

2008

# Export barriers and firm internationalisation from an emerging market perspective

Zafar U. Ahmed

*Prince Fahad Bin Sultan National University*

Craig C. Julian

*Southern Cross University*

Abdul J. Mahajar

*Universiti Utara Malaysia*

---

## Publication details

Post-print of: Ahmed, ZU, Julian, CC & Mahajar, AJ 2008, 'Export barriers and firm internationalisation from an emerging market perspective', *Journal of Asia Business Studies*, vol. 3, no. 1.

ePublications@SCU is an electronic repository administered by Southern Cross University Library. Its goal is to capture and preserve the intellectual output of Southern Cross University authors and researchers, and to increase visibility and impact through open access to researchers around the world. For further information please contact [epubs@scu.edu.au](mailto:epubs@scu.edu.au).

## **Export Barriers and Firm Internationalisation from an Emerging Market Perspective**

Zafar U. Ahmed, PhD  
Texas A&M University at Commerce,  
Commerce, Texas

Craig C. Julian, PhD  
School of Marketing,  
Curtin Business School,  
Curtin University of Technology,

Abdul Jumaat Mahajar, PhD  
Universiti Utara Malaysia

**Paper submitted for review to:** Journal of Asia Business Studies

Send all correspondence to:

Dr. Craig Julian  
Research Fellow,  
School of Marketing,  
Curtin Business School,  
Curtin University of Technology,  
GPO Box U1987,  
Perth Western Australia 6845

Phone: 61-8-92662852

Fax: 61-8-92663937

**Email:** [C.Julian@exchange.curtin.edu.au](mailto:C.Julian@exchange.curtin.edu.au)  
[crgjulian@yahoo.com.au](mailto:crgjulian@yahoo.com.au)

### **Abstract**

This study is concerned with an empirical investigation that explores the barriers to export that emerging market entrepreneurs face when engaging in international business. The data was gathered from a survey of 214 manufacturing firms, headquartered in Malaysia, and considered to be an emerging market. Statistical analysis was carried out using one-way analysis of variance and the Tukey-Kramer Multiple Comparison Procedure. The study's key findings indicate that exporters and non-exporters perceive the importance of the need to adapt products to meet foreign customer preferences and a lack of capacity dedicated to a continuing supply of exports differently as barriers to export. However, other than those barriers to export the study findings indicate no significant differences in the perceptions of exporters and non-exporters from an emerging market towards the different barriers to export.

**Key Words:** exporters, non-exporters, barriers to export, Malaysia, emerging market

## **Export Barriers and Firm Internationalisation from an Emerging Market Perspective**

### **Introduction**

The economic capacity of an emerging market, particularly its industrial and agricultural capabilities, determines the trend that its exports follow. International Trade has always been important for the Malaysian economy. Its importance to the economy has grown stronger over the years. The composition and direction of trade flows have changed significantly, reflecting the dramatic transformation of the primary-producing economy into a rapidly industrialising one. Interestingly, structural changes in the Malaysian economy during the last three decades or so have enhanced the economic openness of the country so much so that Malaysia continues to project itself as one of the most open emerging markets in the world. Malaysia's export performance is a major determinant of the state of the economy. Rapid economic growth at the annual average rate of about 7.0 percent since the early 1980s, has much to do with Malaysia's export performance. Imports have also contributed much to the economic development of the country, by providing not only competitively priced consumer and capital goods, but also intermediate inputs for Malaysian manufactures that have rendered Malaysian-manufactured exports competitive in world markets (Central Bank of Malaysia, 1999).

Malaysia has mostly enjoyed a favourable trade balance in its balance of payments current account. More often than not, the surplus trade balance was large enough to finance the deficit in the services account and also to produce a sizeable current account surplus. However, in the 1990s Malaysia posted serious trade deficits. The large trade deficits incurred in these years were due to the low export prices of primary commodities, high priced imports as a result of the rapid industrialisation in the country, and the appreciation of major currencies especially the Japanese Yen, the Deutsch mark, the Korean Won and the New Taiwan Dollar. Imports of

capital goods associated with foreign investment activities in the country have contributed much to the growing trade deficit. In other words, deficits have been financed largely by foreign capital inflows (Central Bank of Malaysia, 1999).

Imports have exceeded exports, despite export-oriented industrialisation in these years, because foreign direct investment in manufacturing activities generated imports of capital goods immediately where export output would begin to flow after a certain period of time. The trade balance should reverse itself, with deficit giving way to surplus once the export-oriented investment projects come on-stream. However, the empirical evidence is inconclusive.

The relationship between imports and exports in recent times has been problematic for Malaysia. Malaysia's reliance on foreign direct investment to make up for the balance of trade deficit shows how fragile this relationship can be. There is a need for an action plan to correct the situation, especially when there are no guarantees that foreign direct investment in a receding global economy will be able to cover the deficit in the trade balance in the future. As such, the action plan needs to include what causes or prevents Malaysian firms from exporting i.e. the various barriers to export Malaysian firms face when entering the export market. This knowledge becomes of critical importance if Malaysia, as an emerging market, is going to start correcting its trade deficit and that is what has driven the need for this study. A common objective in most countries today is to find ways to increase exports. This can be achieved either by encouraging exporting firms to export more or by inducing non-exporters to begin exporting. In the case of Malaysia it would be beneficial to do both, that is, encourage the regular exporters to expand their export operations and export more of their output and also to encourage non-exporters to commence exporting. As such, the study's primary objectives are to examine both non-exporters and regular exporter's perceptions of the different barriers to export and also to determine if the percentage of output exported has an impact on how the

different classifications of exporters view the different barriers to export. The remainder of the article is organized as follows. First, a thorough review of the literature is conducted, then the study's methodology is reported, followed by a comprehensive data analysis, then a discussion of the different managerial and public policy implications is provided together with the directions for future research followed, finally, by the study's limitations.

### **Literature Review**

Exporting has been one of the fastest growing economic activities in emerging markets, consistently exceeding the rate of growth in world economic output over the past two decades (IMF, 1995). A common objective of most countries is to find ways to increase exports.

