

**HOW DIFFERENT ENTERPRISE CHARACTERISTICS SHAPE PERCEPTION ON  
EXPORT BARRIERS BY SMALL AND MEDIUM ENTERPRISES IN SERBIA**

**By**

**RADOVANOV, Tatjana**

**THESIS**

Submitted to

KDI School of Public Policy and Management

in partial fulfillment of the requirements

for the degree of

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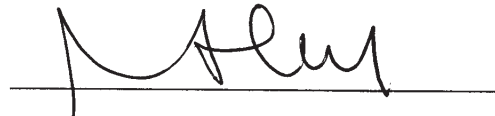
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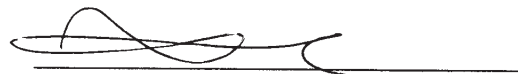
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Approval as of December, 2013

## **ABSTRACT**

### **HOW DIFFERENT ENTERPRISE CHARACTERISTICS SHAPE PERCEPTION ON EXPORT BARRIERS BY SMALL AND MEDIUM ENTERPRISES IN SERBIA**

**By**

**Tatjana Radovanov**

This paper aims at analyzing perception of small and medium size exporters from Serbia on export barriers. The research focused on how different characteristics of an enterprise may impact the perception of exporters and its export barriers, i.e. size, length of export experience, ownership of capital, type of industry and type of export product on a branch of industry it belongs to, and type of an export product. There are three main objectives of this paper. Firstly, to identify which of the factors stated as export barriers are the arguably influential factors, and which are not, ranking them accordingly. Secondly, to spot differences in impact of those factors on different groups of enterprises, classified in line with their aforementioned characteristics. Thirdly, to identify correlation among certain characteristics of enterprises and factors that may pose a barrier to export related activities of an enterprise. Review of literature dealing with correlation of characteristics of an enterprise and factors that may pose a barrier to export, offers an insight in internal and external types of export barriers. On the basis of this division, a conceptual model has been designed, for the purpose of researching among export oriented small and medium enterprises doing their business in Serbia and testing individual hypothesis.

Main hypothesis in this research was that factors that may pose barriers to export business for small and medium enterprise in Serbia are same or similar to those that have impact on small and medium enterprises in other countries, and that direction and degree of this impact, including the created perception, depend on the enterprise's characteristics.

The research was conducted by survey questionnaire technique, with 137 enterprises taking part in it, providing response rate of 35.49%. The collected data were then processed by application of descriptive statistics techniques, and analyzed by a one way jz. Due to the category nature of enterprise characteristics variables, existence of relation between enterprise characteristics and factors that may pose barriers to export has been examined by the Spearman's rank correlation. The obtained results of researching the export barriers of small and medium enterprises in Serbia, support a conclusion that there is a correlation between an enterprise size and ownership of capital with a creation of perception upon researched factors, pertaining to internal and external environment.

## TABLE OF CONTENTS

ABSTRACT.....	i
I. INTRODUCTION.....	1
1.1. Study background.....	1
1.2. Research subject.....	3
1.3. Research questions and main hypothesis in research.....	3
1.4. Research objectives.....	4
1.5. Importance of the paper.....	5
1.6. Definition of main terms.....	6
1.6.1. Small and medium enterprises.....	6
1.6.1.1. The World Bank definition.....	6
1.6.1.2. Definition in Korea.....	7
1.6.1.3. Definition in Serbia.....	7
1.6.2. Internationalisation of business.....	7
1.6.3. Export.....	8
1.6.4. Barriers to export.....	8
1.7. Order of chapters.....	9
II. LITERATURE REVIEW.....	10
2.1. Internationalisation of small and medium enterprises businesses.....	10
2.2. Export as a form of internationalisation of small and medium enterprises.....	13
2.3. Barriers to export activities.....	15
III. CONCEPTUAL MODEL AND RESEARCH HYPOTHESIS.....	18
3.1. Enterprise size and export barriers perception.....	19
3.2. Length of export experience and export barriers perception.....	20
3.3. Ownership of capital and export barriers perception.....	22
3.4. Type of industry and export barriers perception.....	23
3.5. Type of export product and export barriers perception.....	25

IV. EMPIRIC RESEARCH METHODOLOGY .....	27
4.1. Research strategy.....	27
4.2. Research design.....	30
4.3. Questionnaire design .....	31
4.4. Main sample and data collection .....	32
4.5. Main characteristics of enterprises taking part in the research.....	33
4.6. Description of techniques used for data processing and analyses. ....	35
V. RESEARCH RESULTS .....	36
5.1. Ranking of factors of the internal and external environment .....	36
5.1.1. Internal environment factors .....	36
5.1.2. External environment factors .....	39
5.2. Differences between enterprises in assessing factors of internal and external environment depending on their characteristics.....	41
5.2.1. Differences between enterprises in evaluating factors of internal and external environments depending on size .....	41
5.2.2. Differences between enterprises in assessing factors of internal and external environment, depending on the length of their export business.....	43
5.2.3. Differences between enterprises in assessing the factors of internal and external environment, depending on the ownership of capital.....	46
5.2.4. Differences between enterprises in assessing the factors of internal and external environment, depending on industry type .....	50
5.2.5. The differences between enterprises in assessing the factors of internal and external environment, depending on the type of export product.....	51
5.3. Correlation analysis.....	54
VI. DISCUSSION.....	59
VII. CONCLUSION .....	64
7.1. Summary of the research findings.....	64
7.2. Implications of the research findings on economic policy makers and management of export oriented small and medium enterprises .....	65
7.3. Research limitations and recommendations for the future research .....	69
BIBLIOGRAPHY .....	71

## LIST OF FIGURES AND TABLES

Table 1. Indicators of development of small and medium enterprises in Serbia .....	2
Figure 1. Empiric research conceptual model .....	26
Table 2. Qualitative and quantitative approach to research.....	29
Table 3. Characteristics of enterprises participating in the research .....	34
Table 4. Frequency and percents of factors of internal environment .....	37
Table 5. Mean, median, standard deviation, variance and rang of factors of internal environment .....	38
Table 6. Frequency and percents of factors of external environment.....	39
Table 7. Mean, median, standard deviation, variance and rang of factors of internal environment .....	40
Table 8. Differences between enterprises depending on size in assessment _of the internal environment factors .....	42
Table 9. Differences between enterprises depending on size in assessmentof the external environment factors .....	43
Table 10. Differences between enterprises depending on the length of export business in assessment of the internal environment factors.....	45
Table 11. Differences between enterprises depending on the length of export business in assessment of the external environment factors .....	45
Table 12. Differences between enterprises depending on capital ownership in assessment of the internal environment factors.....	47
Table 13. Differences between enterprises depending on capital ownership in assessment of the external environment factors.....	49
Table 14. Differences between enterprises in assessment of internal environment factors depending on industry type.....	50
Table 15. Differences between enterprises in assessment of external environment factors depending on industry type.....	51
Table 16. The differences between enterprises in assessing the factors of internal environment, depending on the type of export product .....	52
Table 17. The differences between enterprises in assessing the factors of external environment, depending on the type of export product .....	53
Table 18. Spearman’s coefficient of rank correlation between enterprise characteristics, and factors of external and internal environment.....	54
Table 19. Ranking barriers to export business .....	59

# I. INTRODUCTION

## 1.1. Study background

Large enterprises and big economic systems are neither crucial nor sufficient themselves for an economic development of a national economy. There is a place for all enterprises in modern market economies, regardless of their size, all enterprises that are capable of offering their products and services to the market in an effective and efficient way. Hence, today every contemporary national economy is a certain combination of large, medium and small enterprises.

Small and medium enterprises are very important segment of every national economy significantly contributing to economic growth, employment, balanced regional development and poverty reduction.<sup>1</sup> They make over 95% of the total number of active enterprises in both Europe and the world. Also, small and medium enterprises are a skeleton of development of transitional countries of the Central and Eastern Europe, including Serbia, and one of the most important challenges on this road is a need to create and develop a vital and competitive sector of small and medium enterprises.<sup>2</sup>

Small and medium enterprises in Serbia face necessity of doing business in extremely unstable conditions typical for transitional economies. This implies business transactions in a business environment characterised by investments related issues, expensive loans, problems with settling liabilities, obsolete technology, instable foreign exchange rate, high level of corruption, high level of the red-tape, as well as political instability. When it comes to current

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1 Fan, Qimiao. "Importance of SMEs and the Role of Public Support in Promoting SME Development". *Creating a Conducive Legal & Regulatory Framework for Small and Medium Enterprise Development in Russia*, A Policy Dialogue Workshop, September 14-16, St. Petersburg (2003).

2 Szabó, Antal. "The Development of the SME Sector in the Countries in Transition and Emerging Market Economies in the UNECE Region". Geneva: United Nations Economic Commission for Europe (2003); Smallbone, David, Rogut, Anna. "The Challenge Facing SMEs in the EU's New Member States," *International Entrepreneurship and Management Journal*, Volume 1, Issue 2 (2005): 219–240.



indicators referring to level of development and place of small and medium enterprises in the Serbian economy, some of them are presented in the *Table 1*.

**Table 1. Indicators of development of small and medium enterprises in Serbia**

	Small and medium enterprises				Share of small and medium enterprises in economy %			
	2008	2009	2010	2011	2008	2009	2010	2011
<b>Enterprises number</b>	303.449	314.827	318.540	319.304	99,8	99,8	99,8	99,8
<b>Number of employees</b>	940.159	872.540	814.585	786.873	67,2	66,7	66,4	65,3
<b>Turnover*</b>	4.662.624	4.380.545	4.677.933	5.200.832	66,6	67,8	65,3	65,5
<b>Share in GDP*</b>	837.990	819.206	817.417	878.245	59,1	57,4	55,9	55,2
<b>Export*</b>	274.506	275.378	339.845	400.015	45,9	50,5	46,4	48,5
<b>Import*</b>	751.817	627.147	680.549	765.047	60,5	60,9	54,3	55,8

\* in million dinars

Source: National agency for regional development of Serbia and Statistical Office of the Republic of Serbia

One may consequently conclude that small and medium enterprise sector, viewed in terms of the total number of enterprises in Serbia, has an extremely dominant role. There are 319,304 small and medium enterprises in Serbia and their number has enlarged by 764 since last year. Share of this sector in the total number of enterprises is 99.8% and it employs 65.3% of the total number of employees in Serbia. However, the number of employees in this sector is lower than last year by 27,712 and even by 153,286 than in 2008, i.e. before economic crisis came to scene. This sector makes 65.5% of the total turnover and 55.2% in the gross added value of the country, i.e. 66.7% in domestic commodity balance. Export related value achieved by small and medium enterprises sector was around 400 billion dinars in 2011 and makes 48.5% of the total export business of all enterprise in Serbia. At the same time, import of this sector was always almost the double, around 765 billion dinars.

But, due to economic crisis, Serbia has significantly slowed down its economic activities, downsized the total employment and decreased foreign direct investments inflow, hence, small and medium enterprises have experienced a fall in demand, hindered settlement of liabilities, reduced credit liability, and liquidity and excessive indebtedness issues, which

have all resulted in significantly weaker business results.<sup>3</sup> Although export remains the only chance to overcome serious economic problems Serbia faces today, aforementioned problems have been reducing export of small and medium enterprises.

## **1.2. Research subject**

This thesis is an attempt to disclose views of the Serbian exporters, belonging to the group of manufacturing small and medium enterprises, pertaining to export barriers perception.

A research model has been chosen that, by author's opinion, best incorporates all factors that may have pose as barrier to exporters, small and medium enterprises sector in particular. This was followed by a survey method, i.e. questionnaire technique, interviewing Serbian exporters that belong to a group of manufacturing small and medium enterprises, and with export activity amounting to at least a million euro in 2011, to rate different factors that may pose barriers to export, in accordance to their impact on business.

## **1.3. Research questions and main hypothesis in research**

Main hypothesis is grounded on the fact that export orientated small and medium enterprises in Serbia have been influenced by different factors, causing barriers to export and that are same or similar to those having impact on exporters in other countries, in particular on those at the same development level as Serbia. This statement was to be tested by an empiric research. Having in mind that there are various views on the nature, range and

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<sup>3</sup> Влада Републике Србије. *Извештај Министарства економије и регионалног развоја Србије о малим и средњим предузећима и предузетништву за 2009. годину*. Београд:Влада Републике Србије (2009).

direction of this influence in the literature, i.e. in what way different types of small and medium enterprises perceive barriers to export depending on their characteristics, their size, length of export related experience, ownership of capital, type of industry and type of export product, empiric research was conducted to reveal how manufacturing small and medium enterprises in Serbia perceive influence of different factors and analyse assessments of certain barriers to export depending on enterprise characteristics.

With regard to this, the thesis is based on looking for answers to the following questions:

(1) What are the biggest barriers to export for manufacture orientated small and medium enterprises in Serbia?

(2) Are there any differences in perception, assessment and ranking of influence of certain barriers to export depending on the size, length of export related experience, ownership of capital, type of industry and type of export product that small and medium enterprises in Serbia deal with?

(3) Is there a correlation between enterprise characteristics and perception of influence of certain barriers to export?

#### **1.4. Research objectives**

Research objectives were manifold. Firstly, enable ranking of barriers to export related activities. Secondly, spot possible differences in export barriers perception depending on the previously listed enterprise characteristics. Thirdly, examine existence of correlation between enterprise characteristics and perception of export related barriers. Such an assessment and ranking aimed at provision of information on which economic policy

priorities should be in the area of incentives to export of small and medium enterprises at a national level, as well as how business could be reorganised at an enterprise level in order to mitigate or overcome barriers to export that different factors pose to local small and medium enterprises.

### **1.5. Importance of the paper**

Researches of export barriers in developing countries are rare in literature.<sup>4</sup> Besides, research into export related issues from small and medium enterprises viewpoint is even less often when contrasted to the literature devoted to internationalisation of business and export of large enterprises and multinational enterprises.<sup>5</sup> Hence a need for the research devoted to this segment of economy. Further on, a huge majority of studies dealing with barriers to export small and medium enterprises face have been conducted in the West, i.e. the USA and EU member states.<sup>6</sup> Consequently, there is a lack of research pertaining to how small and medium enterprise sector perceives barriers to export of developing countries, Serbia in particular. This is why this thesis and its research subject have been an attempt to, at least partly, bridge an obvious gap in the literature. In addition to this, it aims at providing an insight into what small and medium enterprises in Serbia believe to be the most significant barriers, so that enterprises that have not started exporting yet, but have been thinking about export or any other form of internationalisation of their business activities, could learn from other's experiences.

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4 Leonidou, Leonidas C. "An Analysis of the Barriers Hindering Small Business Export Development," *Journal of Small Business Management*, Volume 42, Issue 3 (2004): 279–302.

5 Ahmed, Zafar U., Julian, Craig C., Baalbaki, Imad, Hadidian, Tamar V. "Firm Internationalization and Export Incentives from a Middle Eastern Perspective," *Journal of Small Business and Enterprises Development*, Volume 13, Issue 4 (2006): 660-669

6 Neupert, Kent E., Baughn, Christopher C., Dao, Thi Thanh Lam. "SME Exporting Challenges in Transitional and Developed Economies," *Journal of Small Business and Enterprise Development*, Volume 13, Issue 4 (2006): 535-545.

## **1.6. Definition of main terms**

Main terms this thesis deals with are small and medium enterprises, internationalisation of business, export as the most frequently applied form of internationalisation of business and export barriers.

### **1.6.1. Small and medium enterprises**

An enterprise may be defined as the main market economy subject and independent organisation with economic resources on its disposal, and that creates value aiming at making profit by transformation of invested resources into results.<sup>7</sup> Enterprises may be divided into micro, small, medium and large in respect of criteria pertaining to size, i.e. number of employees, total income and total assets. There is, however, no universally accepted definition of small and medium enterprises.

#### **1.6.1.1. The World Bank definition**

The World Bank differentiates micro, small and medium enterprises. Micro enterprises employ fewer than 10 persons, and have total balance sheet and turnover not exceeding 10,000 US dollars. Small enterprises employ fewer than 50 people, and have total balance sheet and turnover not exceeding three million dollars, while medium enterprises employ fewer than 300 persons and have total balance sheet and turnover not exceeding 15 million US dollars.

