and remaining in foreign markets (Christensen and Da Rocha, 1994). It concerns packaging, meeting importers quality standards and establishing the suitable design and image for export markets. There are different quality standards in developing countries. However, many of the quality problems are the result of inadequate knowledge about market requirements, product characteristics and production technologies. A product, which sells well in a developing country, may not sell at all in a developed country (Lall, 1991). Daniels and Robles (1985) conclude that product quality was a key competency for Peruvian exporters. The studies of Figueiredo and Almeida (1988), and Cardoso (1980) mentioned poor product quality and fashion sensitivity, as problems to Brazilian exporters. Agarwal (1986) pointed out that manufacturers in countries such as Venezuela, Argentina, and Chile were facing product quality problems. Christensen et al., (1987) indicated that lack of emphasis on research and product service and quality characterise the profile of Brazilian firms that eventually ceased exporting. As low value added product marketers they faced direct competition from any marginal cost rival that bursts on the scene.

Technical/Adaptation barriers. Several researchers (Lall 1991; Katsikeas and Morgan, 1994) indicated that local product standards, customer standards and buying habits may be unsuitable for foreign sales and may require adaptation. In most studies, successful firms adapt their products to foreign markets. Christensen et al. (1987) showed that, although Brazilian firms were exporting standardised products, they could have done better if the product was adapted to the requirements of the target market. This was attributed to lack of experience and inadequate technical capacity to adapt the products. Inexperienced exporters may find it simpler to export standardised products and rely on the importers branding, design and promotional skills (Wortzel and Wortzel, 1988). Most of the technical/adaptation problems mentioned in the literature have been due to a lack of knowledge of market requirements or a lack of resources to meet the requirements: poor quality control techniques (Figueiredo and Almedia, 1988; Cardoso, 1980), poor quality of raw material, (Figueiredo and Almedia, 1988), packaging and labelling requirements, strict product design and specification (Brooks and Frances, 1991). Although product line management has not been extensively investigated, Christensen et al. (1987) concluded that companies with multiple product lines are more successful in their export activities.

2.4 External export barriers

Many researchers have recognised that the origin of a substantial number of exporting problems is rooted in the external environment. The nature of these problems tend to vary widely: distinctive foreign consumer preferences, unfamiliar business protocols and practices, the imposition of tariff barriers and regulatory import controls by overseas governments, fierce competition, exchange rate fluctuations and limited hard currency for international trade. The aforementioned problems will be discussed in the following Section. The problems are classified into industry; export market and macro environment barriers. A summary of external export problems is given in Table 2.2.

-Industry barriers

The intensity of exporting activities and the nature of export marketing strategies vary considerably across industries. Porter (1980) noted that, this is largely due to the varying nature of industries. Kerin et al., (1990) considered industry structure as a key determinant of a firm's strategy in the domestic market context. In order to develop a proper export marketing strategy the differences between market systems, firm sizes and presence of foreign competitors across markets should be taken into account. In addition, Jain (1989) stressed that technology intensiveness and intensity of price competition in the industry were important determinants of the marketing strategy.

*Industry structure***.** Firm size has been most associated with firms export activities and interest in exporting (Bodur and Cavusgil, 1985). The firm's size is a key determinant of the propensity to export. The larger the firm, the greater the size advantage over the smaller firms; and this will usually have a positive impact on the export activity. Reid (1987) mentioned that larger firms possess more "slack" in managerial and financial resources as well as production capacity, thus enabling them to direct greater efforts to exporting than smaller firms. According to Naidu et al.(1997), Indian enterprises expressed their concern that MNCs were better equipped for the export market. Figueiredo and Almeida (1988), and Cardoso (1980) mentioned firm's size and high industry concentration as important export barriers to small firms. Rauch (1991) stressed that firms that have been graduating from the small informal status showed up on the radar screens of regulators and tax collectors and suffered the consequences. In line with Rauch's argument, Little (1987) indicated that Indian small manufacturing firms not only had to cope with much more difficult licensing procedures but also had to contend with higher labour costs and substantially higher excise duties.

