Export Barriers Perceived as a Function of the Destination Market: The Case of Small and Mid-size Spanish Exporting Firms to Latin America

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Abstract

Purpose of the article The purpose of this paper is to identify and discuss the export barriers, propose and test a new scale, and to verify that the relative importance attributed to the different export obstacles could vary as a function of the company's export market.
Methodology/methods A questionnaire was sent to 2590 Spanish firms related to exporting. Responses were analyzed through a dimensionality reduction procedure (from a list of individual obstacles) to yield seven composite factors: knowledge barriers, exogenous barriers, cultural barriers, private support and logistics barriers, customs barriers, resources-based barriers, and market adaptation barriers.
Scientific aim Since there is neither a homogeneous number of existing barriers and types nor a uniform criterion of relative importance, typology and scales to embrace them, we contribute to shed light on the relative importance attributed to the different export barriers and how they vary as a function of the company's export destination, proposing a new scale.
Findings The proposed model was finally accepted and interesting findings were achieved regarding the differences in the export barriers faced by firms in the different destination territories. Findings such as transportation costs being the lowest perceived trade barrier in Latin America or tariff barriers scoring similar in Latin America than in Europe (while being a European Custom Union) create a ground for new studies and discussions on international trade.
Conclusions This study helps understand some aspects which have been insufficiently covered in the literature on export barriers and makes some findings which compliment the existing literature and sets new paths for future researchs. For example, the validity and relevance of the new scale, as well as the different obstacles perceived, based on the export's final market.

Keywords: Internationalization; Export barriers; Latin America.

JEL Classification: M21; M31; F23

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Introduction

Exports constitute a major competitor of foreign direct investment as the preferred and first way of doing business internationally (Lages et al., 2008; Hollensen and Arteaga-Ortiz, 2010; Pinho and Martins, 2010; Tang and Liu, 2011; Uner et al., 2013) and it leads higher competitiveness based on the reduction of transaction costs (Rivas and Mayorga, 2010).

Managers realize that exporting can take many forms, and the choice of the best alternative will depend upon the resources of the firm as well as the opportunities and obstacles, real and perceived, to be found in the destination market (Leonidou el al., 2010).

First of all, managers realize that in many instances firms get involved in export activities once a firm receives some orders for their products and services. If they are filled and end up abroad, it has a major positive impact because it means for the firm to enter what is known an export awareness stage (Czinkota et al., 2004). External factors at home and abroad influence the entry mode decision through exports (Shamsuddoha et al., 2009: Arteaga, 2013). Whether an indirect or a direct export mode is considered, a thorough discussion of the factors is out of the scope of this paper but it is provided elsewhere in the literature (Root, 1987). The point to make, however, is that the export mode, in spite that it depends on several important aspects such as product exportability, company suitability, financing, logistics, among others, it cannot underestimate the importance of the barriers that can be found in the destination market. These barriers, perceived and real, keep unfolding as a result of changing conditions due to the role played by two fundamental vectors that shape the world today, technology and globalization.

Conventional wisdom may suggest that, given a heritage through historical, cultural and linguistic ties, it is going to be much easier for Spanish firms to export to Latin American countries than for firms from other countries of the world. In addition, large Spanish firms have achieved a relatively successful positioning in Latin America through their active participation in the first wave of privatization in the region through foreign investment (Arteaga, et al., 2007)

Nonetheless, the significance of export barriers in its many forms, formal and informal, explicit and implicit, real and perceived, direct and indirect, material or subtle, makes a study of this nature of the most importance to identify and test the domain of these barriers in a region that pursued for most of the past two decades a policy of economic openness and to give the quick impression of the easiness to get into these markets. In effect, Latin America undertook a major economic reform that went deep to the roots as specified by the ten policy prescriptions known as the Washington Consensus of 1989. Trade liberalization was one of these to point out that quantitative trade restrictions should be rapidly replaced by tariffs, and these should be progressively reduced until a uniform low tariff in the range of ten percent (or at most around twenty percent) is achieved.

Despite the economic openness of the Latin America region as seen from the trade liberalization standpoint or from other major important measures such as financial liberalization, exchange rates, privatization and foreign direct investment, deregulation, property rights, tax reform, public expenditure priorities and fiscal discipline, it is relevant as an empirical question: to ask whether or not trade liberalization has been in fact a facilitator or a deterrent of exports to the region. Therefore, one purpose of this paper is to identify and discuss the export barriers perceived on destination markets when small and mid-size Spanish firms export to countries in Latin America. Importantly, findings in one specific region are compared with the results produced by the same company when exporting to a different market, in the European Union, Africa or the rest of the world.

The rest of the paper is organized as follows. The ensuing section reviews scholarly works on export barriers to propose some testable hypotheses suggested by the literature. Next, the methodology followed in this study is described in terms of the unit of analysis, the scale measurement, the structured instrument utilized in the survey stage, and the type of statistical analysis formulated. The following section discusses the results. The final section summarizes the paper and provides some concluding remarks.

1 Background

Most of the studies on export barriers acknowledge the existence of a relationship between the perception to export barriers and the degree of export development (Kahiya and Dean, 2016). However, a definition of export barriers is rarely proposed (Kedia and Chhokar, 1986; Christensen et al, 1987.; Sharkey et al., 1989; Gripsrud, 1990; Yang et al., 1992; Westhead et al., 2002; Singh et al., 2010; Zhou et al., 2010; Fernández et al., 2012). In general, an export barrier is analyzed without: 1) emphasizing its significance as an implicit impediment; 2) seeking to unveil its nature; and 3) trying to set its limits (Morgan and Katsikeas, 1997). The latter may be the reason for an overlapping between the determinant factors leading to export and its barriers. Consequently, for some authors “the exogenous determinants of the commitment to export are usually thought as impediments or export barriers” (Gripsrud, 1990, p. 473).

