



## Do barriers to export vary for born globals and across stages of internationalization? An empirical inquiry in the emerging market of Turkey<sup>☆</sup>

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### ABSTRACT

Although the literature on export barriers has been growing, this issue of whether barriers to export exhibit significant differences among firms has not been addressed. In particular, the question of whether these impediments are uniform for born globals – a new breed of exporting firms that initiate exporting soon after inception – is unresolved. Similarly, barriers to export are thought to vary across different stages of internationalization. Therefore, the present work explores this fundamental issue. The empirical study is carried out in the context of an emerging market, Turkey, providing an opportunity for examining the stability of earlier findings (carried out largely in advanced economy settings) for rapidly developing economies. Results suggest that perceived barriers differ mainly for firms in the domestic marketing stage, pre-export stage and for born global firms.

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Exporting is the most common mode of business involvement in the international marketplace because it involves minimum business risks, requires low commitment of resources, and offers high flexibility. The benefits associated with exporting are not restricted to the individual firm itself. Economies also benefit from foreign operations of domestic firms because these activities promote socio-economic development, increase employment, generate spillover effects such as societal prosperity and assistance for local industries to boost productivity (Pinho & Martins, 2010). Those benefits are important for a liberalizing economy such as Turkey (Uner, 1994). Yet, a great majority of firms, especially SMEs (small-to-medium enterprises), still refrain from exporting. Thus, understanding barriers or obstacles to exporting activity should help in formulating public policy to stimulate firms to internationalize (Da Rocha, Freitas, & Dilva, 2008).

During the last four decades an extensive amount of research has been carried out on barriers to exporting activity (Cavusgil, 1984a, 1984b; Cavusgil & Zou, 1994; Leonidou, 1995). Early work was conducted in the 1980s (Cavusgil, 1976, 1984a, 1984b). This research theme moved to non-Anglo-Saxon countries, namely Finland, Brazil, Germany, Greece, South Korea, and Turkey in the 1990s. In the early 2000s, there was an apparent reduction of interest in the topics (Pinho & Martins, 2010). This research did not differentiate among the types of firms investigated. Studies included firms that never exported, or those that have exported at some stage, and exporters that are now experiencing internationalization progression

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problems (Fillis, 2000). Moreover, some research examined the differences in perception of export obstacles among managers of firms in different geographical locations (Suarez-Ortega, 2003).

Although it is accepted that export barriers can be encountered at any stage of the internationalization process, their nature may differ according to the characteristics of each stage (Leonidou, 2004). Research focusing on delineation of just what barriers impede firms at each stage of internationalization, however, is scarce. Bilkey and Tesar (1977), Cavusgil, Bilkey, and Tesar (1979), Cavusgil (1982), and Czinkota (1982) contend that obstacles to exporting tend to differ systematically by export stage. More specifically, some of these obstacles gain importance over time, whereas others become less crippling (Ford & Leonidou, 1991). Recently Suarez-Ortega (2003) found that decision makers' perception of export barriers, regardless of the type of barriers considered, diminish as the firm moves further in the export development process.

In the present investigation, we explore differences in perceptions of export barriers of SMEs based on Cavusgil's (1980) innovation model which conceptualized the internationalization process in five stages: domestic marketing, a pre-export, experimental involvement, active involvement, and commitment involvement. Gankema, Snuif, and Zwart (2000) added that the exporting stages in Cavusgil's internationalization model can be operationalized by the export/sales ratio, reflecting firm's dependence on foreign markets.

The present investigation also explores differences in perception of barriers among 'born global' small and medium sized companies. This stream of research (also known as 'international new ventures') was introduced more recently (Knight & Cavusgil, 1996, 2004; Oviatt & McDougall, 1994). Shaw and Darroch (2004, 328) recently called for investigations of export barriers among 'born global' firms or 'international new ventures' since these firms represent a new breed of aggressive exporters. Understanding how managers of entrepreneurial new ventures perceive barriers to internationalization is particularly important as 'managerial attitudes and preferences are at the core of a venture's internationalization activities'. Moreover, we compare the differences in perception of barriers among born global SMEs and SMEs in the each stage of internationalization process (Cavusgil's I-Model).

Another contribution of the present study is to address the question of whether barriers to export exhibit stability as the firm evolve. The assumption is that barriers to export do not vary over time but their prevalence changes. In a rare study on this topic, Da Rocha et al. (2008), with their longitudinal study, found stability in the perception of obstacles but there were specific changes associated with change in environmental factors. Accordingly, the present work explores this issue further by examining the stability of export barriers across various stages of exporting. This is especially critical in a country like Turkey – an emerging market which has radically transformed its economy into a liberal, dynamic, and vibrant marketplace, producing abundance of firms that go international.

The present research extends our knowledge of export barriers in three ways. First, while much research on export barriers has been carried out based on differences between: (i) exporter and non-exporter, (ii) among exporters, or (iii) likely exporter and non-exporter, there is a knowledge gap in determining and comparing the perception of export barriers of small and medium size firms within all stages of Cavusgil's I-model. Second, there is also a gap in our understanding of small and medium size born global firms' perception of export barriers. Therefore, we also focus on "born global firms" and determine their perception of barriers and compare with firms in each stages of the I Model. Third, we determine whether the perception of the barriers among small and medium sized firms has transformed over time.

## 1. What do we know about the barriers to export?

While scholars have carried out numerous studies on the perception of barriers to exporting, little consensus exists on the topic, primarily due to differences in method and content (Da Rocha et al., 2008). Export barriers and challenges are treated within the literature as attitudinal, structural, operational, and related constraints that hinder or prohibit the firm's ability to initiate, expand, or sustain export marketing operations (Morgan and Katsikeas, 1998). As Pinho and Martins (2010) note, the literature tended to emphasize two forms of export barriers – first, problems which discourage firms from engaging in export activities and, second, problems experienced by firms which have already initiated export operations. With regards to the latter, barriers are often experiential in nature; while for non-exporting firms export barriers tend to be perceptual reflecting the decision makers' subjective opinions and beliefs. Below, we outline the current state of knowledge regarding export barriers.

### 1.1. Classifying export barriers

Several scholars have offered classification schemes for export barriers. Cavusgil and Nevin (1981) argued that the real barriers to a firm's involvement in exporting are internal; Cavusgil (1984a) accentuated organizational characteristics; and Gripsrud (1990) focused on external barriers. Cavusgil (1984b), Cavusgil and Zou (1994), Cavusgil and Yeoh (1994), and Tesfom and Lutz (2006) discussed barriers derived from both the internal and external environment of firms.

Leonidou (1995) and Morgan (1997) classified export barriers based on those originating from the internal or external environment, and those in the home or foreign markets, resulting in four groups of barriers: internal/domestic, internal/foreign, external/domestic and external/foreign. Leonidou (2004) classified internal barriers into functional, informational, and marketing, while external barriers were separated into procedural, governmental, task, and environmental. More recently, Arteaga-Ortiz and Fernandez-Ortiz (2010) grouped export barriers into four generic categories; knowledge, resource, procedure, and exogenous.

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