The impact of technology on export performance has often been discussed in the international literature. Christensen et al., (1987) stated that if exporters marketed their products in developed countries, technology could be an important source of competitive advantage over local producers. However, in less developed countries other sources of competitive advantage, such as low cost, could be more important. Studying the Brazilian footwear industry, Neto (1982) observed that manufacturing of footwear showed better results in terms of export performance if they were more ready to change to new production techniques, to develop new products and to invest in production capacity. Dicle and Dicle (1991) mentioned lack of new technology as an export barrier to Turkish manufacturing firms. They went on to say neither the development of new production technology, nor improvement of new technology for exporting has been given sufficient consideration. The literature review also showed that technology has been a barrier to SMEs in developing countries. However, mere possession of a specialised technology does not create a competitive advantage. It depends on how the firm takes advantage of it.

Another factor, which is important for exporting SME's in developing countries, is the supply of raw materials. Collier and Gunning (1999) reported that firms also face unreliability in their supplies from other domestic firms. In Zimbabwe firms carry large stocks of supplies, on average three months, resulting in high transaction costs and uncertainty to conclude long-term contracts with foreign buyers.

Competition barriers. In principle competition should not be considered a barrier if no information asymmetries existed among competitors in the market. However, in practice information on export opportunities is costly and not easily available. Furthermore, the type of competition perceived by a firm affects its interest in exporting. Burgess and Oldenboom (1997) note that international markets for South African companies were demanding new and unexpected competencies to compete effectively. They show that the inability to meet foreign competitor prices was a barrier for most exporters. In the reviewed literature competition in both foreign and domestic markets was consistently seen as a serious obstacle to exporting. Price competition (Cardoso, 1980; Fluery, 1986) aggressive competitors in the foreign market (Cardoso, 1980), lack of competitive prices and fierce competition in export markets (Kaleka and Katsikeas, 1995) were reported as export barriers. Especially small firms were vulnerable because their limited financial and human resources hamper the collection of adequate information (Burgess and Oldenboom, 1999). Mohy-ud-Din and Javed (1997) mentioned tough competition, from other yarn producing countries, as a main reason for the deteriorating yarn export from Pakistan.

-*Export market barriers*

The literature review showed that the factors that affect the export marketing strategy were related to customer requirements in the export market, the country of origin, cultural similarity and brand familiarity. Similarity of legal and regulatory frameworks of the exporting and importing countries and familiarity with market export procedures were also mentioned as export market barriers. These factors are regrouped into procedural and customer barriers.

Procedural barriers. Exporting requires knowledge about export procedures. One of the most cited obstacles with regard to exporting concerns the time and paperwork required in order to comply with foreign and domestic market regulations. Governments do not solely impose these procedural requirements. Independent organisations such as banks, shipping organisations and insurance companies have their own procedures.

Lack of information about export procedures has been mentioned as an export barrier in many studies (Haidari, 1999). A firm that wishes to enter the export market or intends to increase its export activity will have to acquire the knowledge and skills to deal with administrative procedures. For inexperienced managers, in particular, foreign documentation and paper work may appear very difficult to cope with (Dymsza, 1983). The upshot is that the mere perception of inability to process the paperwork, either because of cumbersomeness or due to lack of time, tends to act as a barrier to exporting. Often, the documents are not properly completed, causing delay in payments and thus creating cash flow problems for the exporter. Haidari (1999) showed that delays in the refund of duty and Sales taxes were affecting the cash flow of many small tanners in Pakistan. Because the small tanners had a limited working capital any delay provoked a serious constraint for their export operations. Brooks and Frances (1991) argued that when the government is highly involved, official procedures may lead to red tape, which is difficult to manage for those just starting to export. Adjusting to different cultures, including business customs and attitudes in foreign markets was also mentioned as a second major problem to Korean small and medium sized manufacturing firms (Weaver and Pak, 1988): sixty five percent of the sample reported at least some problems in this regard.

Customer barriers. Customer barriers stem from the customer's perception of product characteristics. An important issue here is that in addition to specific quality problems, exporters from developing countries face the poor reputation of their country. Ford et al. (1987) indicated that the country of origin effect hampered the growth of Indian consumer durable exports. Mohy-ud-Din and Javed (1997) reported that precipitated by the declining export demand for low quality textiles, the Pakistan yarn manufacturers have lost market share in virtually all their major markets due to image problems. The reviewed literature also reported the following customer export barriers for manufacturing firms in developing countries: bad image of products in the foreign market (Cardoso, 1980), insufficient foreign demand (Cardoso, 1980), culture and language differences (Brooks and Frances, 1991), country of origin effect (Lall, 1991).