Leonidou (1995, p. 13) widens the range of those impediments and defines export barriers as “any attitudinal, structured, operational obstacle or any other impediment that makes difficult or inhibits the driving force of a firm to initiate, develop or sustain its international activities.” In addition, he sorts export barriers into two basic categories: internal and external barriers. The former represent barriers that arise within the organization and are usually related to the resources or the export marketing strategy of the firm. The latter, external to the firm, are the result of foreign markets or domestic influences (e.g., a lack of adequate domestic incentives). In the same vein, Bauerschmidt et al. (1985) consider that the perceptions of potential barriers to export include some underlying dimensions that Westhead et al. (2002) frame into four basic categories: strategic obstacles, information barriers, processing obstacles and operational impediments.

The studies on exports have tried to combine the research on export barriers with other aspects related to organizational matters and competitiveness without developing a theoretical framework to the study of the impediments to exports (Morgan and Katsikeas, 1997; Arteaga and Fernández, 2010). In that sense, most researchers who have analyzed the export activity tend, to agree that it is crucial to understand the barriers and their influence on exporting activity at both a macroeconomic and a microeconomic level (e.g. Julian and Ahmed, 2005).

The review shows that the empirical studies that have tried to describe the underlying dimensions of export barriers follow a methodology which is largely used for exploration purposes only. All of these studies have had the objective of reducing the dimensions of the measurement scale and, as a result, to yield a number of few barriers that summarize the broad number of obstacles to exports (Bauerschmidt et al., 1985; Sharkey et al., 1989; Ramaswami and Yang, 1990; Gripsrud, 1990; Yang et al., 1992; Morgan and Katsikeas, 1997; Westhead et al., 2002; Arteaga and Fernández, 2010; Bruneckiene and Paltanaviciene, 2012). However, there is no consensus with respect to the number of underlying factors and its contents which may be motivated for the use of different barriers and its lack of conclusive integration from previous studies (Uner et al., 2013).

Consequently, there is neither a homogeneous number of existing barriers and types nor a uniform criterion of relative importance on which are more significant, typology and scales to embrace them. As an example of these heterogeneous results Schroath and Korth (1989) obtained in their empirical study a total of 211 barriers which finally sorted into 9 types while other studies identified 10 barriers (Rabino, 1980) or 5 factors from the 17 barriers identified by Bauerschmidt et al. (1985) in their theoretical review in addition to the 5 groups yielded by the 20 barriers considered by Kedia and Chhokar (1986), the 3 factors from 10 possible barriers identified by Gripsrud (1990), the 9 factors obtained from the 22 barriers used by Leonidou (1995) or the 8 final factors described by Da Silva (2001) from an initial list of 30 other barriers or the 6 factors obtained by Julian and Ahmed (2005) from 23 barriers. It may be argued also that the proper identification of an export barrier is not only a result of a researcher’s assessment but it may be industry and country-specific (Serra et al., 2012).

In this way, in the existing literature on obstacles to exporting, we find that most studies acknowledge the existence of a relationship between the perception of exporting barriers and the development of the export activity, and according to Rocha et al. (2008), the need to understand the nature and role played by the perception of barriers to exporting has likewise inspired a great number of researchers. Nevertheless, due to the non-existence of a comprehensive base that classifies the main exporting problems of SMEs, there is still a gap in the research of barriers to exporting (Pinho and Martins, 2010).

1.1 Export destination

Generally speaking, companies first invest in developed countries and they prefer close markets and cultures similar to the one in their country of origin. In this way, similar researches have highlighted the fact that companies invest in countries where they have a higher confidence, usually acquired through already established contacts and previous visits. In this sense, the Uppsala Model (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; Vahlne & Nördstrom, 1993) establishes that companies first develop in their country of origin, presenting the internationalization process as a consequence of a series of incremental decisions (Johanson & Wiedersheim-Paul, 1975), which are mainly affected by two factors: information and resources. These two factors have an effect on the selection of the target countries, the products and the activities taken abroad, as well as the mode of entry.

The lack of information and resources creates uncertainty, a fact which promotes companies to dosify the risk taken in every decision (Wrage, 2016). As a consequence, during the first stages of internationalization, companies must choose those markets in which they have a higher grade of information, culturally closer countries, therefore excluding any element which can become a source of ambiguity or risk. In this sense, a company's first steps will be directed towards psychologically closer markets since they can be considered extensions of the domestic market, therefore implying a small need for adjustment in the operations, systems and processes (Johanson & Wiedersheim-Pail, 1975; Hadley & Wilson, 2003).

In addition, the literature on exporting activity has highlighted that the export destination is associated to the perception of the export barriers (Leonidou, 1995). However, in line with Gripsrud's (1990) observation, most of the studies on export barriers have not specified the export destination. As a result, he argues that "the results obtained are [solely] an average of the perceived obstacles in different countries" (Gripsrud, 1990, p. 476; emphasis added).

In support of this view, Bodur (1986) found significant differences in the perception of obstacles among the firms that export to Europe or the Middle East. Only a few barriers were the same for both groups of firms but even in this case, these barriers were perceived with a distinct intensity. Finally, Da Silva (2001) being aware of the possible influence of the geographic destination of exports on barrier perceptions, limited his study to firms that exported to a common market like Mercosur. Consequently, from the literature review is possible to propose the following working hypothesis:

H: The relative importance attributed to the different export barriers varies as a function of the firm's export destination.