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<sup>7</sup> Пауновић, Благоје. *Економика предузећа - предузеће, окружење и улагања*. Београд : Центар за издавачку делатност Економског факултета (2009)., стр. 87

### **1.6.1.2. Definition in Korea**

Manufacturing enterprise in Korea is considered to be small and medium enterprise provided it employs fewer than 300 persons and has capital not exceeding 8 million US dollars. Small enterprises employ fewer than 50 and micro fewer than 10 employees.<sup>8</sup>

### **1.6.1.3. Definition in Serbia**

In this thesis, however, we have used criteria for classification of enterprises according to their size from the local Law on Accounting and Audit since its subject refers to small and medium enterprises doing their business in Serbia. According to its provisions, medium size enterprises are employ between 50 and 250 people, have annual turnover of 2.5 to 10 million Euros in dinar currency, and business assets value at the beginning and in the end of fiscal year from one to five million euro in dinar currency.<sup>9</sup> Small enterprises are those with a number of employees, annual turnover and business assets value lower than the lowest figures in the abovementioned indicators, with at least two out of three given criteria for defining medium enterprises.

### **1.6.2. Internationalisation of business**

One of the most frequently used definitions pertaining to internationalisation of enterprise business is the one saying that internationalisation implies practicing business activities that cross national borders and involve presence in foreign markets within enterprise business activities, aiming at creating values for the enterprise.<sup>10</sup>

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8 The Small & Medium Business Corporation. *Definition of Korean SMEs*. Seoul: The Small & Medium Business Corporation available at: [www.sbc.or.kr/sbc/eng/smes/definition.jsp](http://www.sbc.or.kr/sbc/eng/smes/definition.jsp)

9 Службени гласник Републике Србије. *Закон о рачуноводству и ревизији*. Београд: Службени гласник Републике Србије, Бр. 46/2006, Бр. 111/2009 и Бр. 99/2011.

10 Welch, Lawrence, Luostarinen, Reijo. "Internationalisation: Evolution of a Concept," *Journal of General Management*, Volume 14, Issue 2 (1988): 34-55.

### **1.6.3. Export**

Export is the quickest, simplest and the most frequently applied method of internationalisation of business, i.e. strategy for accessing foreign markets. Its role in economic development has been widely recognised since export activities stimulate economic growth in a number of ways, including increase in production and transfer to economies of scale, increase in productivity and efficiency of an enterprise, bring about a lift in employment rate, adoption of the latest production technologies, as well as learning from business in foreign markets effects and human resources enhancement.<sup>11</sup>

### **1.6.4. Barriers to export**

Barriers to export may be defined as problems and limitations enterprises encounter or hindering enterprises in the beginning, development or continuation of business activities in foreign markets.<sup>12</sup> It is essential one should comprehend how certain barriers hinder export process trying to understand related issues and model incentives in a national economy for development of business activities of domestic enterprises in foreign markets.<sup>13</sup> Existence of barriers to export makes business, small and medium size in particular, much more difficult in contrast to business in the local market, having in mind a lack of resources small and medium enterprises sector has on its disposal in comparison to large enterprises. Identification of these barriers may significantly explain why current exporters fail to use a

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11 Fosu, Augustin K. "Export Composition and the Impact of Exports on Economic Growth of Developing Economies," *Economic Letters*, Volume 34, Issue 1 (1990): 67-71.

12 Leonidou, Leonidas C. "An Analysis of the Barriers Hindering Small Business Export Development," *Journal of Small Business Management*, Volume 42, Issue 3 (2004): 279-302.

13 Wilkinson, Timothy, Brouters, Lance Eliot. "Trade Promotion and SME Export Performance," *International Business Review*, Volume 15, Issue 3 (2006): 233-252.

full potential in doing business in foreign markets and why non-exporters fail to be engaged in any export related businesses.<sup>14</sup>

### **1.7. Order of chapters**

Chapter I, devoted to introduction, is followed by Chapter II with a review of internationalisation of enterprise businesses process, with a special focus placed on export as the most widespread form of internationalisation, and specific characteristics referring to internationalisation of business and export of small and medium enterprises. Review of literature is concluded by analysis of the most frequent barriers enterprises face in export business, with an emphasis on barriers small and medium enterprises encounter. Chapter III presents a conceptual framework and empiric research hypothesis, while in the following Chapter IV the research methodology is being described. Chapter V offers research findings. The thesis concludes with Chapter 6, containing a discussion about research results and Chapter 7 lists conclusions deriving from results, results implications on economic policy in Serbia makers and management of export orientated small and medium enterprises, and limitations, within which empiric research results should be examined and interpreted..

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14 Leonidou, Leonidas C. "Empirical Research on Export Barriers: Review, Assessment, and Synthesis," *Journal of International Marketing*, Volume 3, Issue 1 (1995): 29–43.



## II. LITERATURE REVIEW

The second part of this thesis comprises review of literature in internationalisation of business of small and medium enterprises, with a special focus on export as the most common form of internationalisation of business of small and medium enterprises. The chapter concludes with a review of literature on export barriers small and medium enterprises were exposed to and relevant professional and scientific papers published in literature devoted to international business and on the basis of the thesis topic.

### 2.1. Internationalisation of small and medium enterprises businesses

Internationalisation of business implies business activities that an enterprise undertakes and that goes beyond national borders and aim at creation of the value for the enterprise.<sup>15</sup> Therefore, current trend of increasing internationalisation of business, among other things, imposes the need for identifying and understanding how different sizes of enterprises behave in this process.

However, a major part of the literature on internationalisation of business focuses on studying this process from multinational enterprises and large enterprises' angle.<sup>16</sup> Such a situation is actually a result of fact that size of an enterprise is considered to be decisive for successful internationalisation of business.<sup>17</sup> Underpinning reasons for this most often

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15 Welch, Lawrence, Luostarinen, Reijo. "Internationalisation: Evolution of a Concept," *Journal of General Management*, Volume 14, Issue 2 (1988): 34-55.

16 Magagula, Phumzile, Obben, James. *Distinguishing between Exporting and Non-Exporting Small and Medium-Sized Enterprises in Swaziland*. Palmerston North: Massey University (2001); Andersson, Svante, Gabrielsson, Jonas, Wictor, Ingemar. "International Activities in Small Firms: Examining the Factors Influencing the Internalization and Export Growth of Small Firms," *Canadian Journal of Administrative Sciences*, Volume 21, Issue 1(2004): 22-34

17 Baldauf, Artur, Cravens, David W., Wagner, Udo. "Examining Determinants of Export Performance in Small Open Economies," *Journal of World Business*, Volume 35, Issue 1 (2000): 61-79; Lado, Nora, Martínez-Ros,

underscore advantages that size provides for an enterprise pertaining to economics of volume, better access to financial resources in capital markets, as well as enhanced ability of enterprise to face risks.<sup>18</sup> These advantages should be added to those related to capacity of enterprise business to be successfully internationalised, and which reflect in managerial skills and range of expenses required for accession to and starting businesses in foreign markets, with small and medium enterprises facing more significant limitations compared to large enterprises and multinational enterprises.<sup>19</sup>

Internationalisation of small and medium enterprises' businesses has become an extremely interesting and important research subject in last couple of decades, besides internationalisation of multinational enterprises and large enterprises' businesses, of not only expert, but of academic circles worldwide as well.<sup>20</sup> Sale of products and services outside domestic markets has become an important objective for many small and medium enterprises, particularly when it comes to small and medium enterprises doing business in countries with limited absorption power of domestic market, such as Serbia, since small domestic market cannot support more significant growth of an enterprise.<sup>21</sup> Small and medium enterprises are hence forced to internationalise their businesses for their own survival's sake and exceed activities within their domestic, national market.

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Ester, Valenzuela, Ana. "Identifying Successful Marketing Strategies by Export Regional Destination," *International Marketing Review*, Volume 21, Issue 6 (2004): 573 - 597..

18 Wagner, Joachim. "A Note on the Firm Size-Export Relationship," *Small Business Economics*, Volume 17, Issue 4 (2001): 229-237.

19 Roberts, Mark J., Tybout, James R. "The Decision to Export in Colombia: An Empirical Model of Entry with Sunk Costs," *American Economic Review*, Volume 87, Number 4 (1997): 545-564.; Bernard, Andrew B., Jensen, J. Bradford. "Exceptional Exporter Performance: Cause, Effect, or Both?," *Journal of International Economics*, Volume 47, Issue 1 (1999): 1-25.

20 Kohn, Tomds O. "Small Firms as International Players," *Small Business Economics*, Volume 9, Issue 1 (1997): 45-51; Keng, Kau Ah, Jiuan, Tan Soo. "Differences between Small and Medium Sized Exporting and Non-Exporting Firms: Nature or Nurture," *International Marketing Review*, Volume 6, Issue 4 (1989): 27-40; Magagula, Phumzile, Obben, James. *Distinguishing between Exporting and Non-Exporting Small and Medium-Sized Enterprises in Swaziland*. Palmerston North: Massey University (2001).

21 Reuber, A. Rebecca, Fischer, Eileen. "The Influence of the Management Team's International Experience on the Internationalization Behaviors of SMEs," *Journal of International Business Studies*, Volume 28, Issue 4 (1997): 807-825.

Other numerous factors have brought about internationalisation of small and medium enterprises businesses as well. Internal factors comprise surplus of manufacturing capacities, intention to expand sales related to outside of domestic market borders, unique character of manufacturing or organisational resources of an enterprise, uniqueness and rarity of a product offered in the market, as well as technological advantages. External factors leading to internationalisation of business of small and medium enterprises include necessity to overcome concentration of domestic market, to resolve decrease in sales in domestic market, as well as to use government's incentives, measures and programmes referring to internationalisation of businesses.<sup>22</sup> These factors should be added to the ones deriving from international markets encouraging internationalisation of small and medium enterprises businesses, among which, the most important ones relate to increased level of homogenisation of different national markets, growing international dimension of human capital, increased speed, efficiency and decreased communication and transport related expenses among different national markets.<sup>23</sup> Improved managerial and organisational skills, diversification of business activities and decreased business risks, as well as possible reinforcement of market related and negotiating positions may additionally strengthen competitive positions of enterprises in international market and create preconditions for their growth with a positive impact on the overall development.<sup>24</sup>

However, small and medium enterprises that wish to internationalise their business face numerous barriers unlike multinational enterprises and large enterprises. According to findings of certain authors these barriers may principally be divided into five main categories: limited financial resources available to small and medium enterprises, high sales costs in

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22 Miesenbock, Kurt J. "Small Businesses and Exporting: A Literature Review," *International Small Business Journal*, Volume 6, Issue 2 (1988): 42 - 61; Pope, Ralph A. "Why Small Firms Export: Another Look," *Journal of Small Business Management*, Volume 40, Issue 1 (2002): 17-26.

23 Oviatt, Benjamin M., McDougall, Patricia Phillips. "Toward a Theory of International New Ventures," *Journal of International Business Studies*, Volume 25, Issue 1 (1994): 45-64.

24 Lu, Jane W., Beamish, Paul W. "SME Internationalization and Performance: Growth vs. Profitability," *Journal of International Entrepreneurship*, Volume 4, Issue 1, (2006): 27-48.

foreign markets due to the lack of economy of volume, limited access to the capital for financing internationalisation related activities, limited knowledge about business transactions in foreign markets due to the lack of professional human resources of these enterprises and lack of the state assistance, i.e. incentives for this economic segment exclusively.<sup>25</sup>

## **2.2. Export as a form of internationalisation of small and medium enterprises**

Enterprise may internationalise its business through one of four possible accesses to foreign markets – by export, by licensing, by strategic partnerships and by starting production abroad.<sup>26</sup> This thesis and its topic have been focused only on export related activities of enterprise; hence other forms of internationalisation shall not be covered further on.

Export related activities are foreign trade activities, in which domestic enterprises sell goods or services to foreign markets, when goods and services in question are being transferred from domestic customs area to a buyer's customs area. Positive effects of export may be seen both at a macro level, i.e. single national economic level, and a micro level, i.e. level of the exporting enterprise. On macro level export has an impact on increased level of foreign exchange reserves, balance trading, stabilises national currency exchange rate, i.e. has an important influence on fiscal and monetary policy of a government and quantity of import a country may afford.<sup>27</sup> Besides, export encourages social prosperity and helps domestic industry develop, which reflects through growth of productivity, better usage of

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25 Burpitt, William J., Rondinelli, Dennis A. "Small Firms Motivations for Exporting: To Earn and Learn?," *Journal of Small Business Management*, Volume 38, Issue 4 (2000): 1–14.

Coviello, Nicole E., McAuley, Andrew. "Internationalization and the Smaller Firm: A Review of Contemporary Empirical Research," *Management International Review*, Volume 39, Issue 3 (1999): 223–256.

26 Johansson, Johny K. *Global Marketing - Foreign Entry, Local Marketing, & Global Management*. New York: McGraw-Hill/Irwin, Fifth Edition (2009)., p.131

27 Czinkota, Michael R. "A National Export Assistance Policy for New and Growing Businesses". *Journal of International Marketing*, Volume 2, Issue 1 (1994): 91-101.

manufacturing capacities, creation of new jobs in the respective industry and improved employment opportunities.<sup>28</sup> On microeconomic level, i.e. at an enterprise level, several advantages and benefit export offers may be singled out. It assists enterprises to decrease dependence on domestic market and changeable cyclic domestic demand, ensures more rapid sale of products, consequently speeding up process of reproduction, increases success rate in business and leads an enterprise towards a long-term sustainability.<sup>29</sup>

Export is also a suitable strategic option of internationalisation of business activities for small and medium enterprises.<sup>30</sup> In line with growing world economy globalisation trends, export activities for small and medium enterprises are no longer a matter of choice, but the only way for survival, growth and long-term sustainability. Increase in export related activities in these respective enterprises is essential for developing countries in particular, trying to improve their competitiveness in the global market and acquire greater share in international trade.<sup>31</sup>

Internationalisation of business and export related activities have, however, still been a huge challenge for small and medium enterprises, primarily due to limited capacities and resources of these enterprises in comparison with large enterprises and multinational enterprises.<sup>32</sup> It is therefore very important to identify barriers disabling small and medium enterprises in developing countries in particular internationalise their business and take part in export business. Certain authors even underline that survival of an enterprise, expanded

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28 Barker, A. Tansu, Kaynak, Erdener. "An Empirical Investigation of the Differences between Initiating and Continuing Exporters," *European Journal of Marketing*, Volume 26, Issue 3, (1992): 27 - 36.

29 Kumcu, Erdoğan, Harcar, Talha, Kumcu, M. Ercan. "Managerial Perceptions of the Adequacy of Export Incentives Programs: Implications for Export-led Economic Development Policy," *Journal of Business Research*, Volume 32, Issue 2 (1995): 163-174.

30 Zhao, Hongxin, Zou, Shaoming. "The Impact of Industry Concentration and Firm Location on Export Propensity and Intensity: An Empirical Analysis of Chinese Manufacturing Firms," *Journal of International Marketing*, Volume 10, Issue 1 (2002): 52-71.

31 Matanda, Margaret Jekanyika, Freeman, Susan. "Effect of Perceived Environmental Uncertainty on Exporter-Importer Inter-Organizational Relationships and Export Performance Improvement," *International Business Review*, Volume 18, Issue 1 (2009): 89-107.

32 Reuber, A. Rebecca, Fischer, Eileen. "The Influence of the Management Team's International Experience on the Internationalization Behaviors of SMEs," *Journal of International Business Studies*, Volume 28, Issue 4 (1997): 807-825; Peng, Mike W. "The Resource-Based View and International Business," *Journal of Management*, Volume 27, Issue 6 (2001): 803-829.

range of its business activities, as well as economic growth of a number of countries largely depends on better understanding of determinants and barriers having impact on export performance of small and medium enterprises.<sup>33</sup>

### **2.3. Barriers to export activities**

One of probably most frequently researched areas within the literature devoted to export activity of an enterprise are factors hindering enterprises in this form of internationalisation of business.<sup>34</sup> Barriers to export related businesses comprise different issues and limitations enterprises face when exporting, decreasing their ability to start, develop or continue doing business in foreign markets.

