

# **“An Examination of the Factors Hindering Irish SMEs from going Global”**

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## **Abstract**

The purpose of this study is to investigate the barriers that hinder Irish SMEs from entering foreign markets. An analysis of these factors may identify why there are so few SMEs in Ireland engaging in exporting activity. This involves examining the owner/manager's level of education, methods of selling product/service's and the barriers to entering foreign markets. This study is unique as it is the first of its kind to investigate the topic of SME internationalisation in the South East region of Ireland and the country as a whole.

For the current study's primary research a positivist methodology was employed using quantitative methods. The primary data for this research was ascertained using a survey based method administered to 224 SMEs, with a response rate of 37%. The survey method enabled the researcher to establish information as regards industry sector, levels of owner/manager education, understanding exporting, methods of selling products/services and barriers to entering foreign markets.

There are a number of important findings, which have emerged from the current research. Firstly the research findings have indicated that similarities do exist between exporting and non-exporting SMEs. Both groups of SME owner/managers had similar levels of education, reasons for wanting to enter foreign markets and the perceived barriers to going global. Another key fact found during the course of this current research was how many exporting and non-exporting SMEs did not understand the true meaning of the term exporting. While 100% stated they did understand the term only, 4% of exporting and 11% of non-exporting SMEs identified the term correctly. As regards education while Maslach (2005) stated that advanced education was needed to enter international markets, it was found that 69% of exporting SMEs entered foreign markets without having advanced education.

Previous literature has suggested that the SMEs most preferred method of selling was through word of mouth therefore, it was interesting to find, in this current study, that 64% of non-exporting SMEs used this method while only 26% of exporting SMEs utilised the same method. It was found that 63% of exporting SMEs preferred to

network their business as it provided them with more business contacts and linkages outside the firm.

Finally, this research has also identified that the perceived barriers of non-exporting SMEs to entering foreign markets are the same obstacles that exporting SMEs have overcome. Forfas (2004) stated that SMEs lacked the proper education in sales and marketing in order to enter foreign markets successfully. The current results supported this as both exporting and non-exporting SMEs cited lack of marketing as a barrier to going global. However, while exporting SMEs cited marketing as a barrier they still managed to enter foreign markets successfully therefore, it could be said that, there is no reason why all SMEs cannot enter international markets.

From the beginning, this research has set out to establish the factors that are hindering Irish SMEs from going global. The current research will therefore, add to the expanding body of literature on SME internationalisation, but more importantly it contributes to the developing field that is focussed on SMEs and exporting. This current research has highlighted the fact that similarities do exist between enterprises that export and those that do not engage in exporting activity. Therefore, this research has implications for researchers, enterprise support agencies, policy makers, providers and teachers of enterprise education, entrepreneurs and governments.

**Declaration:**

I hereby declare that the material is entirely my own work and has not been submitted as an exercise or degree at this or any other higher education establishment. The author alone has undertaken the work except where otherwise stated.

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Niamh Owens

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## **Table of Contents:**

	<b>Page</b>
Abstract	i-ii
Declaration	iii
Acknowledgements	iv
Table of Contents	x-xiv
List of Figures	xv
List of Tables	xvi

### **Chapter 1- Introduction**

1.1	Chapter Overview	1
1.2	Rationale for this Study	1
1.3	Research Question and Objectives	3
1.4	Structure of the Thesis	4
1.5	Limitations	5
1.6	Benefits of this study	6
1.7	Chapter Summary	6

### **Literature Review**

#### **Chapter 2 – Entrepreneurship and SMEs**

2.1	Overview	7
2.1.1	Introduction	8
2.2	Entrepreneurship	8
2.3	Characteristics of the Entrepreneur	11
2.3.1	Risk Taker	12
2.3.2	Innovative	12

2.3.3	Networking	13
2.3.4	Need for Achievement	13
2.4	Small to Medium Businesses	14
2.4.1	Characteristics of SMEs	14
2.4.2	Growth and structure of SMEs	16
	SME Marketing	17
2.4.3.1	Traditional Marketing	18
2.4.3.2	SME Networking	19
2.5	Advantages to SME Marketing	20
2.6	Conclusion	21

### **Chapter 3 – SME and the Internationalisation Process**

3.1	Introduction	23
3.2	Definition of International Marketing	23
3.3	Internationalisation and the SME	24
3.4	Drivers of SME Internationalisation	26
3.5	SME Entry Strategy of International Markets	27
3.6	Model of SME Internationalisation	32
3.6.1	Education	33
3.6.2	Key Decision Maker Attitudes	
3.6.2.1	Aggressive Growth Attitude	33
3.6.2.2	Global Orientation Attitude	34
3.6.3	International Experience	34
3.6.4	Networking	35
3.7	Barriers associated with the key decision maker	35

3.8	Conclusion	36
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## **Chapter 4 – Research Methodology**

4.1	Introduction	39
4.2	Research Problem	39
4.3	The Research Question and Objectives	43
4.4	The Research Process	44
4.5	Research Philosophies	47
4.5.1	Positivism and Non- Positivism	48
4.5.2	Selection of Research Philosophies	51
4.6	Quantitative vs. Qualitative Research	52
4.7	Research Criteria	55
4.7.1	Sample selection	55
4.7.2	Selection of research method	57
4.8	Survey research	57
4.8.1	Survey content	58
4.9	Postal questionnaires	59
4.9.1	Pilot surveys	59
4.9.2	Limitations of questionnaires	60
4.10	Conclusions	61

## **Chapter 5 – Data Analysis**

5.1	Introduction	62
5.2	Industry Sector	63
5.3	The 8 Non-exporting SMEs who entered foreign markets	64



5.4	Respondent's three- year goals	65
5.5	Level of Education of the Owner/Manager	66
5.5.1	Entrepreneurship education	67
5.5.2	Business Skills of the Owner/Manager	69
5.6	Understanding Exporting	70
5.7	SME's method of selling products/services	70
5.8	Reasons to engage in exporting	71
5.9	Option to take the business into international markets (NE)	72
5.9.1	Method of entry to foreign markets	74
5.9.2	First country of entry for exporting SMEs	75
5.10	Reasons why Exporting SMEs sell abroad	76
5.11	Factors affecting a company's decision to go global	77
5.12	Barriers hindering SMEs from going global	79
5.12.1	Non-exporting SMEs perceived barriers to exporting	82
5.13	What can the government do?	84
5.14	Conclusion	86

## **Chapter 6 – Discussion**

6.1	Introduction	89
6.2	The key decision maker	90
6.2.1	Level of education	91
6.2.2	International experience	93
6.3	Methods of selling products/services and reasons for exporting	93
6.3.1	Reasons for exporting	94
6.4	Barriers to going global	95

6.5	Conclusion	97
<b>Chapter 7 – Conclusions, Limitations and Recommendations</b>		
7.1	Chapter Overview	101
7.2	Conclusions	101
7.3	Limitations	103
7.4	Recommendations for Future Research	103
	<b>Bibliography</b>	105
	<b>Appendix A:</b> Questionnaire Cover Letter Non-Exporting SMEs	124
	<b>Appendix B:</b> Questionnaire Cover Letter Exporting SMEs	125
	<b>Appendix C:</b> Non-Exporting SME Survey	126
	<b>Appendix D:</b> Exporting SMEs Survey	133

## List of Figures:

	<b>Page:</b>
<b>Figure 3.1:</b> Maslach's (2005) SME Internationalisation Model	30
<b>Figure 3.2:</b> Adapted Maslach (2005) Model	31
<b>Figure 4.1:</b> Conceptual Framework	42
<b>Figure 4.2:</b> Research Process Onion	46
<b>Figure 4.3:</b> Research Methods	54
<b>Figure 5.1:</b> SMEs by Industry Sector	63
<b>Figure 5.2:</b> Industry sector for non-exporters that attempted foreign entry	64
<b>Figure 5.3:</b> Country of entry	64
<b>Figure 5.4:</b> Method of foreign entry	65
<b>Figure 5.5:</b> Company's strategic goals	65
<b>Figure 5.6:</b> Education levels	66
<b>Figure 5.7:</b> Level of enterprise education	68
<b>Figure 5.8:</b> Understanding Exporting	70
<b>Figure 5.9:</b> Method of selling product's/service's	71
<b>Figure 5.10:</b> Reasons for exporting	72
<b>Figure 5.11:</b> Option to take the business international	72
<b>Figure 5.12:</b> Method of foreign entry	74
<b>Figure 5.13:</b> Exporting SMEs country of entry	75

## List of Tables

<b>Table 4.1</b>	Key features of positivist and phenomenological paradigms	49
<b>Table 5.1:</b>	Business Skills	69
<b>Table 5.2:</b>	Reasons for selling abroad	76
<b>Table 5.3:</b>	Factors affecting a company's decision to go global	78
<b>Table 5.4:</b>	Barriers facing Exporting and Non-exporting SMEs	80
<b>Table 5.5:</b>	Reasons for not going global	82

# *Introduction*

### **1.1 Chapter Overview**

This research examines the barriers that hinder Irish SMEs from going global. The purpose of this study is to ascertain the reasons why so few SMEs are entering foreign markets by comparing SMEs that export and those that do not engage in export activities. The researcher investigates whether the perceived barriers of the non-exporting SMEs are the same barriers the exporting SMEs have overcome.

This chapter begins with outlining the rationale for undertaking this current research. Following on from this, the study's research question and objectives are summarised. Next a summary of the thesis layout is presented and finally the researcher gives an outline of the limitations arising from the current research, concluding with highlighting the benefits and main contributions of this study.

### **1.2 Rationale for the Study**

The idea for this research came from the analysis of the Enterprise Strategy Group (ESG) (2004) report: "Ireland's Place in the Global Economy". After more than 10 years of sustained economic growth Ireland boasts increased employment levels, also living standards and global trade have expanded. It is important to note that the performance of SMEs is of great significance to Ireland given the contribution of small enterprises to economic growth and job creation. Enterprises with under 50 employees account for 98% of the country's businesses and more than 90% of Irish enterprises employ fewer than 10 people (Annual Competitiveness Report, 1998).

The ESG (2004) report also stated however, that there are still low levels of exports from indigenous SMEs with Ireland still relying on MNEs for trade. MNE exports account for 80% of total exports out of Ireland while SMEs only account

for 20% of exports out of Ireland. There exists the ever-increasing risk of losing these MNEs because of increased globalisation and if these high exporting MNEs leave, then there is a danger that Ireland's economic growth could experience a serious setback as Ireland relies heavily on MNEs for trade. The effect of these large enterprises is that they have masked the generally poor performance of the indigenous sector. These large enterprises are now looking at lower cost economies to produce their products and this trend will continue if Ireland does not change its industry base.

According to the ESG (2004), the Department for Enterprise, Trade and Employment has acknowledged that many of Ireland's SMEs do not export and this has caused indigenous exports to remain stagnant over the last decade. Also it is interesting to note, over the last number of years that MNE exports have grown 15.9% while SME exports have only grown by 5.5%. The question needs to be asked therefore, as to who will fill the exporting gap if these MNEs leave to produce their products/services elsewhere. Irish SMEs will have to increase their exports in order to remain competitive in international markets. Therefore the need for this research is to ascertain the factors that are hindering Irish SMEs from going global. The Irish government has recognised that more time and effort needs to be spent on developing the marketing and sales skills of these SMEs so as to enable them to bring more global trade into Ireland. However, the main problem that arises is that manufacturing and development are the principal strengths in Ireland rather than sales & marketing and research & development (ESG, 2004).

Therefore, more time and effort needs to be given to increasing SME exports so as to avoid the serious setbacks to the economy that would occur if MNEs decide to produce their products elsewhere. Indigenous SMEs will have to export their products/services in order to remain competitive in international markets. Therefore, it is important to understand the reasons why many SMEs in Ireland do not engage in exporting activity

By reading relevant literature, such as Carson (1995) and Hill (2001) it has become clear to the researcher of this current study that there has been little research done in Ireland as to the reasons why more SMEs do not enter foreign markets. As

Winch and Bianchi (2005) stated there are many drivers for SMEs wanting to go global but there are also many barriers. The purpose of this research is to ascertain the reasons why so few SMEs are entering foreign markets and what the real explanations are as to the international barriers that are hindering Irish enterprises. This research is unique in that it investigates the barriers overcome by exporting SMEs and the perceived exporting barriers of non-exporting SMEs. This study is also unique as it includes SMEs from across many industry sectors, as there is no reason why all SMEs cannot enter foreign markets regardless of what industry sector they are in.

### **1.3 Research Question and Objectives**

The research question arises from the research problem. According to Chisnell (1997) it is important that the research problem is defined effectively as it is “critical” in that it describes the “nature and direction” of the complete research process (p.35). Malhotra (1996) also stated that the research problem is “the first step in any research process”(p.38). As a result of the findings of the ESG (2004) Report and the fact that so few SMEs are engaging in export activity this study’s research question asks:

***What are the factors that hinder Irish SMEs from entering foreign markets?***

The objectives to the research question are:

- To determine the barriers hindering SMEs from entering international markets.
- To establish if the personal education of the entrepreneur is a factor in the SME’s effort to go global.
- To determine the importance of education in entrepreneurship in the SME’s choice to go global.



- To identify if SME owner/managers have an understanding of the term exporting.
- To ascertain whether the non-exporting SME's perceived barriers are the same barriers that the exporting SMEs have overcome.
- To determine the SME owner/manager's method of selling their products/services.

The research was conducted using a quantitative methodology with positivism being the main philosophy used in this research. From a database of over 300 SMEs in the South East of Ireland, surveys were sent to 224 SMEs who met the research criteria set out in the study yielding a 37% response rate. Due to that fact that there were two separate samples, one survey was sent to those not engaging in any form of export activity (see appendix C) and another sent to those engaging in exporting (see appendix D). The aim of the survey was to establish the level of education of the owner/manager, their methods of selling their product/service and what they perceived as the barriers to SME's internationalising. Chapter 4 details a description of the research methodology employed in this study.

#### **1.4 Structure of Thesis**

The literature review is contained in Chapters 2 and 3. In order to put the research into context the areas of literature investigated in Chapter 2 were entrepreneurship and small to medium enterprises. It defines the SME and examines the SMEs' characteristics and methods of marketing their product's/service's.

Chapter 3 examines the SME and internationalisation and also includes Maslach's (2005) model for SME internationalisation. The chapter includes a description of the model and the barriers to SMEs when entering foreign markets.

Chapter 4 of this thesis details the research methodology employed in the primary research. This chapter details the statement of the research question and research

objectives, the choice of research philosophy and the eventual selection of the data collection method employed by the researcher.

Chapter 5 contains the data analysis and findings of the research. The data is examined under the major findings from the study, namely education, SME's method of selling products/services, reasons why exporting SMEs sell abroad, the barriers to going global, the non-exporting SME's perceived exporting barriers and what the Irish government can do in the future to help SMEs.

Chapter 6 comprises the discussion regarding the research findings. Here the major themes that arose from the research are explained, in particular the importance of the key decision maker and the similarities between SMEs who have entered foreign markets and those that have remained in the domestic market.

Finally Chapter 7 contains the conclusions drawn from the discussion and the study as a whole. The limitations and benefits of this research are discussed as well as recommendations for future research and policies.

## **1.5 Limitations**

As with any research there are a number of limitations. Selecting just one region in Ireland to study may be considered a limiting factor however; it was a more manageable sample than looking at all four regions of the country.

Another limitation to the study is that while this research states that SMEs from any industry sector can enter foreign markets, the research did not ascertain how many SMEs were real small family run businesses and whether their perceived barriers were the same as the more larger non-exporting SMEs.

Another limitation to this study is that the research did not divide the sample into different industry sectors so as to perform a comparative analysis on the industry sectors that were exporting and those that were not.

## **Benefits of the Study**

This research contributes to the growing body of literature into SME's and internationalisation, a topic, which has been researched extensively around the world. However, it is still a topic of research in its infancy in Ireland. This research is of benefit to a variety of individuals such as academics, educators, policy makers and the business community alike. This research also has implications for policy makers, providers of entrepreneurship education and entrepreneurs.

## **1.6 Chapter Summary**

This chapter introduced the reader to the research topic of SME internationalisation. It outlined the rationale behind the research including the research question and the set of research objectives attributed to the study. A summary of the presentation of the thesis was provided and finally the limitations and benefits of this current research were examined. The next chapter introduces the relevant literature that will inform this current study.

# *Literature Review*

### 2.1 Overview

The literature review is divided into two chapters. The first chapter starts by examining entrepreneurship and the entrepreneur. It is important at this stage to look at the entrepreneur as they are more often than not the owner/manager of the small business and will have the final decision in the running of the enterprise. They also possess certain characteristics that shape the Small to Medium Enterprise (SME) and the marketing aspects of the business. It is also important to note that the small business is different to the larger organisation structure and this will also be identified in the literature. Also discussed in this chapter are SME characteristics and the nature of the business. The concept of SME marketing is introduced as the SME way of marketing is different to the larger organisation's method of marketing.

As the research question is an investigation into the factors hindering SMEs from going global, it is important to understand the SME way of marketing. It has been described as haphazard and irrational (Hisrich, 1992) therefore, it is important to understand the process and whether it affects the SME's internationalisation effort. It is important to note here that marketing is not alien to entrepreneurs, but neither is it according to traditional marketing theory. It is marketing which plays to entrepreneurial strengths by recognising that aspects of SME marketing can be used as an alternative to textbook marketing, as used by larger enterprises (Stokes, 2000).

Chapter 3 discusses the SME and the internationalisation process and the drivers that attract some SMEs to enter foreign markets. The author also introduces Maslach's (2005) model that depicts the SME international effort more accurately than previous models.

### **2.1.1 Introduction**

In the Enterprise Strategy Group (ESG) (2004) report: “Ireland’s Place in the Global Economy” it is suggested that Irish enterprises should develop more expertise to enable them to enter international markets. The ESG has identified that manufacturing and development are the principal strengths in Ireland rather than sales and marketing and research and development. The report stated that the indigenous sector has been production rather than market led. Overall the report says that indigenous exports have not grown enough over the past ten years. Irish Small to Medium Enterprises (SMEs) will face increasing competition from low cost overseas manufacturers, unless they can move up the chain and develop world-class sales and marketing skills (Forfas, 2004).

In its Observatory Report (2002), the European Commission stated that SMEs were the real giants of the European economy and that two thirds of all jobs were created by small enterprises leaving larger enterprises only providing one third of the economy’s jobs.

It is the purpose of this chapter to investigate the entrepreneur and the SME. As Maslach (2005) stated it is the entrepreneur who is the key decision maker in the small enterprise and it is their personal characteristics that lead and form the management of the business.

## **2.2 Entrepreneurship**

In order to understand the small enterprise, the owner/manager of the enterprise needs to be examined. The entrepreneur is usually the head of the small enterprise therefore, it is important that he/she is properly understood as they have many characteristics that define the way that a small business is run (Carson and McCartan-Quinn, 1995).

The European Commission (2003) in its green paper on entrepreneurship defined entrepreneurship as a “mindset”. The Commission was of the opinion that it covered an individual’s motivation and capacity, independently or within the

organisation, to identify an opportunity and to pursue it in order to produce new value or economic success. This agrees with Stokes's (2000) previous definition that entrepreneurship focuses on the behavioural attributes, defining the entrepreneur as an agent, someone who does not seek to perfect or optimise existing ways of doing things, but searches instead for new methods and different ways of doing things. Schramm (2006) agreed with Stokes and stated that entrepreneurship is "the process in which one or more people undertake economic risk to create a new organisation that will exploit new technology or innovative process that generates value to others" (p.59).

Entrepreneurship is about ordinary people and their choices and actions in starting a business. Bygrave and Hofer (1991) in their research were of the opinion that entrepreneurship involves "changing the external environment from one state to another" (p.17). So as these definitions suggest the meaning of entrepreneurship is to create an independent organisation by seeking opportunities through changing the enterprise's external environment from one state to another.

While it seems that there is one general definition for entrepreneurship that is used and reworked by many theorists such as Bygrave and Hofer (1991) and Cunningham and Lischeron (1991) it is argued that there is still little known about entrepreneurship. Cunningham and Lischeron were of the opinion that entrepreneurs are misunderstood and often referred to as small business owners. It is accepted that there are numerous definitions of entrepreneurship and that one definition cannot be used to explain the process effectively as Arthur Cole (1969) stated, "...for ten years we tried to define the entrepreneur. We never succeeded."

Cunningham and Lischeron (1991) believed that the five schools of thought, namely "The Great Person School", "The Psychological Characteristics School", "The Classical School", "The Management School" and the "The Leadership School", described entrepreneurship. The Great Person School suggests that the entrepreneur has an intuitive ability and traits of leadership that he/she is born with. This correlates with McClelland's (1961) view that the entrepreneur is primarily stimulated by the strong urge to build. Those that do not possess these traits would "lack what it takes" to start up a company. However the Psychological School of

thought suggested that the entrepreneur has unique attitudes, values and needs that drive them to set up their business. Those who do not possess these traits simply drive themselves enough just to satisfy their needs. These people do not have that extra drive which forces them to strive for bigger and better results (Cunningham and Lischeron, 1991).

The Classical School of thought agreed with the psychological school yet it is of the belief that the main characteristic of the entrepreneur is innovation. This assumption agrees with Gibb (1987) who was of the opinion that because entrepreneurs are innovative they need to do things differently so as to differentiate themselves from competitors.

The Management School of thought assumed that the entrepreneur organises, owns, manages and takes the risks involved in the business. This school also assumed that entrepreneurs could be taught good management and marketing skills thereby assuming that standard textbook practices can be applied to small enterprises. Vesper (1985) stated that there is a difference between entrepreneurial marketing and larger enterprise marketing and that it is this attempt at implementing large business practices in small enterprise's that causes early failures in the SME sector. This problem will be discussed later in the literature review.

The Leadership School suggests that the entrepreneur is a leader of the people and that he/she has the ability to adapt their style to the needs of the people. Carson (2000) was of the belief that entrepreneurs display a wide range of traits including leadership, concurring with the five schools of thought, however entrepreneurs are highly focussed and self centred individuals whose primary concern is the development of their own enterprise thereby, not displaying leadership qualities but, possessing a need to making a profit. By making money the entrepreneur strives for security therefore it is interesting to look at the entrepreneurial characteristics and how making a profit influences them (Carson, 2000). Amit, MacCrimmon, Zietsma and Oesch (2000) were of the opinion that money mattered more to entrepreneurs than to non-entrepreneurs because of the traditional association between wealth and entrepreneurship. Thus it is this current



researcher's opinion that wealth attainment could be a factor that drives SMEs to enter foreign markets.

While it is noted that due to the size of the entrepreneurial enterprise it is easy for them to change their style, it is the entrepreneur's attitude that is often their downfall. Additionally entrepreneurs have an individualistic streak, where they are inherently personal, as it is their business (McClelland, 1961). So often it is found that the entrepreneur is not able or willing to change their style for the good of the business. Hisrich (1992) agreed with McClelland (1961) and was of the opinion that a further complication with the entrepreneur's attitude is the fact that many fear that someone will steal their ideas and therefore do not market them to the consumer.

As it is the entrepreneur who is, more often than not, the key decision maker in the small enterprise it is important to note the influence of their key characteristics on the business. The five schools of thought identified some important character traits that they attribute to the entrepreneur. The next section will identify the traits of the entrepreneur and how they influence the running of the small enterprise.

### **2.3 Characteristics of the Entrepreneur**

The key characteristics of the entrepreneur that emerged from these five schools of thought are that the entrepreneur is a risk taker, an innovator, a change agent and a person who is a "goal getter and a goal setter" (Carson, 2000 p. 573). Carson continued by saying that although entrepreneurs may be domineering in their management style they are also inspirational in terms of their influence on their workers. As Kirzner (1973), cited in Carson (2000), stated the "entrepreneur perceives what others have not seen and acts upon that perception. The market is constantly sending signals to those alert enough to perceive them. The entrepreneur is the one who sees the future as no-one sees it" (p.573). Carson (2000), Carson and McCartan-Quinn (1995), and Cunningham and Lischeron (1991) listed the characteristics of the entrepreneur as that of a risk taker, an innovator, networker

and as possessing a need for achievement. Each of these characteristics will now be explored in more detail.

