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# Factors hindering export performance in Botswana: a focus on SMMEs

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# Factors hindering export performance in Botswana: a focus on SMMEs

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**A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management in Entrepreneurship and New Venture Creation**

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# ABSTRACT

The purpose of this study was to quantitatively examine the export barriers hindering export performance by Small, Medium and Micro Enterprises (SMMEs) in Botswana. The study focused on SMMEs as defined by the Policy on Small, Medium and Micro Enterprises in Botswana. An online survey through Qualtrics platform was administered to collect data from Botswana SMMEs that were identified through consultation of various sources of firm listings on SMMEs. A total of 122 responses were analysed and further tabulated. The findings revealed that knowledge barriers, internal resource barriers and procedural barriers negatively impacted export performance in Botswana. In other words as these barriers increase firms perform poorly in their exports. The findings of this study must be viewed taking into consideration that not all export barriers were exploited. Another limitation was that this was a cross sectional study and time constrained data collection. Export performance was measured using perceived indicators. In the context of future studies, it would be advisable to conduct a qualitative study so that SMMEs can outline what they perceive as barriers than be confined to the research instrument provided. The stage of exporting should be taken into consideration as well. The findings of this study can be used by firms to gauge their positions in term of export readiness and designing strategies on how to eliminate the barriers and improve their performance; they provide policy makers with empirical information hence guidelines on developing focused strategies especially education programs that equip firms with knowledge on potential export markets and opportunities available and researchers can build more theoretical knowledge on the relationship between these export barriers and export performance. The study generally confirms literature but offers original insights from Botswana context.

**Keywords:** Export barriers, Export performance, Small, Medium and Micro Enterprises, Botswana

# DECLARATION

I, Gloria Molefe, declare that this research report is my work except as indicated in the references and acknowledgments. It is submitted in partial fulfillment of the requirements for the degree of Master of Management in the Field of Entrepreneurship at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

G.MOLEFE

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Gloria Molefe

Signed at

GABORONE

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On the ……30…….. Day of ……MARCH……..…… 2020.

# DEDICATION

I take this precious moment to thank god for his mercies throughout my studies, all the glory belongs to him. This work is dedicated to all looking up to me to show them all things are possible if they believe.

# ACKNOWLEDGMENTS

I would like to thank my supervisor, Professor Boris Urban, for his insightful contribution in my work, his guidance and direction which has set a new trajectory for my life. Secondly I thank everyone who took time to respond and participate in the data collection, their feedback is highly appreciated. I thank Focus Survey, Botswana Investment Trade Centre for giving me access to their listings of SMMEs.

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To my classmate, your emotional support throughout the journey is appreciated from the deepest places of my heart.

# Table of Contents

**ABSTRACT**.....ii
**DECLARATION**.....iii
**DEDICATION**.....iv
**ACKNOWLEDGMENTS**.....v
**LIST OF TABLES**.....x
**LIST OF FIGURES**.....xi
**LIST OF ACRONYMS**.....xi
**CHAPTER 1. INTRODUCTION**.....1
1.1 PURPOSE OF THE STUDY.....1
1.2 CONTEXT OF THE STUDY.....1
1.2.1 THEORY SECTION.....5
1.2.1.1 INTERNATIONALIZATION.....5
1.3. MOTIVATION FOR THE STUDY AND PROBLEM STATEMENT.....12
1.4. RESEARCH PURPOSE, RESEARCH QUESTION AND AIMS OF THE STUDY..13
1.5 CONTRIBUTION OF THE STUDY.....14
1.6 DELIMITATIONS OF THE STUDY.....15
1.7 CONCEPTUAL DEFINITION OF TERMS.....15
**2. LITERATURE REVIEW**.....17
2.1. INTRODUCTION.....17
2.2. THEORETICAL PERSPECTIVES ON SMME EXPORTING.....17
2.2.1 UPPSALA MODEL OF INTERNATIONALISATION.....17
2.2.2 RESOURCE BASED VIEW.....19
2.3. SMME EXPORT PERFORMANCE.....22
2.4. SMME EXPORT BARRIERS.....26
2.5. CONTROL VARIABLES.....29
2.6 THE IMPACT OF KNOWLEDGE BARRIERS ON EXPORT PERFORMANCE.....30
2.7. THE IMPACT OF INTERNAL RESOURCE CONSTRAINTS TO EXPORT PERFORMANCE.....31
2.8 THE IMPACT OF PROCEDURAL BARRIERS ON EXPORT PERFORMANCE....33
2.9. THE IMPACT OF EXOGENOUS BARRIERS ON EXPORT PERFORMANCE.....35