Reid (1981) defined export intention as the motivation, attitude, beliefs, and expectancy about export contribution to the firm's growth. According to Sharkey, Lim and Kim (1989) non-exporters are those who have never exported. Non-exporters have very little knowledge about the process of exporting and have no experience with obstacles to exporting. Occasional exporters refer to those who are exploring exporting and may have filled some unsolicited orders. Occasional exporters have learned the basics of the export process, but their low level of commitment may also be coupled with frustration that lead to the perception of more export barriers. Regular exporters have mastered the technicalities of exporting and have learned that exporting is an important mechanism for achieving organizational goals. Regular exporters have learned to cope with perceived export barriers (Sharkey, Lim and Kim, 1989).

According to Czinkota, Rivoli and Ronkainen (1992) export development is highly regarded by both public and corporate policy-makers, due mainly to the substantial macroeconomic and microeconomic benefits derived from external trade. From a macroeconomic perspective,

exporting can enable national economies to enrich their foreign exchange reserves, provide employment, create backward and forward linkages, and ultimately, lead to a higher standard of living. Terpstra and Sarathy (1994) clarified the benefit of exporting to an economy in terms of its microeconomic gains. Exporting can give individual firms a competitive advantage, improve their financial position, increase capacity utilisation, and raise technological standards (Terpstra and Sarathy, 1994).

In general the expansion of a nation's exports has positive effects on the growth of the economy as a whole as well as on individual firms (Julian and O'Cass, 2004). Exporting is of vital economic importance to trading nations and their firms. Exports boost profitability, improve capacity utilization, provide employment, and improve trade balances (Barker and Kaynak, 1992). According to Gripsrud (1990) the increasing globalisation of the world economy and the widespread opinion that increased exports benefit society has stimulated research in this area. In the U.S., the growing trade deficit is the most immediate factor behind the interest in this topic. A common objective in most countries today is to find ways to increase exports. This can be achieved either by encouraging exporting firms to export more or by inducing non-exporters to begin exporting. In 1998, the exports-GNP ratio for Malaysia was 84.3 percent indicating how much the Malaysian economy relied on its exports (Central Bank of Malaysia, 1999). "In this globalized world, industries do not survive if they are not export oriented" (Tenbelian, 2003: 23).

Sharkey, Lim and Kim (1989) proposed a three-stage model in export development, moving from non-exporters to occasional exporters to regular exporters. Non-exporters are those who have never exported before and thus have very little knowledge about exporting processes and, therefore, have no experience with the barriers to export. Occasional exporters are those who are exploring exporting opportunities and may have filled some unsolicited orders (Sharkey,

Lim and Kim, 1989). Occasional exporters have learnt the basics of exporting, however, their low level of commitment to exporting could also lead to perceiving more barriers to export than what actually exists (Bilkey, 1978). According to Sharkey, Lim and Kim (1989) regular exporters have mastered the technicalities of exporting, have learnt that exporting is an important means for achieving organizational goals, and have learnt to cope with the various export barriers.

Leonidas (1995) suggests the most common mode of participation in the international marketplace is exporting, because it involves minimum business risk, requires low commitment of resources and offers high flexibility of movements. For firms from emerging markets these reasons are important because of their limited resources. According to Johansson (2000), for a firm new to international marketing, the exporting option is often the most attractive means of market entry. When unsolicited orders start flowing in from abroad, the firm begins to pay more attention to foreign market potential, and exporting becomes the obvious first step. A large number of studies have dealt with the issue of what factors influence the export performance of firms and the different perceptions of regular exporters and non-exporters (Bijmolt and Zwart, 1994). For example, Westhead (1995) found that the non-exporting firms are extremely dependent on a small number of suppliers, whereas exporting firms that export regularly, in order to maintain their competitive position (with regard to price, quality and speed of delivery) have adopted a strategy of purchasing from a larger number of suppliers which are generally not located in the same region.

One of the most important research questions in international business is why some firms export and others do not (Sharkey, Lim, and Kim, 1989)? An explanation offered by several researchers is that non-exporters perceive considerable barriers to exporting (Alexandrides, 1971; Torre, 1972; Simpson, 1973; Tesar, 1975; Bilkey and Tesar, 1977; Kedia and Chhokar,

1986). Thus, before non-exporters can export, a “threshold fear” must be overcome (Dichtl et al., 1984). However, the findings are inconclusive. For example, Ahmed et al. (2004) found no difference in barrier perceptions between regular exporters and non-exporters whereas Barker and Kaynak’s (1992) findings indicate that regular exporters perceive more export barriers than do non-exporters.

A manufacturing firm is often exposed to a number of barriers to export, identifiable at all stages of the internationalisation process, from the early stages to the more advanced stages (Johanson and Wiedersheim-Paul, 1975; Bilkey and Tesar, 1977; Bilkey, 1978). However, the many different barriers to export can be classified into five main categories, namely, marketing barriers; lack of knowledge about exporting procedures; lack of international business know-how and practices; financial inhibitors; and technical adaptation difficulty.

### **Marketing Barriers**

With respect to the marketing barriers, Barrett and Wilkinson (1985) studied the marketing barriers to export and they concluded that the inability of exporters to meet the competitive prices of overseas suppliers and the high shipment costs involved in selling to foreign markets were particularly important barriers to export. The importance of the marketing barriers in preventing firms from exporting also received considerable support from Bilkey (1978) and Keng and Juan (1989). Bilkey (1978) cited inadequate distribution and a lack of foreign market connections as particularly important obstacles preventing U.S. firms from exporting. Whereas Keng and Juan (1989) who also studied the marketing barriers to export concluded that the marketing barriers were significant for both regular exporters and non-exporters. For the regular exporters, Keng and Juan (1989) cited external or market-based barriers to export, such as, difficulties in matching foreign competitors’ prices, promoting products and establishing distribution networks overseas as being particularly significant barriers to export.

For the non-exporters, Keng and Jiuan (1989) concluded that non-exporters' perceived anxiety about exporting related to management inertia, for example, their preoccupation with the domestic market and the perception that their products were not marketable overseas were their most significant marketing barriers.