2 Methodology

2.1 Unit of Analysis

To attain the empirical objectives sought by this study, a specified population of small and mid-size firms has been selected. On the one hand, the internationalization process follows a strategic sequence for approaching foreign markets which is fitted by small and mid-size firms at the beginning of their international business operations (Young, 1987). In this process, exporting represent one of the first steps and, in consistency with the postulates of the Scandinavian school, a compulsory one for small and mid-size firms (Serra et al., 2012; Martin and Drogendijk, 2014).

On the other hand, in Spain, the small and mid-size firms make up 99.9 percent of the total firms and generate 64 percent of total sales although only 44 percent of the total export volume. In addition, 95.7 percent of the large Spanish firms carry over export activities while this percentage decreases to 30.7 percent among the firms with less than 20 employees (Ortega and González, 2000). Therefore, it is possible to state that the difference in the export activity of these small and mid-size firms may be due to the higher intensity of their export barrier perceptions.

The unit of analysis of this study is represented by non-consolidated Spanish exporting firms and non-exporting firms interested in exporting and that participated in the program PIPE. This is a program that aims to facilitate the internationalization process of Spanish firms and, more specifically, to foster and develop the stages of promotion and commercialization of non-exporting small and mid-size Spanish firms –with interest in exporting, and non-consolidated export firms.

A self-administered questionnaire was mailed to all the firms in the census as the measurement instrument to gather the information. The questionnaire mailed to the firms was carefully prepared and the instrument tested in advance to its submission on the basis of recommendations pointed out by Ortega Martínez (1990) regarding brevity, easiness, relevance and preciseness.

Out of a total of 2,590 firms to which the questionnaires were mailed, 478 firms participated in the study for a response rate of 18.5 percent which permits to assume an error of 4.22 percent. However, the real response rate was 18 percent once 15 questionnaires received were eliminated because of no accurately and fully responding basic questions of the survey were not responded by the targeted addressee or were judged as non-reliable answers. The final sampling error was 4.5 percent.

2.2 Scaling and Statistical Analysis

A final list of 26 variables were identified after reviewing the existing literature on export barriers, and analyzing results obtained from interviews during the pretest stage in accordance with the methodology developed by different authors (e.g., Gripsrud, 1990). With this purpose items 1 through 26 of the measurement instrument listing export barriers were shown to decision makers responsible for the exporting activity of their firms during interviews. Specifically, they were asked to react to whether or not and in which extent the different export barriers made more difficult the initiation or expansion of the exports of their firms.

On the one hand, with the purpose of reducing the dimensionality of the scale used in the questionnaire to measure the set of possible export barriers, and at the same time to facilitate the analysis and interpretation of the data with the lowest possible loss of information, the principal components analysis approach is used with Varimax rotated factors. Furthermore, the approach is used to reduce the dimensionality of each of the scales associated to the four types of barriers identified in the literature. More importantly, it has been aimed to assess the validity of these scales.

On the other hand, in order to ensure the sound measurement an analysis of the reliability of the scales and a validity test were performed. Specifically, a reliability test (George and Mallery, 1995; Babbie, 1995) and a content validity test (Venkatraman and Grant, 1986; Babbie, 1995) were used.

To contrast the hypothesis associated to the possible differences in export barriers perceived in function of the destination markets, a one-way analysis of variance was also performed. The Tukey T method (1953) and the Scheffé S method (1953) were implemented as well as a posteriori multiple comparison procedures to investigate which categories presented significant differences.

Finally, to identify and describe the export barriers perceived more often by the Spanish firms participating in the study as a function of the main destination of their exports, absolute and relative frequencies were determined as well as some statistics which included measures of central tendency (i.e., mean, median and mode) and dispersion (standard deviation and quartile deviation). Clearly, to consider export firms to each geographic destination, the analysis was limited to those firms that concentrated more than 50 percent of their total exports to the four geographic destinations indicated: Latin America, European Union, Africa and the rest of the world.

4 Discussion of Results

The factor analysis and principal components approach for dimensionality reduction applied initially to 26 variables associated to the measurement scale of export barriers through Varimax rotation produced seven factors that yielded a total variance of 59.1 percent. Two items, transportation and shipping cost and cost of product adaptation to export markets had low factor loadings; therefore, they were eliminated from the initial list of variables. A repetition of the entire process yielded, however, a higher variance explanation of 60.1 percent for the seven composite factors, and this was the final model accepted to support the empirical results of this study. The decision to accept the final model is indeed supported by a Cronbach's Coefficient Alpha of 0.87 which is considered very good as a rule of thumb for internal consistency in the structural model when is higher than 0.8 for the role played by the seven identified independent composite factors. In addition the results of the KMO test is 0.85 and the spherical Barlett of 3,262.37 (d. f. = 276; p-value = 0.000), altogether permit to reject the hypothesis that the matrix of correlations considered for the tests is the identity matrix.

Regarding the results, first of all, those firms that had more than 50 percent of their exports sent to Africa showed significant differences with those that assigned more than half of their foreign sales to Latin America and the rest of the world. Consequently, after analyzing the mean values obtained for those geographic markets in this type of barriers, it is clear that the firms, whose exports have in Africa their main destination market, perceive higher private support and logistics barriers than the firms that assign their exports to the rest of the world.

Secondly, significant differences are observed between the firms that export mainly to Latin America and those that export to Africa; indeed, the firms that have Latin America as their primary destination market perceive with less intensity the barriers related to private support and logistics than those exporting mainly to Africa.

On the other hand, the study aimed at identifying the barriers that make the hardest the initiation or the expansion of the exporting activity with respect to the destination market. Specifically, the analysis of frequencies and the descriptive statistics calculated for each of the 26 items included in the questionnaire led to the following observations:

- Knowledge barriers and market adaptation barriers are the highest export barriers. In particular, the identification of an appropriate distributor, the selection of the right channels of distribution and the intensity of competition in the export markets are the main components of the market adaptation factor. In effect, these components are the ones that offer the highest difficulty to Spanish firms that have as main market destination any country within the European Union.
- From the mean values for geographic destination it is hard to notice the differences. These fall in a range that include firms that export to Latin America (mean = 4.04, on a 7 scale) and to the European Union (mean = 3.91).