### **2.3.1 Risk Taker**

The risk-taking characteristic corresponds with the management school of thought, where it was stated that the entrepreneur possesses some risk-taking tendencies. Mill (1984) cited in Cunningham and Lischeron (1991) suggested that the term risk taker is the distinguishing factor in differentiating entrepreneurs from managers. Entrepreneurs prefer to take moderate risks in situations where they have some degree of control or skill in realising a profit however they do not like situations, which involve either extremes of risk or certainty (McClelland and Winter, 1969). In contrast O’Gorman and Cunningham (1997) were of the opinion that entrepreneurs like to take risks and the bigger the risk the greater the buzz. According to Arens (1990) entrepreneurs are in business to satisfy their own needs however this contrasts with Carson (2000) who is of the opinion that entrepreneurs are only risk takers when their capital is threatened.

### **2.3.2 Innovative**

According to Biemans (1992), cited in Cummins, Gilmore, Carson and O’Donnell (2000), innovation “is not by definition just a new product. Instead it can refer to a new production process, a new organisational structure or new relations between people” (p.3).

Thus, as well as being risk takers, entrepreneurs are also innovative in nature. Carson (2000) said that this innovative nature is only in practice by the entrepreneur when they need money to finance the business. They will take on new work in the hope of making it profitable for the enterprise and if it does not work, innovation will stop. However, other theorists such as Fillis (2004) stated that opportunity recognition/innovation has been identified as one of the most important entrepreneurial competencies. It relates to the possibility of either

creating new business or greatly improving an existing business. According to Fillis innovation is a natural trait in entrepreneurs and cannot be switched on and off. Networking is also another natural trait in entrepreneurs as it is the essence of their day-to-day business operations.

### **2.3.3 Networking**

Networking is defined as “companies joining together with a common objective, working together and co-operating through the exchange and sharing of ideas, knowledge and technology” (Dean, Holmes and Smith, 1997). Networking is an important part of everyday life in the small enterprise and in a sense is the main marketing method practiced by the small enterprise. The entrepreneur uses personal contact networks (Hill, 2001) as their customer communication method. It is a customised form of marketing which is straightforward and one that follows a common sense approach to business (McGowan and Rocks, 1994). Entrepreneurs spend considerable time talking to customers although they do not always regard this as marketing. They call it by another name “Networking” (Stokes, 2000). It is this process that allows entrepreneurs to get close to their customers and respond to their needs much faster than the larger organisations.

### **2.3.4 Need for Achievement**

By being innovative in nature the entrepreneur has a heightened need for achievement. It is this need for achievement that drives the entrepreneur to expand and grow the business. McClelland (1965) cited in Cunningham and Lischeron (1991) was of the belief that entrepreneurs might have a distinctively higher need for achievement. This characteristic complies with the classical school of thinking. Due to the fact that the entrepreneur is innovative in nature they will strive to become better than their competitors in their marketplace. As Amit, Glosten and Muller (1993) stated “entrepreneurs are individuals who innovate, identify and create business opportunities, assemble and co-ordinate new combinations of resources so as to extract the most profits from their innovations in an uncertain

environment” (p.817). As O’Gorman and Cunningham (1997) stated “entrepreneurs with a high need for achievement view profits as a measure of success, money as a feedback mechanism and not as a goal in itself” (p.16).

As can be seen from the above literature there are a number of characteristics that define the entrepreneur. They also have a major impact in the type of marketing, which the owner/manager engages in, in order to grow the business. As Maslach (2005) stated, the entrepreneur is the key decision maker and direct influencer in the small business. The entrepreneur has influence over the way that the enterprise is run and ultimately the way that the marketing function is operated. However, in order to understand SME marketing, firstly the nature and characteristics of the small enterprise has to be examined.

## **2.4 Small to Medium Businesses**

The European Commission (2003) defined an enterprise as “an entity engaged in economic activity which includes self employed people, a family business engaged in crafts and other activities and partnerships or associations regularly engaged in economic activity....employing fewer than 250 persons” (p.4). For the purposes of this research the Commission definition of the small enterprise will be used.

As Carson and Cromie (1989) pointed out small businesses are not just little big businesses. SMEs have their own inherent characteristics that affect the way that they operate their businesses on a day-to-day basis. It is these characteristics that define the SME and the way in which they market themselves to potential customers. These different characteristics, structures, and SME marketing are described in the following section.

### **2.4.1 Characteristics of SMEs**

The Bolton Committee (1971) identified three important characteristics that are likely to have a strong effect on management and decision-making within the small enterprise.

- They have a relatively small share of the marketplace.
- They are managed by owners or part owners in a personalised way
- They are independent, in the sense of not forming part of a larger enterprise.

(p. 10)

According to Carson, Cromie, McGowan and Hill (1995), SMEs by definition are small in size. They go on to say that this has a major influence on the management and decision-making within the enterprise. It inherently means the existence of certain deficiencies in the organisation. Carson continued that in the internal environment the SME is crippled with lack of resources that suppresses their growth potential also they cannot afford to hire specialists to perform tasks for them therefore they must rely on a more generalist management structure. The SME is also characterised by its independent nature (Carson et al, 1995). They are independent because they are not part of a complex system such as a small division of a large enterprise. SMEs are also characterised by their management style, which is of a personalised fashion. Managers know all the employees personally and participate in all parts of managing the business from marketing to manufacturing. Small enterprises are typically flexible and can respond more quickly than the larger organisations to the changing marketplace. This flexibility gives the small enterprise a unique competitive advantage (Heathfield, 1997). Externally, the SME's small size means that it does not have any or very little control over its environment and certainly has little impact on this environment. Its entrepreneur also defines the SME. The owner/manager (entrepreneur) will likely dominate all decision making within the organisation. The entrepreneur's culture and background will heavily influence his/hers decision making process.

Hill (2001) stated that SMEs possess unique characteristics, however these characteristics do not always afford them opportunities in their domestic markets. The main opportunity that the SMEs have is their small size, which provides them with a "competitive advantage" (p.7). Munro (1996) said that entrepreneurial spirit, flexibility, innovativeness and responsiveness are key strengths for the smaller enterprise. According to Blanchard (1994), by playing on these strengths small

enterprises can create value for their customers through non-textbook marketing techniques.

It is these characteristics that define the SME therefore it is important to explain the way that the SME conducts the marketing aspect of their businesses. These characteristics also shape the nature of SMEs and the rate at which they grow in domestic and foreign markets.

#### **2.4.2 Growth and structure of SMEs**

McCartan-Quinn and Carson (2003) defined SME growth as usually related to an increase in turnover, profitability, number of employees and financial assets. Churchill and Lewis (1983) in their study on SME growth developed a five-stage model of SME development over the long term. The model develops from the existence stage to the resource maturity stage, this stage being where the SME has reached the point where the owner has relinquished his role as sole manager of the business and the manager and adequately trained staff will run the business. In essence the business has matured and has the advantages of size and managerial talent (Churchill and Lewis, 1983). The growth of the SME also affects the way in which their marketing function is performed; businesses in the existence stage of the model may market themselves differently to firms in the resource maturity stage.

The SME structure is also of importance when looking at the way the small business performs the marketing function. Mintzberg (1983) defined the small enterprise structure as that of a simple one. According to Mintzberg, informal communication is convenient and effective for the enterprise as it is entrepreneurial. He defined the classic entrepreneurial enterprise structure as “aggressive and innovative continually searching for the risky environments where the bureaucracies fear to tread” (p.160). Mintzberg (1983) also concluded that the small enterprise remains organic so that the entrepreneur can retain a tight control over the running of the enterprise. Carson (2000) agreed with Mintzberg also as regards the characteristics of the entrepreneur where the owner/manager of the

enterprise tends to be autocratic and charismatic, founding his/her own enterprise because they did not like the constrictions of bureaucracy.

### **2.4.3 SME Marketing**

As mentioned earlier, due to their small size, SMEs often formulate their own marketing plans and therefore, do not follow the traditional methods of marketing laid out in textbooks. Greenley and Bayus (1994) found in their study on SMEs that few companies adopt the prescriptions of marketing planning that are advocated in the literature. The small enterprise is found to prefer marketing that is haphazard and simplistic allowing it to respond quickly to customers' problems and queries (Carson and McCartan-Quinn, 1993). This quick response rate is part of the small enterprise's characteristics that distinguish the SME from the larger organisation.

However, Hisrich (1992) said that it is this haphazard, irrational and unplanned practice of marketing that makes the small enterprise look like the "retarded kid brother" of the larger organisation. Small enterprise's practice "doing marketing" where they respond to problems as they occur and are more customer focussed due to their personalised management function. Large organisations look on this haphazard marketing approach as poor planning on the entrepreneurs' part. Carson and McCartan-Quinn (1993) also stated that SME marketing is undisciplined and spontaneous which would relate to the entrepreneurial characteristic of innovation. Cummins, Gilmore, Carson and O'Donnell (2000) stated that innovation encompasses all marketing activity in the small enterprise. By being innovative in nature the entrepreneur will make decisions on the spur of the moment and this therefore, makes their marketing practices spontaneous.

Numerous studies, for example Carson et al (1995), of small entrepreneurial enterprises have indicated that one of their major downfalls is their lack of marketing capabilities. The small enterprise has limited resources and expertise to effectively deal with the constant demands placed on them to market themselves in the competitive marketplace. Therefore it seems wrong to ask the small enterprise

to adopt the traditional marketing concept as their formal market planning process as it is their haphazard method of marketing that makes them unique (Hisrich, 1992). It is this traditional marketing concept adopted by the larger organisation in their marketing practices that more often than not requires a large pool of resources. Due to the fact that the SME rarely has a large amount of capital they will find it difficult to develop a large marketing campaign.

#### **2.4.3.1 Traditional Marketing Theory**

Very little marketing strategy is written or aimed at the small entrepreneurial business and when large organisation marketing processes are converted into a small business context they may not be entirely suitable (Carson, 1990). As Kotler (1997) stated the marketing concept is the cornerstone of the marketing discipline. It can be disputed however, that marketing is mostly concerned with running existing businesses and is therefore less concerned with the entrepreneurial challenge of creating new ventures. Traditional methods of marketing see innovation as a minor part of the marketing practice. However it is this innovation that characterises the small enterprise as the entrepreneur runs his/her business on their innovative ideas (Duus, 1997). It is suggested that the traditional marketing approach does not fully appreciate the way that small enterprises perform their marketing function. Carson (1990) and Hisrich (1992) were of the opinion that while the small enterprise marketing function may be informal it is flexible. However Dunn, Birley and Norburn (1986) in their study of small enterprise's adoption of the marketing concept in the United States found that these enterprises did practice the marketing concept but that their management of the 4Ps was different then that of the larger organisation.

Fillis (2004) stated "entrepreneurial marketers have been adopting concepts to suit the needs of their business for centuries" (p.6). Brownlie and Saren (1992) suggested that the real reason behind the failure of SMEs to adopt the traditional marketing methods is that these methods are "divorced" from the real business situations that can occur. The traditional marketing literature seems only to relate to the larger organisation. Brownlie and Saren also suggested that the large



organisation's that adopt the traditional marketing concept should not be so concerned with following the theories but more concerned with following the changes in their external environment.

Hill (2001) observed that SMEs run their businesses through day-to-day survival rather than utilising a well thought out marketing plan. Thus when periods of uncertainty are thrust upon SMEs they tend to "focus on doing" rather than following a series of strategic planning measures. This concurs with Carson's (1990) and Hisrich's (1992) views that SMEs tend to "do marketing" whereby the entrepreneur concentrates on the here and now, preferring to deal with problems as they arise.

#### **2.4.3.2 SME Networking**

One of the most important characteristics of SMEs is that they are close to their customers and it is this closeness that defines the type of marketing that SMEs practice. Network marketing has become synonymous with SMEs in recent years. According to Collinson and Shaw (2001) the networks within the small enterprise and the entrepreneur have been found to provide accurate information and advice. Collinson and Shaw (2001) agreed with Carson et al (1995) and stated that the main reason behind the successful network association in SMEs is that these personal contacts provide them with the advice they need to develop their businesses further. In essence it is the conversations that entrepreneurs have with their customers that provide them with the market information that they need therefore, they rarely engage in the full-scale marketing research process. SMEs neither have the time nor the resources to fulfil this requirement. Dubini and Aldrich (1991) stated that for the entrepreneur, the personal contact network is a normal occurrence and not a planned process. Hill (2001) agreed with Dubini and Aldrich and was of the opinion that it is the "network that characterises the SME" (p.14).

So while some literature suggests that the SME performs marketing just in a different way to the traditional textbook methods, Hisrich (1992) was of the

opinion that entrepreneurs are often poor planners and managers and therefore have a very limited understanding of marketing. According to Coviello, Brodie and Munro (2000) small enterprise marketing practices are typically described as “unique and tend to be criticised as non-traditional, non-strategic and non-comprehensive”(p.3).

Therefore the entrepreneur could be blamed for SMEs not utilising the marketing function, as the entrepreneur’s domineering nature and relative inexperience, when it comes to implementing marketing practices, inhibits the enterprise from expanding. This being the case, the question needs to be asked as to the advantages to SME’s choosing to undertake such marketing methods.

## **2.5 Advantages to SMEs Marketing**

It is well documented that SMEs have unique characteristics that differentiate them from the conventional marketing style used by the larger organisation (Carson, 1990). These characteristics are often determined by the inherent characteristics and behaviours of the entrepreneur running the business. By choosing to adopt their own marketing style SMEs are gaining an advantage over the larger organisation, that can be difficult if not impossible for the larger enterprise to replicate, such as the ability to meet customer demands faster and the flexibility of the SME. This conflicts with earlier statements that suggested that the non-practice of traditional marketing methods would cause the failure of SMEs (Carson and McCartan- Quinn, 1995). The advantages that the SME has compared to larger organisations are the following:

**Loyalty-** According to Hill (2001) the smaller the enterprise the closer it is to customers thereby gaining loyalty from them. This relates back to the personal contact network marketing employed by the SME. By remaining close to their customers and contacts, SMEs will receive loyalty in return.

**Flexibility-**small enterprises typically are flexible and can respond more quickly to the changing market compared to larger enterprises thereby giving them a vital competitive strength (Heathfield, 1997).

**Speed of response-** the reaction to market changes is also a marketing advantage for SMEs. Their flexibility also helps them in this area. Their closeness to the market allows them identify changes in marketing trends, customer demand and a variety of other areas that the larger organisation may not be able to identify. The SME's size also helps them in their speed of response. Blanchard (1994) stated that by SMEs playing on their strengths they can add value to their product/service through creative, albeit 'non textbook', marketing techniques. Munro (1996) agreed with Blanchard (1994) and also cited flexibility as one of the key strengths of the smaller enterprise.

**Opportunity-focussed:** due to the fact that SMEs are entrepreneurial in nature they tend to be more opportunity focussed than larger companies. The SME's ability to seek out new opportunities is an advantage over the larger organisation. The SME also takes the opportunity to seek out market niches that are too small for the larger organisation to exploit. Hardy (1987) said that the SME's ability to seek out niches makes it easier for them to get closer to customers and obtain valuable feedback.

**Easy access to market information:** due to the fact that the entrepreneur is close to his/her employees and customers and can exploit opportunities revealed to them, the small enterprise owner can access vital and inexpensive market information. Berry (1987) suggested that it is this ability to access local information that is a unique asset to the SME.

## **2.6 Conclusion**

In conclusion it is clear to see that SMEs' marketing functions are quite different to that of the larger organisation. They rely more on personal networks and fixing problems as they occur rather than following a traditional marketing concept. While the large organisation has large pools of resources that enable them to pursue elaborate international ventures, the smaller enterprise does not have that advantage. It has been established that the small enterprise does not use the

traditional methods of marketing as they find it difficult to raise the capital to fund marketing campaigns. However, the focus of this research is to ascertain the barriers to small enterprises when attempting to go global and whether networking is still used to establish a business abroad. The following chapter assesses the SME internationalisation process and the reasons for SME entry into foreign markets. The chapter also describes barriers encountered by SMEs in general and how these barriers affect their entry into international markets.

**3.1 Introduction**

As mentioned in the previous chapter SMEs have an alternative method of performing their marketing function. It is these methods that distinguish the small enterprise from the methods employed by the larger more successful organisation (European Commission, 2003). If a company wanted to succeed in the ever-increasing market it needed to obtain economies of scale, exploit foreign marketplaces and keep on top of the new opportunities in technology. The Commission continued by saying that this trend has been changing over the last century and these changes have led to new and innovative opportunities for the entrepreneurial initiative. Due to the increased complexity of products and services that now require specialised inputs, small enterprises are now being let in on a niche market basis to compete on a European wide level (European Commission, 2003).

The purpose of this chapter is to look at the marketing used by SMEs in the international marketplace. Maslach's (2005) model is also used as a description of the internationalisation process. For the purpose of this research the following section defines international marketing.

**3.2 Definition of International Marketing**

Many theorists describe international marketing as the performance of business activities that direct the flow of a company's goods and services to consumers in more than one nation for profit (Cateora and Ghauri, 1999). Czinkota and Ronkainen (2004) agreed with this definition and were of the opinion that internationalisation shows how a company becomes a global participator in the international marketplace.

A considerable shift in the worldwide market has taken place and firms have to take on competition from all over the globe when conducting business, due to the fast changing global environment (Axinn and Matthyssens, 2001). Internationalisation of the production and distribution of goods and services and the associated trade and capital flows has accelerated in most countries during the past 15-20 years. This process has been loosely described as “globalisation”(Graham, 1999). With the ever-expanding world markets and increasing demands that consumers are putting on companies, globalisation seems to be the next step towards satisfying those demands.

### **3.3 Internationalisation and the SME**

These definitions seem to suggest that the international market is much bigger than the domestic markets of nation states however, Knight (2000) suggested that the boundaries between domestic and international markets are becoming less significant as businesses increase their profiles overseas. This agrees with Levitt’s (1983) original theory that globalisation has removed the barriers that segmented the national and international markets and separated small and large enterprise’s competitive space in the recent past. This being the case it would seem that the internationalisation process should be accessible to all enterprises regardless of their size and resource base. However, Knight (2001) does concede that it is often the case that SMEs are forced into internationalisation because their niche market has gradually declined or that their customers are demanding more from their products and services. This forces the SME to take their business abroad so as to find a new niche market for their product. However, smaller enterprises usually lack the resources, capabilities and marketing power of traditional multinational enterprises that would enable them to enter foreign markets. Given their relatively low base of resources compared to their larger rivals, the international process tends to be considerably more challenging for the SME.

Knight (2001) had a different opinion to Mundim, Alessandro and Stocchetti (2000) who stated that the specific advantages derived from operating in the global marketplace seem only to be achieved by the larger organisation, that is unless

SME's can find a solution that allows them to adapt to global business opportunities without succumbing to their limited resources. Since the inclusion of ten new countries to the European Union the barriers to entry with European countries has become even more crippling. The resulting accession of the ten countries has culminated in increased competition in the European marketplace leading to many firms seeking business abroad. However, this increased marketplace has also brought about more markets for SMEs to target. Regardless of size, enterprises are forced to compete side by side and must strive to be global and compete in interlinked markets.

Increased participation of small enterprises in the global economy can be seen as an important part of globalisation (Graham, 1999). In the early 1990's the OECD made the prediction that 80% of SMEs in the European Union would be affected by or involved in international trade by 2005. However, for SMEs to survive in the global marketplace their strategies must have their own engines and drivers. The small enterprise must be relatively immune to competition regardless of their size however it is this competition that puts pressure on SMEs to devise a well-constructed strategy that the larger organisations cannot attack (Etemad, 2004).

The number of small enterprises operating in the international marketplace has been growing slowly but steadily over the last decade. With advances in information and communication technologies and the globalisation of markets more SMEs are active in the international market than ever before (Bell, 1995). One of the key advantages to SMEs in their domestic markets is their flexibility and speed of response as outlined earlier. However, the traditional models of the internationalisation process require a gradualist, incremental move through a number of different stages that do not fit in with the SME style of marketing (Lloyd-Reason and Mughan, 2002). This being the case, the question needs to be asked as to what the drivers are that motivate SMEs to enter into the global marketplace.

### **3.4 Drivers of SME Internationalisation**

In a report published by the European Commission (2003), many reasons were cited as to the attractiveness of foreign markets to the smaller enterprise. One of the most influential factors for SMEs in their decision to go global was access to technology information.

Access to technology can be more easily acquired by SMEs, as the Internet can be a very useful tool for the small enterprise to enter the international playing field. Widespread usage of fax, email and the internet and other such technologies is making internationalisation a more viable and cost effective option than it was a few years ago (Oviatt and McDougall, 1995). Such systems are providing important competitive advantages to smaller enterprises, allowing them to efficiently transact business with upstream and downstream channel members throughout the world (Tiessen, Wright and Turner, 2001). The Internet not only helps SMEs to internationalise but also helps them to maintain a strong position in foreign markets. Due to the fact that the Internet is a gateway to foreign markets it enables SMEs to become international whether it is planned or not (Lituchy and Rail, 2000).

There are two main reasons why electronic commerce is not utilised by small enterprise managers, the main one being that they tend to be unfamiliar with the technology and benefits associated with it. They also perceive it to be both costly and a source of security concerns. The minority of SMEs that do use the Internet often set up a website and then do not know what to do with it (Tiessen, Wright and Turner, 2001).

On the other hand according to the 6<sup>th</sup> Report of the European Commission (2003) approximately 42% of European SMEs use the Internet as a means to market themselves. Due to the existence of the Internet the SME can enter new and larger markets without having to open new sales offices. Also it was observed in the report that SMEs that were using the Internet were more frequently exporting than those that were not availing of the opportunity. However, the Internet does not have the capability to solve all problems for SMEs entering foreign markets. For



example the Internet does not provide SMEs with the relevant experiential knowledge about foreign markets hence it does not really help SMEs to penetrate the international market. It also subjects the SME to intense global competition (Fillis, 2002). By using the Internet as an entry tool the SMEs are exposed to foreign markets where the competition is fierce and includes multinational companies with considerable more market power. Due to the increased competition to SMEs in the international marketplace, it is necessary to understand the entry strategies that are employed by SMEs in order to break through the barriers into foreign markets.

### **3.5 SME Entry Strategies for International Markets**

According to Root (1994), the entry strategy for international markets is a broad, wide-ranging plan. It sets forward the objectives, goals and resources that will guide a company's international business operations over a period long enough to sustain a reasonable amount of growth in the competitive world market. However according to Mundim, Alessandro and Stocchetti (2000), SME's suffer from a two-fold problem. On the one hand, asset constraints and limitations in critical resources restrict the capability to compete in a global environment; and on the other hand local markets and niches are being attacked by powerful international organisations.

Traditional marketing theory says that enterprises should follow a well thought out plan when thinking about going global. The most traditional way of explaining the internationalisation process is by using the Uppsala model developed by Johanson and Vahlne (1977). The model contains different steps that attempt to describe the enterprise's level of internationalisation. The steps go from the enterprise that has no export activity to the enterprise that has an installation of foreign production facilities. This model has been widely accepted by theorists throughout the years. However, it was found that the model was too simplistic and needed to be more detailed. Rasmussen, Servais and Madsen (2000) agreed with this view and suggested that the factors involved in the internationalisation of the enterprise were more complex in nature. For example, market conditions; technology and

knowledge of foreign cultures need to be assessed by large enterprises before going global.

However, the Uppsala model was seen to be too complex for the SME, as limited resources and lack of capital would make it difficult for SMEs to explore foreign cultures and acquire the technology required to enter international markets. Cooper (1979) proposed that growth minded small businesses should choose a niche strategy thereby concentrating on where they have competitive advantages because as an innovative manager runs the small enterprise they can change products quickly. However, Baird, Lyles and Orris (1994) said that the small enterprise's tendency to react to the environment, rather than controlling it, might make them more hesitant to actively seek out new foreign customers.

Dahringer and Muhlbacher (1991) suggested that the larger enterprise's method of entry into foreign markets is usually undefined. They describe the large enterprise's process of global marketing as that "of...developing a distinct marketing mix for each market" (p.33). As mentioned previously, the SME is small in size and lacks adequate capital and resource therefore this increased competition in the international marketplace has reduced the ability of SMEs to control their own development paths. For example the majority of SMEs are forced into internationalisation as their customers are looking elsewhere, or the larger enterprises have taken over their niche in the local market (Etemad, Wright and Dana 2001).