### **Lack of Knowledge about Exporting Procedures**

With respect to a lack of knowledge about exporting procedures, Alexandrides (1971) was one of the first to investigate the barriers to export. His research concluded that the major problems preventing firms from initiating exporting was a lack of knowledge of exporting, inadequate understanding of export payment procedures and difficulties in locating foreign markets. Regular exporters also considered these barriers to export to be particularly important (Bijmolt and Zwart, 1994).

Support for a lack of knowledge about exporting procedures as a considerable barrier to export was also confirmed in a study by Yaprak (1985) when studying the differences in export barrier perceptions between regular exporters and non-exporters. The Yaprak (1985) study produced several different export barrier perceptions between non-exporters and regular exporters as to the important barriers to export. Yaprak (1985) concluded that non-exporters' perceived worries about export involvement were due to a lack of information about exporting, limited foreign market contacts and personnel deficiencies. The problems perceived by the regular exporters were primarily of a financial nature and were not associated with a lack of knowledge about exporting procedures.

Support for the Yaprak (1985) study and a lack of knowledge about exporting procedures as a considerable barrier to export was received from Kau and Tan (1986) and seven years later by Barker and Kaynak (1992). In the Kau and Tan (1986) study carried out in Singapore they

found that significant differences were observed between small and large firms in the rating of export problems such as in establishing foreign contacts, getting information about foreign markets, establishing a distribution network, promoting products overseas and employing good exports sales personnel. The Kau and Tan (1986) study concluded that small firms faced more difficulties to overcome the above export problems compared to large firms.

For the non-exporting firms, Barker and Kaynak (1992) found that the lack of foreign contacts, high initial investment, trade barriers, lack of information about exporting, and insufficient personnel were their most important obstacles. Whereas, excessive red tape, trade barriers, transport difficulties, the absence of export incentives and lack of trained personnel for export operations were the most important impediments encountered by the regular exporters.

### **Lack of International Business Know-How and Practices**

With respect to a lack of international business know-how and practices as a barrier to export the Bilkey and Tesar (1977) study emphasised the significance of this barrier to export. Bilkey and Tesar (1977) focused on variations in barrier perceptions by export stage. Their study concluded that the more advanced the export stage, the greater the proportion of firms that perceived difficulties in understanding foreign business practices and conforming to foreign product standards. A follow-up study by Bilkey (1978) further highlighted the importance of a lack of international business know-how and practices as a particularly important barrier to export for both non-exporters and regular exporters.

A later study by Kedia and Chhokar (1986) also studied the differences between non-exporters and regular exporters regarding perceived export barriers and the importance of a lack of international business know-how and practices as a barrier to export. Non-exporters were found to be inhibited more by factors associated with knowledge of overseas markets, export

procedures, and foreign business practices, thereby confirming the importance of a lack of international business know-how and practices as a significant barrier to export while marketing-related factors dominated the perceptions of the regular exporters. Thereby, providing support for the suggestion that non-exporters and regular exporters view the barrier to export identified as a lack of international business know-how and practices differently as the regular exporters did not view the lack of international business know-how and practices as an important barrier to export.

An even later study by Tseng and Yu (1991) focussing on Taiwanese exports to the European market, found that the most important barriers to trade were lack of foreign market information, limited trading knowledge of personnel and the inappropriateness of the price/quality relationship for the needs of the market. The findings of the Tseng and Yu (1991) study further confirming the importance of a lack of international business know-how and practices as an important barrier to export.

### **Financial Inhibitors**

With respect to financial inhibitors, Bilkey and Tesar (1977) further emphasised the importance of financial inhibitors as a barrier to export concluding that the more advanced the export stage, the greater the proportion of firms that perceived difficulties in collecting money from foreign customers. In the early stages of export development obtaining necessary start-up funds was perceived to be a problem by many firms. A follow-up study by Bilkey (1978) also found that the most important obstacle to exporting reported by U.S. firms could be summarised as being insufficient finances.

Ogram (1982) in a study of small manufacturing exporting and non-exporting firms on barriers to international business in Georgia found that non-exporters generally perceived higher costs

of exporting while regular exporters indicated that such costs were either the same or moderately higher compared to the domestic market. The Ogram (1982) study findings highlight the differences in perceptions between non-exporters and regular exporters with respect to the financial inhibitors as a barrier to export.

A later study by Yaprak (1985) also found that financial inhibitors were a serious impediment to regular exporters concluding that the problems of regular exporters seemed to be of an operational nature and related primarily to external variables, such as too much red tape, slow payment by foreign buyers and deteriorating economic conditions in foreign markets.

Furthermore, in the same year Bauerschmidt, Sullivan and Gillespie (1985) made a comprehensive analysis of the barriers to export in the U.S. paper industry. Their study covered mainly regular exporters who were asked to rank the importance of seventeen potential export barriers on a five-point scale ranging from “not at all important” to “extremely important”. The findings overwhelmingly highlighted the significance of the financial inhibitors as a barrier to export suggesting that the high value of the U.S. dollar relative to foreign currencies was perceived to be an extremely important barrier to export and high transportation costs were also considered to be extremely important.

In the Tseng and Yu (1991) study focussing on Taiwanese exports to the European market less frequently cited reasons for not trading with European customers were low profit prospects and the existence of various financial constraints. Even though these reasons were less frequently cited they were still identified as important barriers to export in the Tseng and Yu (1991) study again highlighting the importance of financial inhibitors as a barrier to export.

Finally, Sullivan and Bauerschmidt (1990) measured the perceptions of managers on the barriers to engaging in international business. They used thirty barriers and their study was conducted on a sample of 62 European forest products firms. Sullivan and Bauerschmidt (1990) concluded that high transportation costs to ship products to foreign markets, problems of quoting prices with fluctuating exchange rates and high value of currency relative to those in export markets were the major barriers for firms engaging in international business. As such, the Sullivan and Bauerschmidt (1990) study again identified the importance of financial inhibitors as a barrier to export.