- When the main destination market of Spanish exports is a country within the European Union, it is significant to observe that the tariff barriers had a score similar to the scores obtained for other destination markets such as Latin America, Africa and the rest of the world. This is paradoxical since one of the fundamental pillars of the European Economic Community since the Treaty of Rome –its founding charter, is precisely the free movement of goods and the creation of a common European space. It was the reason of a customs union which, beyond a simple free trade area, was established in 1993 to create a unique European market whose basic goal is to facilitate the free movement of goods and, as a result, the elimination of any tariff and non-tariff barriers that hinder or disturb this freedom.
- Similarly, the so-called risk barrier of losing money through a sale abroad is significantly perceived lower in Latin America (mean = 3.80) than in the European Union (mean = 3.29), rest of the world (mean = 3.38) and Africa (mean = 3.46).
- In addition, when currency risk is considered as an export barrier because of fluctuations in the rates of the foreign exchange market, Latin America's score (mean = 3.53) is significantly higher than those of the other three possible destination markets. This result is consistent with the one previously discussed above which, in conjunction with the barrier identified as high value of the Euro, represents a lower obstacle when Latin America is the destination market of Spanish exports as compared to those in Africa, the rest of the world and the European Union (mean = 3.26). In effect, being the Euro the common currency of the European Union, the European firms, and the Spanish included, are in a situation of high intensive competition among them that influences their pricing strategies, and makes the competition even tougher and, as suggested above, translates into a higher perceived export barrier.
- Finally, the lowest perceived export barrier by managers responsible for the export activity of Spanish firms is transportation and shipping costs when Latin America is the destination market. This finding is significant because, at first glance, it seems to be spurious when it is contrasted with the scores obtained for the other destination markets and in whose cases it was perceived among the top ten barriers to Spanish exports. The second lowest perceived barrier is the lack of personnel specialized in international trade at the banks with which the managers of exporting firms were dealing. In addition, it is noticed that these managers perceive in fourth place the lack of a network in the same banks with which they work in Spain. The latter may be due to the spectacular growth of Spanish investment abroad in the 1990s -about half of this investment is destined to Latin America; and near 18 percent of the total is in financial intermediation, banking and insurance (Arteaga et al., 2007) which may explain why this barrier is perceived lower for Latin America with respect to other destination markets.

5 Conclusion

This study has sought to investigate the perceptions that managers of Spanish firms have with respect to export barriers of destination markets that include Latin America, the European Union, Africa, and the rest of the world. While the focus of the research was the case of Latin American countries as recipients of Spanish exports, some comparison analysis with other regions of the world are included as well.

One of the striking results obtained from this study refers to the case of the significant role played by the support and logistics provided by the private sector. Specifically, it was found that those firms that had more than 50 percent of their exports sent to Africa showed significant differences with those that assigned more than half of their foreign sales to Latin America and the rest of the world. Indeed, the firms that have Latin America as their primary destination market perceive with less intensity the barriers related to private support and logistics than those exporting mainly to Africa.

More importantly, the following results deserve special consideration: First, knowledge barriers and market adaptation barriers are the highest export barriers perceived by Spanish firms. It was pointed out that the identification of an appropriate distributor, the selection of the right channels of distribution and the intensity of competition in the export markets are the main components of the market adaptation factor. Second, when the main destination market of Spanish exports is a country within the European Union, then the tariff barriers had a score similar to the scores obtained for other destination markets such as Latin America, Africa and the rest of the world. Clearly, this result is at odds with the goals of the European Union. Third, the intensity of competition in the foreign markets for the Spanish firms is not among the five most perceived barriers when the destination market is Latin America. Fourth, the so-called risk barrier of losing money through a sale abroad is significantly perceived lower in Latin America than in the European Union, the rest of the world and Africa. Fifth, currency risk is considered an export barrier because of fluctuations in the rates of the foreign exchange market. For the case of Latin America this barrier is significantly higher than the ones found in the other destination markets. Sixth, the lowest perceived export barrier by managers responsible for the export activity of Spanish firms is transportation and shipping costs when Latin America is the destination market. This result seems spurious because the literature has always considered geographic distance as a major export barrier. However, it can be argued, on the one hand, that with the advances in the field of communications and in the systems of transportation available around the world, then the costs associated with geographic distance have declined substantially. On the other hand, there is evidence that, because of the global economy, the psychological distance concept has replaced physical distance as a barrier in the minds of practitioners and researchers alike (Zaheer, Schomaker and Nachum, 2012; Martin & Drogendijk, 2014).

Nonetheless, the findings of this study need to be interpreted with caution within its appropriate context to suggest both limitations and new directions for further research. Specifically, the ending sample of a relatively high population of Spanish firms was not too big (however, it has one of the highest response level on this kind of surveys) and, therefore, any attempt to replicate the study might produce a different pattern of factor loadings. Similarly, even if the findings are replicated, it may be that the differences are due to the varying responses of export managers or the way they interpret and perceive export barriers rather than the subject content.

In the last analysis, it can be safely stated that this study has positively contributed to shed light on an important topic of research at different levels. First, most of the studies on export barriers cover mainly the cases of a few customary countries like the U.S. and the U.K. Few studies have been undertaken in the past as an attempt to understand the case of Spanish exporting firms, particularly vis-à-vis Latin America and other destination markets. And this is significant at a moment when the direct investment of large Spanish corporations in Latin America may be either in competition or complimentary in the same region with the exports generated by small and mid-size firms from Spain. If this is the case, new avenues are open for empirical research as well as implications for export management and policy-making. Finally, it may be pointed out that a study on export barriers focused on destination markets is useful for contrasting from the other side of the same fence the extensive literature in international marketing on the "made in country" concept to determine whether or not the latter contributes to overcome the former.