**CHAPTER 3. RESEARCH METHODOLOGY.....41**
3.1. RESEARCH APPROACH.....41
3.2 RESEARCH DESIGN.....41
3.3 DATA COLLECTION METHODS.....42
3.4.1. Population.....42
3.4.2. Sample and Sampling Method.....43
3.5 THE RESEARCH INSTRUMENT.....45
3.6 DATA ANALYSIS AND INTERPRETATION.....47
3.7 LIMITATIONS OF THE STUDY.....49
3.8 VALIDITY AND RELIABILITY.....49
3.8.1 VALIDITY.....49
3.8.2 RELIABILITY.....50
3.9 ETHICAL CONSIDERATIONS.....50
**CHAPTER 4: PRESENTATION OF RESULTS.....52**
4.1 INTRODUCTION.....52
4.2 DEMOGRAPHIC PROFILE OF RESPONDENTS.....52
4.3 EXLORATORY FACTOR ANALYSIS (EFA).....58
4.3.2 TOTAL VARIANCE EXPLAINED.....59
4.3.3 SCREE PLOT.....60
4.3.4. PATTERN MATRIX.....61
4.4 RELIABILITY OF SCALE.....63
4.5 CORRELATION ANALYSIS.....64
4.6 REGRESSION ANALYSIS.....65
4.6.1 Testing Regression assumptions.....65
4.5 SUMMARY OF THE RESULTS.....74
**CHAPTER 5: DISCUSSION.....76**
5.1 INTRODUCTION.....76
5.2 DEMOGRAPHIC PROFILE.....76
5.3 DISCUSSIONS OF THE FINDINGS.....79
5.3.1 DISCUSSIONS PERTAINING TO HYPOTHESIS 1.....79
5.3.2 DISCUSSIONS PERTAINING TO HYPOTHESIS 2.....81
5.3.4 DISCUSSIONS PERTAINING TO HYPOTHESIS 3.....82
5.3.5 DISCUSSIONS PERTAINING TO HYPOTHESIS 4.....84
5.3.6 CONTROL VARIABLES.....84
5.3.7 CONCLUSION.....84

**CHAPTER 6 CONCLUSIONS AND RECOMMENDATIONS.....87**
6.1. INTRODUCTION.....87
6.2. CONCLUSIONS REGARDING RESEARCH QUESTION 1: To what extent does knowledge barriers impact export performance of SMMEs.....87
6.3. CONCLUSIONS REGARDING HYPOTHESIS 2: To what extent does internal resource barriers impact export performance of SMMEs.....87
6.4 CONCLUSIONS REGARDING HYPOTHESIS 3: To what extent does procedural barriers impact export performance of SMMEs.....87
6.5. CONCLUSIONS REGARDING HYPOTHESIS 4: To what extent does exogenous barriers impact export performance of SMMEs.....88
6.6 RECOMMENDATIONS.....88
6.6.1 PRACTICAL IMPLICATIONS FOR POLICY MAKERS.....88
6.6.2. PRACTICAL IMPLICATIONS FOR RESEARCHERS.....89
6.5.3 PRACTICAL IMPLICATIONS FOR SMME MANAGERS.....90
6.7. LIMITATIONS.....91
6.8. SUGGESTIONS FOR FUTURE RESEARCH.....92
**REFERENCES.....93**
**Appendixes.....114**
APPENDIX A: CONSISTENCY MATRIX.....114
APPENDIX B: RESEARCH INSTRUMENT.....118