### **Technical/Adaptation Difficulty**

With respect to technical/adaptation difficulties as a barrier to export, Bilkey and Tesar (1977) also emphasised the importance of technical/adaptation difficulties as a barrier to export concluding that the more advanced the export stage, the greater proportion of firms that perceived difficulties in obtaining sufficient representation in foreign markets.

Bauerschmidt, Sullivan and Gillespie (1985) made a comprehensive analysis of the barriers to export in the U.S. paper industry. Their study covered mainly regular exporters who were asked to rank the importance of seventeen potential export barriers on a five-point scale ranging from “not at all important” to “extremely important”. Their study findings highlighted the importance that was attached to the risks involved in selling abroad, high foreign tariffs on imported products, and management emphasis on developing domestic markets.

Cheong and Chong (1988) re-confirmed the conclusions of previous studies that perceptions of export barriers tended to differ between non-exporters and regular exporters. Their study found that non-exporters’ perceptions were associated more with future involvement issues (relating mainly to information needs, foreign contacts and management policy), while regular exporters

encountered problems that were more closely connected with export procedures (such as lack of working capital to finance exports, confusing product specifications and keen competition in foreign markets). Given the inconclusive findings from previous studies of the perceived barriers to export for regular exporters and non-exporting firms and the variety of research settings in which the previous studies were conducted the following research question is offered for testing in a developing country market of the Asia Pacific Region:

**RQ: What are the significant barriers to export as perceived by Malaysian entrepreneurs?**

### **Methodology**

The study was based on an empirical investigation of the barriers to export Malaysian firms face when engaging in international business. The sample of firms came from a wide cross section of manufacturing industries including, food and beverage, tobacco, leather, wood, paper, rubber, plastics, metal-working, machinery, electronics, textiles, petroleum, marble, chemical and pharmaceuticals. The sampling frame was provided by the Federation of Malaysian Manufacturers (FMM). In order to obtain valid and reliable measures of the variables, previously validated scales were used for all of the constructs in this study. The questionnaire was developed and pre-tested using a small sample of exporters with the final instrument mailed to the sample. All items measuring barriers to export were measured via five-point bipolar scales with scale poles ranging from strongly disagree (1) to strongly agree (5).

To ensure valid and reliable measures, questionnaire development followed several steps. First, the relevant literature was reviewed to identify existing measures of the constructs. Second, to ensure content validity, several exporters reviewed the questionnaire and provided input for

revision. Third, the questionnaire and covering letter were translated into Bahasa (Malaysia's national language) and then back translated into English following the procedures outlined by Douglas and Craig (1983). The use of only two languages reduced the potential for errors resulting from multiple translations of the questionnaire. Minimising the diversity of languages also helped insure construct equivalence and data comparability (Johnson et al., 2001). During these stages, the potential influence of Malaysian cultural tendencies on questionnaire responses was addressed. Fourth, the Bahasa and English versions of the questionnaire were pre-tested by personal interviews with the Managing Directors of 10 exporting firms located in Malaysia. In the pre-test, the measures performed consistently suggesting only minor refinement for the final version of the questionnaire. A major emphasis in all steps was on ensuring that the constructs being investigated were culturally equivalent and not bound to any particular culture (Johnson et al., 2001).

To reach the most knowledgeable key informants, the questionnaire was directed to the Managing Director of the firm. From the results of the pre-test, it was expected that the Managing Director would be the person most knowledgeable about the organisation's performance and the various export barriers. The case, where the Managing Director was not knowledgeable about the various barriers to export it was expected that the Managing Director, as Chief Executive Officer, would re-direct the questionnaire to the appropriate executive within the organisation.

The instrument contained items identified by the literature as measuring barriers to export such as difficulty in collecting payments from foreign customers and providing after sales service, high costs of selling abroad, problems associated in quoting prices with fluctuating exchange rates and the difficulty in arranging a licensing or joint venture arrangement with foreign firms (Katsikeas and Morgan, 1994). Further barriers to export included confusing import regulations

and procedures, risks involved in selling abroad, the high value of foreign currency in export markets (Katsikeas, 1994; Leonidou, 1995; Da Silva and Da Rocha, 2000), management's emphasis on developing domestic markets, lack of capital to finance expansion into foreign markets and a lack of capacity dedicated to a continuing supply of exports (Lages, 2000). Barriers to export involving distribution access and adapting to foreign market needs were also included that incorporated the difficulties associated with selecting a reliable distributor, gathering information on foreign markets (Karakaya, 1993), language and culture differences and the need to modify product, price and promotional strategies (Koh, 1991; Moini, 1997; Albaum and Tse, 2001). Finally, barriers to export involving government policy and competition were also included such as a lack of government assistance in overcoming export barriers, high foreign tariffs on imported products (Lages, 2000) and competition from foreign and Malaysian firms in foreign markets (Sullivan and Bauerschmidt, 1990).

After the pilot test the questionnaire, with both Bahasa and English equivalents, was mailed to a purposeful sample of 214 manufacturing firms, yielding 166 useable questionnaires being returned accounting for an effective response rate of 77.6 percent and considered to be more than adequate (Groves, 1990).

### **Data Analysis**

Prior to analysing the data a description of the sample is provided. The sample consisted of 166 respondents of which 133 were males (80.1% of the sample) and 33 were females (19.9% of the sample). This was as expected given it reflects the results of a recent survey conducted by the Federation of Malaysian Manufacturers (FMM).

In relation to the respondent's age, 12.6% of the respondents were 25 years of age and under, 28.3% were between 26 and 35 years of age, 38.0% were between 36 and 45 years of age and 21.1% were 46 years of age and above. Regarding the firms in the sample, average annual increase in sales for the past three years saw 63.8% of firms experience a net increase in sales of 10% or greater with 22.3% experiencing an average annual sales increase of between 5% and 10%. Only 13.9% of the sample experienced an annual increase in sales of between 0% and 4% or a net decrease in sales. This meant that 86.1% of the firms in the sample experienced marked increases in net sales.