-*Macro environment barriers*

Macro environment barriers are factors beyond the firm's control such as the lack of proper trade institutions, unfavourable exchange rates, the absence of a stimulating national export policy, and international agreements. They are mainly related to the domestic and foreign external environment to the firm but difficult to classify under industry and export market barriers due to their dual behaviour. The problems cited in the reviewed literature are classified as direct and indirect export barriers. Direct barriers are rooted in sectoral policies of the government, while indirect barriers result from general macro economic policies of the government.

Direct export barriers. Government authorities and agencies can raise direct export barriers**.** Government regulations may relate to tariff and non- tariff barriers. In the literature review export regulation of the domestic government (Figueiredo and Almeida, 1988); inadequate diplomatic support, protectionist barriers, import substitution (Cardoso, 1980; Figueiredo and Almeida, 1980; Frances, 1985, Dymsza, 1983) were mentioned as export problems. Beside this lack of export promotion and assistance programmes sponsored by the government (Kaleka and Katsikeas, 1995; Figueiredo and Almeida, 1988) and the fact that in some cases the government assigns itself the highest priority in foreign exchange allocation (Ortiz-Buonafina, 1984), were noted as export problems to SMEs in developing countries. Colaiacovo (1982) concluded that infrastructure difficulties were still important factor constraining export activities in Latin America.

Exporters often suffer because of the inadequacy of government export promotion policies. This includes lack of gathering and provision of information on available export opportunities and ineffective promotion of the countries exports overseas (Naidu et al., 1997). Morawitz (1981) reported that in a survey in Taiwan, government export promotion agencies were regarded as being the least useful of seven sources of market information. Similarly he noted that in a study in Columbia, not one of the exporters he interviewed credited the country's export promotion office. This inadequacy of government export promotion service is a serious bottleneck for firms in developing countries as many (potential) exporting companies lack the necessary export market knowledge and marketing skills. However, even the available export promotion programmes become ineffective due to high government involvement. Naidu et al. (1997) mentioned that although India has created complex bureaucracies to promote exports the results are dismal. He concludes that high levels of government interference have effectively inhibited international entrepreneurship. In general the literature review showed that frequent changes in export related polices and ineffective governmental assistance agencies are major export barriers to SMEs in developing countries.

Indirect export barriers. Indirect export barriers are rooted in the macro economic policy of the country and international trade agreements. Morawitz (1981) addressed both macroeconomic and firm level issues and found that foreign exchange rate policy was a major determinant for international competitiveness of the Colombian clothing industry. Luis (1982) stressed that exchange rate policy influenced export financing programs and the availability of foreign currency. Similarly Juarez (1993) indicated that the loss of competitiveness in

Table 2.2 External export problems of manufacturing firms in developing countries