Several notes could be mentioned pertaining to export related issues and on the basis of an insight into relevant literature devoted to export barriers. Firstly, studies dealing with issue have mainly been focused on export barriers developed countries enterprises face.<sup>35</sup> However, internationalisation of business through export differs significantly for enterprises in developed and underdeveloped countries, i.e. there are more barriers in export for enterprises in developing and underdeveloped countries than in developed countries.<sup>36</sup> Secondly, enterprises that are already engaged in export business often differently perceive certain barriers to export, and face different export related barriers than enterprises that have just begun exporting or intend to start with this form of internationalisation of their

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33 Sousa, Carlos M. P., Martínez-López, Francisco J., Coelho, Filipe. "The Determinants of Export Performance: A Review of the Research in the Literature Between 1998 and 2005," *International Journal of Management Reviews*, Volume 10, Issue 4 (2008): 343–374.

34 Wengel, Jan Ter , Rodriguez, Edgard. "SME Export Performance in Indonesia after the Crisis," *Small Business Economics*, Volume 26, Issue 1 (2006): 25-37.

35 Leonidou, Leonidas C. "An Analysis of the Barriers Hindering Small Business Export Development," *Journal of Small Business Management*, Volume 42, Issue 3 (2004): 279–302.

36 Cuervo-Cazurra, Alvaro, Maloney, Mary M., Manrakhan, Shalini. "Causes of the Difficulties in Internationalization," *Journal of International Business Studies*, Volume 38, Issue 5 (2007): 709-725.

business.<sup>37</sup> Thirdly, depending on their size and available resources, different enterprises perceive in different ways barriers to export and apply different measures to overcome them.<sup>38</sup> Having in mind previously mentioned statements by many authors regarding resource inferiority of small and medium enterprises in comparison to large enterprises and multinational enterprises, one should understand it is much more harder for them to overcome export related barriers, and that small and medium enterprises attach much greater influence to barriers to export to their export business.

The literature mentions several classifications of export barriers that enterprises have been facing. The simplest classification of export related barrier is the one based on dichotomy structure. It classifies all barriers to export that an enterprise faces in two groups, i.e. it differentiates external export barriers that derive from external environment of an enterprise and internal export barriers that derive from internal environment of an enterprise.<sup>39</sup> It is also emphasized that the enterprise has no influence on external barriers to export, while the internal ones could be influenced and hence one's own export businesses could be improved.<sup>40</sup> This division is further developed by authors who believe that, on the basis of two listed groups of factors, one may differentiate between two types of barriers to export within each group. Thus, on one side, there are external and internal barriers viewed from an enterprise's point of view, and on the other, according to a domicile character of an

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37 Yaprak, Attila. "An Empirical Study of the Differences between Small Exporting and Non Exporting U.S. Firms," *International Marketing Review*, Volume 2, Issue 2 (1985): 72-83.

38 Tesfom, Goitom, Lutz, Clemens. "A Classification of Export Marketing Problems of Small and Medium Sized Manufacturing Firms in Developing Countries," *International Journal of Emerging Markets*, Volume 1, Issue 3 (2006): 262 – 81.

39 Miesenbock, Kurt J. "Small Businesses and Exporting: A Literature Review," *International Small Business Journal*, Volume 6, Issue 2 (1988): 42 - 61.

40 Ramaswami, Sridhar N., Yang, Yoo. "Perceived Barriers to Exporting and Export Assistancenc Requirements". in Cavusgil, Tamer S., Czinkota, Michael R. (ed.) *International Perspectives on Trade Promotion and Assistance*. Quorum Books, Westport (1990): 187-206

enterprise, external and internal barriers may be of domestic or foreign origin.<sup>41</sup> In line with this, internal and external factors of domestic origin have been identified causing barriers to export, and internal and external factors of foreign origin as a source of export related barriers for an enterprise.<sup>42</sup>

When it comes to small and medium enterprises, numerous studies looking at the problem from departmental level in international business,<sup>43</sup> underscore that export of these enterprises has been largely hindered by barriers stemming from internal environment of an enterprise.<sup>44</sup> However, departmentally based barriers small and medium enterprises face in export, largely depend upon the fact whether they come from developed or developing countries. Hence, when we talk about small and medium enterprises from developing countries, internal issues, lack of capital for financing export above all, and strong competition in foreign markets, cause the biggest export related problems for them, whereas small and medium enterprises from developed countries do not tend to face departmental barriers, but depend on foreign markets, in which they wish to sell their products and most often refer to strict business requirements and conditions in the given foreign market and political instability.<sup>45</sup>

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41 Leonidou, Leonidas C. "Empirical Research on Export Barriers: Review, Assessment, and Synthesis," *Journal of International Marketing*, Volume 3, Issue 1 (1995): 29–43.

42 Kaleka, Anna, Katsikeas, Constantine S. "Exporting Problems: The Relevance of Export Development," *Journal of Marketing Management*, Vol. 11, Issue 5 (1995): 499-515

43 Lockett, Andy, Thompson, Steve. "The Resource-based View and Economics," *Journal of Management*, Volume 27, Issue 6 (2001): 723-754

44 Kaleka, Anna, Katsikeas, Constantine S. "Exporting Problems: The Relevance of Export Development," *Journal of Marketing Management*, Vol. 11, Issue 5 (1995): 499-515

45 Neupert, Kent E., Baughn, Christopher C., Dao, Thi Thanh Lam. "SME Exporting Challenges in Transitional and Developed Economies," *Journal of Small Business and Enterprise Development*, Volume 13, Issue 4 (2006): 535-545.



### III. CONCEPTUAL MODEL AND RESEARCH HYPOTHESIS

Review of literature presented in the previous chapter, devoted to internationalisation of business of small and medium enterprises, including barriers to export-related business that this economic sector has been facing, has been twofold. Firstly, it was used for setting up a conceptual model for empiric research. Secondly, it served as a base for formulated individual hypothesis the research should test on the case of exporters from small and medium enterprises sector in Serbia.

Different categories of exporters, from small and medium enterprises sector, act differently in export activities depending on their own respective characteristics.<sup>46</sup> They consequently differ in perception of different factors that may pose as barriers to export related business. Hence, when creating a conceptual model, several characteristics of an enterprise have been chosen that, as the author of this thesis believes, have the most important influence on export related business and perception of influence of barriers to export. At the same time, influence of these characteristics on export activities of an enterprise has been most frequently examined in the literature. On the basis of selected characteristics of an enterprise, their influence on perception of export barriers has been reconsidered, which was made concrete through formulation of several individual hypotheses. Selected characteristics of an enterprise are defined by size, length of export business, ownership of capital, industry type, and type of export product.

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46 Cavusgil, Tamer S. "Differences among Exporting Firms Based on Their Degree of Internationalization," *Journal of Business Research*, Volume 12, Number 3 (1984): 195-208.

### 3.1. Enterprise size and export barriers perception

When it comes to the enterprise size and export business barriers, it is believed that there is a positive correlation between the two. This implies that larger enterprises face fewer barriers in export in comparison with the smaller ones. This opinion is based on an argument advocating that superiority of available resources grows with the size of an enterprise, that larger enterprises have better access to financial resources in the capital markets, possibilities to realize economy of volume and that they are able to employ better qualified and more professional staff, hence it is easier for them to overcome export related barriers.<sup>47</sup> This opinion has been empirically verified by a number of studies proving that smaller enterprises perceive influence of barriers to export on their business activities as more intensive than larger enterprises do.<sup>48</sup>

But, there is, however, a group of authors think that there is no systematic relation between the size of an enterprise and perception export barriers influence, and they fail to find any links between the two.<sup>49</sup> Besides, there are some studies finding negative correlation between enterprise size and perception of export business related barriers influence.<sup>50</sup>

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47 Karadeniz, E. Esra, Göçer, Kenan. "Internationalization of Small Firms: A Case Study of Turkish Small and Medium Sized Enterprises," *European Business Review*, Volume 19, Issue 5 (2007): 387-403

48 Calof, Jonathan L. "The Impact of Size on Internationalization," *Journal of Small Business Management*, Volume 31, Number 4 (1993): 60-69; Baldauf, Artur, Cravens, David W., Wagner, Udo. "Examining Determinants of Export Performance in Small Open Economies," *Journal of World Business*, Volume 35, Issue 1 (2000): 61-79; Wagner, Joachim. "A Note on the Firm Size-Export Relationship," *Small Business Economics*, Volume 17, Issue 4 (2001): 229-237

49 Bonaccorsi, Andrea. "On the Relationship between Firm Size and Export Intensity," *Journal of International Business Studies*, Volume 23, Issue 4 (1992): 605-636; Pla-Barber, José, Alegre, Joaquín. "Analysing the Link between Export, Innovation and Size in a Science Based Industry," *International Business Review*, Volume 16, Issue 3 (2007): 275-293.

50 Cooper, Robert G., Kleinschmidt, Elko J. "The Impact of Export Strategy on Export Sales Performance," *Journal of International Business Studies*, Volume 16, Issue 1 (1985): 37-55.; Patibandla, Murali. "Firm Size and Export Behavior: An Indian Case Study," *Journal of Development Studies*, Volume 31, Issue 6 (1995): 868-882.

There are different reasons for such contradictions in findings of certain studies, with three of them being the most exposed: lack of agreement over a parameter for defining size of an enterprise, lack of generally accepted definition of the enterprise size, and different way of measuring export performance.<sup>51</sup> When it comes to which parameter should define size of an enterprise, some authors apply number of employees, some scope of sale, and some combine the two. There is neither standard nor generally accepted definition of the size of an enterprise in international business theory and practice. When it comes to export, it has been differently perceived with regard to the enterprise size as a dependent factor, some talk about export intensity, while others focus on profitability of export business.

On the basis of the above mentioned, and aiming at testing by empiric research, the following hypothesis will be formulated in this thesis:

*H1 – Size of an enterprise has a positive influence on evaluation of influences of barriers to enterprise's export businesses.*

Parameters for defining the size of an enterprise shall rely on those stipulated by local regulations in Serbia, specified in the introduction to this thesis, since its main subject deals with influence of export related barriers to small and medium enterprises in Serbia.

### **3.2. Length of export experience and export barriers perception**

Besides enterprise size, a number of authors research relation between enterprise's length of export experience and export barriers. Experience of an enterprise in export

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51 Boodai, Bassam, Mohammed. *Factors Influencing Export Performance: The Case of Saudi Arabia*. St Andrews: University of St Andrews, Ph. D. dissertation (2001).

activities is often considered to be a key factor determining how the enterprise would react once faced with some of export barriers.<sup>52</sup> It is largely believed that an enterprise learns through practice and accumulates its knowledge through experience in export activities, which will be helpful later on for overcoming barriers to export businesses and ensure successfulness in foreign markets. Less experienced exporters lack such experience; hence they embark on export activities with a higher degree of uncertainty and have more difficulties in handling every potential barrier to export business.<sup>53</sup>

Empiric research however show mixed results on this issue as well. Some researchers have revealed a positive correlation between experience of an enterprise and influence of export barriers.<sup>54</sup> Other authors fail to find any relation between export experience and export barriers.<sup>55</sup> Third group of authors find, in their studies, a negative relation between length of export experience and barriers to export business.<sup>56</sup> These last findings have been grounded on the fact that enterprises doing longer business may become too rigid and lose ability to adapt to ever changing business conditions in the world market, and that enterprises doing business for a shorter period of time in foreign markets may be more successful in this adaptation, hence more aggressive and proactive in their appearance, which could be a source of their success in export.<sup>57</sup>

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52 Cavusgil, Tamer S., Nevin, John R. "Internal Determinants of Export Marketing Behavior: An Empirical Investigation," *Journal of Marketing Research*, Volume 18, Number 1 (1981): 114-119.

53 Agarwal, Sanjeev, Ramaswami, Sridhar N. "Choice of Foreign Market Entry Mode: Impact of Ownership, Location and Internationalization Factors," *Journal of International Business Studies*, Volume 23, Issue 1(1992): 1-27.

54 Karlsen, Tore, Silseth Pal R., Benito, Gabriel R.G., Welch, Lawrence S. "Knowledge, Internationalization of the Firm, and Inward-outward Connections," *Industrial Marketing Management*, Volume 32, Issue 5 (2003): 385-396.

55 Larimo, Jorma. "Different Types of Exporting SMEs: Similarities and Differences in Export Performance". in Zou, Shaoming (ed.) *International Marketing Research, Advances in International Marketing*, Volume 17 (2006): 17-62.

56 Baldauf, Artur, Cravens, David W., Wagner, Udo. "Examining Determinants of Export Performance in Small Open Economies," *Journal of World Business*, Volume 35, Issue 1 (2000): 61-79

57 Moen, Øystein, Servais, Per. "Born Global or Gradual Global? Examining the Export Behavior of Small and Medium-sized Enterprises," *Journal of International Marketing*, Volume 10, Number 3 (2002): 49-72.

However, differences among the abovementioned findings, when it comes to export related experiences and barriers, could also be partly explained by absence of a unique measure for export experience. Some studies take the total export experience of an individual enterprise into consideration, i.e. measure it by number of years the enterprise has been involved in export,<sup>58</sup> while others consider concrete export experience of managers employed in export departments or services in an enterprise.<sup>59</sup>

Export experience in this thesis was measured by the number of years an enterprise has been engaged in exporting and consequently the following hypothesis shall be formulated for the purpose of this thesis:

*H2 – Length of export experience of an enterprise has a positive influence on evaluation of influence of barriers to export related business of the enterprise.*

### **3.3. Ownership of capital and export barriers perception**

According to findings of a number of studies, presence of foreign capital in an enterprise has a significant influence on its export activity, i.e. export barriers perception. These studies are usually typical for less developed countries. They underline significant differences between enterprises with foreign capital and enterprises doing business with domestic capital when it comes to export business and ability to overcome export barriers. A group of researchers emphasizes that foreign capital in LDCs enterprises, and their mastering

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58 Watson, Kathryn J. *A Model of Export Information Acquisition in Small and Medium Sized Enterprises: An Empirical Study of Export Information Acquisition, Perceived Export Constraints and Export Performance in the UK Textile and Wearing Apparel Sectors*. Bradford: Bradford University School of Management, Ph.D. Thesis, (2001).

59 Olson, H. C. and Widersheim Paul, "Factors Affecting the Pre Export Behavior of Non - Exporting Firms". In "European Research in International Business", edited by J. Leontiades, Netherlands : North Holland Publishing Company (1978)

of business in international markets, provides higher resources for investments in production, research and development, human resources, techniques and technology, hence better chances for success in export business.<sup>60</sup> These authors therefore stress out that export chances of enterprises with foreign capital in developed countries are greater than for those with domestic capital only.<sup>61</sup> There are, however, other groups of research that prove these findings do not necessarily have to be a rule, and that enterprises with domestic capital may sometimes be even more successful in overcoming export barriers than those with foreign capital.<sup>62</sup> This is particularly relevant for enterprises belonging to industrial branches that are traditionally typical for certain countries.<sup>63</sup>

Based on above mentioned, the following hypothesis shall be formulated:

*H3 – Presence of foreign capital in an enterprise has a positive influence on evaluation of influences of barriers to its export related businesses.*

### **3.4. Type of industry and export barriers perception**

Many research papers define type of industry in technical and technological sense as one of the most important factors having impact on export activities.<sup>64</sup> Certain authors

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60 Dunning, John H., Lundan, Sarianna M. *Multinational Enterprises and the Global Economy*. Northampton: Edward Elgar Publishing, Second edition (2008).; Aitken, Brian, Hanson, Gordon H., Harrison, Ann E, "Spillovers, Foreign Direct Investment, and Export Behavior," *Journal of International Economics*, Volume 43, Issue 1-2 (1997): 103–132.