Based on the above example of the internationalisation model this researcher has found that the model does not fully explain the way that SMEs approach international markets. For example, networking is not referred to in the traditional models however, as the literature has shown SMEs rely heavily on personal contact networks to market themselves and meet new customers. In this author's opinion the model formulated by Maslach (2005) in the Waterloo University, Canada is one that captures the essential elements of the SME internationalisation process. The model studies Born Global firms, and even though this current research does not focus particularly on the subject of Born Globals, the elements of the model are

still relevant to the study being undertaken in this current research. This can be seen in Figure 3.1

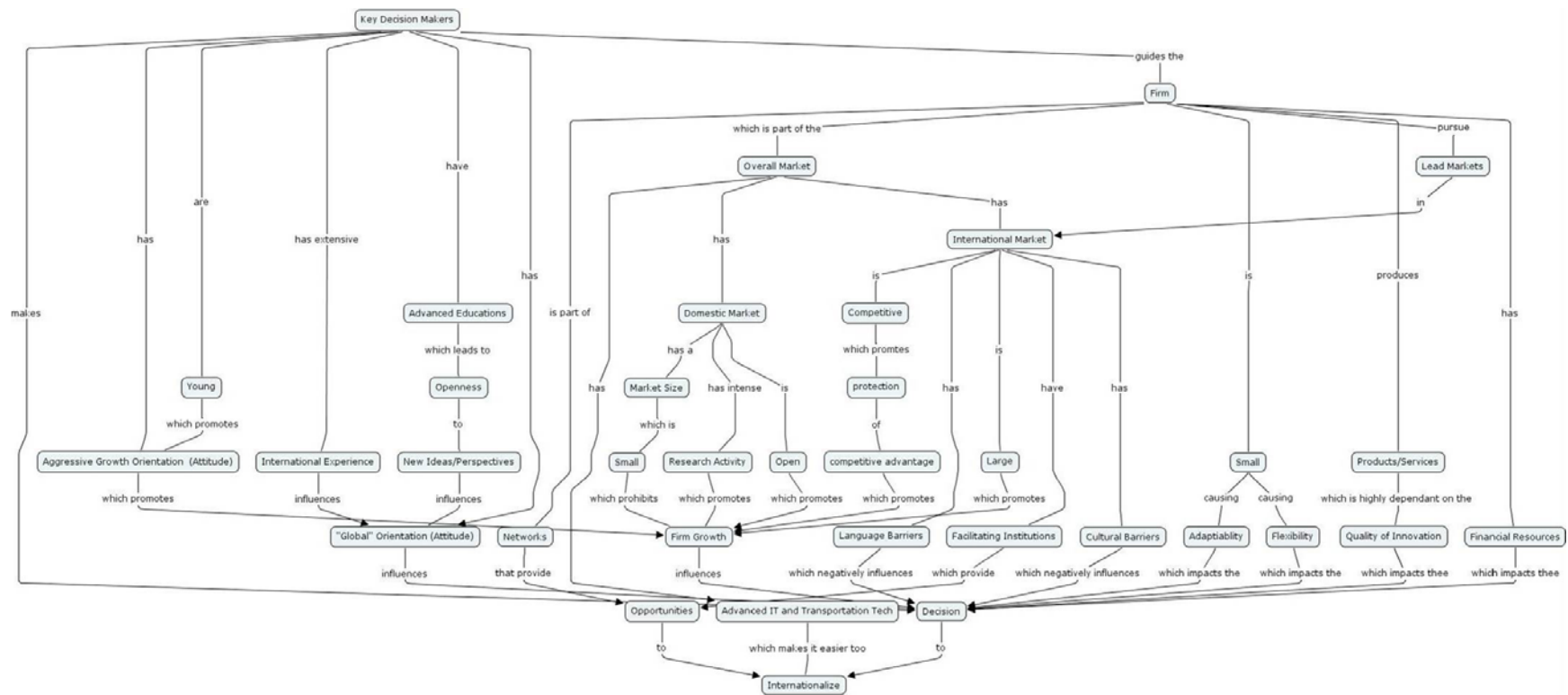


Figure 3.1. Maslach's Born Global Internationalisation Model  
(source: Maslach, 2005, p.18)

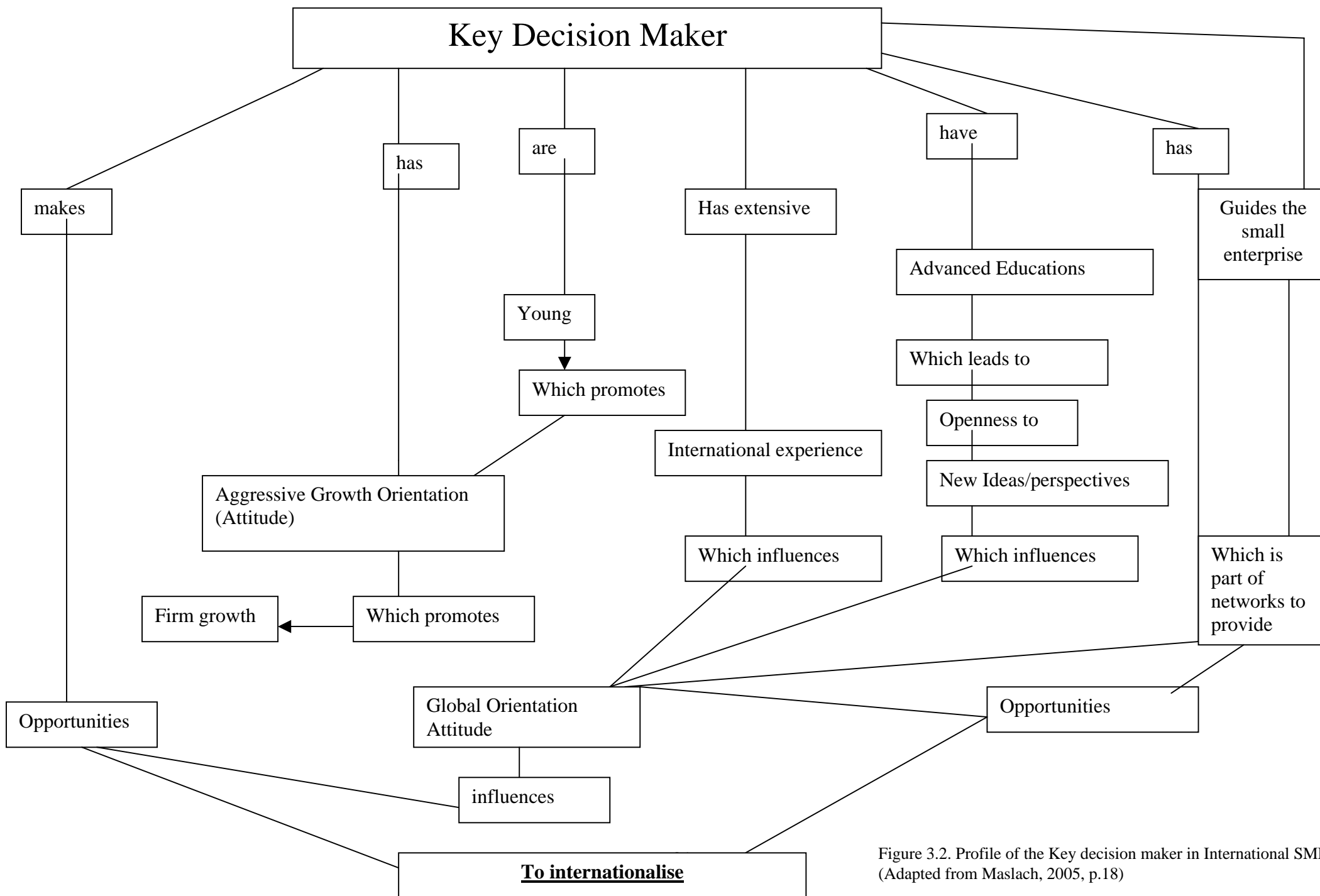


Figure 3.2. Profile of the Key decision maker in International SMEs  
(Adapted from Maslach, 2005, p.18)

### **3.6 Modal of SME Internationalisation**

For the purpose of this current research only a specific section of Figure 3.1 will be referred to. It is this section that this current researcher feels is relevant to the study of the internationalisation of SMEs. It outlines the features that the SME owner/manager should have when entering foreign markets such as advanced education, international experience, ability to network and a global attitude. This specific section is shown in Figure 3.2.

As can be seen from Figure 3.2 it is the key decision maker that is the most important person in the SME. This concurs with Carson (1990) and Hill (2001) who were of the opinion that the entrepreneur was the key decision maker of the SME as all decisions passed through them before being finalised. According to Miesenbock (2000) the entrepreneur is the key variable in small enterprise's internationalisation as he/she decides when to start, end and increase international activity.

Maslach (2005) has identified that the current literature has acknowledged the educational, and experiential characteristics of key decision makers will effect the pace and method of internationalisation. It is these characteristics that this current researcher has found to be the most important variables when considering the SMEs entry into international markets. These characteristics will have an effect on how SME's will go global if they get to that stage of their development. As can be seen from Figures 3.2 the variables, which Maslach considers to be important in SME internationalisation, are education, attitudes, international experience and networking. The first variable that will be examined is education as Maslach (2005) stated that advanced education is best when attempting to enter foreign markets.

### **3.6.1 Education**

Forfas (2004) outlined that education was a major downfall for Irish SMEs where Irish graduates were found not to have the necessary skills to assist SMEs in their international efforts. Maslach (2005) found that advanced education gives owner/manager's the opportunity to interact with international sources thereby leading to an increased amount of personal contact networks, as Hill (2001) suggested, it is the network that characterises the small business.

As can be seen from Figure 3.2, Maslach (2005) also suggested that the key decision maker in the small enterprise has advanced education, which in the case of Ireland is quite the opposite as stated by Forfas (2004). As shown in Figure 3.2, Maslach stated that advanced education leads to openness, which will generate new ideas by the entrepreneur. It is this openness that generates the opportunities to go global for the SME. Previous literature such as Gibb (1987) has stated that entrepreneurs are open to new ideas as they are innovative in nature. Gibb also stated, that because entrepreneurs are innovative in nature they need to do things differently so as to differentiate themselves from competitors. O'Gorman and Cunningham (1997) agreed with the early opinions of Gibb where the entrepreneur learns about business by doing it rather than obtaining a school or college education. However, Cooper and Gascon's (1992) research suggested that while a higher level of education may be a factor it is difficult to isolate education as the independent factor responsible solely for small enterprise internationalisation success.

### **3.6.2 Key Decision Maker's Attitudes**

#### **3.6.2.1 Aggressive Growth Attitude's**

As Figure 3.2 shows, the key decision maker's aggressive growth attitude promotes firm growth. Maslach was of the opinion that the key decision maker should have an aggressive attitude in order to pursue international markets. The key decision makers' are driven by the risk taking propensity of foreign entry and

the need to make a profit. This concurs with Carson (2000) who stated that entrepreneurs are primarily concerned with making a profit in the market. However, there is disagreement among theorists, notably Saarenketo (2002), who said that the more risky the internationalisation process the less likely it is to occur. So the risk-taking propensity of the key decision maker will no longer be the dominant feature.

### **3.6.2.2 Global Orientation Attitude**

Another key attitude that Maslach identified is the global orientation attitude of the entrepreneur. This is an important factor in the SME's decision about whether to go global or not. As mentioned in the previous chapter the entrepreneur is the owner of the business and ultimately they have the final say on what the company undertakes therefore if the entrepreneur does not have a global attitude the less likely he/she is to enter foreign markets. Wiedersheim-Paul, Olsen and Welch (1978) were of the opinion that 'geocentricity' was important to small business managers. Therefore, considering the world, as one marketplace is an important factor whether managers will internationalise or not. Another important factor in determining whether SMEs will internationalise is the international experience of its key decision maker.

### **3.6.3 International Experience**

Maslach's model also suggested that the key decision maker in the SME should have extensive international experience. According to O'Gorman and Cunningham (1997) overseas experience is an important determinant of new business success in Ireland and individuals who have experience of working abroad have a far greater propensity to export once they start their own business. Miesenbock (2000) agreed that many key decision maker's (entrepreneur's) have extensive foreign travel experience and will affect the pace of SME internationalisation. Calof and Beamish (1995) stated that the key decision maker's international experience is linked to the pace of internationalisation. They were of the opinion that the



enterprise could skip stages and move from exporting to wholly owned production if the owner/manager possessed experience in international markets.

#### **3.6.4 Networking**

Figure 3.2 also describes the use of networks by the key decision maker in the SME to provide opportunities to internationalise. As stated earlier, networks are the main method of marketing used by SMEs. According to Carson, Gilmore and Grant (2001) “SME owner-manager’s recognise that building relationships are vital to the company’s success and they invest considerable effort in maintaining good relations with regular clients” (p.2). Networking and using suitable competencies together can represent the core essence of SME marketing. This can represent significant strengths that contribute to successful SME marketing. Considering that there are numerous advantages to SME marketing there still seems to be barriers that are hindering them from entering foreign markets. These barriers are discussed in the following section.

### **3.7 Barriers associated with the Key Decision Maker**

As Carson and Cromie (1989) stated, small enterprises are not just little big businesses. The SMEs have their own inherent characteristics that symbolise the way they do business. Winch and Bianchi (2005) stated that the lack of SME management skills could be a barrier to SMEs when entering foreign markets. They were of the opinion that many SME’s do not understand the importance of personal factors such as international business skills. Forsman, Hinttu and Kock (2000) were of the same opinion and stated that management is crucial for SMEs when they are thinking about entering foreign markets. According to them, the entrepreneur is the driving force behind the SME, concurring with Maslach’s (2005) and Miesenbock’s (2000) views that the entrepreneur is the key decision-maker behind the small enterprise. Forsman, Hinttu and Kock (2000) go on to say that the entrepreneur’s previous international experience can hinder the SME in its

decision to go global. A lack of this experience will lead to weak performance in the market or even failure.

As stated earlier, networks are the main method of marketing for the SME. According to Carson (2000) the network is of immense importance to the entrepreneur given the limitations of marketing resources in the small enterprise. Forsman, Hinttu and Kock (2000) agreed with Carson and stated that the international activities of the firm are “highly dependent on the firms personal contact network” (p.4). However, while it may be relatively easy for SME’s to collaborate with contacts in the domestic market, barriers exist when it comes to the international market. It may be difficult for the company to find networks that they can trust and that offer them the kind of security that they profit from in the domestic market (Forsman, Hinttu and Kock, 2000).

Lack of marketing skills is also considered as a barrier to SMEs attempting to enter international markets. As stated by Forfas (2004) Irish SMEs lack the relevant education in marketing and sales needed in order to make a successful attempt at internationalisation thus, resulting in many SMEs failing in international markets.

### **3.8 Conclusion**

As can be seen from the literature the key decision maker possesses characteristics that are a direct influence on the SME’s decision to enter foreign markets. However, despite the apparent advantages attributed to the globalisation process, it has been reported that Irish SMEs are still reluctant to take the leap into international markets. Small enterprises may be fearful of the unknown, preferring to stick to the domestic market where it feels the safest. This research will investigate the barriers that prevent indigenous SMEs from going global. As can be seen from Chapter 3, the author has outlined the main factors that are potential inhibitors to the SME international effort. Education is deemed as a factor, where Maslach (2005) said that the level of educational attainment of the decision maker in the small enterprise is a very good indication in the decision to enter foreign markets.

International experience is also another potential barrier to SME internationalisation. Calof and Beamish (1995) were of the opinion that if a manager of a small enterprise has international experience they will be more adept at entering foreign markets. Also studied in the literature was the entrepreneur's attitude whether it is aggressive or globally orientated. The entrepreneurs' characteristics are an important factor in SME internationalisation and it is their risk taking and innovative nature that decides whether to enter foreign markets or not.

While it can be seen from the literature presented that there have been numerous research articles and journals published on SMEs and entering foreign markets, it has been mainly researched on an international basis. There has not been adequate research done from an Irish perspective as to the barriers hindering these SMEs' from going global therefore it is the intention of this current study to ascertain the factors that hinder Irish SMEs from engaging in more exporting activity.

As stated earlier the ESG (2004) reported that Irish SMEs were spending too many resources on manufacturing and operations with less than adequate time on the sales and marketing elements of the enterprise. This spills over on the internationalisation process of these enterprises as their inadequate marketing and international experience can become a barrier when entering foreign markets. Forfas (2004) stated the reason for the lack of marketing was the inadequate training of young marketing graduates in the area of small business needs. It could be said that it is this lack of training that is hampering the SME from entering foreign markets. However it is this current researcher's opinion that the lack of marketing graduates experience is not the only reason why SMEs do not go global. It is essentially the owner/managers' decision as to whether the SME will enter international markets and it is also their characteristics, attitudes and experience that influence entry into foreign markets. Therefore it is the purpose of this research to examine the influence of the key decision maker on the SME when deciding to enter foreign markets.

Having completed an examination of all the significant literature it is now necessary to advance to the next stage in this current research, which is the preparation for the primary research. The next chapter presents the research problem, question and

objectives, and details the research methodology used to answer the research question. The research methodology chapter concludes with the selection of data collection tools, which will be used to carry out the primary research.

# *Research Methodology*

### **4.1 Introduction**

The purpose of the following chapter is to identify the research methods available to the author for the research being performed. It details the research problem and informs the reader of the research question, the investigation of the research paradigms available and the choice of data collection methods.

In this chapter the author also uses the research process onion identified by Saunders, Lewis and Thornhill (2003), which explains the research process, and the different layers attributed to it. Once the process onion has been explored the areas of quantitative and qualitative research are examined, taking the advantages and the disadvantages of each into consideration. An argument will then be made as to the best method to be used by the author in this current research.

The importance of the research tools employed is also discussed in the chapter. The researcher discusses the tools available to the study and the tool deemed to be the most efficient and effective for the research will then be discussed in more detail. Its advantages, disadvantages and limitations are then discussed in the conclusion.

### **4.2 Research Problem**

The focus of this current research is to investigate the factors hindering SMEs in the South East of Ireland from going global. Although the topic of SMEs and internationalisation has been explored in much research over the last decade it has not been the focal point of research in Ireland.

In the ESG Report (2004) it was outlined that Irish enterprises should develop more expertise to enable small businesses enter international markets. The ESG

identified that manufacturing and development are the principal strengths in Ireland rather than sales & marketing and research & development. The report stated that the indigenous sector has been production rather than market led. Overall they say that indigenous exports have not grown enough over the past ten years.

While Government reports do study the development of start-ups and already existing SMEs the area of exporting has been to a large extent overlooked. The researcher of this current study wanted to ascertain the reason why so few SMEs in South East Ireland choose to enter foreign markets. As stated in the rationale for the study in Chapter One, the area of SME exporting needs to be focussed on more as the Irish economy relies too heavily on trade from MNEs. These MNEs can now produce their products more cheaply in countries like India and China and are therefore moving their business out of Ireland. If these foreign owned companies produce their products/services elsewhere there is a danger that Irelands economic growth could experience serious setbacks. The effect of these larger enterprises is that they have masked the generally poor performance of the indigenous sector. MNE exports account for 80% of the total exports out of Ireland while SMEs account for only 20% of exports out of Ireland. It is interesting to note that SMEs make up at least 95% of all trading entities and employ 80% of the Irish workforce and yet still indigenous exports have remained stagnant over the last decade (ESG, 2004). An additional worry is that MNE exports grew by 15.9% over the last number of years however, SME exports only grew by 5.5%.

Therefore, if these high exporting MNEs leave and produce their products elsewhere, the question needs to be asked as to who will fill this exporting gap. Indigenous SMEs will have to increase their exports in order for Ireland to remain competitive in the international market. Therefore, the reason for this research is to focus on why more Irish SMEs are not engaging in exporting.

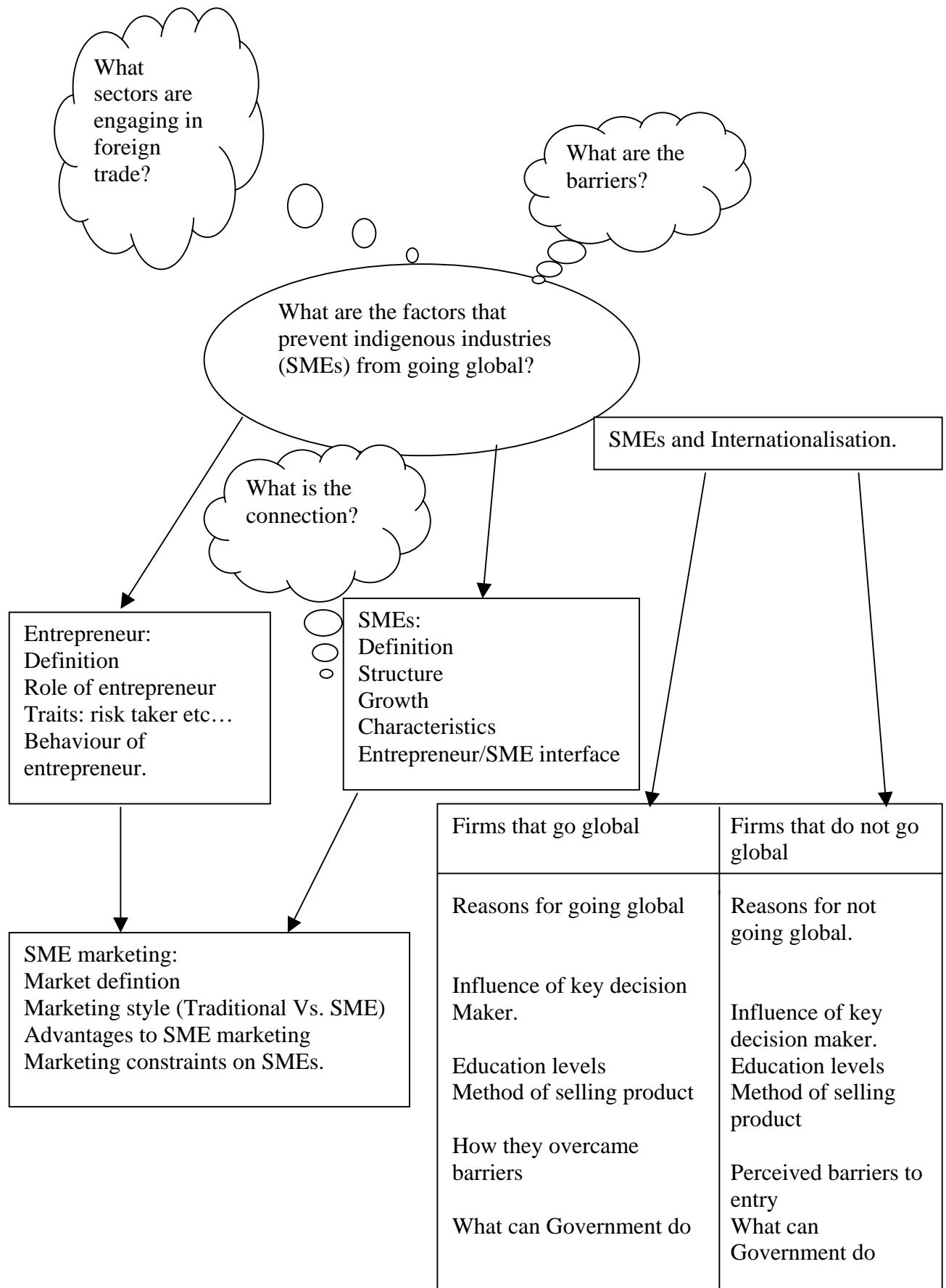
The researcher reviewed the literature available pertaining to SMEs and internationalisation and found that it related mostly to American industry and practices. Not much of the literature referred to or was written by Irish academics. While authors such as Carson (1995) and Hill (2001) researched the SME

extensively it was mainly in the areas of marketing and networking and not exporting and entering foreign markets.

Schramm (2004) commented that eventually entrepreneurial firms would run America and not the larger multinationals as is taken for granted at the moment. In essence he was emphasizing that small enterprises were important to society and should be understood properly. Trends have shown in the past that the Irish market tends to follow the developments of the American market so if Schramm is correct, Irish SME's will become an important part of our society and therefore they need to be understood properly and encouraged to export their products/services.