# LIST OF TABLES

Table 3. 1 Sample distribution of SMMEs....43
Table 3. 2 Constructs, scales and items and sources for measures....110
Table 4. 1: Business Characteristics of the SMMEs....56
Table 4. 2: KMO and Bartlett's Test for all the constructs....57
Table 4. 3 Total Variance Explained....58
Table 4. 4: Pattern Matrix....61
Table 4. 5: Reliability....62
Table 4. 6: Descriptive statistics and Correlations among constructs....63
Table 4. 7: Test for Multicollinearity....65
Table 4. 8: Model Summary....69
Table 4. 9: ANOVA....70
Table 4. 10: Coefficients....71
Table 4. 11: Summary of Hypothesis....73

# LIST OF FIGURES

Figure 2. 1: Conceptual framework for barriers for SMME export performance (Source: Own)....37
Figure 4. 1. Process diagram for collection of data to data analysis stage....51
Figure 4. 2: Gender....52
Figure 4. 3: Age....53
Figure 4. 4: Race....54
Figure 4. 5 : Level of Education....55
Figure 4. 9: Boxplots of all Constructs....67
Figure 4. 10: Scatter plot of Regression standardise residuals against the regression standardised predicted values (Source: Own)....69

# LIST OF ACRONYMS

AfCFTA-African Continental Free Trade Area Agreement

EDD-Economic Diversification Drive

EU-European Union

GDP-Gross Domestic Product

NDP-National Development Plans

OECD-Organisation for Economic Cooperation and Development

SMMEs-Small Micro and Medium Enterprises

SMEs- Small and Medium Enterprises

SADC-South African Development Community

# CHAPTER 1. INTRODUCTION

This section provides the background of the study. It introduces the study by explaining the purpose of the study, context in which the study took place, research problem, research objectives of the study, at the end the chapter closes with the significance of the study, delimitations, definitions, assumptions and the structure of the report described.

## 1.1 PURPOSE OF THE STUDY

The purpose of this study was to quantitatively examine the export barriers hindering export performance by Small Micro and Medium Enterprises (SMMEs) in Botswana. The study was focused on SMMEs as defined by the Policy on Small, Medium and Micro Enterprises in Botswana

## 1.2 CONTEXT OF THE STUDY

Botswana is an upper middle income country located at the centre of Southern Africa, with a population of 2, 052, 556 (Republic of Botswana, 2012; World Population Review, 2014).Having recognised the limitations of its small domestic market Botswana is a signatory to several trade agreements that open up the international market for local firms and provides investors with access to an entire marketplace beyond its borders. In the Southern African region as a member of South African Development Community (SADC), there is access to 293 million people in 16 countries, as a signatory of the African Continental Free Trade Area Agreement (AfCFTA) of which trading is expected to commence in July 2020, that would open a marketplace of 1.2 billion people (Botswana Investment Trade Centre, 2017, p9). Botswana also enjoys duty free and quota free access to European Union (EU) markets and other world markets such as Asia and USA.

Botswana international trade spans decades and the trade portfolio is made up of a heavy reliance on imports with an import bill reported at P20billion per annum (Pansiri and Yalala, 2017, p.69) and on the other hand the export portfolio is concentrated on few commodities and few international markets. At independence in 1966, Botswana was amongst the poorest countries in the world and did not offer much hope as a prospective conducive environment for economic growth. Then from the 1970s, Botswana started enjoying one of the fastest growing economies in the world primarily due to the discovery of diamonds, development of the mining sector and diamonds exports. Diamonds have since the 1980s accounted for about

82% of export earnings, 35 percent of the Gross Domestic Product (GDP) and 53% of government revenues (Cross Road Transport Agency, 2018, p.55). Manufactured goods account for 10 percent of exports whereas agricultural exports accounts for 1 percent (Botswana Investment and Trade Centre, 2017, pg.23).