61 Willmore, Larry N. "The Comparative Performance of Foreign and Domestic Firms in Brazil," *World Development*, Volume 14, Issue 4 (1986): 489-502.; Koo, Bohn-Young. "The Role of Foreign Direct Investment in Korea's Economic Growth", in Galenson, Walter (ed.), *Foreign Trade and Investment: Economic Growth in the Newly Industrializing Asian Countries*, University of Wisconsin Press, Madison (1985).

62 Cohen, Benjamin I. *Multinational Firms and Asian Exports*, New Haven: Yale University Press (1975).

63Cohen, Benjamin I. *Multinational Firms and Asian Exports*, New Haven: Yale University Press (1975).

64 Crick, Dave, Jones, Marian V. "Small High-Technology Firms and International High-Technology Markets," *Journal of International Marketing*, Volume 8, Issue 2 (2000): 63-85.; Andersson, Svante, Gabrielson, Jonas, Wictor, Ingemar. "International Activities in Small Firms: Examining the Factors Influencing the Internalization and Export Growth of Small Firms," *Canadian Journal of Administrative Sciences*, Volume 21, Issue 1(2004): 22-34.

believe that higher technical and technological level of an enterprise may have a positive influence on export business.<sup>65</sup> Since access to technology has a huge impact on the enterprise export status, enterprises that belong to branches with typically lower levels of technology, in many cases, do business only in domestic markets or in less demanding foreign markets. Also, some authors believe that when it comes to small and medium enterprises, due to limitations caused by their size, they should base their export strategies leading them to success exclusively on their technological superiority.<sup>66</sup>

On the other hand, there are groups of researchers that deny these findings or fail to see any relation between export and activity of an enterprise in technical and technological sense, underlining that enterprises could differ, by the level of using technique and technology, not only among different industries, but also within the same branch of industry, hence this feature does not necessarily have to have an impact on export.<sup>67</sup>

The following hypothesis shall be formulated accordingly, and tested in an empiric research:

*H4 – Orientation of an enterprise to branches of industry characterised by higher technical and technological level has a positive influence on evaluation of influence of barriers to export business of the enterprise.*

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65 Aaby, Nils-Erik and Slater, Stanley F. "Managerial Influences on Export Performance: A Review of the Empirical Literature 1978-88," *International Marketing Review*, Volume 6, Issue 4 (1989): 7-26.; López-Rodríguez, José, García-Rodríguez, Rafael M. "Technology and Export Behaviour: A Resource Based View Approach," *International Business Review*, Volume 14, Issue 5 (2005): 539-557.

66 Namiki, Nobuaki. "Export Strategy for Small Business," *Journal of Small Business Management*, Volume 26, Issue 2 (1998): 32-37.

67 Reid, Stan D. "Is Technology Linked with Export Performance in Small Firms?". in Hübner, Heinz (ed.), *The Art and Science of Innovation Management*, Elsevier Science Publishers, Amsterdam (1986): 273-283.

Classification of industries enterprises belong to on the basis of their technical and technological level in this thesis was given in line with the Organisation for Economic Cooperation and Development (OECD) classification, under which manufacturing enterprises could be divided into high technology industry, mid to high technology industry, mid to low technology industry and low technology industry.<sup>68</sup>

### **3.5. Type of export product and export barriers perception**

Besides four mentioned characteristics of an enterprise, i.e. size, length of export experience, ownership of capital, and type of industry enterprise belongs to with regard to its technical and technological level, this thesis also examines relation of enterprises classified by type of export product sold in foreign markets and researched factors that may pose barriers to export. Since the author of this thesis did not have data on this relation from previous research available, and enterprises have been classified according to this criterion as those exporting work tools and machines, materials for reproduction and consumer goods, the following hypothesis has been formulated:

*H5 – Enterprises exporting consumer goods face fewer barriers to export, having in mind range of markets for this type of goods, which has a positive influence on evaluation of influence of barriers to export business of the enterprise.*

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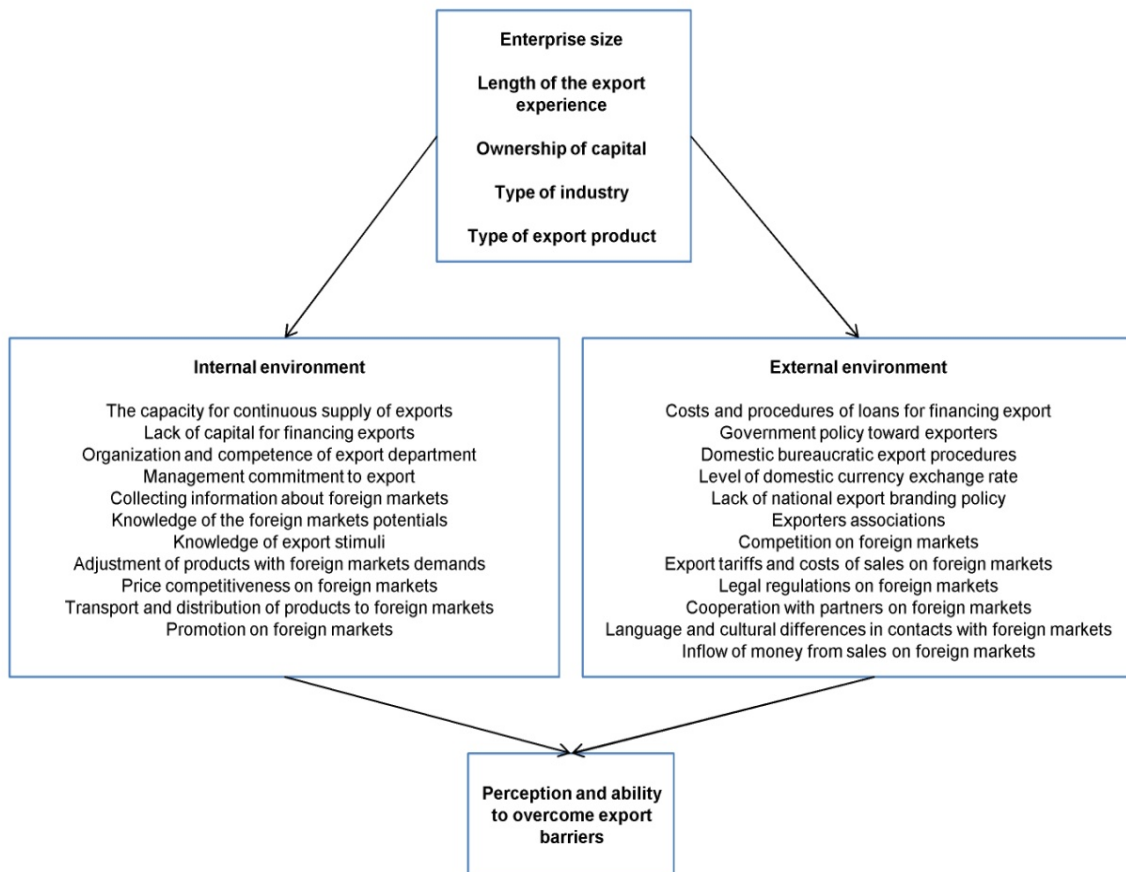
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<sup>68</sup> Organisation for Economic Co-operation and Development. *Classification of Manufacturing Industries into Categories Based on R&D Intensities*. Paris: Organisation for Economic Co-operation and Development (2011).



In line with the classifications of barriers to export business on one hand, presented in literature review, and in this chapter presented views on relation of enterprise's size, length of export experience, ownership of capital, type of industry, and type of export product on the other, and on the basis of which hypotheses for empiric research have been formulated, a conceptual framework of the thesis may be completed. It may also be graphically presented as in *Figure 1*.

**Figure 1. Empiric research conceptual model**



Source: author according to the literature

## IV. EMPIRIC RESEARCH METHODOLOGY

This chapter describes the conducted empiric research methodology since previous two chapters reviewed relevant and available literature to the author of this thesis on the researched subject and on the basis of which a conceptual framework for empiric research has been formed with all research questions, i.e. hypotheses that should be tested.

Research methodology is a plan, system or general scheme the research is based upon, enabling finding answers to the set research questions.<sup>69</sup> Research methodology is, at the same time, operational structure enabling collection of the necessary data, their processing and analysis in a systematic and comprehensive way.<sup>70</sup>

The chapter, devoted to the methodology in this thesis, consists of research strategy, research design, questionnaire design, main sample and data collection description, main characteristics of enterprises taking part in the research, and description of techniques used for data processing and analyses.

### 4.1. Research strategy

Research strategy is general approach which consists of chosen methods and techniques and steps those should be followed to reach research objectives.<sup>71</sup> Chosen methods and techniques in research strategy have a direct impact on research results and

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69 Brown, Reva, Berman. *Doing Your Dissertation in Business and Management: The Reality of Researching and Writing*. London: SAGE Publications (2006).

70 Saunders, Lewis M., Thornhill, Adrian P. *Research Methods for Business Students*. Harlow: Pearson Education Limited, Fifth edition (2009).

71 Saunders, Lewis M., Thornhill, Adrian P. *Research Methods for Business Students*. Harlow: Pearson Education Limited, Fifth edition (2009).

determine whether a researcher managed to find answers to the set questions. When it comes to analytic research, there are two approaches a researcher may choose – qualitative and quantitative. Also, it is possible to base the research strategy on combination of the mentioned two.

Qualitative approach aims at understanding the researched issue. They have been grounded on descriptive data, obtained in natural environment, i.e. by observing the researched phenomenon, interviewing or talking to the stakeholders, who should primarily explain or interpret the observed phenomenon.<sup>72</sup> Qualitative approach provide data on opinions, values, expectations, perceptions and are applied to examine unknown areas, identify main elements of the problem, set hypotheses for a more detailed research to follow and understand motivation of those involved.<sup>73</sup>

Quantitative approach refers to further research into identified issues, and is based on testing theories in individual circumstances or cases. Its analysis applies the most varied statistical techniques.<sup>74</sup> Quantitative approach aims at establishing whether a researcher's predictions on generalisation on the basis of certain theoretic assumptions or previous empiric studies are applicable and valid in the researched case. Quantitative approach is based on collection of numeric data, their comparison and examination of their mutual links.<sup>75</sup>

Contrast between a qualitative and a quantitative approach according to their research related objectives and purposes, samples, data collection methods, data analyses,

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72 Creswell, John W. *Research Design: Qualitative and Quantitative Approaches*. Thousand Oaks: SAGE Publications (1994).

73 Burns, Robert R. *Introduction to Research Methods*. London: SAGE Publications (2000).

74 Creswell, John W. *Research Design: Qualitative and Quantitative Approaches*. Thousand Oaks: SAGE Publications (1994).

75 Burns, Robert R. *Introduction to Research Methods*. London: SAGE Publications (2000).

characteristics of data, time for data collection, and outcomes from these two approaches, is shown in *Table 2*.

**Table 2. Qualitative and quantitative approach to research**

	<b>Qualitative Approach</b>	<b>Quantitative Approach</b>
<b>Objective / purpose</b>	- To gain an understanding of underlying reasons and motivations - To provide insights into the setting of a problem, generating ideas and/or hypotheses for later quantitative research - To uncover prevalent trends in thought and opinion	-To quantify data and generalize results from a sample to the population of interest -To measure the incidence of various views and opinions in a chosen sample -Sometimes followed by qualitative research
<b>Sample</b>	-Usually a small number of non-representative cases. -Respondents selected to fulfil a given quota.	-Usually a large number of cases representing the population of interest. -Randomly selected respondents.
<b>Data collection</b>	-Unstructured or semi-structured techniques e.g. individual depth interviews or group discussions.	-Structured techniques such as online questionnaires, on-street or telephone interviews.
<b>Data analysis</b>	-Non-statistical.	-Statistical
<b>Characteristics of data</b>	-Subjective, descriptive, difficult to quantify and to measure	- Objective, precise, quantitative and reliable to measure
<b>Time for data collection</b>	Long	Short
<b>Outcome</b>	- Findings are not conclusive and cannot be used to make generalizations about the population of interest.	-Used to recommend a final course of action.

Source: adapted from Burns, 2000

In this thesis quantitative approach is applied having in mind listed characteristics of both approaches, and the multiple thesis objective, referring to ranking barriers to export activities by their influence on manufacturing small and medium enterprises in Serbia, as well as to identification of possible differences in barriers to export perception depending on certain characteristics of an enterprise, and examination of correlations among those characteristics and barriers to export business.

## 4.2. Research design

Quantitative approach in research may be very efficient provided if it is precisely known what should be examined and how variables that occur in the research should be measured.<sup>76</sup> It may be used for collecting data from a large number of respondents and be suitable for reconnaissance, as well as for descriptive and analytic research.<sup>77</sup>

Research on export barriers perception of small and medium exporters from Serbia has been conducted by questionnaire methods, i.e. a survey technique. The survey, based on a structured questionnaire, has been selected due to several advantages it has over other research techniques. It is simple to administer, obtained results are consistent, and analysis and interpretation of obtained data is relatively simple.<sup>78</sup> Besides, this research technique is one of the most frequently used in practice. The survey techniques, however, also has a few shortcomings. One of them refers to the fact that respondents may sometimes be unwilling to provide necessary information, which is often reflected in a low response rate. Nonetheless, despite this, the survey techniques is one of the most frequently used research techniques.

E-mail survey, has been chosen for conducting this survey out of four main survey types: by telephone, by personal contact, by mail and by email. Reasons for such a choice lie in the speed, low costs, absence of surveyors' partiality, and answers and data quality.<sup>79</sup> In comparison with the mail survey, e-mail survey enables much quicker establishment of

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76 Sekaran, Uma. *Research Methods for Business: A Skill Building Approach*. New York: John Wiley and Sons, Fourth edition (2003).

77 Brannick, Teresa, Roche, William K. *Business Research Methods: Strategies, Techniques and Sources*. Dublin: Oak Tree Press (1997).

78 Sekaran, Uma. *Research Methods for Business: A Skill Building Approach*. New York: John Wiley and Sons, Fourth edition (2003).

79 Sekaran, Uma. *Research Methods for Business: A Skill Building Approach*. New York: John Wiley and Sons, Fourth edition (2003).

contacts with a respondent and the whole task could be much more quickly completed. When it comes to costs, selection of this type of survey removes questionnaire printing and delivery costs. There is also no difference in costs when one questions 1.000 or 10 respondents. In addition to this, unlike personal contact survey, this type of survey eliminates possible influence of researcher's biasness on respondents' answers; it facilitates a huge number of answers in a short period of time. Also, it enables possible control of receiving survey material by respondents.

### **4.3. Questionnaire design**

Questionnaire is a list of questions a researcher prepares in advance and that refer to the research subject.<sup>80</sup> As such, it serves as an instrument to obtain important respondents related information. Selection of appropriate types of questions is essential, as well as their correct and clear formulation. In this research only closed questions were used. This choice was made due to the fact that open questions may pose a problem for some respondents since they require a respondent answer with his/her own words. In addition to this, numerous problems may emerge when analysing open type questions answers. Closed questions were also selected because they are time-saving for respondents.

The questionnaire for this research has two parts. The first one relates to data on size, length of export experience, ownership of capital, type of industry according to Organisation

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<sup>80</sup> Rugg, Gordon, Petre, Marian. *A Gentle Guide to Research Methods*. Berkshire: Open University Press (2006).

for Economic Cooperation and Development classification<sup>81</sup> and type of export product. Independent variables have been set up on the basis of these data.

The second part consists of 23 factors from enterprise internal and external environment that may pose as barriers to export. Respondents were asked to rank those factors on five point scale, depending on influence of those factors on their export businesses. Respondents were told that point 1 implies that given factor has no influence at all, whereas point 5 implies it fully influences a respondent's export activity. The dependent variables have been formed on the basis of data from this part of the questionnaire.

Only factors ranked with an average grade higher than 2.5 are considered to be barriers to export of small and medium enterprises in Serbia, while factors ranked with averaged grades lower than 2.5 are not considered to be factors that pose a barrier to export of small and medium enterprises in Serbia.