As part of developing the research question and objectives for this current study a conceptual framework was developed (Figure 4.1). The conceptual framework consists of the research question, an examination of the areas to be studied and to be measured through primary research.





**Figure 4.1 Conceptual Framework (Source: Current Research)**

### 4.3 The Research Question and Objectives

The research question evolves directly from the analysis of the research problem, which is to ascertain the factors that hinder SMEs from going global, and is very important to the research study being undertaken. Aaker, Kumar and Day (2002) are of the opinion that research problems will seldom come as neatly cut packages with obvious information requirements or clear-cut margins. They are more likely to be poorly defined, only partially understood and maybe missing possible decision alternatives that should be analyzed. They also defined research objectives as “statements of what information is needed” (p.54) and stress that the research objective has three components. The first one is that it specifies the information that the decision maker needs. The second element is the hypotheses that in essence are substitute answers to the research question and thirdly the research objective is the span of the research question. In addressing this current study’s research problem the researcher investigates the factors that hinder Irish SMEs from entering foreign markets. Therefore the research question for the current research is:

*What are the factors hindering Irish indigenous industries (SMEs) from going global.*

Saunders, Lewis and Thornhill (2003) were of the opinion that the research question was just one of a number of questions arising from the research process. They declared that the statement of the research question would, more often than not, be originated from the research objectives. The objectives for the current research are as follows:

- To determine the barriers hindering SMEs from entering international markets.
- To establish if the personal education of the entrepreneur is a factor in the SME’s effort to go global.
- To determine the importance of education in entrepreneurship in the SME’s choice to go global.

- To identify if SME owner/managers have an understanding of the term exporting.
- To ascertain whether the non-exporting SME's perceived barriers are the same barriers that the exporting SMEs have overcome.
- To determine the SME owner/manager's method of selling their products/services.

The research that will be performed in this current study intends to address both the research question and the objectives that arose from the research problem. Following on in this chapter the research process and research methods will be examined in order to investigate the research problem and the objectives associated with this current study

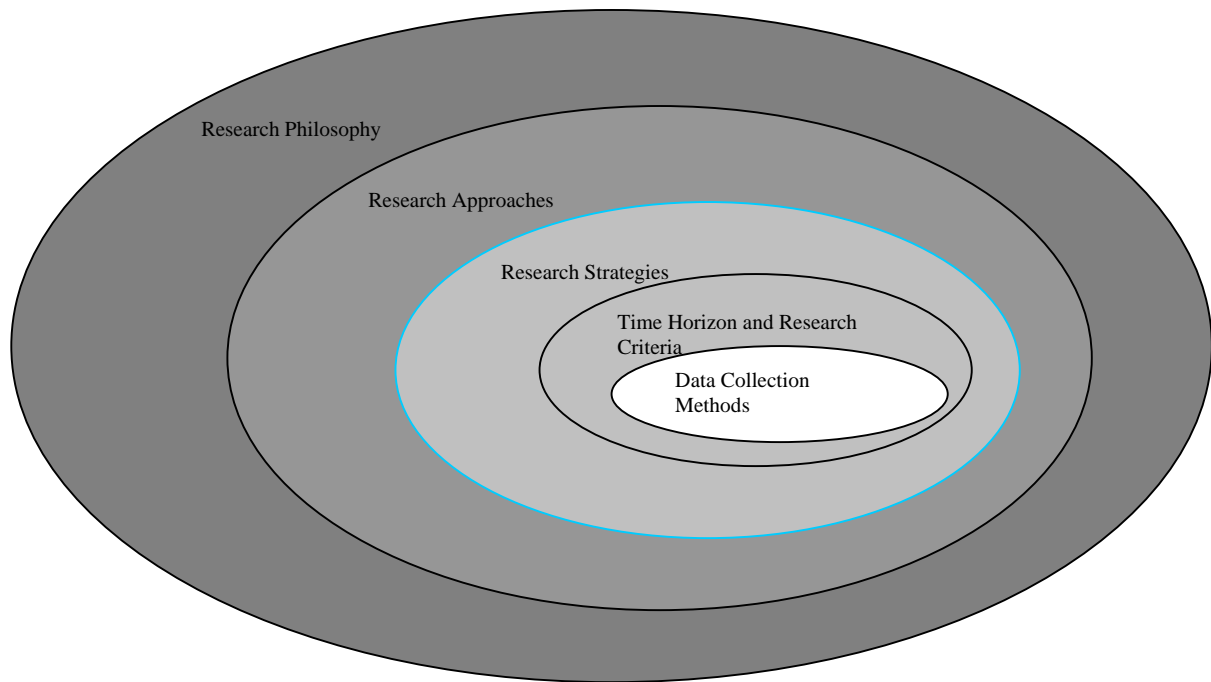
#### **4.4 The Research Process**

Many writers such as Sekaran (2002) and Easterby-Smith, Thorpe and Lowe (1991) have tried to define the research process, with each trying to put their own version and meaning to it. Authors such as Saunders, Lewis and Thornhill (2003) described the process as “moving through various number of stages” so as to refine your ideas. However, they did stress that researchers would probably revisit each stage more than once and the process is not as straightforward as suggested in the textbooks.

Due to the fact that Saunders, Lewis and Thornhill (2003) considered researchers to visit each stage more than once they developed the “Process Onion”. The onion illustrates the process that a researcher will go through in order to perform his/her investigations effectively. As shown in Figure 4.2 below there are important layers of the onion that need to be peeled away. The first layer points to the question of the type of research philosophy that will be adopted, the second layer considers the research approach that will stem from the philosophy adopted. The third layer examines the research strategies available with that leading on to the time horizons

of the research being undertaken. The fifth and final layer depicts the data collection methods available to the research being undertaken.

As is shown in the process onion the first layer to be investigated is the research paradigms before investigating the different data collection methods available to the researcher.



**Figure 4.2:** (Adapted from the research process 'onion' by Saunders, Lewis and Thornhill, 2003)

#### 4.5 Research Philosophies

Research philosophies have been discussed for many decades. Remenyi, Williams, Money and Swartz (1998) use Einstein's quote

“the most beautiful experience we can have is the mysterious. It is the fundamental emotion, which stands at the cradle of true art and true science. Whoever does not know it and can no longer wonder, no longer marvel, is as good as dead and his eyes are dimmed” (p.28)

to explain that, most often, the best research will owe more to the imagination and inspiration as to the logic and reason normally associated to research.

Easterby-Smith, Thorpe and Lowe (1991) also had the viewpoint that the failure to think through philosophical issues can affect the quality of management research. They stress the need for understanding these issues as firstly they help clarify research designs. Secondly, knowledge of philosophical issues can aid the researcher to recognize which designs will work and those that will not. Finally, a good knowledge of these philosophies can enable the researcher to identify and even create designs that may be outside their past experiences. So in essence, according to Easterby-Smith, Thorpe and Lowe (1991), it is important to have an adequate knowledge and experience of the research philosophies.

Saunders, Lewis and Thornhill (2003) agreed that philosophy is an important part of the research process and stated the way that we think about the development of knowledge unwittingly affects the way that research is performed. Proctor (1998) believed that there needed to be consistency between the research study, research question, the methods employed and that the personal philosophy of the researcher was imperative to the reinforcement and foundation for any research project being performed. According to Saunders, Lewis and Thornhill (2003) there are three main views that dominate the literature on the philosophies. They are positivism, interpretivism and realism. However for the purpose of the current study the researcher will split the philosophies into two parts, Positivism and Phenomenology as proposed by Proctor (1998).

#### **4.5.1 Positivism and Phenomenology**

“The relationship between data and theory is an issue that has been hotly debated for many centuries. The failure to think through philosophical issues such as this can seriously affect the quality of management research” (Easterby-Smith, Thorpe and Lowe, 1991, p.21).

Wardlow (1989) described positivism as being based on the assumption that there are universal laws that govern social events and therefore by uncovering these laws researchers are able to describe predict and control social phenomena. It is derived from Comte’s (1822) philosophical foundations and holds that social reality exists independent of people and can be objectively investigated by employing valid and reliable measurements (Kim, 2003). The following primary assumptions are recognized as inherent characteristics of the positivist mode of research.

1. The physical world and social events are analogous in that researchers can study social phenomena as they do physical phenomena.
2. Theory is universal and sets of principles and inferences can describe human behaviour and phenomena across individuals and settings.
3. In examining social events, researchers adhere to subject-object dualism in that they stand apart from their research subjects and treat them as having independent existence.
4. There is no need to formalise knowledge using theories and variables that are operationally distinct from each other and defined accordingly.
5. Hypotheses about principles of theories are tested by the quantification and observations and the use of statistical analyses.

(Wardlow, 1989).

It is important to note that Wardlow and Proctor were not the only theorists to stipulate that there were two approaches to research design. Easterby-Smith, Lewis and Thornhill (1991) also recognized that there are two approaches to the research design. Although this depends on the researchers choice of philosophy, whether it is positivist choice or phenomenological choice.

Along with both of these approaches come the advantages and disadvantages attributed to them. Easterby-Smith, Lewis and Thornhill provide a summary of the two philosophies shown in Table 4.1 below.

	<b>Positivist Paradigm</b>	<b>Phenomenology Paradigm</b>
<b>Basic Beliefs</b>	The world is external and objective  Observer is independent  Science is value free	The world is socially constructed and subjective  Observer is part of what is observed  Science is driven by human interests
<b>Researcher Should</b>	Focus on facts  Look for causality and fundamental laws  Reduce phenomena to simplest elements  Formulate hypotheses and then test them	Focus on meanings  Try to understand what is happening  Look at the totality of each situation  Develop new ideas through the induction from data
<b>Preferred Methods include</b>	Operationalising concepts so that they can be measured  Taking large samples	Using multiple methods to establish different views of phenomena  Small samples investigated in depth or over time

**Table 4.1: Key features of positivist and phenomenological paradigms (Source: Easterby-Smith, et al. 1991, pg. 27)**

Table 4.1 shows that positivists focus on the facts that are at their disposal. They believe that the world is external to them and act independently of social reality when they are conducting research. The use of quantitative methods is used which is the most suitable for statistical analysis. Large samples are the popular choice for positivist researchers however due to the size of the sample being taken it can lead to vital items of information being ignored or forgotten (Easterby-Smith, Lewis and Thornhill, 1991). However, critics of the positivist approach will argue that it produces useful but limited data that can only provide a superficial view of the phenomenon it is investigating (Crossan, 2002).

In contrast the phenomenology paradigm, according to Patton (1990), seeks to understand human experience holistically and inductively. It recognizes the



researcher as the instrument, taking into account the researcher's experiences and perspectives as valuable to the research being undertaken (Guba and Lincoln, 1985). Crossan (2002) stated that humans are not objects and can be subject to many influences on behaviour, feelings, perceptions and attitudes that positivists would reject as irrelevant.

Hussey and Hussey (1997) in their research identified the following qualities of the phenomenological approach:

- This approach tends to be qualitative in nature and produce qualitative data.
- The data is rich and subjective by nature and therefore the gathering process would be subjective due to the level of involvement of the researcher.
- The location is natural.
- Reliability is low
- Validity is high

Saunders, Lewis and Thornhill (2003) are of the opinion that phenomenology takes the position that reality is socially constructed and that it is necessary to explore the subjective meanings motivating peoples actions in order to understand them. Fisher (2004) clarified this by saying that the understanding of reality is not a simple account of what is, rather it is something that people form from their interpretations of reality, other peoples interpretations and the compromises and agreements that arise out of negotiations between the two. So in essence positivism relates more to experimental and descriptive techniques and phenomenology relates more to qualitative research and observation techniques. Following on from the explanation of the philosophies comes the actual selection of the research philosophy to be used in the current research.

#### **4.5.2 Selection of Research Philosophy**

It is important that the researcher is comfortable with the method being employed. As Strauss (1991) stated that a researcher's own preference and feeling at ease with a particular philosophy will influence the choice made.

The research philosophy for this current research will take on a positivist perspective. This current research is about the factors that hinder small enterprises in South East Ireland from entering foreign markets. It also ascertains to explore whether the barriers faced by exporting SMEs are the same barriers that are perceived by SMEs who do not engage in export activities. The research therefore, took a positivist perspective, as the researcher wanted to obtain information from as many SMEs as possible therefore, the sample would be large. The positivist method was also deemed the most effective, as the researcher was looking for the reasons why SMEs did not export. The research aimed to gather a number of facts as regards level of owner/manager's education, reasons for entering foreign markets and the barriers faced by exporting SMEs and perceived by non-exporting SMEs.

As the answers to these questions would be easy quantifiable the researcher believed that a positivist approach would be the most appropriate at finding out the inherent barriers to SME foreign entry. As Fisher (2004) stated, the positivist method is based on accurate value free knowledge rejecting subjective areas and is only interested in the tangible; while Remenyi, Williams, Money and Swartz (2003) stated that the researcher will be independent of the research being performed and will neither affect or be affected by the research subject.

By using the positivist approach it yielded valuable information for answering the research question and the objectives arising from the research problem. It provided insight as to the influence of the key decision maker in the SME's decision to enter foreign markets and whether the barriers experienced by exporting SMEs were the same barriers perceived by the non-exporting SMEs.

#### **4.6 Quantitative vs. Qualitative Research.**

Along with the different philosophical methods comes the division of research processes into two groups, which are quantitative methods, linked to positivism and qualitative methods, which are linked to the phenomenology schools of thought.

Myers (1997) stated that quantitative research methods were originally developed in the natural sciences to study ordinary phenomenon. Examples of quantitative methods that are now well accepted in the social sciences include survey methods, laboratory experiments, formal methods and numerical methods such as mathematical modelling. Myers (1997) also stated that qualitative research methods were developed in the social sciences to enable researchers to study social and cultural phenomena. Examples of qualitative methods are action research, case study research and ethnography. Qualitative data sources include observation and participant observation, interviews and questionnaires, documents and texts and the researchers impressions and reactions.

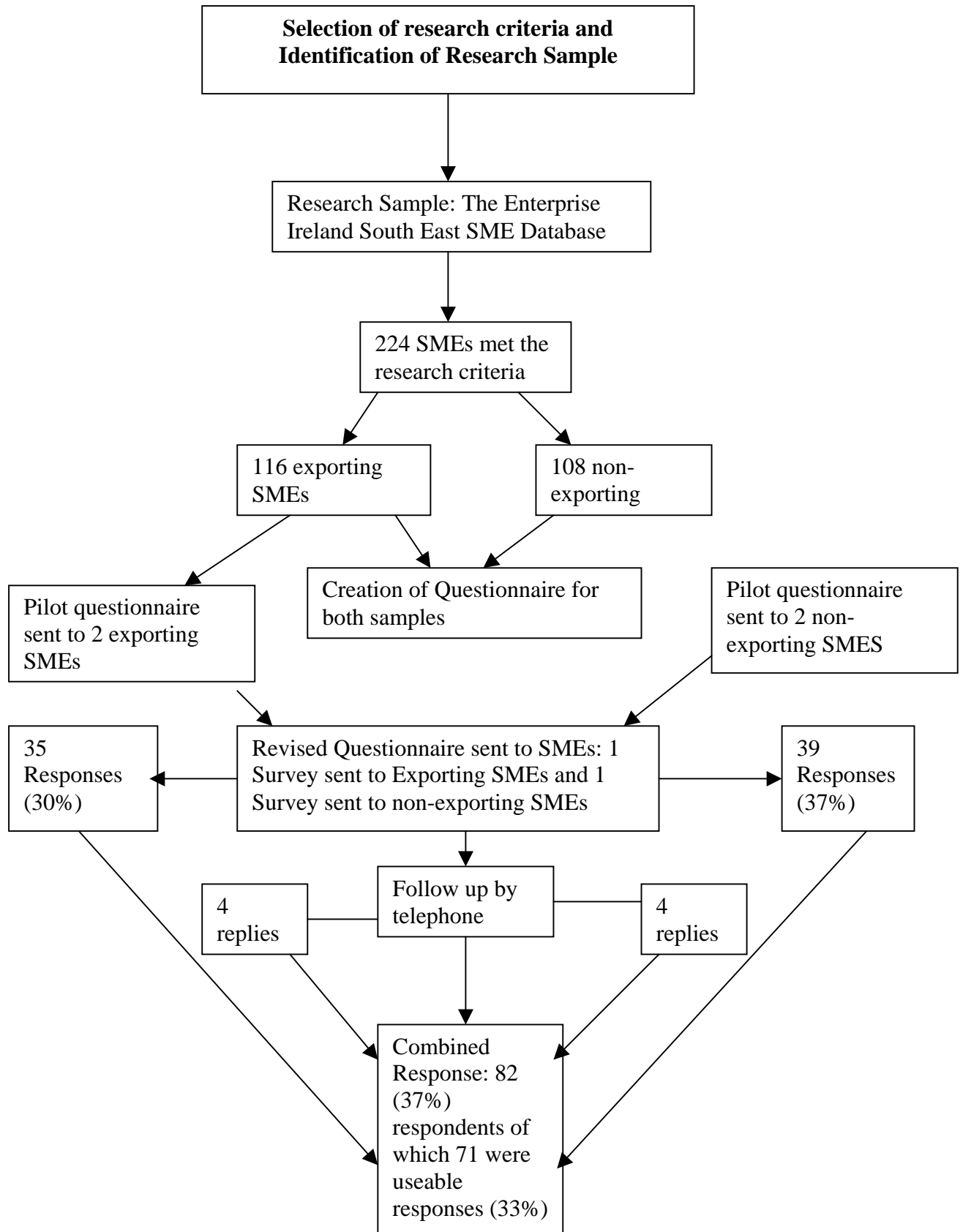
According to Trochim (2006) most people believe the following about the two methods. Firstly they believe that quantitative research is confirmatory and deductive in nature and that qualitative research is exploratory and inductive by nature. However, Trochim does not believe that these statements are entirely true, he believes that there can be a mixture between the two methods therefore, both can be exploratory and confirmatory depending on the research being conducted.

Mays and Pope (1995) are of the opinion that qualitative research is an assembly of anecdote and personal impressions, strongly subject to researcher bias and secondly that it requires reproducibility. The research is personal to the researcher and there is no guarantee that a different researcher would determine different conclusions. Finally, Mays and Pope (1995) say that qualitative research lacks the function of generalisability.

However, Brannick and Roche (1997) stated that quantitative research deals with numbers while qualitative research deals with experience and meanings described

in words. Patton (2002) expanded on this and stated that the main difference between the two methods is the trade off between breadth and depth as quantitative methods cover a large breadth and qualitative methods allow for depth in research.

Prior to the examining the research tools to be employed the current researcher set out suitable research criteria in order to select the research sample. Figure 4.3 demonstrates this current study's research method.



**Figure 4.3 Research Methods (Source: Current research).**

## **4.7 Research Criteria**

A number of research criteria were drawn up in order to make certain that an appropriate research sample and research subjects were selected for the primary research.

- Only those small businesses located in the South East of Ireland were selected for the study.
- The businesses had to have between 1 and 200 employees as stipulated in the European Commission definition of SMEs. Anything above the quota was disregarded.
- Businesses that exported and those that did not engage in export activity were included in the sample.
- Any business can enter a foreign market therefore all sectors were included in the sample.
- Only indigenous Irish companies were included in the sample population

The appliance of these research criteria formed the basis through which the researcher selected a suitable research sample.

### **4.7.1 Sample Selection**

Due to the drawing up of the above criteria a suitable sample was obtained from the database and a suitable research sample was acquired. According to Malhotra (1999) a sample is defined as a subgroup of the population selected for participation in the study being undertaken.

In order to perform primary research a sample of SMEs who engaged in exporting and those who did not needed to be obtained. Therefore two distinct groups needed to be examined:

- Exporting SMEs
- Non-exporting SMEs

The sampling frame used in the study was a database obtained from Enterprise Ireland that listed all the small businesses from Wexford, Kilkenny, Tipperary South, Waterford and Carlow. This database was deemed to be the best sample frame to use as it contained all SMEs in the South East of Ireland. It also contained all types of SMEs from micro to medium sized enterprises. By being listed on the Enterprise Ireland database, these enterprises must have expressed the desire to enter foreign markets so therefore, both exporting and non-exporting SMEs would have been contained in the database.

The research criteria were used to select SMEs from the database deemed suitable for the study being undertaken. The database consisted of 300 SMEs. The researcher cold called all the small enterprises and asked the following questions in order to determine their suitability for the research.

1. Are you an Irish owned business?
2. Do you currently export?
3. The name of the owner/manager?

Only Irish owned enterprises were included in the sample to be surveyed. As regards contacting the SMEs, if they did not answer the call on the third attempt they were eliminated from the sample. The purpose of this exercise was to lessen the possibility of non-responses at a later date. As a result of the cold calling process a total of 224 Businesses were left in the database, 116 exporting SMEs and 108 non-exporting SMEs. This was identified as the sample size to be used in the study.

#### **4.7.2 Selection of research method**

Once the sample selection was complete the researcher had to identify the methodology needed to perform the research on the chosen sample and answer the research question. As was already stated the positivist approach was used in this study and the methodology chosen was surveys as was illustrated in Figure 4.3. There are other research methods that could be used in this current study such as the case study method, electronic surveys and laboratory experiment. However, none of these alternative methods were considered because it was felt that the best method for compiling data for this study was through the postal survey method.

#### **4.8 Survey Research**

After investigating the various advantages and disadvantages associated with quantitative research, the survey method was deemed the most effective and efficient tool to employ for this study (Figure 4.3). According to Sekaran (2003), surveys are an efficient data collection method when the researcher knows exactly what is required and how to measure the variables of interest. Due to the fact that the sample used was so large a survey was thought to be the most efficient at contacting all 224 companies. According to Brannick and Roche (1997) a survey can be used to carry out exploratory, descriptive and analytic investigations. Malhotra (1996) stated that the survey method has several advantages, which are:

- It is simple and easy to administer
- The data obtained is reliable
- Validity is reduced because of fixed responses of the respondents
- Coding, analysis and interpretation of the data is simple and effective.

However along with the advantages come the disadvantages to using the survey method of data collection. They are as follows:

- The chosen respondents may be unwilling to provide the information required.



- If the information required is sensitive or personal the respondents may not want to divulge that particular information.
- Structured questions and fixed response alternatives may result in loss of validity for certain types of data such as beliefs and feelings.
- The wording of questions is not an easy undertaking.

While the disadvantages to the survey approach may seem daunting it is by far the most universally used method of data collection advocated by researchers (Malhotra, 1996).

According to Murphy (1997) cited in Brannick and Roche (1997), planning is essential for a good survey. As surveys go through distinct stages they can be quite easy and logical to plan. Postal surveys, the method being used in the current study, will usually have to be followed up by telephone calls to respondents to capitalize on the amount of returns. According to Sekaran (2003) a 30% response rate is considered acceptable.

#### **4.8.1 Survey Content**

Due to the fact that the researcher was examining SMEs who did export and those that did not engage in export activity, two different surveys were sent to these groups, one to non-exporters (see appendix C) and another to exporters (see appendix D). The survey's contained mandatory questions relating to the owner/manager's education level, method of selling their business and how they felt the government could assist the internationalisation of Irish SMEs. However, the exporting SME survey contained questions on how they overcame the barriers associated with exporting and their advice to those thinking about entering foreign markets while the non-exporting SME survey consisted of questions relating to their perceived barriers to exporting and the reasons why they did not desire to enter foreign markets.

The researcher then needed to examine, which types of questions would best, answer the research question. After much consideration it was decided to use a

combination of open and closed questions in the survey. Malhotra (2000) described open response questions as questions that pose a problem and ask the respondent to offer an answer in their own words, whereas, closed ended questions require the respondent to simply answer yes or no or tick the box.

## **4.9 Postal Questionnaires**

There are many ways in which to administer a questionnaire. They include postal, email and telephone. For the purpose of this current research postal questionnaires were used. This method was seen as the most effective given the large sample database employed and the relatively low cost involved. This is due to the fact that a postal survey can reach across many areas with relative ease. Allison et al (1996) stated that postal questionnaires are cost effective and suitable where the sample is spread over a large geographical area and it may not be practical to meet respondents individually for interview purposes. Robson (2002) adds that surveys can be extremely effective at providing large amounts of data, at a relatively low cost in a reasonably short period of time. He also stated that surveys allow anonymity that can encourage frankness when sensitive areas are involved.