This is a clear indication that the participation of firms in the global market is low. In a study conducted by Khanie(2018) to establish the impact of internationalization on firm performance in Botswana they established that out of the 268 firms sampled across large, small and medium firms only 12 % were involved in export activities and the majority(49 %) of exporting firms were into manufacturing activities. What is interesting was that of the exporting firms, manufacturing firms got the least return on sales which could explain the mall size of the manufacturing industry in Botswana.

This is an area that needs attention because studies have shown that large manufacturing nations are significant exporters (Zaman, 2019). China, for example, has been the largest manufacturer worldwide since 2010 and records an impressive export performance (Zaman, 2019). According to the Chinese National Bureau of Statistics, SMEs represented 99.4% of all enterprises in the country, contributing 59% of the GDP and accounted for 60 % of total sales (Wang, 2016). With a population of around 2 million people, exporting is probably more important to Botswana than it is to larger economies like China and USA. Botswana can utilise the international relations it has with China to learn about this sector development.

Despite the longstanding of the diamond mining sector in Botswana, it employs less than five percent of the work force (Guruwo, 2018).Even though a little old statistics, in 2007 SMMEs contributed to 75% of the formal sector employment and 35 % of the GDP. This is a clear indication of the potential SMMEs have if fully developed to reach their highest potential which could include export competitiveness. The importance of exporting activities even though skewed cannot be over emphasized. Exports have been the main contributor to economic growth, competitiveness and overall prosperity.

It has been widely acknowledged that SMMEs account for more than 95 percent of all firms in the majority of countries (Wang, 2016, pg.1). Their substantial role in the development of globally competitive and productive enterprises, job creation and diversifying national income thereby reducing vulnerability to global economic shocks is acknowledged. Moreover they have a role to play in the process of export led industrialisation.

Several trends occurring in the international market such as liberalisation of trading patterns, advances in transportation and communication and economic integrations of regions provide firms with opportunities to expand into international markets. These globalised world offers SMMEs an advantage of cross border activities through adoption of global strategy (Czinkota and Ronkainen, 2001).

The importance of exporting in Botswana cannot be over emphasised. Exports are the main contributor to economic growth, competitiveness and overall prosperity. To date the export portfolio remains highly undiversified. The reason why the economy remains highly undiversified can be attributed to the success of the diamond industry. The revenues generated have covered most of the development budget for years and created complacency.

Notwithstanding that, the over reliance on a single commodity equates to what Jaiyeoba and Iwu(2018) calls constant depletion of fixed natural resource endowment leading to economic bereft in the long run. Therefore economic diversification becomes a legitimate concern. It's therefore not surprising that economic diversification has been a key priority for Botswana since 1968 even though desired levels have not been reached yet (Republic of Botswana, 2008).

The over reliance on the diamond sector has exposed the country to external shocks as a result of being a single commodity dependent economy. As an export driven economy, the economy is highly correlated with global economic trends and during the 2008/09 global financial crisis, Botswana went into recession, leading to a negative GDP growth of 4.9 percent (African Economic Outlook, 2012, p.2). The economy recovered with 9.3 percent real GDP in 2013.

Instruments indicating the effort of the Government of Botswana to diversify the economy exits, the National Development Plans (NDP) being key. From the NDP 7 government intentions on economic diversification and promotion of other product exports apart from diamonds are evident. In NDP 8 the government emphasised on the need to develop SMMES as a pathway to increasing their linkages to export business. This continues to the present NDP 11 (running from April 2017 to March 2023) which emphasises developing diversified sources of economic growth as a national priority (Ministry of Finance and Development Planning, 2016).

In 2011 Botswana government launched an Economic Diversification Drive (EDD) strategy that thrives to grow sectors that will continue growing even after mineral depletion. The key objective of the strategy was to develop globally competitive enterprises through the private sector and diversify the export portfolio through new markets and non-traditional commodities - products other than copper, nickel and diamonds (Ministry of Trade and Industry, 2011).