As far as export activity was concerned approximately 40.4% of firms were engaged in export with 26.9% of these firms being involved in international business for the past 7 years or more. However, only 13.8% of these companies export to more than 5 countries. Thereby, indicating a lack of experience in international business by most of the firms in the sample. Furthermore, 24.1% of the exporters in the sample exported to countries within North and South East Asia. This was to be expected, since intra-regional trade for many countries in South East Asia has been on the rise (Julian and O'Cass, 2002).

A check for non-response bias was also conducted. An 'extrapolation procedure' technique was used to assess non-response bias. This assumes that the groupings of actual respondents by an identified criterion are similar to the 'theoretical' non-respondents (Armstrong and Overton, 1977). Frequencies and independent *t*-tests were used to determine whether significant differences existed between the sample and the target population based on industry classification. No significant difference was identified between the sample and the target population for this classification variable. Therefore, as there appears to be no significant difference between respondents and non-respondents then the sample can be considered sufficient to draw conclusions about barriers to export for Malaysian exporters.

A reliability analysis was conducted to evaluate the multi-item barrier scales. Cronbach's alpha was used for the reliability analysis. The results of the analysis revealed a Cronbach's alpha of 0.93 for the multi-item barrier scale indicating satisfactory internal reliability.

To test the Malaysian decision-makers' attitudes toward the different barriers to export, a one-way analysis of variance was conducted (see Table I). From Table I it was concluded that Malaysian decision-makers had neutral feelings towards the following barriers to export: lack of government assistance in overcoming export barriers, high foreign tariffs on imported products, need to modify pricing and promotion policies, problems finding a reliable foreign distributor, need to adapt products to meet foreign customer preferences, difficulty collecting accurate information on foreign markets, problems quoting prices with fluctuating exchange rates, difficulty arranging licensing and joint venture agreements, high costs of selling abroad and competition from other Malaysian firms in foreign markets.

Also from Table I it was concluded that Malaysian decision-makers had significant feelings towards the following barriers to export: competition from firms in foreign markets, lack of capital to finance expansion into foreign markets, management emphasis on developing domestic markets, confusing foreign import regulations, high value of currency relative to those in export markets, risks involved in selling abroad, lack of capacity dedicated to a continuing supply of exports, difficulty collecting payment from customers abroad, difficulty providing after-sales service and language and cultural differences.

“take in Table I”

Do Malaysian exporters and non-exporters perceive the same barriers to export? To examine this issue the level of exports were analysed as a percentage of total sales. All non-exporters in

the sample were included with those exporters who export 10% or less of their total sales. All those who export more than 40% of their total sales were combined into one category. Finally, all those whose share of exports over total sales was between 11% and 40% were also included as a separate category.

To examine this issue, twenty one-way ANOVA tests were conducted to analyse the effect of “Share of Exports over Total Sales” (independent variable) on the twenty barriers to export (dependent variables). The purpose of this test is to see whether the attitudes towards these 20 variables differ according to the share of exports over total sales. The results are reported in Table II.

“take in Table II”

From Table II we can see that the  $p$ -values are greater than .05 in 18 of the 20 barriers to export. Thus, we can conclude that exporters and non-exporters largely agree in their views of these barriers to export. However, it is evident after examining “Share of Exports over Total Sales” that this does affect the attitudes towards two barriers to export, namely, the need to adapt products to meet foreign customer preferences and the lack of capacity dedicated to a continuing supply of exports. Therefore, it is concluded that exporters and non-exporters differ significantly in their views of the need to adapt products to meet foreign customer preferences and a lack of capacity dedicated to a continuing supply of exports as barriers to export.

At this point, all that can be concluded is that there is sufficient evidence to state that the combination of means is significantly different. To determine exactly which categories of exporters differ, pairwise comparisons were conducted using the Tukey-Kramer multiple comparison procedure.

The means of the dependent variable “Need to Adapt Products to Meet Foreign Customer Preferences” were calculated in each of the various categories of the independent variable “Share of Exports over Total Sales”. The results indicate that the means of the “Need to Adapt Products to Meet Foreign Customer Preferences” variable for those who export 10% or less of their total sales and those who export 11% to 40% of their total sales were significantly different from each other. This was as expected, since all those who export 10% or less of their total sales perhaps do not make many adaptations to their products and hence they do not perceive it as a barrier. However, those who export 11% to 40% of their total sales might need to make many more adaptations to meet foreign customer preferences. Since those who export 11% to 40% of their goods rely both on the local and foreign markets for their sales, adaptation becomes an important issue.

The means of the dependent variable “Lack of Capacity Dedicated to Continuing Supply of Exports” was calculated in each of the various categories of the independent variable “Share of Exports Over Total Sales”. The results indicate that the means of the “Lack of Capacity Dedicated to Continuing Supply of Exports” variable for those who export 11% to 40% of their total sales and those who export more than 40% of their total sales were significantly different from each other. Those who export more than 40% of their total sales perceive “Lack of Capacity Dedicated to Continuing Supply of Exports” as a more important barrier than those who export 11% to 40% of their total sales. This again, was to be expected, given those who export more than 40% of their total sales will be required to have a greater capacity dedicated to a continuing supply of exports than those who only export 11% to 40% of their total sales.

## **Implications for Management and the Public Policy Makers**

This study examined the export barriers emerging market entrepreneurs face in Malaysia when engaging in international business. The data were gathered based on a survey of 166 Malaysian manufacturing firms. The results revealed several useful insights. Competition from firms in foreign markets, lack of capital to finance expansion into foreign markets, management emphasis on developing domestic markets, confusing foreign import regulations, high value of currency relative to those in export markets, risks involved in selling abroad, lack of capacity dedicated to a continuing supply of exports, difficulty collecting payment from customers abroad, difficulty providing after-sales service and language and cultural differences were the major barriers to export as perceived by Malaysian senior managers. As such, the financial inhibitors and the technical/adaptation difficulties experienced in foreign markets were the key export barrier categories identified in this study.