#### **4.4. Main sample and data collection**

Main sample in the research comprised 386 manufacturing small and medium enterprises from Serbia that earned more than million dollars on 2011 from export activities, according to the data of Serbian Agency for Investments and Export Promotion. All 386 enterprises were included in the research taking the selected way of sending the questionnaire into consideration, as well as the size of the main sample. Questionnaires and previously mentioned cover letters were mainly sent to managers in charge of export or sale in foreign

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81 Organisation for Economic Co-operation and Development. *Classification of Manufacturing Industries into Categories Based on R&D Intensities*. Paris: Organisation for Economic Co-operation and Development (2011).

markets, and directors general or owners of enterprises, depending on organisational structure and size of enterprises, and which of these data were available.

The research was conducted in July, August and September, 2012 and the initial e-mail with the survey material was followed by three follow-ups for filling out the questionnaire. In total 148 enterprises took part in the research and answered the questionnaire out of 386 enterprises included in the research. 11 of them submitted incomplete questionnaires, and 137 enterprises answered all questions, which is a 35.49% response rate. However, if we count out enterprises that were impossible to send the survey material due to irregularities, i.e. unavailability of data regarding their e-mails (48 of them), and enterprises that replied that they did not want to, did not practice or did not have time to take part in the research (27 of them) and six enterprises that erased the e-mail with the questionnaire immediately upon the receipt, not having read it, effective main sample comprised 305 enterprises and effective response rate was 44.92%. This percentage may be considered satisfactory, with regard to the fact that an average research turnout rate involving business entities is around 21%.<sup>82</sup>

#### **4.5. Main characteristics of enterprises taking part in the research**

Main characteristics of enterprises taking part in the research pertaining to distribution of frequencies and percentage are shown in *Table 3*.

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82 McDougall, Patricia Phillips, Covin, Jeffrey G., Robinson, Richard B., Herron, Lanny. "The Effects of Industry Growth and Strategic Breadth on New Venture Performance and Strategy Content," *Strategic Management Journal*, Volume 15, Issue 7 (1994): 537-554.



**Table 3. Characteristics of enterprises participating in the research**

<b>Size of enterprise</b>	<b>Frequency</b>	<b>%</b>
Small enterprises	40	29.2
Medium enterprises	97	70.8
<b>Length of export experience</b>	<b>Frequency</b>	<b>%</b>
Up to 5 years	10	7.3
From 6 to 20 years	82	59.9
From 21 to 50 years	24	17.5
Over 50 years	21	15.3
<b>Ownership of capital</b>	<b>Frequency</b>	<b>%</b>
Domestic and domestic controlling interest	87	63.5
Foreign and foreign controlling interest	50	36.5
<b>Type of industry</b>	<b>Frequency</b>	<b>%</b>
High technology	12	8.8
Mid to high technology	17	12.4
Mid to low technology	40	29.2
Low technology	68	49.6
<b>Type of export product</b>	<b>Frequency</b>	<b>%</b>
Work tools and machines	25	18.3
Materials for reproduction	67	48.9
Consumer goods	45	32.8

Source: aauthor's research

Among enterprises participating in the research, there were 29.2% of small and 70.8% medium enterprises, 63.5% of enterprises with domestic and dominant domestic capital, and 36.5% of enterprises with foreign and dominant foreign capital. According to the length of export experience 7.3% of enterprises have been exporting up to 5 years, 59.9% of enterprises have export experience of between 6 to 20 years, 17.5% of enterprises with exporting experience ranging from 21 to 50 years and 15.3% of enterprises have more than 50 years of experience. When it comes to industry types, , 8.8% of enterprises belong to high technology industries, 12.4% to mid to high industries, 29.2% to mid to low industry and 49.6% of enterprises can be classified as belonging to low technology type of industry. Viewed by the type of export products, the most common products of these enterprises were materials for reproduction 48.9%, work tools and machines 18.3%, which accounted for over two third of the total export of the enterprises participating in the research, while enterprises, which export consumer goods were represented by 32.8%.

#### **4.6. Description of techniques used for data processing and analyses.**

Computer software Statistical Package for Social Sciences was used for the collected data processing and analysis. Collected data were firstly controlled, coded and processed by techniques of descriptive statistics, which enabled calculation of an average score, the respondents allocated to each factor, i.e. mean, as well as median, standard deviation, variance and rank of a factor, taking into account its influence on export business activities of a respondents.

Existence of statistically significant differences in assessment of factors of internal and external environments among different groups of enterprises, classified according to their characteristics, are tested by one way ANOVA of different groups, and by independent samples *t*-test.

For determining the relation among independent variables i.e. characteristics of enterprises and dependent variables i. e. factors from internal and external environment of enterprises, due to category nature of independent variables, we have used non-parametric Spearman rank correlation. Also, based on the results of the correlation analysis, hypotheses have been tested.

## **V. RESEARCH RESULTS**

Chapter devoted to the research results is divided into three sections. The first section consists of descriptive statistics and covers ranking of factors of internal and external environment according to average scores by respondents perceptions on their export business. The second section consists of determining a statistically significant difference among enterprises that participated in the study in evaluating researched factors. The third section covers correlation analysis, which is supposed to determine the possible existence of relations between the independent variables, i.e. characteristics of the enterprise and dependent variables, or factors of the internal and external environment that may pose as barriers to export business of small and medium enterprises in Serbia.

### **5.1. Ranking of factors of the internal and external environment**

Within this part, researched factors were ranked, which may pose as export barriers according to the respondents perceptions.

#### **5.1.1. Internal environment factors**

The results obtained in the research related to internal environmental factors, including the capacity of enterprises to continuously perform export activities (f1), lack of own capital for financing export activities (f2), devotion and commitment of the enterprise management to the export activities (f3), organisational and professional skills of the external activity department within the enterprise (f4), obtaining information about foreign markets

(f5), existing knowledge of the enterprise of potential foreign markets that might be of interest to the enterprise (f6), enterprise knowledge of existing national support programmers for export activities (f7), the enterprises ability to modify its product to the demands of the foreign markets (f8), the enterprises capacity to be price competitive in foreign markets (f9), distribution and transfer of products to foreign markets (f10), and ability for organisation of promotional activities in foreign markets (f11), by the frequency and percentage for each stated factor in ranking on five point scale are given in *Table 4*.

**Table 4. Frequency and percents of factors of internal environment**

	Frequency					Percentage				
	1	2	3	4	5	1	2	3	4	5
<b>f1</b>	32	43	36	20	6	23.4	31.4	26.3	14.6	4.4
<b>f2</b>	8	16	45	36	32	5.8	11.7	32.8	26.3	23.4
<b>f3</b>	65	32	23	15	2	47.4	23.4	16.8	10.9	1.5
<b>f4</b>	65	37	27	5	3	47.4	27.0	19.7	3.6	2.2
<b>f5</b>	17	31	49	31	9	12.4	22.6	35.8	22.6	6.6
<b>f6</b>	33	43	36	21	4	24.1	31.4	26.3	15.3	2.9
<b>f7</b>	49	44	30	12	2	35.8	32.1	21.9	8.8	1.5
<b>f8</b>	15	32	59	25	6	10.9	23.4	43.1	18.2	4.4
<b>f9</b>	10	17	52	42	16	7.3	12.4	38.0	30.7	11.7
<b>f10</b>	30	37	38	22	10	21.9	27.0	27.7	16.1	7.3
<b>f11</b>	13	20	38	55	11	9.5	14.6	27.7	40.1	8.0

Source: authors' survey

In *Table 5* mean values are shown with median, standard deviation, variance and rank of each factor of internal environment, which may pose as a barrier the export activities of small and medium sized enterprises.

**Table 5. Mean, median, standard deviation, variance and rang of factors of internal environment**

	Mean	Median	SD	Variance	Min.	Max.	Range
<b>f1</b>	2.4526	2.0000	1.13092	1.279	1	5	7.
<b>f2</b>	3.4964	3.0000	1.14484	1.311	1	5	1.
<b>f3</b>	1.8613	2.0000	1.00134	1.003	1	5	10.
<b>f4</b>	1.9562	2.0000	1.10393	1.219	1	5	11.
<b>f5</b>	2.8832	3.0000	1.09857	1.207	1	5	4.
<b>f6</b>	2.4161	2.0000	1.10242	1.215	1	5	8.
<b>f7</b>	2.0803	2.0000	1.02941	1.060	1	5	9.
<b>f8</b>	2.8175	3.0000	1.00161	1.003	1	5	5.
<b>f9</b>	3.2701	3.0000	1.06069	1.125	1	5	2.
<b>f10</b>	2.5985	3.0000	1.20330	1.448	1	5	6.
<b>f11</b>	3.2263	3.0000	1.09808	1.206	1	5	3.

Source: authors' survey

According to the data obtained from the total of 11 internal environmental factors, stated above, which may pose as barriers to export activities, for small and medium sized enterprises engaged in export activities in Serbia, six are regarded as barriers to the export business. The largest barrier is a lack of capital for financing export ( $M = 3.4964$ ). The second relevant barrier, within this group of researched factors for the Serbian exporters, is achieving price competitiveness in foreign markets ( $M = 3.2701$ ), while the third factor refers to ability to organise promotional activities in foreign markets ( $M = 3.2263$ ). Also, among the respondents perception barriers in their export activities are collection of data on foreign markets ( $M = 2.8832$ ), product modification by the requirements of foreign markets ( $M = 2.8175$ ), and distribution activities and transport to foreign markets ( $M = 2.5985$ ).

Other five factors, i.e. capacity of enterprises to continuously perform export activity, current knowledge on the potential of certain businesses possibilities in foreign markets of interest to the enterprise, knowledge of existing national export support programs, and organisational structure and ability of the export department within the enterprise, and devotion and commitment of the enterprise management to export activity, do not pose as

barriers to export activity, according to the Serbian exporters belonging to the group of small and medium enterprises. These five factors cannot be considered as barriers to export, as each of them individually was evaluated by the average grade below 2.5.

### 5.1.2. External environment factors

Results obtained in the research in relation to the external environment factors of enterprises, which include costs and procedures for obtaining bank loans to financing export (f12), governmental policy towards exporters (f13), domestic export bureaucratic procedures (f14), official policy pertaining to domestic currency (f15), the absence of national export branding policy (f16), absence of exporters associations for the purpose of a joint appearance in foreign markets (F17), competition in foreign markets (f18), amount of export tariffs in foreign markets (f19), regulations in foreign markets (f20), establishment and maintenance of cooperation with partners from foreign markets (F21 ), cultural and language differences (f22) and foreign sales cash flow (f23), by the frequency and percentage for each stated factor in ranking on five point scale are given in *Table 6*.

**Table 6. Frequency and percents of factors of external environment**

	Frequency					Percentage				
	1	2	3	4	5	1	2	3	4	5
<b>f12</b>	1	2	23	56	55	.7	1.5	16.8	40.9	40.1
<b>f13</b>	7	16	48	29	37	5.1	11.7	35.0	21.2	27.0
<b>f14</b>	47	45	37	3	5	34.3	32.8	27.0	2.2	3.6
<b>f15</b>	3	6	26	63	39	2.2	4.4	19.0	46.0	28.5
<b>f16</b>	28	12	45	27	25	20.4	8.8	32.8	19.7	18.2
<b>f17</b>	40	31	48	11	7	29.2	22.6	35.0	8.0	5.1
<b>f18</b>	0	4	16	52	65	0	2.9	11.7	38.0	47.4
<b>f19</b>	20	37	45	27	8	14.6	27.0	32.8	19.7	5.8
<b>f20</b>	18	41	51	13	14	13.1	29.9	37.2	9.5	10.2
<b>f21</b>	39	48	38	11	1	28.5	35.0	27.7	8.0	.7
<b>f22</b>	47	44	27	13	6	34.3	32.1	19.7	9.5	4.4
<b>f23</b>	77	35	18	5	2	56.2	25.5	13.1	3.6	1.5

Source: authors' survey

In *Table 7* mean values are shown with median, standard deviation, variance and rank of each factor of external environment, which may pose as a barrier the export activities of small and medium sized enterprises.

**Table 7. Mean, median, standard deviation, variance and rang of factors of internal environment**

	Mean	Median	SD	Variance	Min.	Max.	Range
<b>f12</b>	4.1825	4.0000	.81547	.665	1	5	2.
<b>f13</b>	3.5328	3.0000	1.15715	1.339	1	5	4.
<b>f14</b>	2.0803	2.0000	1.01502	1.030	1	5	11.
<b>f15</b>	3.9416	4.0000	.92169	.850	1	5	3.
<b>f16</b>	3.0657	3.0000	1.35692	1.841	1	5	5.
<b>f17</b>	2.3723	2.0000	1.13764	1.294	1	5	8.
<b>f18</b>	4.2993	4.0000	.78931	.623	2	5	1.
<b>f19</b>	2.7518	3.0000	1.10999	1.232	1	5	6.
<b>f20</b>	2.7372	3.0000	1.12636	1.269	1	5	7.
<b>f21</b>	2.1752	2.0000	.96175	.925	1	5	9.
<b>f22</b>	1.6861	1.0000	.93739	.879	1	5	12.
<b>f23</b>	2.1752	2.0000	1.13693	1.293	1	5	10.

Source: authors' survey

According to data obtained from the total of 12 factors, which may present barriers to export activities in this group of factors, small and medium sized enterprises engaged in export activities in Serbia, seven factors are treated as barriers to export business. Among them, the biggest barrier is a strong competition in foreign markets ( $M = 4.2993$ ). Secondly, the cost and procedure for obtaining export credit with commercial banks ( $M = 4.1825$ ), while the third barrier is the policy of domestic currency exchange rate ( $M = 3.9416$ ). Among the barriers in their export activities, respondents ranked also as following - the government's policy towards exporters ( $M = 3.5328$ ), absence of a national export branding policy ( $M = 3.0657$ ), amount of export tariffs in foreign markets ( $M = 2.7518$ ) and legal regulations in foreign markets ( $M = 2.7372$ ).

Other five factors, lack of exporters associations, establishment and maintenance of business cooperation with partners from foreign markets, foreign sales cash flow, domestic

export bureaucratic procedures, cultural and language differences are according to the Serbian exporters belonging to the group of small and medium sized enterprises perception, are not barriers to their export activities. These five factors above cannot be considered as a barrier to exports because each of them was individually evaluated by an average grade below 2.5.

## **5.2. Differences between enterprises in assessing factors of internal and external environment depending on their characteristics**

Within this section, the evaluation of examined factors of internal and external environment differences were analysed among enterprises classified by size, length of export experience, the ownership of capital, type of industry which enterprises belong to and according to the type of export products.

### **5.2.1. Differences between enterprises in evaluating factors of internal and external environments depending on size**

T-test for independent samples was compared to the results of the effect of the enterprises size regarding evaluation factors of the internal and external environment, which may affect export business of the enterprise. This type of statistical test was used, since it was a comparison of two groups of enterprises according to size, small and medium. On the basis of the t-test results for independent samples, which are shown in *Table 8 and Table 9* revealed the presence of four statistically significant differences on a level  $p < .050$ .



When internal environment factors are in question, a significant difference in terms of evaluating the effects of the following factors was identified, among small and medium enterprises:

1) Capacity of enterprises to continuously supply export markets,  $t(135) = 2524$ ,  $p = .013$ , and an indicator of differences, eta squared is .045, so that difference can be considered as small;

2) A lack of capital to finance exports,  $t(135) = 4198$ ,  $p = .000$ , and an indicator of differences eta squared is .115, therefore the difference can be considered as large;

3) Ability to organise promotional activities in foreign markets,  $t(135) = 3172$ ,  $p = .002$ , and an indicator of differences eta squared is .069, and this difference can be considered as medium.