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Abstract

Purpose of the article The purpose of this paper is to identify and discuss the export barriers, propose and test a new scale, and to verify that the relative importance attributed to the different export obstacles could vary as a function of the company's export market.
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Managers realize that exporting can take many forms, and the choice of the best alternative will depend upon the resources of the firm as well as the opportunities and obstacles, real and perceived, to be found in the destination market (Leonidou el al., 2010).

First of all, managers realize that in many instances firms get involved in export activities once a firm receives some orders for their products and services. If they are filled and end up abroad, it has a major positive impact because it means for the firm to enter what is known an export awareness stage (Czinkota et al., 2004). External factors at home and abroad influence the entry mode decision through exports (Shamsuddoha et al., 2009: Arteaga, 2013). Whether an indirect or a direct export mode is considered, a thorough discussion of the factors is out of the scope of this paper but it is provided elsewhere in the literature (Root, 1987). The point to make, however, is that the export mode, in spite that it depends on several important aspects such as product exportability, company suitability, financing, logistics, among others, it cannot underestimate the importance of the barriers that can be found in the destination market. These barriers, perceived and real, keep unfolding as a result of changing conditions due to the role played by two fundamental vectors that shape the world today, technology and globalization.

Conventional wisdom may suggest that, given a heritage through historical, cultural and linguistic ties, it is going to be much easier for Spanish firms to export to Latin American countries than for firms from other countries of the world. In addition, large Spanish firms have achieved a relatively successful positioning in Latin America through their active participation in the first wave of privatization in the region through foreign investment (Arteaga, et al., 2007)

Nonetheless, the significance of export barriers in its many forms, formal and informal, explicit and implicit, real and perceived, direct and indirect, material or subtle, makes a study of this nature of the most importance to identify and test the domain of these barriers in a region that pursued for most of the past two decades a policy of economic openness and to give the quick impression of the easiness to get into these markets. In effect, Latin America undertook a major economic reform that went deep to the roots as specified by the ten policy prescriptions known as the Washington Consensus of 1989. Trade liberalization was one of these to point out that quantitative trade restrictions should be rapidly replaced by tariffs, and these should be progressively reduced until a uniform low tariff in the range of ten percent (or at most around twenty percent) is achieved.

Despite the economic openness of the Latin America region as seen from the trade liberalization standpoint or from other major important measures such as financial liberalization, exchange rates, privatization and foreign direct investment, deregulation, property rights, tax reform, public expenditure priorities and fiscal discipline, it is relevant as an empirical question: to ask whether or not trade liberalization has been in fact a facilitator or a deterrent of exports to the region. Therefore, one purpose of this paper is to identify and discuss the export barriers perceived on destination markets when small and mid-size Spanish firms export to countries in Latin America. Importantly, findings in one specific region are compared with the results produced by the same company when exporting to a different market, in the European Union, Africa or the rest of the world.

The rest of the paper is organized as follows. The ensuing section reviews scholarly works on export barriers to propose some testable hypotheses suggested by the literature. Next, the methodology followed in this study is described in terms of the unit of analysis, the scale measurement, the structured instrument utilized in the survey stage, and the type of statistical analysis formulated. The following section discusses the results. The final section summarizes the paper and provides some concluding remarks.

1 Background

Most of the studies on export barriers acknowledge the existence of a relationship between the perception to export barriers and the degree of export development (Kahiya and Dean, 2016). However, a definition of export barriers is rarely proposed (Kedia and Chhokar, 1986; Christensen et al, 1987.; Sharkey et al., 1989; Gripsrud, 1990; Yang et al., 1992; Westhead et al., 2002; Singh et al., 2010; Zhou et al., 2010; Fernández et al., 2012). In general, an export barrier is analyzed without: 1) emphasizing its significance as an implicit impediment; 2) seeking to unveil its nature; and 3) trying to set its limits (Morgan and Katsikeas, 1997). The latter may be the reason for an overlapping between the determinant factors leading to export and its barriers. Consequently, for some authors "the exogenous determinants of the commitment to export are usually thought as impediments or export barriers" (Gripsrud, 1990, p. 473).

Leonidou (1995, p. 13) widens the range of those impediments and defines export barriers as "any attitudinal, structured, operational obstacle or any other impediment that makes difficult or inhibits the driving force of a firm to initiate, develop or sustain its international activities." In addition, he sorts export barriers into two basic categories: internal and external barriers. The former represent barriers that arise within the organization and are usually related to the resources or the export marketing strategy of the firm. The latter, external to the firm, are the result of foreign markets or domestic influences (e.g., a lack of adequate domestic incentives). In the same vein, Bauerschmidt et al. (1985) consider that the perceptions of potential barriers to export include some underlying dimensions that Westhead et al. (2002) frame into four basic categories: strategic obstacles, information barriers, processing obstacles and operational impediments.

The studies on exports have tried to combine the research on export barriers with other aspects related to organizational matters and competitiveness without developing a theoretical framework to the study of the impediments to exports (Morgan and Katsikeas, 1997; Arteaga and Fernández, 2010). In that sense, most researchers who have analyzed the export activity tend, to agree that it is crucial to understand the barriers and their influence on exporting activity at both a macroeconomic and a microeconomic level (e.g. Julian and Ahmed, 2005).