Malaysian exporters and non-exporters largely did not differ in their views of the different barriers to export and this is different to the findings of some previous studies (e.g., Barker and Kaynak, 1992). In fact, “Share of Exports Over Total Sales” affects only the attitudes towards the need to adapt products to meet foreign customer preferences and a lack of capacity dedicated to a continuing supplies of exports.

As far as the financial inhibitors were concerned, it appears that Malaysian entrepreneurs perceived the financial inhibitors, or more importantly, the lack of capital resources, to be the most important barrier to exporting. Executive Directors of some of the Malaysian firms suggested that capital funds remain one of the most challenging problems facing Malaysian firms, especially small businesses. Malaysian firms have become accustomed to a chronic shortage of capital when considering expansion opportunities for their businesses through

international business. Many lending institutions have become over cautious when lending money to firms interested in expanding their operations overseas. This is especially the case for small to medium-sized firms. Therefore, efforts should be intensified towards generating an extensive capital resource base for Malaysian businesses. Greater borrowing facilities should be created for operating expenses, particularly, long-term investment loans. There should also be government reimbursement for costs arising from unusual loan processing, delinquency servicing, and matching of loan amortisation to business cash flows if necessary to encourage more loans to Malaysian business so that they have the financial capabilities to engage in international business. The government should seriously consider extending tax concessions towards capital formation by new Malaysian firms engaging in international business, especially within the manufacturing sector, to ease special working capital difficulties of infant industries.

The difficulty in collecting payment from foreign customers was one of the financial inhibitors that seemed to be specifically important in this study when examining respondents' perceptions of the different barriers to export. It is much easier to conduct business in one's own country rather than engaging in international business because it is easier to collect payment from domestic customers than foreign customers. Exporting can be quite lucrative but there might be problems in collecting payments from foreign customers. There is also much greater risk in selling products in foreign countries in terms of marketing, planning and controlling the sales of products. Many problems arise, such as, export duties imposed by foreign governments, products that don't meet standard country specifications and other payment difficulties from import firms and others.

As far as technical/adaptation difficulties were concerned, in order for products to be accepted by customers, excellent after sales service must be provided in case of any unforeseen problems

arising from the use of the product after it had been purchased. However, to provide an efficient after sales service facility from a foreign market base is often very difficult.

Furthermore, management's emphasis on developing the domestic market sometimes creates differences in terms of the opinions of managers of firms regarding the value of exporting. Some managers feel that if their firm engages in international business, it could help the firm diversify its business into new markets, improve the growth potential of the product market and increase the firm's income. However, other managers in the firm are reluctant to engage in international business because it is very risky and the firm does not have the expertise and experience to conduct international business. Due to this uncertainty, firms often decide not to engage in international business. Finally, commitment and dedication to have a continuous supply of exports is needed to engage in international business. It is not a right time for a firm to engage in international business if it doesn't have the materials, financial and human resources to fulfil the demand of the foreign market.

What is overwhelmingly apparent from the findings of this study is that the dominant export barrier categories inhibiting regular exporters from expanding their current export operations and from preventing non-exporters from commencing export operations were the financial inhibitors and the technical/adaptation difficulties experienced in foreign markets. Furthermore, promotion of an export culture in Malaysian industry is not achieved by individual initiative alone. For an export culture to be achieved in Malaysian industry it requires a joint effort from both the public policy makers and the managers and directors of major private companies. That is, the private and public sectors need to work together to achieve this common goal. Both the public and private sectors, together with international assistance programmes and public policy makers need to streamline their efforts to be able to successfully market Malaysian products in the global marketplace.

## **Directions for Future Research**

The primary objectives of this study were to assess Malaysian decision-makers' attitudes towards the different barriers to export and to determine whether Malaysian exporters and non-exporters perceive the same barriers to export? This study accomplishes both objectives with a reasonable measure of success, making both exploratory and confirmatory contributions to the literature. Whilst determining the relative importance of the factors that inhibit exporting and assessing the relative difficulty firms have in countering these factors were beyond the scope of this study these two issues are important issues to resolve and are logical extensions of the research commenced here in a developing country of South East Asia. As such, they should be considered as a direction for future research. One of the remaining unanswered questions in the export barrier literature is the difference between exporters and non-exporters perceptions of the relative importance and relative difficulty exporters have in overcoming the different barriers to export. Kedia and Chhokar (1986) criticised research on export barriers for not assessing the relative importance of the factors that inhibit exporting and for not assessing the relative difficulty firms have in countering these factors. From a theoretical perspective the degree of importance of each export barrier would be of primary concern, but from a practical standpoint for a firm, the level of difficulty would be more important. As such, determining the relative importance of the factors inhibiting exporting and assessing the relative difficulty firms have in countering these factors is of critical concern and a logical extension of this study and a direction for future research.

Future research should also attempt to employ a more sophisticated definition of export. While the relatively basic measure of export employed in this study (share of exports over total sales) served to highlight some important differences between exporting and non-exporting firms, more refined and multi-dimensional export measures could offer more interesting insights.

Although, certain variables have been identified as being positively related to each other, what is still unknown is to what extent one variable is an antecedent of the other. This would be an interesting issue for future research. There is a need to empirically investigate the cause and effect relationship of these variables in order to properly guide Malaysian and other emerging market exporters and to encourage non-exporters to start exporting.

### **Limitations of the Study**

In spite of the significant findings, the study still has a number of limitations particularly related to sampling procedures. Convenience sampling was the sampling technique used for this study. Although the abovementioned technique has many advantages, it also has serious limitations. Many sources of selection bias are present, including respondent self-selection. From a methodological perspective, a potential concern may be that the measures are all self reported. Consequently, the relationships tested may be susceptible to the influence of common method variance. Efforts were made to minimize the problem by pre-testing the instrument and selecting measures that minimise item overlap. Whilst utmost care was taken with the translation of the instrument, items still may be interpreted differently by individuals with different cultural and organizational backgrounds. Moreover, convenience samples are not representative of any definable population. Therefore, it would not be theoretically meaningful for us to generalize to any population from a convenience sample, and convenience samples are not suitable for research that involves population inferences. Although the study has helped shed light on the current situation, the data available are those that have been disclosed by the senior managers of Malaysian manufacturing firms. Furthermore, the sample has been drawn from firms located in West Malaysia. Firms and their senior managers located in East Malaysia may indicate different preferences in relation to the various barriers to export.