In order to increase the survey response rate a series of follow up phone calls were made to give the non-respondents a chance to complete and return the survey. It was found that some did not receive the survey through internal error therefore many surveys had to be resent to these respondents.

### **4.9.1 Pilot Surveys**

An initial pilot survey was sent by post to a sample of 4 SMEs, 2 of which were exporting SMEs and 2 who were non-exporting SMEs. Robson (2002) stated that the pilot survey is usually best pre-tested informally through the use of family and friends. This coincides with Remenyi et al's (1998) previous view that colleagues can be used as a pre-tester for the survey as it provides the opportunity to assess

such things as the clarity of the instructions and questions, the cover letter and the ability to perform meaningful analysis of the evidence obtained.

Only 3 of the 4 SMEs selected for the pilot study returned the survey therefore, in order to fill the fourth pilot an academic source was used. This academic source had previous experience in international marketing and marketing research and therefore was deemed a sufficient pilot and had the capability to test the survey for relevance and effectiveness. The respondents came back with some comments and suggestions to the survey. Having reviewed the replies to the pilot questionnaire the researcher took into account the suggestions made by the respondents, which were to re-word some of the questions and make the instructions on the questions clearer for the respondents to understand.

#### **4.9.2 Limitations of Questionnaires**

All methods of research have limitations attached to them. The increased use of survey questionnaires for academic and commercial reasons has contributed to response rates falling over time. In relation to this current research mail surveys and follow up phone calls resulted in a 37% response rate which is quite good considering that Sekaran (2003) suggested that mail surveys almost always have a low response rate where a 30% rate is considered quite acceptable.

Due to the fact that the researcher is not meeting face-to-face with the respondent the clarification of questions cannot be performed which can lead to confusion amongst respondents as to how to answer particular questions. Questions cannot be explained in more depth to respondents therefore, they may not provide adequate answers to the survey questions.

Also any non-responses that the researcher might receive cannot be followed up, as responses are considered confidential. Robson (2002) states that respondents may not take the exercise seriously and the researcher may not be able to detect this therefore, the answers obtained by the current researcher may not be genuine thereby producing skewed results.

#### **4.10 Conclusions**

In conclusion the purpose of this chapter was to pinpoint the selection of the research method used by the researcher. The chapter started by explaining the research problem and objectives to the reader and consequently addressed the research process, philosophies and differences between qualitative and quantitative research.

It also explains the sampling technique used and the process by which the sample was selected from the database provided by Enterprise Ireland. As stated earlier, in order to be listed on the Enterprise Ireland database an enterprise had to have the potential to export or be an exporter therefore, the database would contain non-exporting as well as exporting SMEs. The pilot testing used is discussed along with the respondents used to complete the pilot. Three small businesses from the Waterford area and one academic source with a background in marketing research were used in survey pre-testing.

The next chapter, which is Chapter 5, will present the data findings collected from the surveys sent to both exporting and non-exporting SMEs.

*Data Analysis  
And  
Findings*

### 5.1 Introduction

The purpose of this chapter is to present the current study's primary research findings from the surveys administered to 224 small businesses in the South East of Ireland. Due to the type of research being undertaken two different surveys were administered, one to exporting and one to non-exporting SMEs. Thirty-five of the respondents were exporting SMEs and thirty-six were from non-exporting SMEs. Both surveys yielded a total of 82 responses, resulting in a 37% response rate. Of those 82 responses 71 were useable thereby producing a useable response rate of 33%.

This chapter examines the findings from this current research to ascertain if similarities or differences exist between SMEs that export and those SMEs that do not export. It is the aim of this researcher to analyse these findings to provide an understanding as to the barriers hindering Irish SMEs from entering foreign markets and why more SMEs do not engage in exporting. For the purpose of this current research the respondents were coded so as to aid analysis. The exporting (E) SMEs were coded from E1 to E118 and the non-exporting (NE) SMEs were coded from NE1 to NE106.

This chapter is subdivided under the following themes:

- (i) Industry sector
- (ii) The 8 non-exporting SMEs who entered foreign markets
- (iii) Respondents' three year strategic goals
- (iv) Level of owner/managers education
- (v) Understanding exporting
- (vi) SME's method of selling products/services
- (vii) Reasons for engaging in exporting
- (viii) Option to take the business into international markets (Non-Exporters)
- (ix) Reasons why exporting SMEs sell abroad

- (x) Company factors in the decision to go global
- (xi) Barriers hindering SMEs from going global
- (xii) What can the government do?
- (xiii) Conclusion.

## 5.2 Industry Sector

As stated earlier the survey was sent to a total 224 small businesses, yielding a useable response of 71 SMEs. The industry sector breakdown of both the exporting SMEs and the non-exporting SMEs respondents is shown in Figure 5.1.

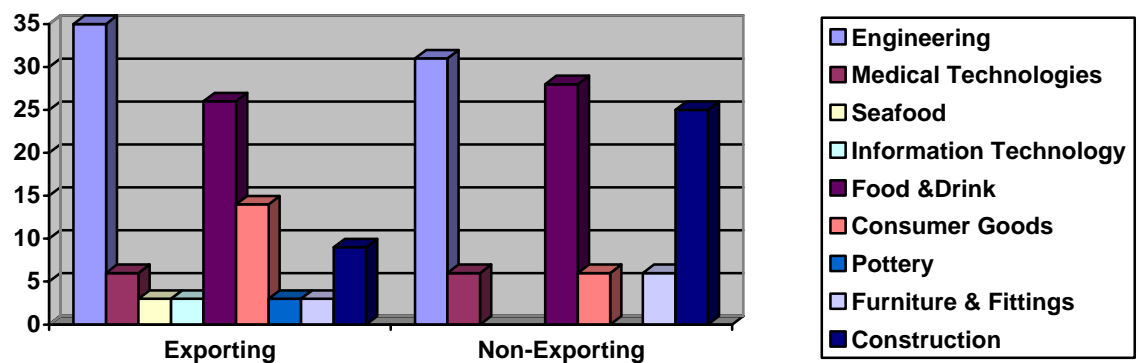
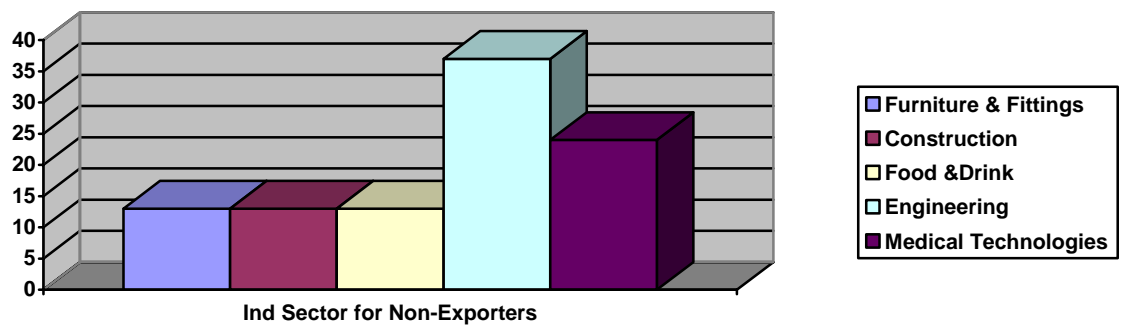


Figure 5.1 SMEs by Industry Sector (Source: Current research)

According to the ESG Report (2004) food and drink accounts for 55% of indigenous exports and is the largest exporting SME sector in Ireland. However, in this current research, as can be seen from Figure 5.1, engineering was the highest industry sector for both exporting (35%) and non-exporting (31%) SMEs. The next highest sector was food and drink consisting of both exporting (26%) and non-exporting (28%) SMEs.

It can also be seen from Figure 5.1 that the Medical Technologies sector is represented in both exporting (6%) and non-exporting (6%) SMEs. Figure 5.2 shows that a total of 8 (25%) non-exporters attempted entry to foreign markets, all of which were successful, however they were not exporting at the time of this research. It was not expected that the sample population would have non-exporting

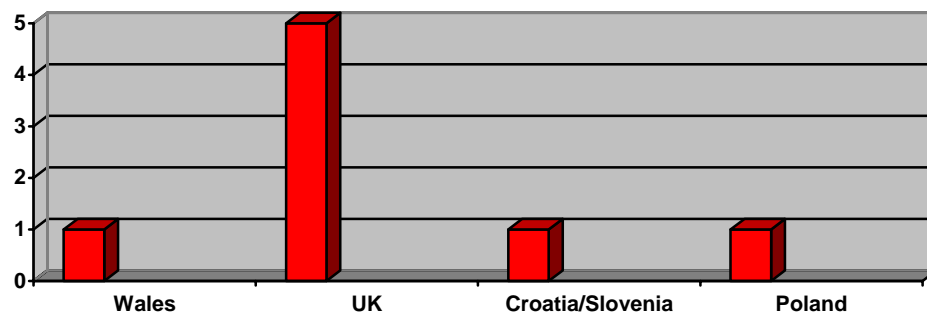
SMEs that attempted to export, therefore the question was not asked as to why they were not exporting at the time of this current research.



**Figure 5.2 Industry Sector by percentage of non-exporting SMEs who attempted entry to foreign markets (Source: Current research)**

### 5.3 The 8 Non-exporting SMEs who entered foreign markets

Although it was not expected that non-exporting SMEs would have attempted to enter foreign markets. It is important to examine their activities. It was found that the first country of entry for these SMEs was mainly the UK. See Figure 5.3.



**Figure 5.3 Country of Entry (Source: Current Research).**

The education levels of the owner/manager's were also taken into account where it was found that over 70% had advanced education i.e.: possessed a degree or higher. Also 50% of these SMEs had received entrepreneurship education either as part of their degree or through part time courses.



The methods of entry to foreign markets of these 8 SMEs were also examined and it was found that the most often used method of entry was Direct Sales (43%). Figure 5.4 shows that 37.5% of the non-exporting SMEs opted to set up their own company abroad. This method of foreign entry would require a lot of capital and expertise, which these SMEs seem to have acquired. But such activity could cripple an SME if they lacked the capital and resources to develop their growth (Carson, 1995). It would be worth investigating these points in future research as that maybe a reason why the 8 non-exporting SMEs are no longer engaging in exporting.

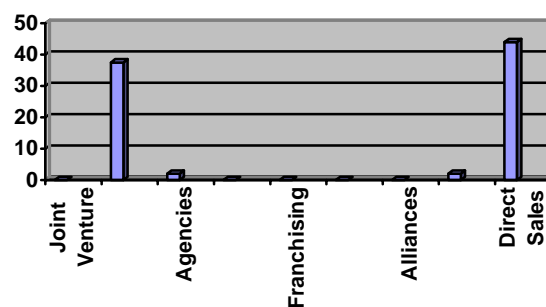


Figure 5.4 Method of entry to foreign markets (Source: current research)

#### 5.4 Respondent's three-year Strategic Goals.

Both the exporting and non-exporting SMEs were asked to outline their goals over the next three years, the results of which are shown in Figure 5.5.

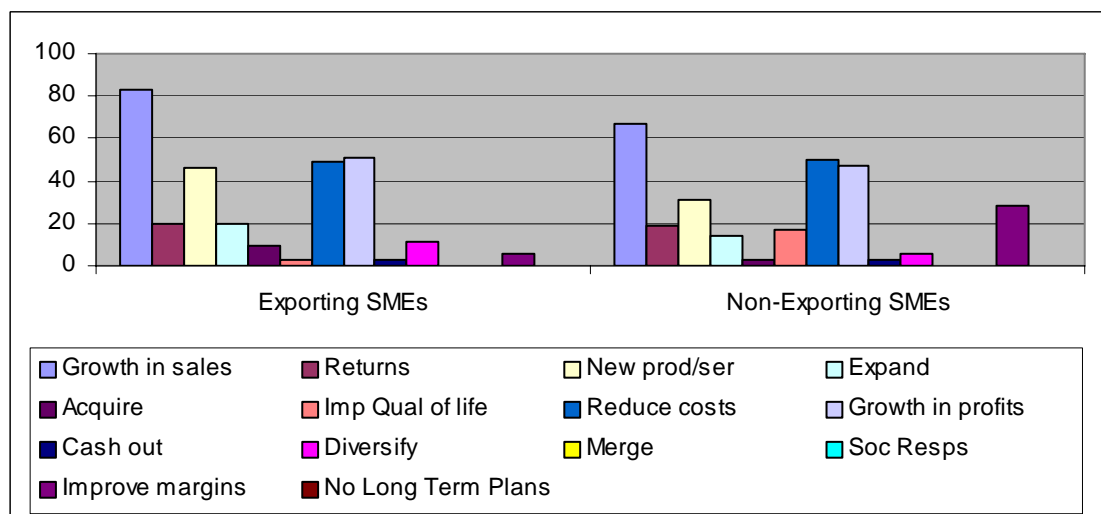


Figure 5.5: Company's Strategic Goals (Source: Current research)

It is evident from the results that the main focus of over 80% of exporting SMEs and 60% of non-exporting SMEs was to grow their business and reduce their costs. This is in line with Carson (1995) who stated that limited resources could hinder SMEs therefore they are always looking for ways to increase their profits and reduce costs.

### 5.5 Level of Owner/Manager's Education

Research by Maslach (2005) suggested that higher education allows entrepreneurs to take advantage of the opportunity to interact with international sources. He continued by saying that the key decision maker within the enterprise should have advanced education in order to enter foreign markets effectively and efficiently. Therefore, one of the aims of this current research was to establish the levels of education of the owner/managers and also whether they had received entrepreneurship education or not. Figure 5.6 shows that there is evidence of differing education levels between exporting and non-exporting owner/managers.

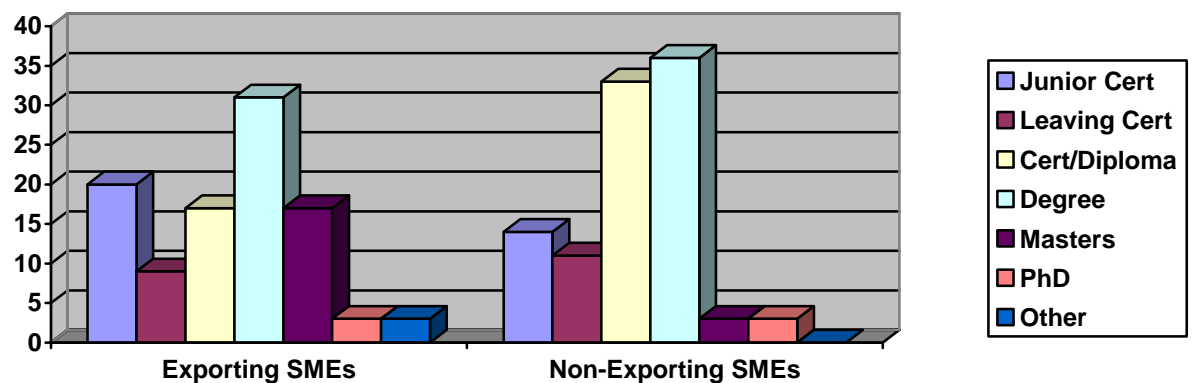


Figure 5.6 Education Levels ( Source: Current research)

The lowest qualification that can be achieved in Ireland is the Junior Certificate, which is completed at an average age of 15, and the highest post primary qualification is the Leaving Certificate, completed at an average age of 18, which is an examination for entry into higher level education institutions for example universities and institutes of technology.

The Junior Certificate was the highest level of post primary education achieved by 20% of exporting owner/managers and 14% of non-exporting owner/managers whereas the Leaving Certificate was the highest level of attainment for exporting (9%) and non-exporting (11%) owner/managers.

Maslach (2005) stated that advanced education is best when entering global markets since it can increase the chance of success in those markets. In an Irish context advanced education means a degree level of education or higher. Figure 5.6 illustrates that more non-exporters (36%) than exporters (31%) possessed a degree therefore these results could suggest that a significant quantity of non-exporting owner/managers have the advanced level of education suggested in order to take their business to the global market.

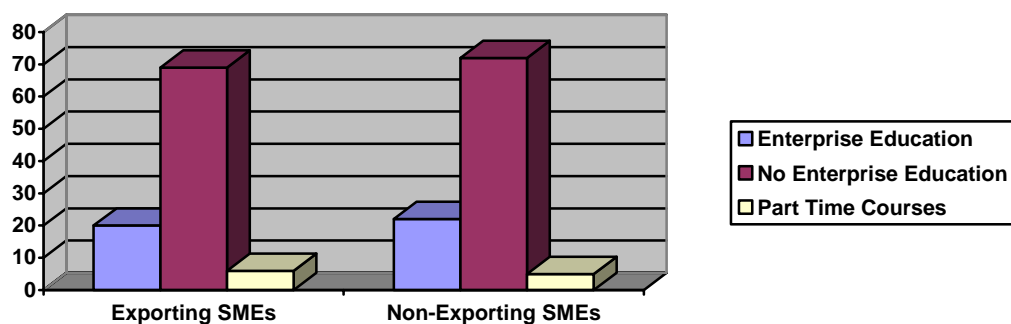
It is worth noting that O' Farrell (1986) was of the opinion that education is more often than not in the areas of engineering, science and other technical disciplines rather than in commerce and business studies. However, the results in this current study show that 61% of exporting and 47% of non-exporting owner/managers, that had advanced education, possessed a degree in business studies. It could be interpreted therefore that education may not act as a barrier to SMEs upon entering foreign markets as suggested by previous literature (Maslach, 2005; Carson, 1995).

### **5.5.1 Entrepreneurship Education**

As regards entrepreneurship education, Iredale (2002) stated that enterprise education covers programmes such as 'start your own business' and courses taken with the intention of entering self-employment. Iredale also stated that enterprise education could serve a number of purposes the most universal purpose being to develop enterprising skills, behaviours and attitudes through any curriculum subject at every phase of education to provide a wider preparation for autonomy in life. Finally Iredale (2002) informs that enterprise education can develop awareness of, and capability for, setting up a business now or in the future. So in essence enterprise education can provide entrepreneurs with the required knowledge and expertise needed to manage an SME successfully.

The GEM Report (2004) considers education in enterprise essential and should be introduced to students at a young age. This was reiterated by the ESG Report (2004) where it was suggested that all students should be exposed to the possibility of pursuing an entrepreneurial career and to equip them with the relevant skills needed to follow such a career in the future. Therefore, it is this researchers opinion that enterprise education should be included as part of primary and post primary education so as to instil a sense of entrepreneurship in students at a young age.

Based on the expressed importance of enterprise education, it is very interesting to note that less than 20% of the owner/managers had any form of enterprise education. See Figure 5.7. However, this is an interesting point since of the 8 non-exporting SMEs that were exporting, 50% of owner/managers had enterprise education.



**Figure 5.7 Level of Enterprise Education (Source: Current research)**

While it is suggested that advanced education (Maslach, 2005), which includes education in entrepreneurship is essential when entering foreign markets, the findings did show that 69% of exporting owner/managers received no such education yet still entered the global marketplace successfully and continue to export their products and services.

### 5.5.2 Business Skills of the Owner/Manager

Carson, McGowan and Hill (1995) stated that entrepreneurs possess certain factors/skills that have an underlying effect on the way that they run his/her business.

	Exporting SMEs	Non-Exporting SMEs
Networking	Good (54%)	Good (57%)
Negotiating	Good (46%)	Good (50%)
Oral Presentation	Very Good (40%)	Very Good (39%)
Writing ability	Very Good (40%)	Very Good (42%)
Problem analysis	Very Good (51%)	Very Good (50%)
Numeracy	Good (37%)	Excellent (36%)
Team building	Good (49%)	Very Good (47%)
Motivating	Good (40%)	Good (44%)
Bus Relationships	Very Good (49%)	Very Good (47%)
Foreign Language Fluency	Poor (60%)	Poor (69%)

**Table 5.1 Business Skills (Source: Current research)**

Table 5.1 shows that there are no apparent differences between the exporting and the non-exporting owner/managers' rating of their business skills where both consider themselves to be good at networking, negotiating, team building and motivating employees but poor at foreign languages. This corresponds with previous research findings that entrepreneurs can be skilled in the art of motivation whereby they motivate their employees to improve their work life situation (Carson, 2000). Both exporting and non-exporting owner/managers consider themselves to be very good at business relationships or networking. As will be presented later in the chapter business networks are considered as SME's main method of communication. This agrees with Hill (2001) who says that entrepreneurs can create good personal contact networks, which they excel in due to the fact that it is their main method of communication.

## 5.6 Understanding Exporting

The reason why this current researcher believes the understanding of exporting to be important stems from the phone calls that were made prior to the survey being sent to the respondents. It was discovered that many of the SMEs contacted did not understand what exporting was and what it entailed. It is this researcher's opinion that prior knowledge of what exporting involves is essential when entering foreign markets. Not being aware of its true meaning can result in the SME encountering barriers in the exporting process, whereas an awareness of exporting may mean that the potential exporter can avoid the pitfalls associated with exporting. It is interesting to note here that while 100% of the respondents said that they did understand the term exporting only 4% of exporting SMEs and 11% of non-exporting SMEs correctly identified the definition of the term exporting.

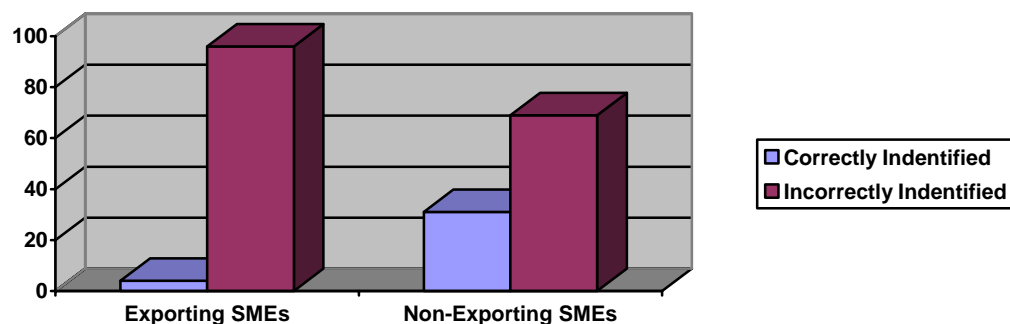


Figure 5.8 Understanding of Exporting (Source: Current research)

## 5.7 SMEs' method of selling products/services

While authors such as Carson et al (1995) and Fillis (2004) stated that the SME's method of marketing their product/service is somewhat different to that of the larger multinational firm they do concede that the methods employed, namely networking and word of mouth marketing, provide the SME with a competitive advantage with the result that they are more flexible to meet customer demands and operate successfully in niche markets.

From Figure 5.9 it can be seen that the most often used method of selling for exporting SMEs is networking through existing customers (63%) whereas the non-exporting SMEs prefer to sell their products/services through word of mouth advertising (64%). In this researcher's opinion, from analysing the results of the survey, networking provides more contacts for exporting SMEs and therefore may make their transition to international markets more accessible than non-exporting SMEs.