The review shows that the empirical studies that have tried to describe the underlying dimensions of export barriers follow a methodology which is largely used for exploration purposes only. All of these studies have had the objective of reducing the dimensions of the measurement scale and, as a result, to yield a number of few barriers that summarize the broad number of obstacles to exports (Bauerschmidt et al., 1985; Sharkey et al., 1989; Ramaswami and Yang, 1990; Gripsrud, 1990; Yang et al., 1992; Morgan and Katsikeas, 1997; Westhead et al., 2002; Arteaga and Fernández, 2010; Bruneckiene and Paltanaviciene, 2012). However, there is no consensus with respect to the number of underlying factors and its contents which may be motivated for the use of different barriers and its lack of conclusive integration from previous studies (Uner et al., 2013).

Consequently, there is neither a homogeneous number of existing barriers and types nor a uniform criterion of relative importance on which are more significant, typology and scales to embrace them. As an example of these heterogeneous results Schroath and Korth (1989) obtained in their empirical study a total of 211 barriers which finally sorted into 9 types while other studies identified 10 barriers (Rabino, 1980) or 5 factors from the 17 barriers identified by Bauerschmidt et al. (1985) in their theoretical review in addition to the 5 groups yielded by the 20 barriers considered by Kedia and Chhokar (1986), the 3 factors from 10 possible barriers identified by Gripsrud (1990), the 9 factors obtained from the 22 barriers used by Leonidou (1995) or the 8 final factors described by Da Silva (2001) from an initial list of 30 other barriers or the 6 factors obtained by Julian and Ahmed (2005) from 23 barriers. It may be argued also that the proper identification of an export barrier is not only a result of a researcher's assessment but it may be industry and country-specific (Serra et al., 2012).

In this way, in the existing literature on obstacles to exporting, we find that most studies acknowledge the existence of a relationship between the perception of exporting barriers and the development of the export activity, and according to Rocha et al. (2008), the need to understand the nature and role played by the perception of barriers to exporting has likewise inspired a great number of researchers. Nevertheless, due to the non-existence of a comprehensive base that classifies the main exporting problems of SMEs, there is still a gap in the research of barriers to exporting (Pinho and Martins, 2010).

1.1 Export destination

Generally speaking, companies first invest in developed countries and they prefer close markets and cultures similar to the one in their country of origin. In this way, similar researches have highlighted the fact that companies invest in countries where they have a higher confidence, usually acquired through already established contacts and previous visits. In this sense, the Uppsala Model (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; Vahlne & Nördstrom, 1993) establishes that companies first develop in their country of origin, presenting the internationalization process as a consequence of a series of incremental decisions (Johanson & Wiedersheim-Paul, 1975), which are mainly affected by two factors: information and resources. These two factors have an effect on the selection of the target countries, the products and the activities taken abroad, as well as the mode of entry.

The lack of information and resources creates uncertainty, a fact which promotes companies to dosify the risk taken in every decision (Wrage, 2016). As a consequence, during the first stages of internationalization, companies must choose those markets in which they have a higher grade of information, culturally closer countries, therefore excluding any element which can become a source of ambiguity or risk. In this sense, a company's first steps will be directed towards psychologically closer markets since they can be considered extensions of the domestic market, therefore implying a small need for adjustment in the operations, systems and processes (Johanson & Wiedersheim-Pail, 1975; Hadley & Wilson, 2003).

In addition, the literature on exporting activity has highlighted that the export destination is associated to the perception of the export barriers (Leonidou, 1995). However, in line with Gripsrud's (1990) observation, most of the studies on export barriers have not specified the export destination. As a result, he argues that "the results obtained are [solely] an average of the perceived obstacles in different countries" (Gripsrud, 1990, p. 476; emphasis added).

In support of this view, Bodur (1986) found significant differences in the perception of obstacles among the firms that export to Europe or the Middle East. Only a few barriers were the same for both groups of firms but even in this case, these barriers were perceived with a distinct intensity. Finally, Da Silva (2001) being aware of the possible influence of the geographic destination of exports on barrier perceptions, limited his study to firms that exported to a common market like Mercosur. Consequently, from the literature review is possible to propose the following working hypothesis:

H: The relative importance attributed to the different export barriers varies as a function of the firm's export destination.

2 Methodology

2.1 Unit of Analysis

To attain the empirical objectives sought by this study, a specified population of small and mid-size firms has been selected. On the one hand, the internationalization process follows a strategic sequence for approaching foreign markets which is fitted by small and mid-size firms at the beginning of their international business operations (Young, 1987). In this process, exporting represent one of the first steps and, in consistency with the postulates of the Scandinavian school, a compulsory one for small and mid-size firms (Serra et al., 2012; Martin and Drogendijk, 2014).

On the other hand, in Spain, the small and mid-size firms make up 99.9 percent of the total firms and generate 64 percent of total sales although only 44 percent of the total export volume. In addition, 95.7 percent of the large Spanish firms carry over export activities while this percentage decreases to 30.7 percent among the firms with less than 20 employees (Ortega and González, 2000). Therefore, it is possible to state that the difference in the export activity of these small and mid-size firms may be due to the higher intensity of their export barrier perceptions.

The unit of analysis of this study is represented by non-consolidated Spanish exporting firms and non-exporting firms interested in exporting and that participated in the program PIPE. This is a program that aims to facilitate the internationalization process of Spanish firms and, more specifically, to foster and develop the stages of promotion and commercialization of non-exporting small and mid-size Spanish firms –with interest in exporting, and non-consolidated export firms.

A self-administered questionnaire was mailed to all the firms in the census as the measurement instrument to gather the information. The questionnaire mailed to the firms was carefully prepared and the instrument tested in advance to its submission on the basis of recommendations pointed out by Ortega Martínez (1990) regarding brevity, easiness, relevance and preciseness.