**Table 8. Differences between enterprises depending on size in assessment of the internal environment factors**

	Mean (SD)		t-test	
	Enterprise size			
	Small, N = 40	Medium, N = 97	t	p
<b>f1</b>	2.8250 (1.31826)	2.2990 (1.01206)	2.524	.013*
<b>f2</b>	4.1000 (.98189)	3.2474 (1.11832)	4.198	.000*
<b>f3</b>	1.8000 (.85335)	1.8866 (1.05944)	-.459	.647
<b>f4</b>	2.0750 (1.14102)	1.9072 (1.09051)	.808	.421
<b>f5</b>	3.0500 (1.15359)	2.8144 (1.15359)	1.142	.255
<b>f6</b>	2.5500 (1.10824)	2.3608 (1.10100)	.913	.363
<b>f7</b>	2.1750 (2.0412)	.95776 (1.05985)	.690	.491
<b>f8</b>	2.8250 (.98417)	2.8144 (1.01376)	.056	.955
<b>f9</b>	3.3250 (.97106)	3.2474 (1.09954)	.388	.699
<b>f10</b>	2.9000 (1.29694)	2.4742 (1.14649)	1.901	.059
<b>f11</b>	3.6750 (.85896)	3.0412 (1.13576)	3.172	.002*

\*difference is significant at the .050 level (2-tailed)

Source: authors' survey

When factors of external environment are in question only one statistically significant difference between small and medium sized enterprises was found:

1) Costs and procedures to obtain bank loans to finance exports,  $t(135) = 2.028$ ,  $p = .045$ , and an indicator of differences, eta squared is .029, so the difference can be considered as small.

**Table 9. Differences between enterprises depending on size in assessment of the external environment factors**

	Mean (SD)		t-test	
	Enterprise size			
	Small, N = 40	Medium, N = 97	t	p
<b>f12</b>	4.4000 (.77790)	4.0928 (.81755)	2.028	.045*
<b>f13</b>	3.8250 (1.21713)	3.4124 (1.11573)	1.916	.057
<b>f14</b>	2.0250 (1.09749)	2.1031 (.98409)	-.408	.684
<b>f15</b>	4.1500 (.94868)	3.8557 (.90127)	1.711	.089
<b>f16</b>	3.3000 (1.34355)	2.9691 (1.35749)	1.301	.195
<b>f17</b>	2.5250 (1.19802)	2.3093 (1.11206)	1.009	.315
<b>f18</b>	4.4750 (.64001)	4.2268 (.83548)	1.685	.094
<b>f19</b>	2.7500 (1.17124)	2.7526 (1.09002)	-.012	.990
<b>f20</b>	2.6250 (1.00480)	2.7835 (1.17462)	-.748	.456
<b>f21</b>	2.2500 (.98058)	2.1443 (.95731)	.583	.561
<b>f22</b>	1.7750 (1.14326)	1.6495 (.84214)	.711	.478
<b>f23</b>	2.3000 (.99228)	2.1237 (1.19249)	.824	.411

\*difference is significant at the .050 level (2-tailed)

Source: authors' survey

### **5.2.2. Differences between enterprises in assessing factors of internal and external environment, depending on the length of their export business**

ANOVA of different groups, and post-hoc Tukey's HSD test were compared, according to the influence of the length of the enterprises export business, to the evaluation factors of the internal and external environment, which may affect the export business of the enterprise. This type of statistical test was used, as there were four comparison groups of enterprises - those that have been operating for up to five years, those operating from 6 to 20

years, those who have been operating from 21 to 50 years and those who have been in the business for over 50 years. ANOVA results of different groups, which are shown in *Table 10* and *Table 11*, revealed the existence of two statistically significant differences at the level  $p < .050$ .

When internal factors are in question, significant statistical differences were identified in regard to a range of factors:

1) Commitment of the enterprise management to exporting activities, among enterprises which have been exporting up to 5 years ( $M = 2.8000$ ,  $SD = 1.31656$ ) on one hand, and enterprises that have been exporting from 21 to 50 years ( $M = 1.7368$ ,  $SD = .94966$ ) and also to enterprises which have been exporting for over 50 years ( $M = 1.8667$ ,  $SD = 1.05744$ ), and on the other hand on level  $[F(3, 134) = 2.744, p = .046]$ , and an indicator of differences, eta squared is .058, and may be classed as medium;

2) Modification of products to the demands of foreign markets for enterprises exporting from 21 to 50 years ( $M = 2.6053$ ,  $SD = .88652$ ) on one hand, and enterprises exporting for over 50 years ( $M = 3.1556$ ,  $SD = .92823$ ) on the other hand, on level  $[F(3, 134) = 2.689, p = .049]$ , and an indicator of differences, eta squared is .057, and may be classed as a medium.

**Table 10. Differences between enterprises depending on the length of export business in assessment of the internal environment factors**

	Mean (SD)				ANOVA	
	Length of the export business				F	p
	Up to 5 y. N = 10	6-20 y. N = 44	21 to 50 y. N = 38	Over 50 y. N = 45		
<b>f1</b>	3.0000 (1.69967)	2.2955 (1.06922)	2.5263 (1.15634)	2.4222 (1.01105)	1.132	.339
<b>f2</b>	3.5000 (1.50923)	3.7045 (1.23099)	3.2368 (1.07639)	3.5111 (1.01404)	1.142	.335
<b>f3</b>	2.3000 (1.33749)	1.7500 (.91816)	1.8158 (.86541)	1.9111 (1.10417)	.882	.452
<b>f4</b>	2.8000 (1.31656)	2.0455 (1.16048)	1.7368 (.94966)	1.8667 (1.05744)	2.744	.046*
<b>f5</b>	3.4000 (1.42984)	2.7500 (1.18371)	2.9474 (1.01202)	2.8444 (.99899)	1.016	.388
<b>f6</b>	3.1000 (1.37032)	2.2955 (1.00185)	2.5263 (1.08396)	2.2889 (1.12052)	1.817	.147
<b>f7</b>	2.2000 (.91894)	2.2273 (1.09680)	1.8947 (.95265)	2.0667 (1.05313)	.754	.522
<b>f8</b>	2.7000 (1.15950)	2.6818 (1.07342)	2.6053 (.88652)	3.1556 (.92823)	2.689	.049*
<b>f9</b>	3.3000 (1.05935)	3.1364 (.95457)	3.2368 (1.19536)	3.4222 (1.05505)	.551	.648
<b>f10</b>	2.6000 (1.42984)	2.4091 (1.22604)	2.6842 (1.21043)	2.7111 (1.14062)	.554	.647
<b>f11</b>	3.6000 (1.26491)	3.1591 (1.03302)	3.3421 (1.07241)	3.1111 (1.15251)	.743	.528

\*difference is significant at the .050 level (2-tailed)

Source: authors' survey

When external environment factors are concerned, no statistically significant differences were identified when evaluating researched factors studied by the length of export experience.

**Table 11. Differences between enterprises depending on the length of export business in assessment of the external environment factors**

	Mean (SD)				ANOVA	
	Length of the export business				F	p
	Up to 5 y. N=10	6-20 y. N=44	21 to 50 y. N=38	Over 50 y. N=45		
<b>f12</b>	4.4000 (.84327)	4.2273 (.83146)	4.3421 (.70811)	3.9556 (.85162)	1.970	.122
<b>f13</b>	3.2000 (1.31656)	3.6818 (1.15683)	3.4737 (1.26783)	3.5111 (1.03621)	.552	.648
<b>f14</b>	2.2000 (1.31656)	1.9545 (.96339)	2.3947 (1.00107)	1.9111 (.97286)	1.943	.126
<b>f15</b>	3.9000 (1.28668)	3.9773 (.82091)	4.0263 (1.02632)	3.8444 (.85162)	.298	.827
<b>f16</b>	2.8000 (1.39841)	3.2727 (1.40371)	3.2368 (1.17253)	2.7778 (1.42843)	1.357	.259
<b>f17</b>	2.1000 (1.28668)	2.2955 (.97836)	2.7632 (1.10121)	2.1778 (1.23009)	2.252	.085
<b>f18</b>	4.4000 (.96609)	4.2500 (.86603)	4.4211 (.64228)	4.2222 (.79455)	.550	.649
<b>f19</b>	2.6000 (1.34990)	2.6591 (1.14004)	2.8421 (1.00071)	2.8000 (1.14018)	.272	.845
<b>f20</b>	2.7000 (1.25167)	2.5909 (1.12721)	2.7368 (1.05739)	2.8889 (1.17207)	.518	.671
<b>f21</b>	2.1000 (.87560)	2.0682 (.84627)	2.4737 (1.10861)	2.0444 (.92823)	1.727	.165
<b>f22</b>	2.1000 (1.37032)	1.5682 (.84627)	1.7895 (1.01763)	1.6222 (.83364)	1.108	.348
<b>f23</b>	2.6000 (1.64655)	2.1136 (1.01651)	2.2895 (1.01096)	2.0444 (1.22392)	.832	.479

\*difference is significant at the .050 level (2-tailed)

Source: authors' survey

### **5.2.3. Differences between enterprises in assessing the factors of internal and external environment, depending on the ownership of capital**

T-test for independent samples was conducted in regard to the influence of ownership of capital of the enterprises, in evaluating the factors of the internal and external environment which may pose as barriers to the export business of the enterprise. This type of statistical test was used since it was a comparison of two groups of enterprises, those with domestic and dominant domestic capital, and those with foreign and dominant foreign-capital ownership. According to the independent samples t test results, which are show in *Table 12* and *Table 13*, five statistically significant differences were revealed on level  $p < .050$ .

When internal environmental factors are in question, statistically significant differences were identified in terms of evaluating the effects of the following factors, among enterprises with domestic and dominant domestic and those with foreign or dominant foreign capital:

1) Capacity of enterprises to continuously supply export markets,  $t(135) = 2667$ ,  $p = .019$ , and indicator of differences, eta squared is  $.050$ , so that the difference can be considered as medium;

2) A lack of capital of the enterprise to finance its export activity,  $t(135) = 3346$ ,  $p = .001$ , and indicator of differences, eta squared is  $.076$ , so that the difference can be considered as medium;

3) Collecting data from foreign markets of interest to the enterprise,  $t(135) = 3.936$ ,  $p = .000$ , and indicator of differences, eta squared is .102, so that the difference can be considered as large;

4) Ability of enterprises to be price-competitive in foreign markets,  $t(135) = 3.199$ ,  $p = .002$ , and indicator of differences, eta squared is .070, so that the difference can be considered as medium;

5) Ability of enterprises to organise promotional activities in foreign markets,  $t(135) = 8.292$ ,  $p = .000$ , and indicator of differences, eta squared is .337, so that the difference can be considered as large.

**Table 12. Differences between enterprises depending on capital ownership in assessment of the internal environment factors**

	Mean (SD)		t-test	
	Enterprise capital		<i>t</i>	<i>p</i>
	Domestic, N = 87	Foreign, N = 50		
<b>f1</b>	2.6437 (1.13072)	2.1200 (1.06215)	2.667	.009*
<b>f2</b>	3.7356 (1.07249)	3.0800 (1.15776)	3.346	.001*
<b>f3</b>	1.9080 (1.03015)	1.7800 (.95383)	.719	.473
<b>f4</b>	2.0805 (1.18340)	1.7400 (.92162)	1.872	.064
<b>f5</b>	3.1494 (1.06234)	2.4200 (1.01197)	3.936	.000*
<b>f6</b>	2.5402 (1.15944)	2.2000 (.96890)	1.839	.068
<b>f7</b>	2.1149 (1.06121)	2.0200 (.97917)	.518	.605
<b>f8</b>	2.9080 (1.00732)	2.6600 (.98167)	1.400	.164
<b>f9</b>	3.4828 (.99839)	2.9000 (1.07381)	3.199	.002*
<b>f10</b>	2.7126 (1.21911)	2.4000 (1.16058)	1.470	.144
<b>f11</b>	3.7241 (.81682)	2.3600 (.98478)	8.292	.000*

\*difference is significant at the .050 level (2-tailed)

Source: authors' survey

When external environmental factors are in question, statistically significant differences were identified in terms of evaluating the effects of the following factors, among

enterprises with domestic and dominant domestic and those with foreign or dominant foreign capital:

1) Costs and procedures of obtaining bank loans to finance exports,  $t(135) = 5667$ ,  $p = .000$ , and indicator of differences, eta squared is .192, so that the difference can be considered as large;

2) Government's policy towards exporters,  $t(135) = 4282$ ,  $p = .000$ , and the indicator of the difference, eta squared is .119, so that the difference can be considered as large;

3) Domestic bureaucratic export procedures,  $t(135) = 2.497$ ,  $p = .014$ , and indicator of differences, eta squared is .044, so that the difference can be considered as medium;

4) Domestic currency politics,  $t(135) = 4560$ ,  $p = .000$ , and indicator of differences, eta squared is .133, so that the difference can be considered as large;

5) Absence of a national policy of branding exports,  $t(135) = 7056$ ,  $p = .000$ , and indicator of differences, eta squared is .269, so that the difference can be considered as large;

6) A lack of existence of an association of exporters for the sake of joint appearances on foreign markets,  $t(135) = 4051$ ,  $p = .000$ , and indicator of differences, eta squared is .108, so that the difference can be considered as large;

7) Intensity and strength of the competition in foreign markets,  $t(135) = 3248$ ,  $p = .001$ , and indicator of differences, eta squared is .072, so that the difference can be considered as medium;

8) Cooperation with partners from foreign markets,  $t(135) = 4261$ ,  $p = .000$ , and indicator of differences, eta squared is .118, so that the difference can be considered as large;

9) Language and cultural differences in contacts with foreign markets,  $t(135) = 2309$ ,  $p = .023$ , and indicator of differences, eta squared is .037, so that the difference can be considered as small;

10) Foreign sales cash -flows,  $t(135) = 3841$ ,  $p = .000$ , and indicator of differences, eta squared is .098, so that the difference can be considered as medium.

**Table 13. Differences between enterprises depending on capital ownership in assessment of the external environment factors**

	Mean (SD)		t-test	
	Enterprise capital		<i>t</i>	<i>p</i>
	Domestic, N = 87	Foreign, N = 50		
<b>f12</b>	4.4828 (.54692)	3.6600 (.93917)	5.667	.000*
<b>f13</b>	3.8276 (1.13308)	3.0200 (1.02000)	4.282	.000*
<b>f14</b>	2.2414 (1.02260)	1.8000 (.94761)	2.497	.014*
<b>f15</b>	4.2069 (.79443)	3.4800 (.95276)	4.560	.000*
<b>f16</b>	3.5977 (1.09396)	2.1400 (1.27791)	7.056	.000*
<b>f17</b>	2.6552 (1.06561)	1.8800 (1.09991)	4.051	.000*
<b>f18</b>	4.4598 (.71210)	4.0200 (.84491)	3.248	.001*
<b>f19</b>	2.8621 (1.17307)	2.5600 (.97227)	1.541	.126
<b>f20</b>	2.8391 (1.17011)	2.5600 (1.03332)	1.401	.163
<b>f21</b>	2.4253 (.92299)	1.7400 (.87622)	4.261	.000*
<b>f22</b>	1.8161 (.99451)	1.4600 (.78792)	2.309	.023*
<b>f23</b>	2.4253 (1.19721)	1.7400 (.87622)	3.841	.000*

\*difference is significant at the .050 level (2-tailed)

Source: authors' survey



**5.2.4. Differences between enterprises in assessing the factors of internal and external environment, depending on industry type**

ANOVA test of different groups, and post hoc Tukey's HSD test were conducted in regard to calculate the impact of the industry technological level on evaluation of factors of the internal and external environment that may pose as export business of the small and medium enterprises. This type of statistical test was used since it was a comparison among four groups of enterprises, those whose activities belong to: the low tech industries, those with medium low tech industries, those with medium high tech industries and those whose activities belong to high-tech industries. Based on the ANOVA results of different groups, which are shown in *Table 14 and Table 15*, there is no statistically significant evidence at level  $p < .050$ .