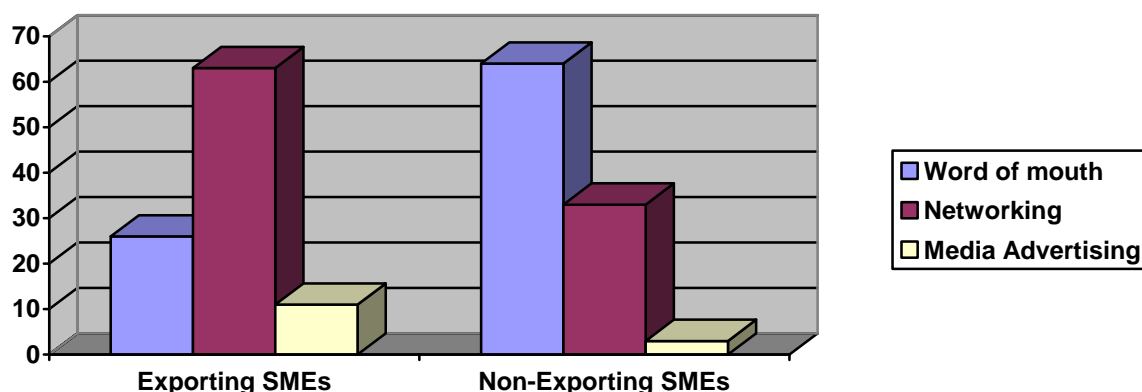
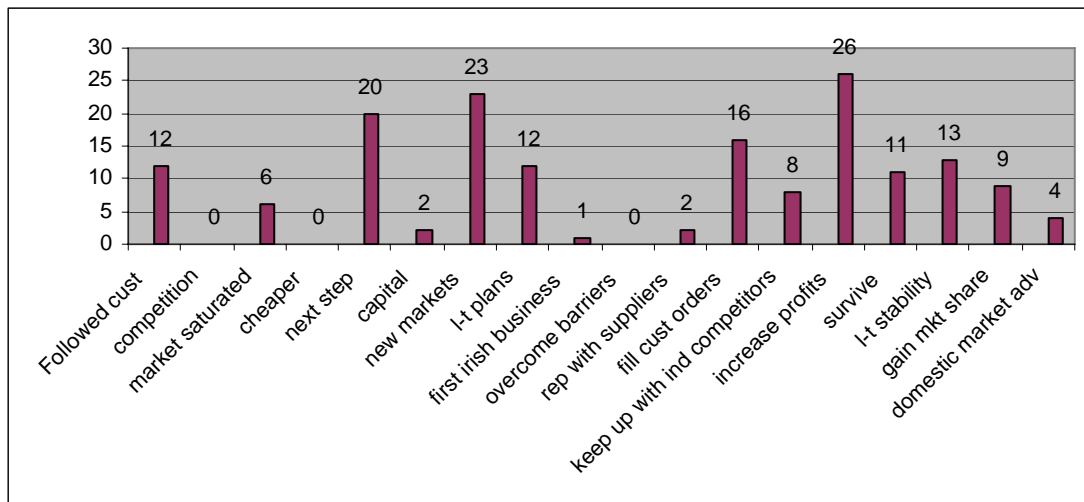


Figure 5.9 Method of selling products/services (Source :Current research)

## 5.8 Reasons to engage in Exporting

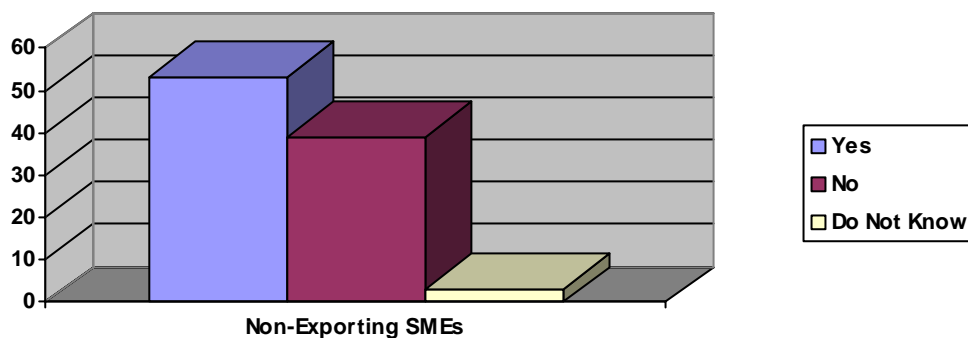
According to Leonidou (2004), Crick and Chaudhry (1997) and Hill (2001) there are many motives for SMEs pursuing an export strategy. Some of these reasons can be seen in Figure 5.10 where obtaining an increase in sales and profits (26%) and the development of new markets (23%) were found to be major reasons for entering foreign markets among the survey respondents. Another major reason was that it was the next step in the SMEs business plan (20%).

According to Etemad, Wright and Dana (2001) a main driver for many SMEs to enter global markets is due to their customers beginning to look elsewhere for products/services to satisfy their needs. The findings from this present study show that 16% of exporting SME's cited filling customer orders and following customers abroad (12%) as reasons for entering foreign markets.



**Figure 5.10 Reasons for exporting ( Source :Current research)**

### 5.9 Option to take the business into international markets (Non-Exporters)



**Figure 5.11 Option to take the business international (Source :Current research)**

Malecki and Veldhoen (1993) stated that due to small enterprises lacking the resources to enter foreign markets they therefore will not attempt to go global. Surprisingly only 39% of non-exporting SMEs did not want to attempt entry into foreign markets. However, 53% of non-exporting SMEs would enter foreign markets if the option were made available to them providing they had the resources to finance such a decision. The most cited reason for these SMEs attempting to enter foreign markets was to increase their sales and profits. This corresponds with exporting SMEs top strategic goals discussed in section 5.3. As respondent NE37 stated,



“we want to export for expansion purposes with a view to growth in profits and sales and therefore provide more security for employees”.

Another reason cited for entering foreign markets was that it was the next step in the SMEs’ development. Respondents NE101 and NE 44 expressed that they were

“ready to bring their business to the next level and therefore ready for export at this stage in their business development”.

The findings agree with Klatt’s (2003) study that most SME’s enter foreign markets for reasons of growth, as the SMEs would have “access to much bigger and higher spending markets” (NE65) thereby gaining a larger market share and experiencing growth in profits and business size.

Klatt’s (2003) study also found that SMEs enter foreign markets to attain certain types of knowledge and seek protection from domestic market downsizings thereby gaining access to a larger market. This current research’s findings concur with Klatt (2003) as respondent NE24 stated:

“ we will have access to an increased customer base, the opportunity to attain an increased market share and expand our business”.

Other reasons for wanting to enter foreign markets were the opportunity to experience another market economy and the increased security for employees. The more business that the company gets in international markets the more job security there will be for the SME’s employees. As respondents NE66 and NE37 stated

“ we will have the opportunity to experience another market economy....experience growth in profits and more security for our employees”.

Of the 39% of SMEs who did not want to enter foreign markets the most cited reasons for staying in the domestic market were lack of capital and also the lack of support in Ireland for SMEs, who want to go global with their product/service, makes entry into foreign markets a difficult task. For example (NE19) stated:

“there is a lack of knowledge of foreign markets among SMEs and a general lack of support in the form of government funding”.

This statement concurs with Knight (2001) who again stated that smaller enterprises usually lack the resources, capabilities and marketing power that would enable them to enter foreign markets.

As mentioned in Chapter 2, SMEs usually operate in a niche market which offers many opportunities to grow and expand therefore, the respondents stated that there was risk in developing products and then have local companies in the foreign market taking over the Irish SMEs niche and leaving them with nothing, as NE 89 stated:

“ You could develop a product, then the local companies join in at a cheaper price and take over your share in the business”.

### 5.9.1 Method of entry to foreign markets

As can be seen from Figure 5.12 direct sales was the most often used method of entry to foreign markets for exporting SMEs whereby they engage directly with the foreign company/country to build a reputation and increase sales and profits.

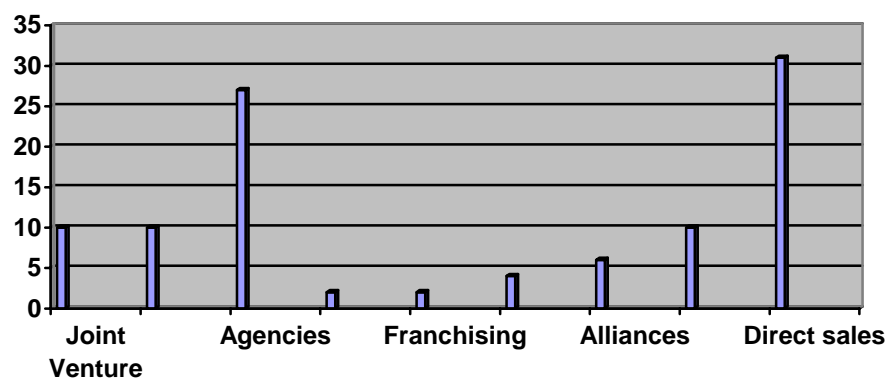


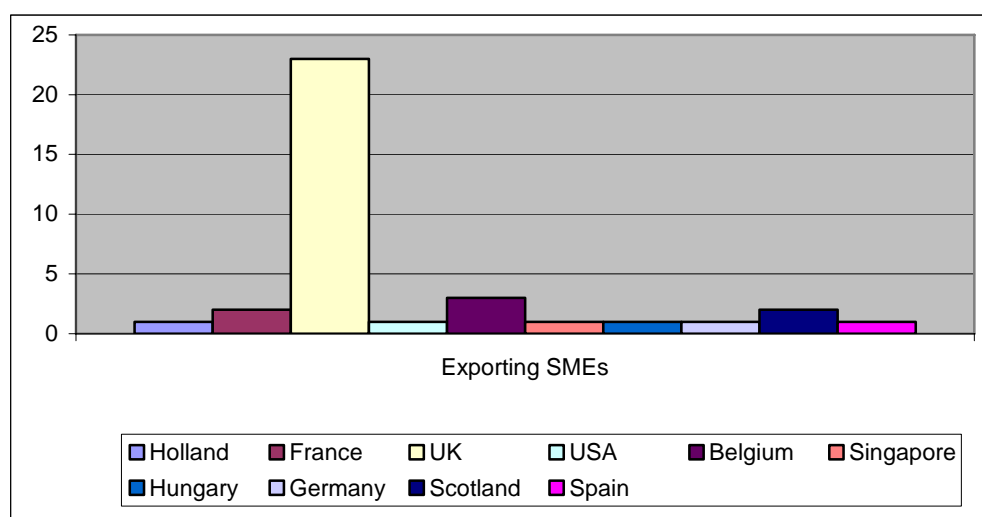
Figure 5.12 Method of entry to foreign markets ( Source :Current research)

For exporting SMEs the use of agencies (27%) is the second most used method of entry whereby the SME uses an agent in the foreign country to promote their goods and services to the foreign market.

Licensing and franchising were the least used methods by the SME exporters preferring direct sales contact over leasing their business idea to foreign clients. This finding correlates with Forsman, Hinttu and Kock's (2000) Finnish study that found direct export to end customers to be the most preferred entry to foreign markets for SMEs.

### 5.9.2 First Country of Entry for Exporting SMEs

Wiedersheim-Paul, Olsen and Welch (1978) and Johanson and Vahlne (1977) suggested that enterprises focussed on neighbouring countries to export to, thereby introducing the concept of psychic distance, which Carlson (1975) stated, is significant for smaller enterprises.



**Figure 5.13**Exporting SMEs country of entry (Source :Current research)

Therefore it is no surprise that the exporting SMEs first country of entry is the UK with 23 out of the 35 respondents choosing to focus on the UK market. Rasmussen, Servais and Madsen (2000) were of the opinion that market conditions and foreign cultures need to be assessed before attempting internationalisation

therefore, again it is not surprising, that the UK market is assessed and chosen by the exporting SMEs as their first international market due to its easy access, good market base and similar culture and language abilities as the Irish market.

### 5.10 Reasons why Exporting SMEs sell abroad

Moen (1999) noted that SMEs can be pushed into exporting owing to a small or declining domestic market or as Westhead, Ucbasaran and Binks (2004) stated rural SMEs with limited resources may be pulled into foreign markets by the internationalisation activities of customers in the domestic market. Therefore it is not surprising to note that the filling of customer orders (34%) was one of the reasons for the SME's decision to go global.

	<b>Strongly Agree %</b>	<b>Agree %</b>	<b>Neutral %</b>	<b>Disagree %</b>	<b>Strongly disagree %</b>
<b>Obtain new sources of capital</b>	17	11	43	9	20
<b>Develop new markets</b>	83	9	9	0	0
<b>Establish long term relationships</b>	29	37	29	6	0
<b>Become 1st Irish business in the market</b>	3	6	37	14	40
<b>Overcome domestic barriers</b>	9	29	31	11	20
<b>Reciprocate with Suppliers abroad</b>	3	9	40	29	20
<b>Fill customer orders</b>	34	26	23	14	3
<b>Competition</b>	11	43	31	9	6
<b>Increase profits</b>	83	14	3	0	0
<b>Survive</b>	37	14	29	9	11
<b>Obtain long term stability</b>	49	31	14	3	3
<b>Gain large market share</b>	43	26	23	3	6
<b>Capitalise on domestic CA</b>	14	29	31	14	11

**Table 5.2 Reasons for selling abroad ( Source :Current research)**

Table 5.2 shows the respondents strongly agreed that the main reasons for entering foreign markets were to develop new markets (83%) so as to build up the reputation of the SME's products and services and to increase profits (83%). It is

also important to note that the increase in profits was one of the top three strategic goals of the exporting SMEs shown in Figure 5.3.

Another interesting finding from this research was that obtaining long-term stability (49%) and gaining a larger market share (43%) were mentioned by the exporting SMEs as major reasons why they sell abroad. It is not surprising to note here that the non-exporting SMEs also cited this particular reason as a motivation for going global, as they would have “the opportunity to attain an increased market share and expand the business” (NE 24).

From Table 5.2 it can also be seen that the respondents also agreed that the establishment of long-term relationships for the SME (37%) was a deciding factor in their decision to enter foreign markets. This concurs with the current research findings that exporting SMEs most preferred method of communication was networking and establishing new contacts in the marketplace. Many exporting SMEs (37%) entered foreign markets in order to survive, as the competition in the domestic market was getting too strong and/or to capitalise on the domestic competitive advantage.

### **5.11 Factors affecting a company’s decision to go global.**

Brush (1992) was of the opinion that company factors affected the owner/manager’s decision whether to enter foreign markets or not. As can be seen from Table 5.3 quality products (69%) and customer service capability (49%) are considered to be very important factors by the SMEs surveyed in the decision to go global. These findings agree with Stoke’s (2000) view that SMEs consider quality products and getting close to their customer as important factors in their efforts to go global.

	Very Important %	Important %	Neutral %	Not Important %	Least Important %
Well trained employees	37	31	17	9	6
Employees with international experience	23	14	20	26	17
Foreign market information	34	34	23	9	0
Cooperative arrangements with SMEs	3	17	20	17	43
Quality products	69	23	9	0	0
Strong customer service capability	49	31	17	0	3
Low production costs	23	17	40	14	6
Economies of scale	40	26	23	6	6
High growth from domestic sales	11	20	35	26	9
High profits from domestic sales	11	20	26	34	9
Planning systems in place	20	37	29	9	6
Adapt to market changes quickly	34	26	31	9	0
Flexible operation systems	29	31	26	9	6
Standardised production systems	23	40	34	0	3
Years of experience	43	17	17	9	14
Slow domestic market	6	29	46	9	11
Foreign language fluency	3	23	29	26	20

**Table 5.3 Factors affecting a company's decision to go global (Source: Current Research)**

Another very important aspect in the decision to go global were well-trained employees (37%). The ability to adapt to market changes quickly (34%) is also considered very important by exporting SMEs in their decision to go global and it is that ability which makes SMEs unique in their marketing approach (Carson, 1993).

The SMEs in this current study also considered years of experience (43%) and foreign market information (34%) to be very important when entering foreign markets. This corresponds with Forsman, Hinttu and Kock (2000) who said that previous information on foreign markets and essentially years of experience will have an impact on the decision to go global therefore, the possession of adequate foreign market knowledge can be a valuable asset to SMEs.

According to Carson (1990) SMEs do not like to be part of a complex enterprise system; that entrepreneurs prefer to have complete authority in the running of their

business and do not like to be part of cooperative arrangements. The findings from this current study agree with Carson's assessment as these SME's consider cooperative arrangements (43%) with other businesses to be the least important factor when entering foreign markets. This result is interesting as SMEs are considered to rely on networks and collaborative relationships to sell their products/services (Hill, 2001).

### **5.12 Barriers Hindering SMEs from going global**

According to Westhead, Ucbasaran and Binks (2004) if it is assumed that exporting can lead to superior SME performance then there is a need to understand why many SMEs do not export. By examining the barriers that hinder Irish SMEs from going global it may identify what action needs to be taken to make foreign markets more accessible to these SMEs. By learning about these issues, the problems experienced by exporting SMEs may be identified as the barriers being perceived by non-exporting SMEs to entering foreign markets. The respondents were asked to rate the list of barriers in Table 5.4 from strongly agree (S.A) to strongly disagree (S.D).

Morgan and Katisikeas (1997) identified four main obstacles that explain why SMEs are discouraged from entering foreign markets; they said that lack of resources, capital, market knowledge and proper network channels can all hinder an SME in its' effort to go global. The results did find that the exporting SMEs agreed that lack of marketing skills (31%) was a barrier to them while the non-exporting SMEs strongly agreed that their inability to market themselves (33%) was a factor in their globalisation efforts.

	Exporting SMEs %						Non-Exporting SMEs %				
	S.A	A	N	D	S.D		S.A	A	N	D	S.D
Lack of marketing skills	23	31	26	14	6		33	31	33	3	0
Lack of experience	14	29	23	23	11		33	33	31	3	0
Lack of expertise	9	23	34	20	14		25	42	25	8	0
Lack of capital	9	17	43	17	14		28	19	42	9	3
Competition	9	20	43	11	17		22	42	28	6	3
Laws and Regs	3	17	43	23	14		17	25	44	14	0
Language Barriers	9	23	31	14	23		22	28	42	6	3
Cultural Barriers	3	11	43	20	23		6	28	50	9	9
Access to Information	3	11	43	20	23		6	19	61	11	3
Management Capability	9	17	46	20	9		8	28	56	8	0
Lack of proper Infras	8	17	46	20	9		6	22	53	14	3
High costs involved	0	14	54	26	6		28	36	28	6	0
Choosing right market to enter	26	34	29	9	3		22	29	33	14	0
Opposition from Staff	14	20	49	11	6		0	11	44	19	25
Access to Technology	6	29	37	23	6		3	14	58	17	6

**Table 5.4 Barriers facing Exporting and Non-Exporting SMEs (Source: Current research)**  
**(Strongly agree= S.A, Agree= A, Neutral= N, Disagree= D and Strongly disagree= S.D)**

It has been suggested that the high costs involved in international marketing can become a barrier to SMEs when attempting to go global. However the figures in Table 5.4 show that exporting SMEs do not consider high costs (54%) a factor while the non-exporting SMEs agree that it is an obstacle to them (36%).

Both groups of exporting and non-exporting SMEs agreed that lack of international experience (E=29%, NE=33%) and the lack of expertise (E=23%, NE=42%) were obstacles to them going global. These results support Klatt (2003) who stated that smaller enterprises lack the middle managers that the larger enterprises have and it is these middle managers that play a vital role in developing international strategies. The larger multinational enterprises possess the much needed expertise and experience to enable them to implement a successful international entry attempt which, in comparison to SMEs, can make entry to foreign markets easier and more accessible. Surprisingly contrary to the literature, which stated that lack of capital was a problem for SMEs (Etemad, 2004), the SMEs surveyed in the



current research were neutral to the notion that lack of capital (E =42%, NE =43%) hindered them in any way. Both groups were again neutral as to whether SME management capability (E =46%, NE =56%) hindered their international efforts while the literature stated that the inadequate system of SME management is the primary reason for SMEs failing in foreign markets (Winch and Bianchi, 2005).

Choosing the right market to enter is also an important decision for the SME when attempting to go global. However when the results are compared between the exporting and the non-exporting SMEs there are differences. While the exporting SMEs agree that choosing the right market to enter (34%) is an obstacle to their international efforts the non-exporting SMEs are neutral (33%) as to whether it is an obstacle or not. As Figure 5.11 shows, the first country of entry for the exporting SMEs was the UK. In the researcher's opinion the proximity of the UK market and the similarities of their culture and language can make it an easier market to be successful in thus, confirming the psychic distance theory suggested by Wiedersheim-Paul et al (1978).

Competition (42%) was also cited by the non-exporting SMEs as an obstacle to them when going international. Competition can be very high in international markets and as respondent NE89 stated, “ you could develop a product, then the local companies join in at a cheaper price and take over your share in the market”. However in contrast the exporting SMEs do not find competition to be an obstacle to them. As regards the high costs involved and lack of proper infrastructure the exporting SMEs did not see these factors as a threat to them when entering foreign markets. Whereas the non-exporting SMEs did not see lack of infrastructure as a barrier however, on the other hand they did agree that “it was difficult to raise sufficient finance”(NE60) in order to enter foreign markets.

Finally both groups felt that opposition from staff (E =49%, NE =44%) is not an obstacle in their efforts to enter foreign markets. As mentioned in Chapter 2, one of the characteristics of the entrepreneur is his/her ability to motivate their staff and make them feel at ease with whatever decisions are made within the firm. Due to the SME's small size the entrepreneur can remain close to the employees and deal

with whatever problems they might have, therefore opposition from staff to an internationalisation effort is likely to be more effectively managed.

#### 5.12.1 Non-Exporting SME's Perceived barriers to exporting.

The non-exporting SMEs were asked what they perceived the barriers were in their attempts to go global. The responses are tabulated in Table 5.5. Many of the SME's remained neutral on some of the barriers, as they were unsure as to whether it was a true barrier to SME entry to foreign markets or not.

	<b>Strongly Agree</b> %	<b>Agree</b> %	<b>Neutral</b> %	<b>Disagree</b> %	<b>Strongly disagree</b> %
<b>Lack of experience</b>	17	22	22	14	8
<b>Lack of finance</b>	8	17	31	17	11
<b>Marketing skills</b>	22	22	28	8	3
<b>Language barriers</b>	22	19	22	14	6
<b>No support</b>	17	14	28	11	14
<b>No interest</b>	17	3	31	8	25
<b>Business not suitable</b>	19	8	25	8	22
<b>Foreign markets unknown</b>	19	19	28	8	8

**Table 5.5 Reasons for not going global (Source :Current research)**

The non-exporters did agree that lack of marketing was hindering them from going global (22%). This correlates with previous research from Lloyd-Reason and Mughan (2002) who stated that the SME style of marketing did not fit into the type of marketing skills needed to enter international markets. The SMEs also strongly agreed that language barriers (22%) were a hindering factor in their attempt to go global. This is an interesting finding as Table 5.1, which looks at skills of owner/managers, indicated that both exporting and non-exporting owner/managers rated themselves to be poor at foreign languages. However the exporting owner/managers seemed to have got over this difficulty and exported successfully. A consideration for future research may be to examine the extent to which language barriers are a hindrance to exporting.

The inadequate level of finance associated with SMEs (Carson 1995) was also shown to be a reason why non-exporting SMEs do not attempt to go global. Respondent NE60 stated, “it was difficult to raise sufficient finance”. Respondent NE19 also mentioned “the lack of financial support in the form of government funding” acted as a barrier to non-exporting SMEs when attempting to enter foreign markets. However as was shown in Table 5.5, when asked, the non-exporting SMEs did not consider lack of finance to be a major barrier to going global. It maybe lack of support more so than lack of finance that hinders Irish SMEs.

While this current research endeavours to identify the reasons why non-exporting SMEs do not enter foreign markets it is also essential to identify the ways in which the exporting SMEs have overcome the obstacles to globalisation. E31 stated that they “entered into partnerships with foreign companies” so as to ease the financial burden that would have hampered them if they had set up their own company abroad.

Carson (2000) stated that SME’s lacked the proper expertise to enable them to market themselves effectively therefore it is not surprising that the exporting SME’s purchased expertise “in order to enter [foreign markets] with ease and effectiveness” (E91). Seeking assistance and support with marketing skills also helped SMEs overcome the barriers faced by them in international markets.

As was shown in Table 5.1 exporting SME’s found themselves to be very good at building business relationships therefore it is interesting to note that the building of relationships with key customers “so as to compare the advantages of our product over our competitors products” (E2) was also mentioned by the exporting SMEs as a method used by them to overcome internationalisation barriers.

Exporting SMEs also “engaged in conversations with government agencies in the foreign marketplace in order to obtain information in relation to the country’s regulations” (E83). This method helped the SME to identify the foreign country’s cultures and languages. This again corresponds with SMEs and their networking ability, for example Hill (2001) stated that the owner/manager of the SME uses networking as their main method of customer communication. This was confirmed

in Figure 5.7 as it was found that the exporting SMEs most used method of selling was through networking and owner/managers also rated themselves as being good at networking.