Out of a total of 2,590 firms to which the questionnaires were mailed, 478 firms participated in the study for a response rate of 18.5 percent which permits to assume an error of 4.22 percent. However, the real response rate was 18 percent once 15 questionnaires received were eliminated because of no accurately and fully responding basic questions of the survey were not responded by the targeted addressee or were judged as non-reliable answers. The final sampling error was 4.5 percent.

2.2 Scaling and Statistical Analysis

A final list of 26 variables were identified after reviewing the existing literature on export barriers, and analyzing results obtained from interviews during the pretest stage in accordance with the methodology developed by different authors (e.g., Gripsrud, 1990). With this purpose items 1 through 26 of the measurement instrument listing export barriers were shown to decision makers responsible for the exporting activity of their firms during interviews. Specifically, they were asked to react to whether or not and in which extent the different export barriers made more difficult the initiation or expansion of the exports of their firms.

On the one hand, with the purpose of reducing the dimensionality of the scale used in the questionnaire to measure the set of possible export barriers, and at the same time to facilitate the analysis and interpretation of the data with the lowest possible loss of information, the principal components analysis approach is used with Varimax rotated factors. Furthermore, the approach is used to reduce the dimensionality of each of the scales associated to the four types of barriers identified in the literature. More importantly, it has been aimed to assess the validity of these scales.

On the other hand, in order to ensure the sound measurement an analysis of the reliability of the scales and a validity test were performed. Specifically, a reliability test (George and Mallery, 1995; Babbie, 1995) and a content validity test (Venkatraman and Grant, 1986; Babbie, 1995) were used.

To contrast the hypothesis associated to the possible differences in export barriers perceived in function of the destination markets, a one-way analysis of variance was also performed. The Tukey T method (1953) and the Scheffé S method (1953) were implemented as well as a posteriori multiple comparison procedures to investigate which categories presented significant differences.

Finally, to identify and describe the export barriers perceived more often by the Spanish firms participating in the study as a function of the main destination of their exports, absolute and relative frequencies were determined as well as some statistics which included measures of central tendency (i.e., mean, median and mode) and dispersion (standard deviation and quartile deviation). Clearly, to consider export firms to each geographic destination, the analysis was limited to those firms that concentrated more than 50 percent of their total exports to the four geographic destinations indicated: Latin America, European Union, Africa and the rest of the world.

4 Discussion of Results

The factor analysis and principal components approach for dimensionality reduction applied initially to 26 variables associated to the measurement scale of export barriers through Varimax rotation produced seven factors that yielded a total variance of 59.1 percent. Two items, transportation and shipping cost and cost of product adaptation to export markets had low factor loadings; therefore, they were eliminated from the initial list of variables. A repetition of the entire process yielded, however, a higher variance explanation of 60.1 percent for the seven composite factors, and this was the final model accepted to support the empirical results of this study. The decision to accept the final model is indeed supported by a Cronbach's Coefficient Alpha of 0.87 which is considered very good as a rule of thumb for internal consistency in the structural model when is higher than 0.8 for the role played by the seven identified independent composite factors. In addition the results of the KMO test is 0.85 and the spherical Barlett of 3,262.37 (d. f. = 276; p-value = 0.000), altogether permit to reject the hypothesis that the matrix of correlations considered for the tests is the identity matrix.

Regarding the results, first of all, those firms that had more than 50 percent of their exports sent to Africa showed significant differences with those that assigned more than half of their foreign sales to Latin America and the rest of the world. Consequently, after analyzing the mean values obtained for those geographic markets in this type of barriers, it is clear that the firms, whose exports have in Africa their main destination market, perceive higher private support and logistics barriers than the firms that assign their exports to the rest of the world.

Secondly, significant differences are observed between the firms that export mainly to Latin America and those that export to Africa; indeed, the firms that have Latin America as their primary destination market perceive with less intensity the barriers related to private support and logistics than those exporting mainly to Africa.

On the other hand, the study aimed at identifying the barriers that make the hardest the initiation or the expansion of the exporting activity with respect to the destination market. Specifically, the analysis of frequencies and the descriptive statistics calculated for each of the 26 items included in the questionnaire led to the following observations:

- Knowledge barriers and market adaptation barriers are the highest export barriers. In particular, the identification of an appropriate distributor, the selection of the right channels of distribution and the intensity of competition in the export markets are the main components of the market adaptation factor. In effect, these components are the ones that offer the highest difficulty to Spanish firms that have as main market destination any country within the European Union.
- From the mean values for geographic destination it is hard to notice the differences. These fall in a range that include firms that export to Latin America (mean = 4.04, on a 7 scale) and to the European Union (mean = 3.91).

- When the main destination market of Spanish exports is a country within the European Union, it is significant to observe that the tariff barriers had a score similar to the scores obtained for other destination markets such as Latin America, Africa and the rest of the world. This is paradoxical since one of the fundamental pillars of the European Economic Community since the Treaty of Rome –its founding charter, is precisely the free movement of goods and the creation of a common European space. It was the reason of a customs union which, beyond a simple free trade area, was established in 1993 to create a unique European market whose basic goal is to facilitate the free movement of goods and, as a result, the elimination of any tariff and non-tariff barriers that hinder or disturb this freedom.
- Similarly, the so-called risk barrier of losing money through a sale abroad is significantly perceived lower in Latin America (mean = 3.80) than in the European Union (mean = 3.29), rest of the world (mean = 3.38) and Africa (mean = 3.46).
- In addition, when currency risk is considered as an export barrier because of fluctuations in the rates of the foreign exchange market, Latin America's score (mean = 3.53) is significantly higher than those of the other three possible destination markets. This result is consistent with the one previously discussed above which, in conjunction with the barrier identified as high value of the Euro, represents a lower obstacle when Latin America is the destination market of Spanish exports as compared to those in Africa, the rest of the world and the European Union (mean = 3.26). In effect, being the Euro the common currency of the European Union, the European firms, and the Spanish included, are in a situation of high intensive competition among them that influences their pricing strategies, and makes the competition even tougher and, as suggested above, translates into a higher perceived export barrier.
- Finally, the lowest perceived export barrier by managers responsible for the export activity of Spanish firms is transportation and shipping costs when Latin America is the destination market. This finding is significant because, at first glance, it seems to be spurious when it is contrasted with the scores obtained for the other destination markets and in whose cases it was perceived among the top ten barriers to Spanish exports. The second lowest perceived barrier is the lack of personnel specialized in international trade at the banks with which the managers of exporting firms were dealing. In addition, it is noticed that these managers perceive in fourth place the lack of a network in the same banks with which they work in Spain. The latter may be due to the spectacular growth of Spanish investment abroad in the 1990s -about half of this investment is destined to Latin America; and near 18 percent of the total is in financial intermediation, banking and insurance (Arteaga et al., 2007) which may explain why this barrier is perceived lower for Latin America with respect to other destination markets.