## References

- Ahmed, Z.U., Julian, C.C., Baalbaki, I and Hadidian, T.V. (2004), "Export barriers and firm internationalisation: A study of Lebanese entrepreneurs", *The Journal of Management and World Business Research*, vol. 1 no. 1, pp. 11-22., accessed via [www.academyofworldbusiness.com/jomawbr](http://www.academyofworldbusiness.com/jomawbr)
- Albaum, G. and Tse, D. (2001), "Adaptation of international marketing components, competitive advantage, and firm performance: A study of Hong Kong exporters", *Journal of International Marketing*, vol. 9 no. 4, pp. 59-81.
- Alexandrides, C.G. (1971), "How the major obstacles to expansion can be overcome"? *Atlanta Economic Review*, May, pp. 12-15.
- Armstrong, J.S. and Overton, T.S. (1977), "Estimating non-response bias in mail surveys", *Journal of Marketing Research*, vol. 14, pp. 396-402.
- Barker, A.T. and Kaynak, E. (1992), "An empirical investigation of the differences between initiating and continuing exporters", *European Journal of Marketing*, vol. 26 no. 3, pp. 27-36.
- Barrett, N.I. and Wilkinson, I.F. (1985), "Export stimulation: A segmentation study of the exporting problems of Australian manufacturing firms", *European Journal of Marketing*, vol. 19 no. 2, pp. 53-72.
- Bauerschmidt, A., Sullivan D. and Gillespie K. (1985), "Common factors underlying barriers to export studies in the U.S. paper industry", *Journal of International Business Studies*, vol. 16 no. 3, pp. 111-123.
- Bijmolt, T.H.A. and Zwart, P.S. (1994), "The impact of internal factors on the export success of Dutch small and medium-sized firms", *Journal of Small Business Management*, vol. 32 no. 2, pp. 69-83.
- Bilkey, W.J. (1978), "An attempted integration of the literature on the export behaviour of firms", *Journal of International Business Studies*, vol. 9 no. 1, pp. 33-46.

Bilkey, W.J. and Tesar, G. (1977), "The export behaviour of smaller-sized Wisconsin manufacturing firms", *Journal of International Business Studies*, vol. 8 Spring/Summer, pp. 93-98.

Central Bank of Malaysia (1999), *Quarterly Economic Bulletin*, Central Bank of Malaysia, Kuala Lumpur.

Cheong, W.K. and Chong, K.W. (1988), "Export behaviour of small Firms in Singapore", *International Small Business Journal*, vol. 6 no. 2, pp. 34-41.

Czinkota, M.R., Rivoli, P. and Ronkainen, I.A. (1992), *International Business*, 2<sup>nd</sup> Edition, Dryden Press, Forth Worth, Texas.

Da Silva, P. and Da Rocha, A. (2000), "Perception of export barriers to Mercosur by Brazilian firms", *International Marketing Review*, vol. 18 no. 6, pp. 589-610.

Dichtl, E., Leibold, M., Koglmayer, H.G. and Muller, S. (1984), "The export-decision of small and medium-sized firms", *Management International Review*, vol. 24, pp. 49-60.

Douglas, S.F. and Craig, C.S. (1983), *International Marketing Research*, Prentice-Hall, New Jersey.

Gripsrud, G. (1990), "The determinants of export decision and attitudes to distant market: Norwegian fishery export to Japan", *Journal of International Business Studies*, vol. 21 no. 3, pp. 469-486.

Groves, R. (1990), *Survey Errors and Survey Costs*, John P. Wiley and Sons, New York.

IMF, (1995), *Directions of Trade Statistics Yearbook*, IMF Publication Services, Washington, D.C.

Johanson, J. and Wiedersheim-Paul, P.F. (1975), "The internationalisation of the firm-four Swedish cases", *Journal of Management Studies*, vol. 12 no. 3, pp. 305-322.

Johansson, J. (2000), *Global Marketing: Foreign Entry, Local Marketing, and Global Management*, 2<sup>nd</sup> edition, McGraw-Hill, Boston.

Johnson, J.L., Cullen, J.B., Sakano, T. and Bronson, J.W. (2001), "Drivers and outcomes of parent company intervention in IJV management: A cross-cultural comparison", *Journal of Business Research*, vol. 52, pp. 35-49.

Julian, C.C. and O'Cass, A. (2004), "The antecedents of export marketing performance: An Australian perspective", *Journal of Asia Pacific Marketing*, vol. 3 no. 2/3, pp.99-113.

Julian, C.C. and O'Cass, A. (2002), "Examining the internal-external determinants of international joint venture (IJV) marketing performance in Thailand", *Australasian Marketing Journal*, vol. 10 no. 2, pp. 55-71.

Karakaya, F. (1993), "Barriers to entry in international markets", *Journal of Global Marketing*, vol. 7 no. 1, pp. 7-24.

Katsikeas, S. (1994), "Perceived export problems and export involvement: The case of Greek exporting manufacturers", *Journal of Global Marketing*, vol. 7 no. 4, pp. 29-58.

Katsikeas, C. and Morgan, R. (1994), "Differences in perceptions of exporting problems based on firm size and export marketing experience", *European Journal of Marketing*, vol. 28 no. 5, pp. 17-35.

Kau, A.K. and Tan, S.J. (1986), "A Study of Small and Large Manufacturing Exporters in Singapore" in Roberts, G. (ed.), *Proceedings of the 31<sup>st</sup> World Conference, International Council of Small Business*, pp. 67-74.

Kedia, B.L. and Chhokar, J. (1986), "Factors inhibiting export performance of firms: An empirical investigation", *Management International Review*, vol. 26 no. 4, pp. 33-43.

Keng, K.A. and Jiuan, T.S. (1989), "Differences between small and medium sized exporting and non-exporting firms: Nature and nurture", *International Marketing Review*, vol. 6 no. 4, pp. 27-40.