Having explored the ways in which exporting SMEs overcame the barriers to foreign market entry it is this current researcher's opinion that globalisation is plausible for all SMEs. It has become clear from the research findings that the barriers that the non-exporting SMEs are reporting are ones that the exporting SMEs have overcome on their way to internationalisation.

When asked, most exporting SMEs agreed that a pathway to success in international markets was "perseverance, always try again even if you do not succeed, hard work will pay off in the end. Lessons can be learned from experience" (E14).

### **5.13 What can the government do?**

The lack of government support was mentioned by the SMEs during the course of this current research therefore both the exporting and the non-exporting SMEs were invited to share what changes they thought the Irish government could make in order to help SMEs overcome the barriers that make entry to foreign markets difficult. One suggestion was:

"that international trade was hugely expensive and that it was easy to underestimate the resources needed to optimise business relationships in foreign markets therefore the government could ease this burden by providing well-managed financial, lingual and network support to SMEs". (E27).

Networking was mentioned by the SMEs as an aspect that needed to be concentrated on by the Government. Government programmes need to support the collective efforts of SMEs in similar industries through networking events. The example given by E44 was:

“10 SMEs with 1 million euro turnover should be presented to the market as one group with 10 million euro turnover as large multinationals do not like dealing with very small foreign companies”.

This is contrary to what other researchers have identified that SMEs do not like to work in collaborative relationships, preferring to work alone (Carson, 1995).

As was shown in section 5.12, lack of marketing skills was a problem for SMEs in their effort to go global thus more “support with marketing education and training” was called for by the SMEs. Marketing is a major problem for SMEs in Ireland, where, as mentioned earlier, not enough time or money is spent on the development of marketing skills amongst indigenous enterprises and it was also found to be an obstacle in international efforts (ESG, 2004).

Contrary to the many suggestions made by the both the exporting and non-exporting SMEs for the Government to step in and alleviate some of the barriers that continue to hinder them when attempting to enter international markets, a comment was made by respondent E6 that “there are barriers to exporting to which the government has no control. The barriers are bureaucracy and financial risk”.

Taking this into account it is this researcher’s opinion that the Government cannot alleviate all the barriers that hinder SMEs from going global. Marketing skills can be helped through education, however inadequate financial resources and the risk involved in establishing a market abroad may be difficult to assist through Government intervention. The government cannot do anything about the workings of foreign markets and the risk involved in establishing a presence abroad.

## 5.14 Conclusion

This chapter presented the results of the survey that was sent to exporting and non-exporting SMEs in South East Ireland. In essence the research ascertained to establish what the barriers are to SMEs when entering foreign markets, whether the barriers are the same ones faced by both exporting SMEs and non-exporting SMEs and consequently to establish the reasons why more SMEs do not enter the global marketplace. The quantitative research did yield a number of significant findings namely the differences in education levels between exporters and non-exporters. It was seen from the results that 31% of exporting SMEs possessed a degree while a slightly higher percentage of non-exporters possessed a degree (36%). There was a small difference in enterprise education levels between both groups, only 20% of the exporting SMEs and 22% of the non-exporting SMEs received any form of enterprise education. It is interesting to note therefore, that although more non-exporting SMEs had advanced education compared to exporting SMEs they still did not feel that they could attempt entry to foreign markets.

Furthermore, both groups were asked if they understood the term exporting. The findings showed that while 100% said they understood the meaning of the term, when asked to identify the appropriate meaning only 4% of the exporting SMEs correctly understood the true meaning of exporting. Surprisingly 11% of non-exporting SMEs correctly identified the true meaning. It is interesting to note, while non-exporting SMEs state various reasons for not entering foreign markets, they possess a greater knowledge of what exporting and entering foreign markets entails compared to exporting SMEs.

Carson, Gilmore and Grant (2001) were of the opinion that building relationships and networking with regular clients is vital to a company's success. The current research confirms this as the exporting SMEs selected networking as their more preferred method of selling their products/services whereas non-exporting SMEs are more comfortable using the word of mouth technique. As mentioned in the analysis, networking would seem to be the best way to gain entry to foreign markets as the SME is making direct contact with potential customers in foreign markets.

It was also found during the course of the research that eight of the non-exporting SMEs attempted to enter foreign markets and had some success in their chosen markets. The results showed that the more preferred method of selling products/services abroad employed by these eight SMEs was direct sales. These SMEs were also found to have advanced education with over 70% possessing a degree and 50% of those receiving education in entrepreneurship.

In regards to the reasons why SME's decide to sell abroad, exporting SMEs were asked as to their specific motives for selling abroad. It was clear from the findings that the development of new markets (83%) and filling of customer orders (34%) were the main reasons in deciding to sell into foreign markets. Forsman, Hinttu and Kock (2000) stated that the opportunity to increase profits may motivate SME's to go global therefore, it was interesting to note from the current research that the increase of profits (83%) was also a main motive for selling products/services abroad.

Another finding was that the lack of marketing skills was the major obstacle for both the exporting and the non-exporting SME's attempting to enter foreign markets. Lack of international experience and lack of expertise were found to be major obstacles that hindered SME entry to foreign markets. However, management capability was not found to be a major obstacle among the SMEs surveyed. This is contrary to Winch and Bianchi (2005) who stated that the lack of SME management capability is one of the primary reasons for SMEs failing in their attempts to enter international markets.

In regard to what the government can do to help SMEs in Ireland engage in more exporting, the owner/managers surveyed suggested that the Government provide SMEs with proper education in marketing and sales, as stated in the ESG Report (2004). The SMEs also suggested that the Government concentrate more on networking circles centred on the SME, which would involve assistance in the establishment of links abroad enabling more export activity to take place.

Overall based on this current research there seems to be more similarities than differences between those SMEs that do export and those that do not export. These results are discussed in more detail in Chapter 6.



# *Discussion*

### **6.1 Introduction**

The objective of this chapter is to discuss the research findings presented in Chapter 5. The findings indicate that there are similarities in the perceived barriers to internationalisation of those that do not export, as they are the same barriers that the exporting SMEs have overcome when entering foreign markets.

This chapter will be presented through three main headings, which reveal the major discussion points arising from the data analysis. The first point of discussion is the key decision maker, which as the literature states has the final decision on how to run the enterprise. The findings were determined from the questionnaires and highlight a number of characteristics associated with the key decision maker of the small enterprise, such as level of education, international experience and networking.

The second point of discussion focuses on this study's research findings regarding the SMEs method of selling their product/service and their reasons for going global. Here the similarities between the main motivations for going global and wanting to go global are assessed noting that the exporting and non-exporting SME motivations are the same and yet only the exporting SMEs seem to be successful in the foreign market.

The final subject for discussion relates to the barriers hindering SMEs from going global. The discussion centres around the barriers that non-exporting SMEs are experiencing and the barriers that the exporting SMEs have overcome on their way to becoming a global player.

## **6.2 The Key Decision Maker**

As was stated in the literature review, the entrepreneur is the key decision maker of the SME as all decisions are passed through them before being finalised (Carson, 1990; Hill, 2001). Maslach (2005) agreed by saying that the characteristics of the decision maker, such as network ability and need for achievement, will affect the pace and method of internationalisation.

From Figure 3.2, it can be seen that, the decision maker uses networks to provide opportunities for the small enterprise to enter foreign markets. According to Hill (2001) networking is part of everyday life in the running of the SME so it was not surprising to find that 63% of the exporting owner/managers engaged in networking to existing clients to promote their businesses. However, only 23% of non-exporting owner/managers cited networking as their main method of marketing. According to Stokes (2000), it is this trait that allows entrepreneurs to get close to their customers and respond to their needs much faster than larger organisations. However, while Munro (2000) described SME marketing techniques such as networking to be non-traditional and non-strategic it was interesting to find that the 63% of exporting SMEs who used networking were still successful in foreign markets at the time of the survey.

The key decision maker also possesses a need for achievement and it is this need, which drives the entrepreneur to expand and grow the business (McClelland, 1961). The results of this current study concurred with McClelland, as it was found that in both the exporting and non-exporting owner/managers strategic goals, they possessed a need for growth in profits, reduce costs and growth in sales.

As mentioned earlier the key decision-maker manages the small enterprise and has the final say in the running of the business. Therefore, it was interesting to find that both exporting and non-exporting SME's did not consider management capability to be an important factor in the decision to go global however, Winch and Bianchi (2005) stated that inadequate management is the primary reason for SME's failing in international markets.

### **6.2.1 Level of education**

As was described in Figure 3.2 in the literature review, the key decision maker has advanced education, which leads to openness to new ideas, which influences opportunities to internationalise. However, the Forfas Report (2004) stated that Irish SME owner/manager's did not possess the necessary skills to enable them to enter foreign markets. Pierre- Andre (2001) stated the SME internationalisation journey is like “ a fish that has become bigger and bigger in its pond will be eaten when it reaches the sea; it is better to teach it how to fight when it is small so that it can deal with the competition wherever it is” (p.13).

This is a suitable analogy to the barriers that SMEs face in their efforts to enter foreign markets as “teaching an SME to fight” is what is essential. The respondents mentioned lack of education in sales and marketing and learning how to compete in foreign markets as major barriers to internationalisation. As was discussed in section 5.5, in Chapter 5, many SMEs lacked sufficient knowledge and expertise in marketing.

The results from this current research revealed that both exporting (31%) and non-exporting (36%) owner/manager's had advanced education, which as Maslach (2005) stated gives SMEs the opportunity to interact with international sources, that in turn leads to an increased number of personal contact networks. As can be seen from the results there is no real significant difference between the number of exporting and non-exporting owner/manager's who possessed a degree or higher. These current results correspond with Brush, Manolova, Edelman and Greene (2002) who found in their study that there were no significant differences between exporting and non-exporting managers with regards to levels of education. While Maslach (2005) stated that managers should have advanced education, O'Gorman and Cunningham (1997) stated that due to the innovative nature of the entrepreneur that they will learn through doing rather than having advanced education. Therefore it could be said that due to the fact that the non-exporting manager's have the desired level of education to enter foreign markets, education may not act as a barrier to SME internationalisation as suggested by previous literature (Maslach, 2005; Carson, 1995).

However while education may not act as a barrier to entering foreign markets the possession of entrepreneurship education is considered an important attribute. According to Bygrave (1994) business education without entrepreneurship is as incomplete as medical training without obstetrics. Without the conception, birth and growth of new enterprises, there would be no business. The Global Entrepreneurship Monitor (GEM) (2005) had expressed the need for more funding and support in their report where it had been said that the education sector should be harnessed across all levels and disciplines so as to enhance the capacity of those who decide to become entrepreneurs. In essence entrepreneurship needs to be introduced to students at a young age so as to foster an interest in pursuing a career in the field, however the argument is that there are excellent graduates coming from the colleges but that the SME requires a graduate with experience and cannot afford the time needed to train graduates.

The results also found that the non-exporting manager's had marginally more entrepreneurship education than the exporting manager's. Figure 5.5 showed that 20% of exporting and 22% of non-exporting owner/manager's had studied or received entrepreneurship education yet the non-exporting manager's still feel that they lack the proper education and marketing expertise to enter foreign markets.

As stated in the research findings the understanding of exporting is essential to the success in international markets. O'Gorman and Cunningham (1997) in their study of Irish SMEs stated, that in order to go global the businesses had to first of all understand how exporting worked and what markets to target in order to be successful. It became apparent during the course of this current researcher's phone calls to the sample that some did not understand the term exporting. However when answering the survey question 100% of the respondents said that they understood the term 'exporting' but only 4% of exporting and 11% of non-exporting SMEs identified its meaning correctly. Therefore it is interesting to note that while non-exporting SMEs perceive many barriers to going global, more of these entrepreneur's understand the term exporting compared to the successful exporting SMEs.

### **6.2.2 International experience**

Figure 3.2 also suggested that the key decision-maker has or should have extensive international experience. Maslach's (2005) findings agreed with Miesenbock (2000) as it was found that it is, more likely than not, the key decision maker who has international experience and will therefore decide whether to enter foreign markets or not. The research findings did show that both the exporting and non-exporting owner/manager's cited lack of experience as a barrier to going global so these results may suggest that lack of international experience can affect the rate and pace of SME internationalisation. According to Brush (1992), general theories of international business suggest that companies will not be able to, or desire to invest abroad or export until they have gained market experience.

However, while Maslach (2005) stated that managers should have international experience in order to enter foreign markets it can be seen from the results that over half of the respondents stated lack of experience as a barrier to entry and yet still entered foreign markets successfully.

As can be seen from the discussion, the key decision maker of the small enterprise has a major influence on the SME's decision to enter the foreign market. If the manager does not have the required education, international experience or the ability to network their business they will find it difficult to expand and grow their business. However, the results of this current study have shown that the majority of exporting owner/manager's did not possess advanced education and many lacked international experience and yet still entered foreign markets successfully.

### **6.3 Methods of selling products/services and reasons for exporting**

As was stated earlier in the discussion the key decision maker uses networks to provide opportunities for the SME to enter foreign markets. However, Hill (2001) and Carson (1995, 2000) stated that the SMEs main method of communication is through word of mouth. It is known that the small enterprise is more flexible and more capable

of meeting customer demands in niche markets and that the marketing of their product is different to that of the larger company (Fisher, 2004). Word of mouth has been regarded as the main method of SME marketing (Carson, 1993) therefore it was surprising that only 26% of exporting SMEs used this method while 64% of non-exporting SMEs used word of mouth to attract potential customers. However, what is interesting is that 63% of exporting managers used networking to market their business therefore it is this researcher's opinion that networking can provide more contacts for SMEs and may make their transition to export markets more accessible. The exporting SMEs network their businesses more extensively than the non-exporting SMEs therefore, it would be interesting to ascertain why the non-exporters main method of marketing is word of mouth.

According to O'Donnell (2004) owner/managers typically engaged in extensive, proactive networking with existing customers and therefore built strong links with them. This may be the reason why the exporting SMEs from this current research are so successful in foreign markets as networking establishes strong links with their foreign customers. It was also shown in the research findings that direct sales were the more preferred method of foreign entry for the exporting SMEs. This also corresponds with O'Donnell (2004) as owner/managers prefer contacting potential customers face-to-face rather than through the use of alliances or agencies.

### **6.3.1 Reasons for exporting**

The key decision maker, again, determines the reasons for exporting and wanting to export. As Figure 3.2 showed, the key decision maker identifies opportunities to internationalise, has extensive international experience which influences the opportunities to internationalise and has advanced education which leads to new ideas to internationalise.

As mentioned in the data analysis Crick and Chaudhry (1997) stated that there are many motives for SMEs pursuing an export strategy such as increasing sales and profits and developing new markets. It was found in the current research that long-term profits (26%) were a motivation for SMEs to enter foreign markets, which

disagrees with Tookey (1964) and Barnhart (1968) who found that short term profits were a source of motivation for smaller enterprises. It was interesting to note that the development of new markets (83%), so as to build a consumer base for the SME's products/services thereby increasing profits, was the main reason why exporting SMEs entered foreign markets.

As Carson (1995) stated, SMEs are characterised by their lack of resources and capital therefore the entering into foreign markets so as to obtain profits, as stipulated by the respondents, was not surprising. This supports Carson (2000) and Amit et al (2000) who stated that money mattered more to entrepreneurs because of the association between entrepreneurship and wealth. As was shown by the SME's strategic goals, to increase profits was one of the top three goals for the small enterprises, which reinforces the idea that entrepreneurs are primarily concerned with making a profit.

The current research also found that only 16% of exporting SMEs cited filling customers orders and following customers abroad (12%) as a motivation when considering entering foreign markets. However, Etemad et al (2001) found that one of the main drivers in SME internationalisation is due to customers looking elsewhere for products/services. Competition has been mentioned as a major obstacle to SMEs both in the domestic and international marketplace so it is surprising that the SMEs did not see filling customer orders and following customers abroad as main motives for going global.

#### **6.4 Barriers to going global**

It has been suggested by the GEM Report (2005) and Forfas (2004) that SME owner/manager's need more education in sales and marketing as they are spending too much time concentrating on research and development and manufacturing issues rather than on the marketing of the enterprise. As was mentioned earlier, the entrepreneur is the key decision maker and all decisions inherently go through them first. According to Miesenbock (2000) the key decision maker decides when to start, end and increase international activity so it will be important that the entrepreneur has



sufficient education in sales and marketing. Also as was shown in the literature review, the entrepreneur is considered a risk taker, innovator and strives for achievement at all times. Therefore it is somewhat surprising that the owner/managers encounter and perceive so many barriers to internationalisation as it is in their nature to take risks in order to further their business and make a profit.

As Westhead, Ucbasaran and Binks (2004) stated, if one assumes that exporting can lead to superior performance then there is a need to understand why many SMEs do not export. It was stipulated at the start of this current study there is no reason why all SMEs cannot engage in exporting, as the perceived barriers of the non-exporting SMEs are the same barriers that the exporting SMEs have overcome. Therefore it was not surprising to find that the exporting SMEs agreed that lack of marketing skills (31%) was a barrier to them while the non-exporting SMEs also strongly agreed that their inability to market themselves effectively was hindering them in their efforts to go global.

Lack of international experience (33%) and lack of expertise (42%) of the owner/managers were again considered barriers to exporting SMEs entering foreign markets. These current results support Klatt's (2003) study where it was found that managers played a vital role in the developing of international strategies. Crick and Chaudhry (1997) also stated that SME owner/managers determine whether the business will go global. If they do not have the necessary skills needed to manage an exporting company then this will become a barrier to their internationalisation effort. The issue of education arises again, as without education in marketing and exporting the barriers that confront SMEs when entering foreign markets will remain as the owner/managers will not have the expertise to confront these barriers.

The current results did show that the barriers considered by the non-exporting SMEs to be the biggest hindrance were lack of experience, marketing skills and foreign languages. While SME's have many advantages in the way that they market themselves such as their closeness to customers and the ability to respond to their needs much faster (Blanchard, 1994; Munro, 1996); these advantages may not exist in the foreign marketplace, as there is greater competition and many large enterprises to contend with. Lack of finance is also considered a barrier to SME internationalisation

however, when asked, the respondents did not consider the lack of capital to be a major barrier to going global.

Having examined that the barriers the non-exporting SMEs perceive and how the exporting SMEs overcame the same barriers and still entered foreign markets successfully it may be fair to say that all SMEs can enter foreign markets. The exporting SMEs surveyed agreed that a pathway to success in entering international markets was to “persevere, always try again even when you do not succeed because your hard work will pay off in the end. Lessons will be learned from experience” (E6). Many exporting SMEs entered into “partnerships with foreign companies” (E31), so as to ease the financial burden that they would have encountered if they had attempted to set up their own company abroad. Also many exporting SME’s purchased experts to enable them to enter foreign markets “with ease and effectiveness” (E91), so as to compensate for the lack of expertise often associated with SMEs. By seeking assistance with marketing, this helped exporting SMEs to overcome the barriers associated with foreign markets.

Therefore, the ESG’s (2004) solution to target the SMEs lack of marketing skills by training graduates to help SMEs to engage in exporting may not be the correct resolution to the problem. It is clear from this current research that it is the key decision maker who will influence the SME’s decision to enter foreign markets. In this current researcher’s opinion it may not be the barriers mentioned that are hindering non-exporting SMEs from going global, as the barriers they perceive are not insurmountable due to the fact that the exporting SMEs overcame the same obstacles. Therefore it may be the owner/manager’s personality and way of doing business that hinders them in the long run as it is the key decision maker who makes the final decision whether to engage in exporting or not (Miesenbock, 2000).

## **6.5 Conclusion**

The main point of this discussion chapter was that it is the key decision maker who influences whether the SME engages in international activity or not. Also the current research findings have indicated that there are similarities between SMEs that export and those that do not engage in any form of exporting activity. These similarities refer

to the levels of education of the SME owner/manager, the reasons why exporting SMEs decide to go global, the reasons why non-exporting SMEs want to enter foreign markets and finally the barriers that non-exporting SMEs are encountering and the obstacles that exporting SMEs have managed to overcome.

While Carson (1993) and Malecki and Veldhoen (1993) stated that due to SMEs lacking resources, attempting internationalisation will be difficult if not impossible, the results of this current research found that 53% of the non-exporting SME owner/manager's would attempt to go global if the option were made available to them. The most interesting finding from this current research is that the reasons given as to why exporting SMEs export are the same reasons why the non-exporting SMEs want to engage in exporting. The point could be made here that if the non-exporting SMEs benchmarked the processes employed by the exporting SMEs that they could possibly make a successful attempt at entering foreign markets also.

The findings from this research to some extent do not concur with the assertions of Maslach (2005) in that owner/managers of SMEs should have advanced education. Those possessing an advanced level of education, advanced being defined as a degree or higher, would avail of the opportunity to interact with a large number of international people which can lead to increased international networks. This current research found that 31% of exporting owner/managers and 36% of non-exporting SMEs possessed the desired level of education suggested by Maslach (2005). However, the results from this study found that 69% of the exporting owner/managers did not possess advanced education yet still managed to enter foreign markets effectively.

The findings from this current research also showed that many SME owner/manager's did not understand the true meaning of the term exporting. While 100% said they did understand only 4% of exporting and 11% of the non-exporting SMEs identified the term correctly. Therefore, it would seem that more non-exporting SMEs have a better understanding of the term exporting than their exporting counterparts.

In addition the SMEs were asked as to the method of selling they used to sell their products/services. As expected the non-exporting SME's most preferred method of selling was through word of mouth advertising. However, the exporting SME's favoured networking through existing clients over word of mouth advertising. With regard to these results it is this researcher's opinion that networking provides SMEs with more contacts that will enable them to venture abroad unlike the non-exporting SMEs who rely on the spread of word of mouth to increase their business.

With regard to exporting, the SMEs that were actively involved with selling their products/services abroad were asked why they had decided to engage in global marketing. The most cited reasons among the exporting SMEs surveyed to entering foreign markets was to increase profits, access to new and larger markets, exporting was the next step in the business's development plan and the fact that the business had to fill customer orders and entering international markets was the solution to the increase in demand of their products/services.

Another interesting finding from this current research was that the non-exporting SMEs who expressed a desire to enter foreign markets cited the same reasons as the exporting SMEs for entering international markets. The increased customer base and market share that they would attain if they entered foreign markets influenced non-exporting SMEs. Growth in profits was also mentioned as a major influence on their decision to attempt to engage in internationalisation.

With regard to the barriers that feature in the SMEs attempt to enter foreign markets, lack of marketing was mentioned as a consistent barrier to both exporting and non-exporting SMEs. This was not surprising as both groups did cite lack of marketing skills as a factor that the Irish government should take into consideration when assessing SME's ability to engage in exporting activity. However an interesting factor to note is that while the exporting SMEs did consider high costs to be a barrier when entering international markets the non-exporting SMEs did not deem high costs to hinder them in any way.

This current research suggests that internationalisation is plausible for all SMEs as the perceived barriers that the non-exporting SMEs are reporting are the same barriers that the exporting SMEs have overcome on their way to internationalisation. The next chapter, which is the final chapter of this thesis, will draw conclusions from the overall discussion and make recommendations for future academic research.

*Conclusions  
And  
Recommendations*

**7.1 Introduction**

This study sought to understand why Irish SMEs are not engaging in more exporting activity. This research therefore, examined factors such as level of education of SME owner/managers, SMEs' method of selling products/services, exporting SMEs' reasons for engaging in exporting, barriers hindering SMEs from going global and what the government could do to assist SMEs when entering foreign markets.

In order to obtain the answer to the research question and research objectives it was necessary to review the literature pertaining to the research topic. Also primary data was gathered through the use of a survey questionnaire. The findings from this research were then presented and discussed in Chapters 4 and 5.

Therefore, the purpose of this chapter is to draw conclusions from these findings and the research as a whole. Also included in this chapter are the limitations associated with the current research and recommendations for future research in SMEs and exporting.

**7.2 Conclusions**

The research findings have indicated that there are similarities between SMEs that export and those that do not engage in any form of exporting activity. It was also found that the perceived barriers of the non-exporting SMEs are the same as the barriers, which the exporting SMEs had overcome in order to enter foreign markets.