**Table 14. Differences between enterprises in assessment of internal environment factors depending on industry type**

	Mean (SD)				ANOVA	
	Type of industry				F	p
	Low tech, N = 68	Medium-low tech, N = 40	Medium-high tech, N = 17	High tech, N = 12		
<b>f1</b>	2.5882 (1.17480)	2.3500 (1.14466)	2.4118 (1.06412)	2.0833 (.90034)	.867	.460
<b>f2</b>	3.5147 (1.09943)	3.7250 (1.08575)	2.9412 (1.19742)	3.4167 (1.37895)	1.928	.128
<b>f3</b>	1.8235 (.84538)	1.8250 (1.05945)	2.0588 (1.19742)	1.9167 (1.37895)	.278	.841
<b>f4</b>	2.0147 (1.09943)	2.0000 (1.15470)	1.8235 (1.07444)	1.6667 (1.07309)	.436	.727
<b>f5</b>	2.8676 (1.10500)	2.9250 (1.09515)	2.8235 (1.07444)	2.9167 (1.24011)	.043	.988
<b>f6</b>	2.3382 (1.07357)	2.5500 (.98580)	2.5882 (1.27764)	2.1667 (1.40346)	.648	.586
<b>f7</b>	2.0294 (1.00700)	2.2000 (1.01779)	2.2353 (1.25147)	1.7500 (.86603)	.772	.512
<b>f8</b>	2.9118 (.94214)	2.7250 (1.06187)	2.9412 (1.19742)	2.4167 (.79296)	1.042	.376
<b>f9</b>	3.3382 (1.00164)	3.2250 (1.14326)	3.1765 (1.18508)	3.1667 (1.02986)	.196	.899
<b>f10</b>	2.5294 (1.21521)	2.6000 (1.17233)	2.8824 (1.21873)	2.5833 (1.31137)	.385	.764
<b>f11</b>	3.1618 (1.15397)	3.4250 (.87376)	3.2353 (1.20049)	2.9167 (1.31137)	.830	.480

\*difference is significant at the .050 level (2-tailed)

Source: authors' survey

**Table 15. Differences between enterprises in assessment of external environment factors depending on industry type**

	Mean (SD)				ANOVA	
	Type of industry				F	p
	Low-tech, N = 68	Medium-low tech, N = 40	Medium-high tech, N = 17	High tech, N = 12		
<b>f12</b>	4.1912 (.77762)	4.3000 (.82275)	4.2353 (.56230)	3.6667 (1.15470)	1.943	.126
<b>f13</b>	3.5882 (1.17480)	3.6750 (1.18511)	3.2941 (.84887)	3.0833 (1.31137)	1.100	.351
<b>f14</b>	2.0000 (.96196)	2.2750 (1.17642)	2.1176 (.92752)	1.8333 (.83485)	.874	.456
<b>f15</b>	3.9706 (.89727)	4.0000 (.98710)	4.0000 (.50000)	3.5000 (1.24316)	1.017	.387
<b>f16</b>	3.0735 (1.39633)	3.2500 (1.39137)	3.0000 (1.17260)	2.5000 (1.24316)	.954	.416
<b>f17</b>	2.3088 (1.04034)	2.5500 (1.28002)	2.3529 (1.11474)	2.1667 (1.26730)	.523	.667
<b>f18</b>	4.4265 (.65372)	4.1500 (.86380)	4.0000 (.93541)	4.5000 (.90453)	2.195	.092
<b>f19</b>	2.8676 (1.14481)	2.6500 (1.02657)	2.7647 (1.20049)	2.4167 (1.08362)	.720	.542
<b>f20</b>	2.8235 (1.07816)	2.5250 (1.08575)	2.8824 (1.40900)	2.7500 (1.13818)	.696	.556
<b>f21</b>	2.3529 (.91038)	1.8500 (.94868)	2.2941 (.98518)	2.0833 (1.08362)	2.502	.062
<b>f22</b>	1.7206 (.97499)	1.6500 (.94868)	1.7059 (.91956)	1.5833 (.79296)	.099	.960
<b>f23</b>	2.3088 (1.14940)	1.9750 (1.14326)	2.0588 (.89935)	2.2500 (1.35680)	.800	.496

\*difference is significant at the .050 level (2-tailed)

Source: authors' survey

### **5.2.5. The differences between enterprises in assessing the factors of internal and external environment, depending on the type of export product**

ANOVA test of different groups, and post hoc Tukey's HSD test were conducted in regard to calculate the impact of type of export products on evaluation of factors of the internal and external environment that may pose as export business of the small and medium enterprises. This type of statistical test was used since it was a comparison among three groups of enterprises, those whose export products are related to tools and machines, those whose export products are related to reproduction materials those whose export products are related to consumer goods. Based on the results of the ANOVA test of different groups, which are shown in *Table 16 and Table 17*, four statistically significant differences at level  $p < .050$  were noticed.

When internal environmental factors are in question, statistically significant differences were identified in terms of evaluating the effects of the following factors:

1) Knowledge about foreign markets among enterprises with main export products as of reproduction materials (M = 2.1642, SD = 1.16251) on one hand, and enterprises with main export products as of consumer goods (M = 2.6667, SD = 1.00000), on the other hand, the level [F (2, 135) = 3556, p = .031], and indicator of differences, eta squared is .050, so that the difference can be considered as small.

**Table 16. The differences between enterprises in assessing the factors of internal environment, depending on the type of export product**

	Mean (SD)			ANOVA	
	Type of export product			F	p
	tools and machines, N = 25	reproduction materials, N = 67	consumer goods, N = 45		
<b>f1</b>	2.5200 (1.04563)	2.3731 (1.16562)	2.5333 (1.14018)	.321	.726
<b>f2</b>	3.8400 (.89815)	3.4627 (1.21016)	3.3556 (1.15120)	1.507	.225
<b>f3</b>	1.9200 (1.03763)	1.7463 (1.02015)	2.0000 (.95346)	.916	.403
<b>f4</b>	2.0000 (1.15470)	1.8209 (1.08607)	2.1333 (1.09959)	1.104	.335
<b>f5</b>	3.0800 (.95394)	2.6866 (1.14427)	3.0667 (1.07450)	2.137	.122
<b>f6</b>	2.6400 (.99499)	2.1642 (1.16251)	2.6667 (1.00000)	3.556	.031*
<b>f7</b>	2.1200 (.83267)	1.8806 (.94584)	2.3556 (1.19003)	2.972	.055
<b>f8</b>	2.8800 (.97125)	2.6866 (.98794)	2.9778 (1.03328)	1.201	.304
<b>f9</b>	3.2000 (.95743)	3.3433 (1.05245)	3.2000 (1.14018)	.309	.735
<b>f10</b>	2.5600 (1.15758)	2.5373 (1.27122)	2.7111 (1.14062)	.293	.746
<b>f11</b>	3.2800 (1.13725)	3.1045 (1.16949)	3.3778 (.96032)	.869	.422

\*difference is significant at the .050 level (2-tailed)

Source: Authors' survey

When external environmental factors are in question, statistically significant differences were identified in terms of evaluating the effects of the following factors:

1) Amount of export tariffs on foreign markets between enterprises whose main export products are tools and machines ( $M = 2.5200$ ,  $SD = 1.08474$ ), on the one hand, and, enterprises whose main export products are consumer goods ( $M = 3.1111$ ,  $SD = 1.02740$ ), on the other hand, on the level [ $F(2, 135) = 3.695$ ,  $p = .027$ ], and indicator of differences, eta squared is 052, so that the difference can be considered as small;

2) Legal regulations on foreign markets between enterprises whose main export products are tools and machines ( $M = 2.4000$ ,  $SD = 1.08012$ ), on the one hand, and enterprises whose main export products are consumer goods ( $M = 3.1333$ ,  $SD = 1.14018$ ) on the other hand, on the level [ $F(2, 135) = 4.660$ ,  $p = .011$ ], and indicator of differences, eta squared is 065, so that the difference can be considered as medium.

3) Foreign sales cash flow between enterprises whose main export products are tools and machines, ( $M = 1.9200$ ,  $SD = .99666$ ) on the one hand, and enterprises whose main export products are consumer goods ( $M = 2.6444$ ,  $SD = 1.26411$ ) on the other hand, on the level [ $F(2, 135) = 6.150$ ,  $p = .003$ ], and indicator of differences, eta squared is 093, so that the difference can be considered as medium.

**Table 17. The differences between enterprises in assessing the factors of external environment, depending on the type of export product**

	Mean (SD)			ANOVA	
	Type of export product			F	p
	tools and machines, N = 25	reproduction materials, N = 67	consumer goods, N = 45		
<b>f12</b>	4.2400 (.92556)	4.1194 (.82613)	4.2444 (.74332)	.389	.678
<b>f13</b>	3.5200 (1.08474)	3.6269 (1.19133)	3.4000 (1.15601)	.516	.598
<b>f14</b>	1.9600 (1.17189)	2.0000 (.93744)	2.2667 (1.03133)	1.146	.321
<b>f15</b>	3.9600 (.88882)	4.0299 (.96876)	3.8000 (.86865)	.841	.433
<b>f16</b>	2.8400 (1.40475)	3.0000 (1.40346)	3.2889 (1.25449)	1.034	.359
<b>f17</b>	2.2000 (1.25831)	2.2836 (1.12554)	2.6000 (1.07450)	1.400	.250

<b>f18</b>	4.2400 (.72342)	4.3433 (.72931)	4.2667 (.91453)	.211	.810
<b>f19</b>	2.5200 (1.08474)	2.5970 (1.12895)	3.1111 (1.02740)	3.695	.027*
<b>f20</b>	2.4000 (1.08012)	2.5970 (1.07393)	3.1333 (1.14018)	4.660	.011*
<b>f21</b>	2.0000 (.91287)	2.1194 (.91324)	2.3556 (1.04785)	1.325	.269
<b>f22</b>	1.6000 (1.11803)	1.6119 (.81567)	1.8444 (.99899)	.957	.387
<b>f23</b>	1.9200 (.99666)	1.9552 (1.00654)	2.6444 (1.26411)	6.150	.003*

\*difference is significant at the .050 level (2-tailed).

Source: authors' survey

### 5.3. Correlation analysis

To examine a relation between independent and dependant variables, i.e. to test the hypothesis about the relationship between enterprise characteristics, such as the size of enterprise, length of export activity, ownership of capital, type of industry and the type of export product, on one hand, and researched 23 factors of internal and external environment on the other hand, correlation analysis was conducted. Bearing in mind that independent variables were of category nature, the correlation analysis was conducted by calculating the Spearman coefficient of rank correlation (rho). The results of this analysis are displayed in *Table 18*.

**Table 18. Spearman's coefficient of rank correlation between enterprise characteristics, and factors of external and internal environment**

<b>Factors</b>	<b>Enterprise size</b>	<b>Export length</b>	<b>Capital ownership</b>	<b>Type of industry</b>	<b>Export product</b>
<b>f1</b>	-.184*	.012	-.233**	-.106	.015
<b>f2</b>	-.353**	-.081	-.282**	-.049	-.138
<b>f3</b>	.007	-.005	-.055	-.012	.082
<b>f4</b>	-.067	-.144	-.125	-.094	.091
<b>f5</b>	-.094	-.029	-.328**	.010	.035
<b>f6</b>	-.084	-.082	-.141	.031	.069
<b>f7</b>	-.084	-.078	-.036	.014	.088
<b>f8</b>	-.010	.159	-.114	-.112	.100
<b>f9</b>	-.039	.086	-.275**	-.054	-.010
<b>f10</b>	-.158	.091	-.123	.062	.058

<b>f11</b>	-.273**	-.065	-.600**	-.003	.044
<b>f12</b>	-.188*	-.165	-.455**	-.043	.002
<b>f13</b>	-.170*	-.035	-.345**	-.105	-.057
<b>f14</b>	.070	-.025	-.219*	.041	.141
<b>f15</b>	-.171*	-.061	-.399**	-.050	-.092
<b>f16</b>	-.100	-.103	-.504**	-.055	.114
<b>f17</b>	-.080	-.026	-.344**	-.004	.145
<b>f18</b>	-.126	-.059	-.273**	-.090	.039
<b>f19</b>	.001	.067	-.118	-.103	.210*
<b>f20</b>	.051	.105	-.117	-.046	.235**
<b>f21</b>	-.055	-.014	-.355**	-.156	.125
<b>f22</b>	.002	-.010	-.183*	-.027	.138
<b>f23</b>	-.111	-.079	-.289**	-.096	.247**

\*\* significant at the 0.01 level (2-tailed)

\* significant at the 0.05 level (2-tailed)

Source: authors' survey

Spearman's rank correlation discovered a correlation between the enterprise size and six of total of 23 investigated internal and external factors:

1) Production capacity of an enterprise to continually supply foreign markets,  $\rho = -.184$ , which indicates that smaller enterprises have bigger problems with the production capacity for the continued supply of foreign markets;

2) Absence of capital for export financing,  $\rho = -.353$ , which means that smaller enterprises lack capital for export financing more than medium enterprises;

3) Conducting promotional activities on foreign markets,  $\rho = -.273$ , which means that in relation to medium enterprises, small enterprises conduct their promotional activities on foreign markets with more difficulty;

4) Costs and procedures for obtaining loans for export financing,  $\rho = -.188$ , which means that small enterprises consider costs and procedures for obtaining bank loans for export financing as bigger barrier in compared medium enterprises;

5) Government's policy towards exporters,  $\rho = -.170$ , which indicates that smaller enterprises are more sensitive to government measures in the area of export policy, when compared to medium enterprises;

6) Policy of domestic currency exchange rate,  $\rho = -.171$ , which means that this policy had a bigger impact on export activities of small enterprises when compared to medium enterprises.

Regarding a potential relation between the length of export activity of an enterprise and the researched internal and external factors, no correlation was found by Spearman's correlation of ranks.

Spearman's rank correlation detected a relation between ownership of capital and 15 of the total of 23 investigated internal and external factors, and they are:

1) Ability of an enterprise to continually supply foreign markets  $\rho = -.233$ ;

2) Absence of independent capital for export financing,  $\rho = -.282$ ;

3) Collecting data about foreign markets,  $\rho = -.328$ ;

- 4) Achieving price competitiveness on foreign markets,  $\rho = -.275$ ;
- 5) Conduction of promotional activities on foreign markets,  $\rho = -.600$ ;
- 6) Costs and procedures for obtaining bank loans for export financing,  $\rho = -.455$ ;
- 7) Government's policy towards exporters,  $\rho = -.345$ ;
- 8) Domestic export bureaucratic procedures,  $\rho = -.219$ ;
- 9) Policy of domestic currency exchange rate,  $\rho = -.399$ ;
- 10) Absence of national export branding policy,  $\rho = -.504$ ;
- 11) Absence of exporters association for the purpose of joint appearance in foreign markets,  $\rho = -.344$ ;
- 12) Competition on foreign markets,  $\rho = -.273$ ;
- 13) Establishment and maintenance of cooperation with partners on foreign markets,  $\rho = -.355$ ;
- 14) Language and cultural differences in contacts with foreign markets,  $\rho = -.183$ ;
- 15) Foreign sale cash flow,  $\rho = -.289$ .



All the above mentioned factors were posing as greater barriers to export business of enterprises with domestic and dominant domestic capital than the enterprises with foreign and domestic foreign capital.

Regarding a potential relation between the type of industry and the researched internal and external factors, no correlation was found by Spearman's correlation of ranks.

Regarding the relationship between the types of export product of an enterprise, Spearman's rank correlation detected a relation between it and three internal and external factors, and they are:

1) Amount of export tariffs on foreign markets,  $\rho = .210$ , which means that this factor is a bigger barriers for enterprises whose main export product are tools and machines when compared to enterprises whose main export products are consumer goods;

2) Foreign legal regulations,  $\rho = .235$ , which means that this factor is a bigger barriers for enterprises whose main export product are tools and machines when compared to enterprises whose main export products are consumer goods;

3) Foreign sales cash flow,  $\rho = .247$ , which means that this factor is a bigger barriers for enterprises whose main export product are tools and machines when compared to enterprises whose main export products are consumer goods;

## VI. DISCUSSION

The results of the research show that for exporters in sector of small and medium enterprises which do business in Serbia, 13 of the total of 23 investigated internal and external factors are perceived as barriers to a more successful export. Ranked according to the average ratings, these barriers are: competition on foreign markets, costs and procedures for obtaining loans for financing export, policy of the exchange rate of the domestic currency, government policy towards exporters, lack of capital for export financing, achieving price competitiveness, organisation of promotion on foreign markets, absence of national export branding policy, collecting data about foreign markets, amount of export tariffs on foreign markets, foreign legal regulations, and distribution and transport to foreign markets.