Industry export barriers	
Industry structure	
Firm Size (Brazil, India, Turkey) 'High Industry concentration (Brazil) Lack of new technology (Turkey, Brazil) Choosing the right technology (Peru) Ill prepared to face large MNCs (India) Unreliability in supply of raw materials (Zimbabwe)	-Figueiredo and Almeida, 1988; Little, 1987; Bodur and Cavusgil, 1985. -Cardoso, 1980. -Dicle and Dicle, 1992; Neto 1983. -Daniels and Robels 1985. -Naidu et al.1997. -Collier and Gunning, 1999.
Competition	
Fierce competition in export markets (Cyprus, Turkey, Pakistan, Brazil)	-Cardos 1980; Fluery 1986; Kaleka and Katsikeas 1995; Karafakioglu 1986; Hasan, 1993.
Export market barriers	
Customer barriers	
Image of products in foreign market (Brazil) Insufficient foreign demand (Brazil, Pakistan) Culture and language differences (Peru) Brand familiarity (Taiwan)	-Cardoso, 1980; Lall, 1991. -Cardoso 1980; Mohy-ud-Din and Javed., 1997. -Brooks and Frances,1991. -Gereffi, 1992.
Procedural barriers	
Methods of payment/ delays and bad debts (Peru) Complexity of paperwork involved, procedural complexity (Cyprus, Turkey, Venezuela, Peru, Costa Rica) Delay in duty drawbacks (Pakistan)	-Brooks and Frances 1991. -Kaleka and Katsikeas 1995, Bodur, 1986, Brooks and Frances 1991. -Haidari, 1999.
Macro environment barriers	
Direct export barriers	
Protectionist barriers (Brazil) Transport service and infrastructure (Peru, Venezuela, Chile, Costa Rica) Special Customs requirements (Peru) Lack of export promotion and assistance programs sponsored by the government (Cyprus, Brazil) Complex government bureaucracies (India) Import substitution (Latin America) Lack of import Licenses (China)	-Cardoso 1980; Figueiredo and Almeida, 1988 -Brooks and Frances 1991. -Brooks and Frances 1991. -Kaleka and Katsikeas 1995; Figueiredo andAlmeid 1988. -Naidu et al 1997. -Dymsza 1983. -Simyar and Argheyd 1985.
Indirect export barriers	
Exchange and interest rate uncertainties (Brazil, Colombia, Latin America, Hondurans, Costa Rica) International agreements (Brazil) Cost of transportation (Costa Rica, Cyprus)	-Cardoso 1980; Figueiredo and Almeida 1988, Luis 1982; Morawitz 1981, Juarez 1993; Ortiz-Bounafina, 1984 ; Dymsza, 1983). -Cardoso, 1980; Figueiredo and Almeida, 1988; Brooks and Frances, 1991; Kaleka and katsikeas, 1995.

(Source: literature on export problems of manufacturing firms in developing countries)

Colombian manufactured products was among other factors due to an appreciation of the real exchange rate. Brooks and Frances (1991) found that Venezuelan and Peruvian exporters were obliged to change their foreign currency earnings at the official exchange rate, roughly half the free market rate. At the same time they could only buy foreign currencies, to import inputs and spare parts, at the free market rate.

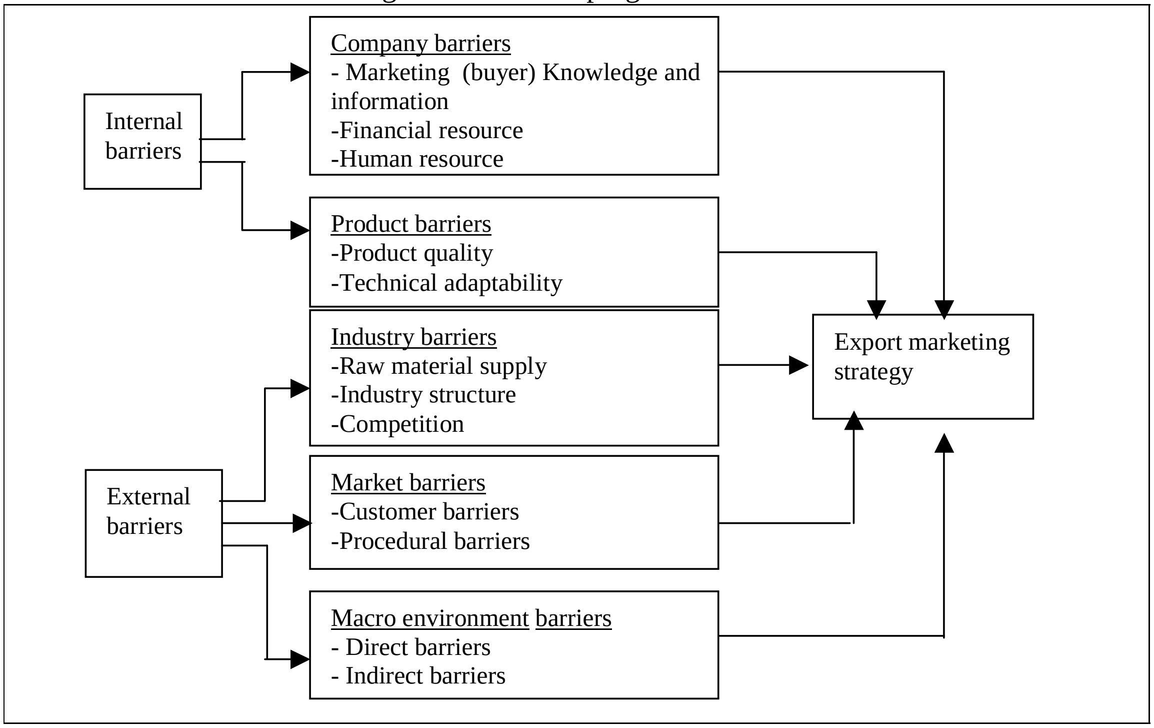
The other factor is related to international trade agreements. Trade agreements may open markets to companies in participating nations, but they can also discriminate against third party traders. The gradual loss of North American companies of some European markets to European community members was for example, a result of the treaty of Rome (Brooks and Frances, 1991). Simyar and Argheyd (1985) find that import license requirements and other entry barriers hindered exports to China. Similarly, Dicle and Dicle (1992), observed that strict and time consuming procedures for imports of manufactured goods constrained exports to Turkey. In the reviewed literature exchange rate uncertainties and international agreements (Cardoso, 1980; Figueiredo and Almeida, 1988) were mentioned as export barriers. A number of authors mentioned the importance of exchange rates as a tool to promote exports. Moreover, cost of transportation (Brooks and Frances 1991); and transport service and infrastructure (Brooks and Frances, 1991; Colaiacovo, 1982) were mentioned as export problems. Infrastructure problems are still widespread in even relatively well-developed exporting countries. A well-designed and manufactured product will not gain export markets unless it can be transported and delivered to import markets safely, punctually and reliably (Lall, 1991).