The research found that there were also similarities between the education levels of both exporting and non-exporting owner/manager's. Maslach (2005) suggested that the key decision maker (owner/manager) should have advanced education in order to enter foreign markets. The results showed that both exporting owner/manager's (31%)

and non-exporting managers (36%) possessed advanced education however; the non-exporting managers still felt that they are unable to enter foreign markets. It therefore, could be interrupted that education may not act as a barrier to SMEs entering foreign markets as suggested by previous literature (Maslach, 2005; Carson, 1995).

It also emerged that many SME owner/managers did not understand the true meaning of the term 'exporting'. While 100% of the respondents stated that they did understand the term only 4% of exporting and 11% of non-exporting owner/manager's identified the term correctly. While the percentages are small it would seem that the non-exporting SMEs have a greater understanding of exporting and what it entails and yet still feel that they are unable to enter foreign markets successfully.

Carson et al (1995) stated that SMEs, in general, used word of mouth marketing to gain new customers. The findings from the current research established that 64% of non-exporting owner/managers preferred to engage in word of mouth marketing whereas only 26% of exporting owner/managers used the same method. However, Hill (2001) stated that networking was the main method of communication for SMEs. The current research results to some extent agreed with Hill as, it was found that 63% of exporting SMEs engaged in networking when entering foreign markets and, at the time of this research were still, successful in those markets. Therefore, it is this researcher's opinion that networking provides more opportunities for SMEs in international markets than word of mouth marketing.

It was stipulated at the start of this current research that there is no reason why all SMEs cannot engage in exporting. This still holds true because the perceived barriers to exporting expressed by non-exporting SMEs are the same barriers that exporting SMEs have overcome when entering foreign markets. For example, exporting SMEs stated lack of marketing skills (31%) as a barrier to them while non-exporting SMEs also agreed that their inability to market themselves (33%) was hindering them in their efforts to go global. Both groups also stated lack of experience, expertise and capital to be barriers to entering foreign markets.



### **7.3 Limitations**

One of the main limitations associated with the current study was that the research only contained SMEs from the South East region of Ireland therefore the research results may not be generalisable. For example, the industry sector mix may not be the same in South East as in other regions of Ireland. Also the number of industry sectors represented may not be the same as in other regions. Finally the support received by SMEs in the South East of Ireland may not be the same as the support received in other regions.

Secondly, there does not exist a proper database of SMEs in the South East region of Ireland therefore, the current researcher found it difficult to obtain a comprehensive database. Eventually the research sample was taken from one data source, which is an enterprise support agency, whose criteria outline that an enterprise has to be capable of exporting or about to export. This is a limitation to this current study as it is expected that these enterprises would be familiar with exporting and all it entails. The Enterprise Ireland database, used in this research was also limiting. In summary, no database segregated by industry sector, existed in Ireland at the time of this research.

A surprise finding in this research was that a number of non-exporting SMEs had exported at one stage however, they were not exporting at the time of this current research. This had not been anticipated beforehand therefore, the question had not been asked as to why they were no longer exporting. This was an opportunity that was lost in this current research, as a more in-depth study could have been performed on these SMEs.

### **7.4 Recommendations for Future Research**

The limitations of this study bring to light a number of prospects for future research. Primarily, it is proposed that a similar research study be undertaken on a national basis. A comprehensive study could be conducted on a region-by-region basis in Ireland to determine if the barriers hindering South East SMEs from going global are the same factors preventing SMEs in other regions from doing the same. This research

would be beneficial in helping to find out if there are particular regional factors that impact on SMEs going global.

This research could be supported by a qualitative study throughout the different regions in Ireland so as to get a better understanding as to how owner/managers influence SME internationalisation process. Secondly, it would also allow the researcher to gain more clarity in the questions been asked compared to a survey questionnaire. And finally a qualitative study is easier to control and to obtain the answers that are required.

Another recommendation for future research is to assess the impact of entrepreneurship education on owner/manager's decision to export. This study would firstly measure whether these owner/manager's would perform any better in international markets than those who did not receive any form of enterprise education. This research would also allow for the study of two separate groups, one that received enterprise education and one that did not. Their progress could be assessed over a period of time to review the difference in their attitudes towards entering international markets.

Finally it is proposed to perform a comparative analysis between SMEs in Ireland and those in other European countries. This study would provide insights as to whether the trans-national factors are the same in Ireland as in other European countries and if other regions in Europe are better capable of engaging in exporting than Ireland.

Like the current research, this future research would have implications for regional development, regional studies, enterprise education, entrepreneurial regions, policy makers, designers of small business strategies and educators. This research will be of particular benefit to entrepreneurs and future entrepreneurs.

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# *Appendices*

# *Appendix A*



Dear Sir/Madame,

My name is Niamh Owens. I am a research master's student in the Centre for Entrepreneurship, Waterford Institute of Technology. My research is examining small to medium sized companies in the Southeast region of Ireland and the reasons as to why so few of them choose to enter foreign markets. The aim of the survey is find out businesses, feelings towards entering foreign markets and what they feel may be stopping them from doing so.

I obtained your company's name and address from a database supplied to me by Enterprise Ireland. Attached is the survey pertaining to my research. I would appreciate it if you would fill it out for me. Completing the survey will take no longer than 15 minutes. Anonymity and confidentiality are guaranteed, as the data will be presented in an amalgamated form as opposed to individual businesses.

If you have any query as regards the survey please do not hesitate to contact me at [nowens@wit.ie](mailto:nowens@wit.ie) or 086-1708003. Included in with the survey is a self addressed stamped envelope.

Your participation in this research is very much appreciated.  
Thanking you in advance.

Yours sincerely,

---

Niamh Owens.

# *Appendix B*

Dear Sir/Madame,

My name is Niamh Owens. I am a research master's student in the Centre for Entrepreneurship, Waterford Institute of Technology. My research is examining small to medium sized companies in the Southeast region of Ireland and the reasons as to why so few of them choose to enter foreign markets. The survey aims to analyse those businesses' that have entered foreign markets and compare the barriers they faced with the barriers that non-exporting businesses have encountered.

I obtained your company's name and address from a database supplied to me by Enterprise Ireland. Attached is the survey pertaining to my research. I would appreciate it if you would fill it out for me. Completing the survey will take no longer than 15 minutes. Anonymity and confidentiality are guaranteed, as the data will be presented in an amalgamated form as opposed to individual businesses.

If you have any query as regards the survey please do not hesitate to contact me at [nowens@wit.ie](mailto:nowens@wit.ie) or 086-1708003. Included with the survey is a self addressed stamped envelope.

Your participation in this research is very much appreciated.  
Thanking you in advance.

Yours sincerely,

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Niamh Owens.



# *Appendix T*

**About the company:**

(1) In what year was your company established? \_\_\_\_\_

(2) Is the company an:

Irish Owned ☐

Foreign owned Company ☐

(3) What is your position within the business? \_\_\_\_\_

(4) How many employees are in the business?

1-9 ☐ 10-24 ☐ 25-49 ☐ 50-99 ☐ 100+ ☐

(5) What industry sector is your business in? Please tick the sector that applies to your business.

Pharmaceutical/Biotechnology	<input type="checkbox"/>	Information Technology	<input type="checkbox"/>	Furniture & Furnishings	<input type="checkbox"/>
Engineering	<input type="checkbox"/>	Food and Drink	<input type="checkbox"/>	Construction	<input type="checkbox"/>
Medical Technologies	<input type="checkbox"/>	Consumer Goods	<input type="checkbox"/>	Healthcare	<input type="checkbox"/>
Seafood	<input type="checkbox"/>	Pottery	<input type="checkbox"/>	Giftware & Jewellery	<input type="checkbox"/>

(6) What is the main product/service offered by your business in Ireland today?

\_\_\_\_\_

(7) Please rank the top three strategic goals as these apply to your company's plans for the next three years:

Growth in sales and market share	
Provide returns to investors	
Develop new products and services	
Expand in a foreign market	
Acquire a supplier or distributor	
Improve quality of work life for employees	
Reduce costs	
Growth in profits	
Cash out/sell business	
Diversify	
Merge with or acquire a competitor	
Be known as socially responsible	
Improve margins	
No long-term plans for the future	

### Personal Traits:

(8) For each of the following, please indicate how would you rate yourself in the following abilities?

	Strong				Weak
Building relationships with customers	1	2	3	4	5
Are you open to change in the business	1	2	3	4	5
Do you have an open mind when it comes to modernising the business	1	2	3	4	5
Do you constantly try to stay ahead of your competitors	1	2	3	4	5
Do you try and seek out new clients for the business	1	2	3	4	5
Do you try and seek out new markets for the business	1	2	3	4	5
Taking risks in order to further the business	1	2	3	4	5

### Education:

(9) Please tick the box, which indicates the highest level of education completed by you.

Junior Certificate	
Leaving Certificate	
Certificate/ Diploma	
Degree	
Masters	
PhD	

(10) In what year did you graduate? \_\_\_\_\_

(11) If you have a degree, what discipline was it in?

Business ☐ Engineering ☐ Science ☐ Humanities ☐ Other ☐

(12) Was business management studied as part of your degree?

Yes ☐ No. ☐

(13) Was entrepreneurship studied as part of your education?

Yes ☐ No ☐

If **NO** have you taken any part time courses that included entrepreneurship in the course outline?

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(14) Please state your age:

18-24 ☐ 25-49 ☐ 50-65 ☐ 65+ ☐

(15) Please rate yourself in the following business skills:

	Poor	Fair	Good	Very Good	Excellent
Networking	1	2	3	4	5
Negotiating	1	2	3	4	5
Oral presentation	1	2	3	4	5
Writing ability	1	2	3	4	5
Problem analysis and solving	1	2	3	4	5
Numeric competence	1	2	3	4	5
Team building and management	1	2	3	4	5
Motivating employees	1	2	3	4	5
Developing personal business relationships	1	2	3	4	5
Fluency in foreign languages	1	2	3	4	5

(16) What has been the most often used method of selling your product/service to customers?

Word of Mouth	
Media Advertising	
Networking through existing clients	

(17) Is there a SME in your industry sector that you would rate as the best at sales and marketing? Please give reasons for your answer.

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(18) Are you familiar with the term exporting?

Yes ☐ No ☐

(19) Which **ONE** of the following statements is true?  
Please tick from the list below:

Exporting is when all of a firms products or services are sold into a foreign market	
A company that is selling less than 10% of their products/services abroad is not exporting	
A company that is selling less than 10% of their products/services abroad is exporting.	
A company that sells products through a foreign agent is not exporting.	
A company that sells products/services in the domestic market is exporting.	
A company that buys products/services from foreign markets is not exporting.	
A company that buys products/services from foreign markets is exporting	

(20) Have you attempted to enter foreign markets with your company?

Yes ☐ No If **NO** skip to Q22. ☐

If yes how did you try and enter the market chosen?

Joint venture	
Set up your own company abroad	
Distribution by agencies	
Licensing	
Franchising	
Acquisition	
Alliances	
Sales Subsidiaries	

Other \_\_\_\_\_

(21) Were you successful in your attempts to enter the market?

Yes ☐ No ☐



(22) What country did you pick to start the foreign entry process?

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(23) In your opinion, what are the reasons for businesses deciding to sell products abroad?

Please tick as many as appropriate from the following:

A	Followed customer	
B	Competition from MNCs	
C	Domestic market saturated	
D	Cheaper to sell goods abroad	
E	Next step in the business's development	
F	To obtain new sources of capital	
G	Develop new markets	
H	Establish long-term business relationships	
I	Become the first Irish business in the market	
J	Overcome barriers in the domestic market	
K	Reciprocate with suppliers abroad	
L	Fill customers orders for your product	
M	Keep up with industry competitors	
N	Increase sales and profits	
O	To survive	
P	Obtain long –term stability for the business	
Q	Gain a large market share	
R	Capitalise on domestic competitive advantage	

(24) What barriers do you think businesses encounter in their attempt to enter the foreign market? Please rate your answers with **1 being strongly agree and 5 being strongly disagree**.

	Strongly agree				Strongly Disagree
Lack of finance	1	2	3	4	5
Lack of expertise	1	2	3	4	5
Lack of funding from state agencies	1	2	3	4	5
Marketing and sales capabilities	1	2	3	4	5
Competition from abroad	1	2	3	4	5
Competition in the home market	1	2	3	4	5
Language barriers	1	2	3	4	5
Access to information	1	2	3	4	5
Access to technology	1	2	3	4	5
Lack of proper support mechanisms	1	2	3	4	5
Management capability	1	2	3	4	5
High costs involved	1	2	3	4	5
Choosing the right market to enter	1	2	3	4	5
Opposition from staff members to entering foreign markets	1	2	3	4	5

(25) To what extent to you agree/disagree with the following:

The factors that would hinder businesses from expanding to a foreign country are:

	Strongly agree				Strongly Disagree
Lack of marketing skills	1	2	3	4	5
Lack of experience	1	2	3	4	5
Lack of expertise	1	2	3	4	5
Lack of capital	1	2	3	4	5
Competition form larger companies	1	2	3	4	5
Market at home is sufficient	1	2	3	4	5
No market abroad for businesses product	1	2	3	4	5
No interest in setting up abroad	1	2	3	4	5
Laws and regulations	1	2	3	4	5
Fluent in foreign languages	1	2	3	4	5
Lack of government support	1	2	3	4	5
Cultural barriers	1	2	3	4	5
Access to information	1	2	3	4	5
Management capability	1	2	3	4	5
Opposition from staff members	1	2	3	4	5

(26) Given the globalisation of the marketplace, in your opinion, what changes in government policies/programmes should be enacted to provide opportunities/overcome barriers faced by entrepreneurial companies in the future on relation to exporting?

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(27) If given the opportunity would you like to take your business/product to a foreign market? Yes ☐ No ☐

Please give reasons for your answer:

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(28) Personally what is holding you back from entering/re-entering foreign markets?  
Please rate your answers with **1 being strongly agree and 5 being strongly disagree.**

	Strongly agree				Strongly Disagree
Lack of experience	1	2	3	4	5
Lack of finance	1	2	3	4	5
Marketing skills	1	2	3	4	5
Language barriers	1	2	3	4	5
No support from state agencies	1	2	3	4	5
No interest	1	2	3	4	5
Business is not suitable for foreign markets	1	2	3	4	5
Extent to which foreign markets are unknown to the business	1	2	3	4	5

# *Appendix D*



### About the company:

(1) In what year was your business established? \_\_\_\_\_

(2) Is the business an:  
 Irish Owned ☐  
 Foreign owned Company ☐

(3) What is your position within the business? \_\_\_\_\_

(4) How many employees are in the business?

1-9 ☐ 10-24 ☐ 25-49 ☐ 50-99 ☐ 100+ ☐

(5) What industry sector is your business in? Please tick the sector that applies to your business.

Pharmaceutical/Biotechnology	<input type="checkbox"/>	Information Technology	<input type="checkbox"/>	Furniture & Furnishings	<input type="checkbox"/>
Engineering	<input type="checkbox"/>	Food and Drink	<input type="checkbox"/>	Construction	<input type="checkbox"/>
Medical Technologies	<input type="checkbox"/>	Consumer Goods	<input type="checkbox"/>	Healthcare	<input type="checkbox"/>
Seafood	<input type="checkbox"/>	Pottery	<input type="checkbox"/>	Giftware & Jewellery	<input type="checkbox"/>

(6) What is the main product/service offered by your business in Ireland today?

\_\_\_\_\_

(7) What has been the most often used method of selling your products/services to customers?

Word of Mouth	<input type="checkbox"/>
Media Advertising	<input type="checkbox"/>
Networking through existing clients	<input type="checkbox"/>

(8) From the following please rank from 1 to 3 the top three strategic goals as these apply to your company's plans for the next three years:

Growth in sales and market share	
Provide returns to investors	
Develop new products and services	
Expand in a foreign market	
Acquire a supplier or distributor	
Improve quality of work life for employees	
Reduce costs	
Growth in profits	
Cash out/sell business	
Diversify	
Merge with or acquire a competitor	
Be known as socially responsible	
Improve margins	
No long-term plans for the future	

(9) Are you familiar with the term exporting?

Yes ☐ No ☐

(10) Which **ONE** of the following statements is true?

Please tick from the list below:

Exporting is when all of a firms products or services are sold into a foreign market	
A company that is selling less than 10% of their products/services abroad is not exporting	
A company that is selling less than 10% of their products/services abroad is exporting.	
A company that sells products through a foreign agent is not exporting.	
A company that sells products/services in the domestic market is exporting.	
A company that buys products/services from foreign markets is not exporting.	
A company that buys products/services from foreign markets is exporting	

(11) Are you currently selling goods abroad?

Yes ☐ (skip to Q.13) No ☐

(12) If **NO** have you ever sold goods abroad?

Yes ☐ No ☐

(13) If yes to Q11 how did you get into this activity?

Please tick as many as appropriate from the following:

A	Followed customer	
B	Competition from MNCs	
C	Domestic market saturated	
D	Cheaper to sell goods abroad	
E	Next step in the businesses development	
F	To obtain new sources of capital	
G	Develop new markets	
H	Establish long-term business relationships	
I	Become the first Irish business in the market	
J	Overcome barriers in the domestic market	
K	Reciprocate with suppliers abroad	
L	Fill customers orders for your product	
M	Keep up with industry competitors	
N	Increase sales and profits	
O	To survive	
P	Obtain long –term stability for the business	
Q	Gain a large market share	
R	Capitalise on domestic competitive advantage	

(14) What year did you start selling your product/services abroad? \_\_\_\_\_

(15) What was the first foreign country in which your product/service was sold? \_\_\_\_\_

(16) Why did your business select this particular country?

Easy access	
Followed competition	
Language barriers avoided	
Distribution channels	
Transport	

(17) What foreign countries do you presently sell your products into?

\_\_\_\_\_

(18) Which methods do you use to sell your products abroad? Please tick all that apply.

Joint venture	
Set up your own company abroad	
Distribution by agencies	
Licensing	
Franchising	
Acquisition	
Alliances	
Sales Subsidiaries	

Other \_\_\_\_\_

(19) For each of the following statements, state your level of agreement with the following:

The biggest obstacles faced in accessing international markets are:

	<i>Strongly agree</i>				<i>Strongly disagree</i>
Lack of marketing skills	1	2	3	4	5
Lack of experience	1	2	3	4	5
Lack of expertise	1	2	3	4	5
Lack of capital	1	2	3	4	5
Competition from larger companies	1	2	3	4	5
Laws and regulations	1	2	3	4	5
Language barriers	1	2	3	4	5
Cultural barriers	1	2	3	4	5
Access to information	1	2	3	4	5
Management capability	1	2	3	4	5
Lack of proper infrastructure	1	2	3	4	5
High costs involved	1	2	3	4	5
Choosing the right market to enter	1	2	3	4	5
Opposition from staff members to entering foreign markets	1	2	3	4	5



(20) What were the biggest obstacles that your business faced in accessing international markets? Please state your level of agreement with 1 being strongly agree and 5 being strongly disagree.

	Strongly agree				Strongly disagree
Lack of marketing	1	2	3	4	5
Lack of international expertise	1	2	3	4	5
Lack of international experience	1	2	3	4	5
Lack of finance	1	2	3	4	5
Levels of multinational competition	1	2	3	4	5
Foreign country regulations	1	2	3	4	5
Language barriers	1	2	3	4	5
Cultural barriers	1	2	3	4	5
Access to information	1	2	3	4	5
Access to technology	1	2	3	4	5
Lack of proper support mechanisms	1	2	3	4	5
Management capability	1	2	3	4	5
High costs involved	1	2	3	4	5
Choosing the right market to enter	1	2	3	4	5
Opposition from staff members to entering foreign markets	1	2	3	4	5

(21) What did the business do in order to overcome the barriers it faced when entering foreign markets?

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(22) Is there a business in your industry sector that is selling to global markets that you modelled your own firm on? Yes ☐ No ☐

If yes please name:

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(23) Rate the importance of the following reasons why businesses decide to sell products abroad:

	Strongly agree				Strongly disagree
To obtain new sources of capital	1	2	3	4	5
Develop new markets	1	2	3	4	5
Establish long-term business relationships	1	2	3	4	5
Become the first Irish business in the market	1	2	3	4	5
Overcome barriers in the domestic market	1	2	3	4	5
Reciprocate with suppliers abroad	1	2	3	4	5
Fill customers orders for the product	1	2	3	4	5
Keep up with industry competitors	1	2	3	4	5
Increase sales and profits	1	2	3	4	5
To survive	1	2	3	4	5
Obtain long-term stability for the business	1	2	3	4	5
Gain a large market share	1	2	3	4	5
Capitalise on domestic competitive advantage	1	2	3	4	5

(24) Were any of the business conditions listed above important factors in your business's original decision to sell its products abroad?

If yes, please list the 2 most important.

1. \_\_\_\_\_
2. \_\_\_\_\_

(25) For each of the following statements, rate the importance of the following company characteristics as they related to your business when the decision to sell its product abroad was first made. 1= very important and 5=least important.

	Very important				Least important
Well trained employees	1	2	3	4	5
Employees with international experience	1	2	3	4	5
Information about foreign markets	1	2	3	4	5
Cooperative arrangements with other small companies	1	2	3	4	5
Quality products	1	2	3	4	5
Strong customer service capability	1	2	3	4	5
Low production costs	1	2	3	4	5
Economies of scale	1	2	3	4	5
High growth from sales domestically	1	2	3	4	5
High profits from domestic sales	1	2	3	4	5
Planning systems in place	1	2	3	4	5
The ability to adapt to market changes quickly	1	2	3	4	5
Standardised production operations	1	2	3	4	5
Flexible operations systems	1	2	3	4	5
Years of experience in domestic market	1	2	3	4	5
Operated in slow growing industry domestically	1	2	3	4	5
Good foreign language capability	1	2	3	4	5

(26) Were you personally involved in the business's decision to sell its products abroad?

Yes ☐ No ☐

(27) If **YES** please tick the top five most relevant of the following personal factors as they related to your involvement in this decision:  
You had:

Friends abroad	
Relatives abroad	
Contacts abroad (networks)	
Government contracts abroad	
Worked abroad	
Studied abroad	
Lived abroad	
Travelled abroad	
Marketing expertise	
Technical knowledge	
Financial management skills	
Small business management skills	
Experience starting new business	
Experience raising capital	
Fluency in a foreign language	
A degree in international business studies	

(28) Given the globalisation of the marketplace, what changes in government policies/programs should be enacted to provide opportunities/overcome barriers faced by entrepreneurial companies in the future?

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(29) Please rate yourself in the following business skills:

	Poor	Fair	Good	Very Good	Excellent
Networking	1	2	3	4	5
Negotiating	1	2	3	4	5
Oral presentation	1	2	3	4	5
Writing ability	1	2	3	4	5
Problem analysis and solving	1	2	3	4	5
Numeric competence	1	2	3	4	5
Team building and management	1	2	3	4	5
Motivating employees	1	2	3	4	5
Developing personal business relationships	1	2	3	4	5
Fluency in foreign languages	1	2	3	4	5

(30) Given the globalisation of the marketplace, in your opinion, what changes in government policies/programmes should be enacted to provide opportunities/overcome barriers faced by small to medium sized businesses in the future in relation to exporting?

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(31) Which SME in your industry sector would you rate as the best at sales and marketing? Please give reasons for your answer.

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### Education:

(32) Please tick the box, which indicates the highest level of education completed by you:

Junior Certificate	<input type="checkbox"/>
Leaving Certificate	<input type="checkbox"/>
Certificate/ Diploma	<input type="checkbox"/>
Degree	<input type="checkbox"/>
Masters	<input type="checkbox"/>
PhD	<input type="checkbox"/>

(33) In what year did you graduate? \_\_\_\_\_

(34) If you have a degree, what discipline was it in?

Business ☐ Engineering ☐ Science ☐ Humanities ☐ Other ☐

(35) Was business management studied as part of your degree?

Yes ☐ No. ☐

(36) Was entrepreneurship studied as part of your education?

Yes ☐ No ☐

(37) If **NO** have you taken any part time courses that included entrepreneurship in the course outline?      Yes      ☐      No      ☐

(38) Please state your age:

18-24      ☐      25-49      ☐      50-65      ☐      65+      ☐

(39) Are you male      ☐      female      ☐

(40) What nationality are you? \_\_\_\_\_

(41) Are you an Irish citizen?

Yes      ☐      No      ☐

If NO what country were you born in? \_\_\_\_\_