Their ranking according to average ratings achieved for each of these barriers is displayed in *Table 19*.

**Table 19. Ranking barriers to export business**

Investigated factors that pose barriers to export	Mean	Rank
Competition in foreign markets	4.2993	1.
Costs and procedures for obtaining loans for financing export	4.1825	2.
Policy of exchange rate of the domestic currency	3.9416	3.
Government's policy toward exporters	3.5328	4.
Lack of capital for export financing	3.4964	5.
Achieving price competitiveness	3.2701	6.
Promotion on foreign markets	3.2263	7.
Absence of export branding national policy	3.0657	8.
Collecting data about foreign markets	2.8832	9.
Adapting products for export	2.8175	10.
Amount of export tariffs	2.7518	11.
Foreign legal regulations	2.7372	12.
Distribution and transport to foreign markets	2.5985	13.

Source: authors' survey

In addition, strong competition on foreign markets poses the biggest perceived barrier to Serbian exporters, and the results of this thesis research are consistent with the results of other researchers conducted in less developed countries.<sup>83</sup> Even though, this barrier has been categorized as an external factor according to the conceptual model of research, it could be considered as a direct consequence of internal factors of an enterprise, as some reports of international trade organizations' and institutions' have been pointing out for years once relating to internal problems of Serbian enterprises, like poor investments in research and development, low level of innovation and sophistication of the production process, ability to accept new technologies and not using enough marketing possibilities in business.<sup>84</sup>

The above mentioned barriers' especially hinder small enterprises, which are largely influenced by the majority of investigated internal and external factors. This is especially true for the lack of capital for financing export where the difference between small enterprises (M = 4.1000) and medium enterprises (M = 3.2474) is more than obvious. Similar differences exist in regards to the costs and procedures for obtaining loans for export financing, which are a posed to be much larger barriers for small enterprises (M = 4.4000) than for medium enterprises (M = 4.0928). Besides, regarding organisation of promotional activities on foreign markets there is a significant difference between small enterprises (M = 3.6750) and medium enterprises (M = 3.0412). There are even some factors which are not perceived as barriers to medium enterprises in export business, but are significant barriers for small enterprises. This is obvious in the example of rating the capacity of an enterprise to continually supply foreign

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83 Altintas, Murat Hakan, Tokol, Tuncer, Harcar, Talha. "The Effects of Export Barriers on Perceived Export Performance: An Empirical Research on SMEs in Turkey," *EuroMed Journal of Business*, Volume 2, Issue 1 (2007): 36-56.; Okpara, John O., Koumbiadis, Nicholas J. "Strategic Export Orientation and Internationalization Barriers: Evidence from SMEs in a Developing Economy," *Journal of International Business and Cultural Studies*, Volume 4 (2009): 1-10.

84 The World Economic Forum. *The Global Competitiveness Report 2011–2012.*, Geneva: The World Economic Forum (2011)., pp.314-315; The World Bank. *Doing Business in A More Transparent World.* Washington: The World Bank, (2012)., p. 124

markets, where there is also a significant difference between small enterprises ( $M = 2.8250$ ) and the medium ones ( $M = 2.2990$ ).

Furthermore, by using correlation analysis we have confirmed the existence of a relationship between the size of the enterprise and 6 of the total of 23 investigated internal and external factors: the capacity of an enterprise to continually supply foreign markets, lack of capital for export financing, promotion on foreign markets, costs and procedures for obtaining loans for financing export, government's policy toward exporters, and the policy of exchange rate of the domestic currency. Based on these results, we can confirm the hypothesis *H1* that the size of an enterprise positively influences export activities, because in the Serbian example we have shown that medium enterprises face lesser barriers in export when compared to small enterprises. According to these findings, the results of this research are similar to numerous previous researches.<sup>85</sup>

If we consider only exporters with the longest and shortest export activity, the findings of the research show that exporters with shorter activity (Mean 2.8000) have bigger problems with the dedication of management to export business when compared to those enterprises with longer export activity ( $M = 1.7368$ ). However, the relationship that exists towards this factor is not a rule, so enterprises with shorter export activity ( $M = 2.6053$ ) have a lesser problem with adapting the products to foreign markets' requirements in comparison to those enterprises with longer export activity ( $M = 3.1556$ ). Regarding other investigated factors we have not found statistically significant differences between enterprises which participated in the research, grouped according to the length of their export activity. Besides, using the correlation analysis we have not confirmed the existence of a relationship between

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85Calof, Jonathan L. "The Impact of Size on Internationalization," *Journal of Small Business Management*, Volume 31, Number 4 (1993): 60–69; Artur, Cravens, David W., Wagner, Udo. "Examining Determinants of Export Performance in Small Open Economies," *Journal of World Business*, Volume 35, Issue 1 (2000): 61-79

the length of export activity of an enterprise and the investigated internal and external factors. Based on the above, the hypothesis *H2* stating that the length of export activity positively affects export activities has not been confirmed, as there is no data obtained in the research for its empirical confirmation. Based on these findings, the results of this research are consistent with the results of few previous studies whose authors have not found a link between the length of export activity and export barriers.<sup>86</sup>

It is a completely different situation in internal and external factors ratings in relation to enterprise capital ownership. Both internal and external factors influence more enterprises with domestic and dominant domestic capital than those enterprises with foreign and dominant foreign capital. Statistically significant differences between these two groups of enterprises exist in 15 of the 23 investigated factors, and they are: the capacity of an enterprise to continually supply foreign markets, lack of capital for export financing, collection of data about foreign markets, achieving price competitiveness, organisation of promotion on foreign markets, costs and procedures for obtaining loans for financing export, government's policy toward exporters, domestic administrative export procedures, the policy of exchange rate of the domestic currency, absence of national export branding policy, absence of exporters associations to act united on foreign markets, competition strength on foreign markets, cooperation with foreign partners, language and cultural differences in contact with foreign markets and foreign sales cash flow. The correlation analysis has also confirmed that there are statistically significant relationships between the mentioned factors and ownership of capital. Based on the above we can confirm the hypothesis *H3* where the presence of foreign capital in the enterprise influences export in a positive manner. Based on

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<sup>86</sup> Larimo, Jorma. "Different Types of Exporting SMEs: Similarities and Differences in Export Performance". in Zou, Shaoming (ed.) *International Marketing Research, Advances in International Marketing*, Volume 17 (2006): 17-62

these findings, the results of this research are consistent with the results of some previous studies.<sup>87</sup>

In the case of Serbian SMEs exporters, there are almost insignificant differences in rating of all the investigated factors between the enterprises classified according to type of industry, absence of statistical significance, and the absence of correlation between the type of industry and the influence of the investigated factors, which provide the basis to reject the hypothesis *H4* that reflects the fact that enterprises which are oriented to the high-tech industry positively influence the ability to overcome export barriers. Based on these findings, the results of this research are consistent with the results of some previous studies.<sup>88</sup>

Regarding the type of export product, only three statistically significant differences among enterprises, whose main products are tools and machines and enterprises whose products could be classified as consumer goods, have been discovered and these are: amount of export tariffs on foreign markets, legal regulations on foreign markets, and foreign sales cash flow. Correlation analysis has confirmed a relationship between this characteristic of enterprise and the above mentioned factors that can influence export. Based on the above, hypothesis *H5* which proposes that enterprises exporting consumer goods encounter fewer barriers to export, could not be confirmed nor rejected, as the result of the research has a mixed character.

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87 Willmore, Larry N. "The Comparative Performance of Foreign and Domestic Firms in Brazil," *World Development*, Volume 14, Issue 4 (1986): 489-502.; Koo, Bohn-Young. "The Role of Foreign Direct Investment in Korea's Economic Growth", in Galenson, Walter (ed.), *Foreign Trade and Investment: Economic Growth in the Newly Industrializing Asian Countries*, University of Wisconsin Press, Madison (1985).

88 Reid, Stan D. "Is Technology Linked with Export Performance in Small Firms?". in Hübner, Heinz (ed.), *The Art and Science of Innovation Management*, Elsevier Science Publishers, Amsterdam (1986): 273-283; Zhao, Hongxin, Zou, Shaoming. " The Impact of Industry Concentration and Firm Location on Export Propensity and Intensity: An Empirical Analysis of Chinese Manufacturing Firms," *Journal of International Marketing*, Volume 10, Issue 1 (2002): 52-71.

## **VII. CONCLUSION**

### **7.1. Summary of the research findings**

The main aim of this thesis was to investigate export barriers based on perception of small and medium exporters in Serbia that belong to the sector of manufacturing enterprises. Serbian manufacturing SMEs exporters' perception of export barriers was researched on the influence of enterprise size, length of export business, ownership of capital, type of industry and type of export product, taking into account the rating of some factors from internal and external enterprise environment.

In case of the Serbian exporters that belong to the sector of small and medium enterprises, and that made a profit of at least one million euro in export business in 2011, results are mixed.

Firstly, according to the research results, influence of the enterprise size on export barriers perception is positive. This means that smaller enterprises encounter bigger barriers to export when compared to medium enterprises.

Secondly, based on the results of the research, we cannot confirm a positive influence of longer export experience on perception and rating the researched factors, which could pose as export barriers. Due to this, the main finding of this research is that the length of export business in case of small and medium enterprises from Serbia has no influence on export barriers perception.

Thirdly, according to the research results, presence of foreign capital positively influences export barriers perception, which means that enterprises with domestic and dominant domestic capital perceive researched factors as bigger barriers in export comparing to enterprises with foreign and dominant foreign capital. Further regarding this feature, when rating internal and external factors which could pose as export barriers, differences between small and medium enterprises with domestic and dominant domestic capital, and foreign and dominant foreign capital, are the biggest.

Fourthly, research results have not found the difference in perception of investigated factors which could pose as export barriers regarding the classification of enterprises by industry type.

Fifthly, regarding the influence of the export product type on export barriers perception, no rules could be established based on the research findings.

## **7.2. Implications of the research findings on economic policy makers and management of export oriented small and medium enterprises**

The world economic crisis has surfaced all shortcomings of the economic policy in Serbia in the last ten years. One of the main indicators is Serbia's export, particularly export of small and medium enterprises in Serbia. This is especially significant if we bear in mind the position of small and medium enterprises, which should be the engine of the economic progress in the country and export performances of Serbia.



Until the year 2000, the Serbian economy was characterized by quantitative limitations to foreign trade, combined with a high customs protection, which hindered foreign competition. However, after 2000, a sudden liberalization occurred. As an indicator of how fast this liberalization was, we can use the data that in year 2000, the average customs protection was 14.3%, in 2003 only 7.3%, and that from January 2013, and all duties have been cancelled for the majority of import products from the EU countries when Serbian market is concerned. The competitiveness of domestic economy has thus been artificially decreased with excessive and sudden increase of import, which was a consequence of fast liberalization, and further decrease in its competitiveness can be expected in the future. That is why we cannot expect a long term increase of Serbian export competitiveness. Liberalization of foreign economic relationships is often necessary as this is the way to destroy monopolized and cartelized domestic market structures, but the whole process in Serbia, especially regarding the sector of small and medium enterprises and the problems they are facing in the process of business internationalization, should have been conducted much more carefully.

As an important factor of competitiveness of the Serbian small economy in the foreign market, the value of domestic currency is often mentioned in the public. If a country forces the policy of an overrated value of its currency, as Serbia did, prices of import products expressed in the domestic currency are very affordable, which causes increase in import and a decrease in export. If this policy is applied for a longer period of time, an excessive import suffocates domestic industry more and more, especially the sector of small and medium enterprises, and export oriented enterprises don't find export affordable any more.

With the real beginning of the transition in Serbia, after the political changes in the year 2000, there were some optimistic predictions that privatization would very soon change structural characteristics of Serbian industry, and that 50-60% of export would be completely new transnational enterprises' products, made with high technologies, and that domestic small and medium enterprises, under the influence of the competition that these big enterprises would impose, and due to the change of ownership of capital from state to private, would find a way to join export business more actively. Furthermore, the long-time illusion was that many foreign direct investments would come to Serbia, and that this would cause an increase in export, competitiveness and the participation of investments in the domestic product, and that small and medium enterprises would fend for themselves and would find their own place in such circumstances. Such expectations have shown to be completely unrealistic.

Together with the process of Serbian transition, as its inseparable part, should be the process of industry reconstruction. The necessity of reconstruction and change of our industry is suggested by the current export structure. In the domestic product structure the main products are reproduction materials, than consumer goods and lastly tools and machines, or tools and machines which could be considered high technology products which require high level of knowledge and innovation. The results of our research confirm this structure of the Serbian export products. This structural dimension of the Serbian export products implies a gap when compared to the tendencies in the world economy, where the shift towards highly scientific and technologically intensive sectors has occurred. On the contrary, and according to our results, this type of small and medium enterprises in Serbia encounter bigger barriers to export than those that export raw materials or agricultural products, belonging to lower technology industries.

This is why the structural change of the Serbian product implies a long term strategy of industrial development, and especially a strategy of export industry development in small and medium enterprises, with an aim to focus on potentially competitive representatives on the world market, thus supporting such fields with adequate developmental policies. Besides, our research results show that Serbian exporters lack recognisability on foreign markets, i.e. that nothing has been done regarding export branding on the national level. This process in Serbia hasn't even been started yet as there is no unity on which industrial branches should represent the basis of export and how they should be supported. In addition, the government should modify its policy to support only foreign investors, by providing them with numerous subventions as to attract them to do business in Serbia, and should at least equal their status with the enterprises with foreign capital.

A more traditional export subvention, more adequate to the new international commercial regulative, and an adaptation of the export subvention programme to the needs of small and medium enterprises, which have traditionally had a more difficult access to bank loans than big enterprises, could be used to reinforce the competitiveness of the domestic product along with the classical export financing programmes being offered by business banks. This is why changes of the banking system are more than necessary in order to successfully support a small Serbian economy presentation on the foreign market, because Serbia in contrast to other countries, neither has a specialized bank for export financing, nor a developmental bank for its large, let alone, small and medium enterprises.

In addition, research findings in this thesis could also be significant for export management in small and medium enterprises. A research finding has shown that the main problem of the Serbian exporters in the sector of small and medium enterprises is insufficient

competitiveness. This is why export management should ask themselves what could they do to increase competitiveness. Research findings suggest that special attention should be dedicated to increasing product quality, innovations, new technologies application, greater investments in research and development. While in the absence of means to purchase and apply new technologies, the attention could be directed to introducing new products with current technologies and their design and their harmonization with international certificates, and creating competitive strategies for their presentation on the foreign market.

A special problem is the absence of a more significant associations of exporters of small and medium enterprises and unevenness in the development of industrially connected branches, or clusters, so that the final competitive manufacturer is not sufficiently supported by other manufacturers for a competitive appearance in foreign markets, and international practice shows that such associations represent a successful way to overcoming export barriers.

### **7.3. Research limitations and recommendations for the future research**

When analysing the research results there are some limitations and notes that one should have in mind. Firstly, research findings are based on subjective ratings of exporters from the sector of small and medium enterprises and they should be treated as such. This is especially true for internal factors and the ability of the respondents to rate their strengths and weaknesses objectively. Secondly, the conclusions of this study have been reached based on the opinions of the biggest Serbian exporters from the group of small and medium enterprises who gained a profit above one million euro in 2011. These are exporters which are considered in Serbia to be successful enterprises, so it could be assumed that the discovered

statistically significant differences between different groups of enterprises in rating the researched factors could be more significant if the research was conducted on an random sample in which the main group would consist of all exporters in Serbia which belong to the sector of small and medium enterprises. Thirdly, this research has included only a limited number of factors which could pose as export barriers, so future groups of research could increase their number, but also the number of enterprise features which could be included in the research.

Results of the research, even though it was conducted on the exporters sample in a small and not enough developed economy, could be used for future research on this subject as a direction for research instruments development and in comparative analysis. Besides that, future research could be supplemented with a qualitative approach to discover factors, which could influence export, and which had not been investigated in this study, in order to obtain a more in-depth understanding of export related issues and find potential solutions to overcome them by using examples and lessons learnt from successful exporters.

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