2.5 Conclusion and implications to the empirical research project

Increasing exports from developing countries is widely regarded as an important condition for further development and growth in poor countries. SMEs in developing countries are confronted with many export barriers when they attempt to enter markets in developed countries. The export marketing problems of small and medium-sized manufacturing firms are multi-dimensional. The discussion shows that the problems are closely interrelated and that they can be classified in five problem categories: company, product, industry, export market and macro environment, (Figure 2.3). The classification provides a comprehensive understanding of the export problems that affect the marketing strategy of a firm and is useful for the formulation of suitable marketing strategies and national export assistance programmes.

SME's in developing countries may need assistance before they can become competitive in the international market. In order to provide effective and timely assistance identification of the export problems they are facing is critical. In order to understand these export problems and to undertake effective export assistance a close co-operation between the government, its promotional institutions, the business community, and the private sector at large is important. The highest growth rates of SME's exports have been realised by countries in which such relationship has been built (Ceglie and Dini, 1999, Seringhaus and Rosson, 1990, Seringhous and Botschen, 1991). The upshot of this literature survey is that sound export strategies (firms) and policies (governments) should take all the issues into account. An active export promotion policy, for example, is useless if other government policies are unfavourable or if major industry or product barriers are neglected. The qualitative model (in Figure, 2.3) provides an overview of the potential export problems that an exporter should consider before an export venture is undertaken. The world market may provide many promising opportunities. The challenge is to organise exports while solving the major export barriers.

Figure 2.3 Internal and external export problems that influence export marketing strategy of manufacturing firms in developing countries



(Source: Adopted from, Cavusgil and Zou, 1994)

Two trends were observed in the reviewed literature. Firstly, the research focus is shifting from exploratory research, aimed at identifying export problems, to testing the effect of export problems on export initiation, export development and export performance of the firm. In particular the reviewed articles, published during the last two decades, have discussed export problems in relation to one of these issues. Secondly, most of the export problems identified in developing countries, except 'the country of origin barrier', exist in the developed world especially for small and medium sized companies (Moini 1995; Kedia and Chhokar, 1986; Morgan and Katsikeas, 1997; Ghauri and Herbern, 1994; Shoham and Gerald, 1995). Although the degree of difficulty and the importance of export problems vary, there is similarity among the major issues. This implies that manufacturing firms in developing countries can learn some interesting lessons from the experience of the developed world in solving export problems.