5 Conclusion

This study has sought to investigate the perceptions that managers of Spanish firms have with respect to export barriers of destination markets that include Latin America, the European Union, Africa, and the rest of the world. While the focus of the research was the case of Latin American countries as recipients of Spanish exports, some comparison analysis with other regions of the world are included as well.

One of the striking results obtained from this study refers to the case of the significant role played by the support and logistics provided by the private sector. Specifically, it was found that those firms that had more than 50 percent of their exports sent to Africa showed significant differences with those that assigned more than half of their foreign sales to Latin America and the rest of the world. Indeed, the firms that have Latin America as their primary destination market perceive with less intensity the barriers related to private support and logistics than those exporting mainly to Africa.

More importantly, the following results deserve special consideration: First, knowledge barriers and market adaptation barriers are the highest export barriers perceived by Spanish firms. It was pointed out that the identification of an appropriate distributor, the selection of the right channels of distribution and the intensity of competition in the export markets are the main components of the market adaptation factor. Second, when the main destination market of Spanish exports is a country within the European Union, then the tariff barriers had a score similar to the scores obtained for other destination markets such as Latin America, Africa and the rest of the world. Clearly, this result is at odds with the goals of the European Union. Third, the intensity of competition in the foreign markets for the Spanish firms is not among the five most perceived barriers when the destination market is Latin America. Fourth, the so-called risk barrier of losing money through a sale abroad is significantly perceived lower in Latin America than in the European Union, the rest of the world and Africa. Fifth, currency risk is considered an export barrier because of fluctuations in the rates of the foreign exchange market. For the case of Latin America this barrier is significantly higher than the ones found in the other destination markets. Sixth, the lowest perceived export barrier by managers responsible for the export activity of Spanish firms is transportation and shipping costs when Latin America is the destination market. This result seems spurious because the literature has always considered geographic distance as a major export barrier. However, it can be argued, on the one hand, that with the advances in the field of communications and in the systems of transportation available around the world, then the costs associated with geographic distance have declined substantially. On the other hand, there is evidence that, because of the global economy, the psychological distance concept has replaced physical distance as a barrier in the minds of practitioners and researchers alike (Zaheer, Schomaker and Nachum, 2012; Martin & Drogendijk, 2014).

Nonetheless, the findings of this study need to be interpreted with caution within its appropriate context to suggest both limitations and new directions for further research. Specifically, the ending sample of a relatively high population of Spanish firms was not too big (however, it has one of the highest response level on this kind of surveys) and, therefore, any attempt to replicate the study might produce a different pattern of factor loadings. Similarly, even if the findings are replicated, it may be that the differences are due to the varying responses of export managers or the way they interpret and perceive export barriers rather than the subject content.

In the last analysis, it can be safely stated that this study has positively contributed to shed light on an important topic of research at different levels. First, most of the studies on export barriers cover mainly the cases of a few customary countries like the U.S. and the U.K. Few studies have been undertaken in the past as an attempt to understand the case of Spanish exporting firms, particularly vis-à-vis Latin America and other destination markets. And this is significant at a moment when the direct investment of large Spanish corporations in Latin America may be either in competition or complimentary in the same region with the exports generated by small and mid-size firms from Spain. If this is the case, new avenues are open for empirical research as well as implications for export management and policy-making. Finally, it may be pointed out that a study on export barriers focused on destination markets is useful for contrasting from the other side of the same fence the extensive literature in international marketing on the "made in country" concept to determine whether or not the latter contributes to overcome the former.

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Annex

Table 1 Proposed scale for the Export Barriers

Knowledge Barriers	Procedure barriers
• Lack of knowledge of potential export markets • Lack of staff for export planning • Ignorance of the financial and non-financial benefits that exporting can generate • General lack of knowledge of how to export • Lack of knowledge of export assistance programs • Lack of information about opportunities for your products/services abroad	• Transportation costs and shipping arrangements • Documentation and red tape required for the export operation • Language differences • Cultural differences • Tariff barriers to exports • Non-tariff barriers related to the standardization and homologation of the product, or health, phytosanitary or similar barriers • Differences in product usages in foreign markets • Cost of adapting the product to the foreign market • Locating a suitable distributor or distribution channels • Logistical difficulties
Resources Barriers	**Exogenous Barriers**
• High financial cost of the means of payment used in international operations • Lack of resources to face the period of time needed to recover export-related investments • Lack of local banks with adequate international expertise • Insufficient production capacity in your firm • Inadequate foreign network of the banks you work with	• High value of the euro • Strong overseas competition • Risk from variation of the exchange rates • Risk of losing money by selling abroad • Political instability in the destination country

Source: Own elaboration, adapted from Arteaga-Ortiz y Fernández-Ortiz (2010:404)