Koh, A. (1991), "Relationships among organisational characteristics, marketing strategy and export performance", *International Marketing Review*, vol. 8 no. 3, pp. 46-60.

- Lages, L. (2000), "A conceptual framework of the determinants of export performance: Reorganising key variables and shifting contingencies in export marketing", *Journal of Global Marketing*, vol. 13 no. 3, pp. 29-51.
- Leonidas, C.L. (1995), "Export barriers: Non-exporters perceptions", *International Marketing Review*, vol. 12 no. 1, pp. 4 -25.
- Leonidou, L. (1995), "Empirical research on export barriers: Review, assessment and synthesis", *Journal of International Marketing*, vol. 3 no. 1, pp. 29-43.
- Moini, A. (1997), "Barriers inhibiting export performance of small and medium-sized manufacturing firms", *Journal of Global Marketing*, vol. 10 no. 4, pp. 67-93.
- Ogram, E.W. (1982), "Exporters and Non-exporters: A Profile of Small Manufacturing Firms in Georgia" in Czinkota, M.R. and Tesar, G. (eds.), *Export Management: An International Context*, Praeger, New York, pp. 70-84.
- Reid, S.D. (1981), "Decision maker and export entry and expansion", *Journal of International Business Studies*, Fall, pp.101-13.
- Sharkey, T.W., Lim, J.S. and Kim, K.I. (1989), "Export development and perceived export barriers: An empirical analysis of small firms", *Management International Review*, vol. 29 no. 2, pp. 1-11.
- Simpson, C.L. (1973), "The Export Decision: An Interview Study of the Decision Process in Tennessee Manufacturing Firms" Unpublished Ph.D Dissertation, Georgia State University.
- Sullivan, D. and Bauerschmidt, A. (1990), "Incremental internationalization: A test of Johanson and Vahlne's Thesis", *Management International Review*, vol. 30 no. 1, pp. 9-30.
- Tenbelian, V. (2003), "Industry gets itself back on track: New measures revive ailing sector", *Lebanon Opportunities*, January, pp. 19- 23.
- Terpstra, V. and Sarathy, R. (1994), *International Marketing*, 6<sup>th</sup> Edition, Dryden Press, Forth Worth, Texas.

- Tesar, G. (1975), "An Empirical Study of Export Operations Among Small and Medium-Sized Manufacturing Firms" Unpublished Ph.D Dissertation, The University of Wisconsin-Madison.
- Torre, D.L. (1972), "Marketing Factors in Manufactured Exports from Developing Countries", in Wells, L.T. (ed.), *The Product Life Cycle and International Trade*, Graduate School of Business Administration, Harvard University, Boston.
- Tseng, J. and Yu, C.M. (1991), "Export of industrial goods to Europe: The case of large Taiwanese firms", *European Journal of Marketing*, vol. 25 no. 9, pp. 51-63.
- Westhead, P. (1995), "Exporting and non-exporting small firms in Great Britain, a matched pair comparison", *International Journal of Entrepreneurial Behaviour and Research*, vol. 1 no. 2, pp. 6-36.
- Yaprak, A. (1985), "Empirical study of the differences between small exporting and non-exporting US Firms", *International Marketing Review*, vol. 2 no. 3, pp. 72-83.

**Table I - Decision-Makers' Attitudes toward Different Barriers to Exporting**

Barriers to Exporting	p-value	Sig. at .05
Lack of government assistance in overcoming export barriers	0.089	No
Competition from firms in foreign markets	0.018	Yes
High foreign tariffs on imported products	0.084	No
Need to modify pricing and promotion policies	0.357	No
Lack of capital to finance expansion into foreign markets	0.012	Yes
Problem finding reliable foreign distributor	0.439	No
Need to adapt products to meet foreign customer preferences	0.510	No
Difficulty collecting accurate information on foreign markets	0.208	No
Problems quoting price with fluctuating exchange rates	0.587	No
Difficulty arranging licensing and joint venture agreements	0.175	No
High costs of selling abroad	0.085	No
Management emphasis on developing domestic markets	0.000	Yes
Confusing foreign import regulations	0.012	Yes
High value of currency relative to those in export markets	0.034	Yes
Risks involved in selling abroad	0.002	Yes
Lack of capacity dedicated to continuing supply of exports	0.000	Yes
Competition from Malaysian firms in foreign markets	0.550	No
Difficulty collecting payment from customers abroad	0.000	Yes
Difficulty providing after-sales service	0.024	Yes
Language and cultural differences	0.080	Yes

**Table II. Effect of “Share of Exports over Total Sales” on Attitudes towards Barriers to Export**

Dependent Variable	F-Value	<i>p</i> -value	Decision at 0.05 Level
Lack of government assistance in overcoming export barriers	1.402	0.255	No
Competition from firms in foreign markets	0.331	0.72	No
High foreign tariffs on imported products	0.873	0.423	No
Need to modify pricing and promotion policies	0.616	0.544	No
Lack of capital to finance expansion into foreign markets	0.247	0.782	No
Problem finding a reliable distributor	0.067	0.935	No
Need to adapt products to meet foreign customer preferences	3.355	0.042	Yes
Difficulty collecting accurate information on foreign markets	0.003	0.997	No
Problems quoting price with fluctuating exchange rates	0.159	0.854	No
Difficulty arranging licensing and joint venture agreements	0.922	0.404	No
High Costs of Selling abroad	0.530	0.592	No
Management emphasis on developing domestic markets	0.192	0.826	No
Confusing foreign import regulations	0.929	0.401	No
High value of currency relative to those in export markets	1.391	0.258	No
Risks involved in selling abroad	0.478	0.622	No
Lack of capacity dedicated to continuing supply of exports	3.606	0.034	Yes
Competition from Lebanese firms in foreign markets	1.537	0.224	No
Difficulty collecting payment from customers abroad	1.411	0.253	No
Difficulty providing after sale service	0.444	0.644	No
Language and cultural differences	0.360	0.700	No