Progressive export development programmes exists through established institutions but surprisingly most Botswana firms, large or small, remain reluctant to internationalise (Khanie, 2018). The World Bank (2010, p.7) reported a 9.6% exporting rate in Botswana indicating low participation of firms in the global markets. In 2012 the World Bank conducted another study to identify exporter level customs per country, Botswana inclusive, where they found that more developed economies had a large number of exporters and more diversified exporters in terms of destinations and products. In Botswana they found out that there existed approximately 1700 exporting firms. What was concerning was the fact that with 700 new entrants per annum, the same number exited. It is therefore necessary to identify the exited firms and establish the reasons for exiting and possibly solutions to counter those issues (World Bank, 2010).

While SMMES can play an important role in the export diversification, the performance of SMMEs in Botswana's economy especially in international trade has been very limited (Kapunda, Magembe & Shumba, 2007; Sentsho, Maiketso, Sengwaketse, Ndzinge-Anderson & Kayawe, 2007). It is therefore important to understand what limits these firms from exporting.Over more despite the existence of government initiatives to develop SMMEs, SMMEs still fail at an alarming rate of 80 % (Mannathoko, 2011 p.1).

Despite SMMEs in Botswana are faced with constraints such as lack of access to markets, issues of low productivity and competitiveness (Sentsho et al., 2007). Access to markets has been highlighted as the main threatening issue to their survival (Mutoko, 2017; Pansiri & Yalala, 2017). Exporting offers an opening to other markets and the development of these enterprises to export maturity offers an opportunity to increase their firm performance. That has been proven in extant literature, Atkin and Jinhage (2017) have indicated that exporting provides important gains for small firms.

Lack of official up-to-date statistics on SMMES especially their percentages in trade activities including exports remains a concern that limits research activities on these

enterprises. The government needs to fast track this exercise as it adopts a new approach of being a knowledge based economy.

# 1.2.1 THEORY SECTION

## 1.2.1.1 INTERNATIONALIZATION

The seminal work conducted by Oviatt and McDougall (1994) introduced the view on internationalization as an entrepreneurial act. Prior to their work, research streams focusing on internationalization and entrepreneurship were rarely combined. With the passage of time international business research started using different theoretical models to attempt to explain slow and incremental international processes of firms.

Welch and Luostarinen, (1988) defined internationalization of firms as a process that involves incremental increase in the international operations. Likewise Johanson and Mattson (1988) indicated that firms can move from domestic to foreign markets by forming relationships and communication with business partners located abroad, which would in turn expand to new business markets and new business partners.

With the field of internationalization evolving, scholars expanded the definitions. From a network approach, internationalization is defined as the process that involves firms' objectives being capitalized through international relationships. It has also been observed that international networks are continuously being birthed, maintained and developed and on the other hand broken and dissolved (Ruzzier et al, 2006). This definition explains that some firms will succeed in the international space whereas others would be faced with the reality of de-internationalization. Another author linked internationalization definition to degree of sales and income obtained from foreign markets (McAuley, 2010).

According to Narayanan (2015) internationalization and the processes involved has various dimensions, levels, perspectives and horizons. From the literature reviewed it is not yet possible to provide a universal definition. To expand to international markets, firms can choose from a variety of strategies which include importing, exporting, strategic alliances, Joint ventures, and licensing, franchising or foreign direct investment.

Scholars have identified 3 waves of internationalization (Kujala and Tornroos, 2018). The first wave is linked to the industrialization of western countries. The second wave was reported to have started immediately after World War II, when an explosion of multinational companies was witnessed now spreading into East Africa (Jansson, 2007). In the late 19$^{th}$

century large corporations from Europe to USA started cross border business operations using Foreign Direct Investment (FDI) as a mode of entry. The third wave was recorded, starting in the 1980s, escalating on the early 1990s onwards. This wave was highly driven by globalization (Jansson, 2007).

Scholarship started recognizing the increasing cross border activity of resource constrained firms in the 1970s. Viewing internationalization as a cross border activity led to the development of SME internationalization. In early MNE theorizing scholarship highlighted that their cross border activity was mainly in the form of Foreign Direct Investment (FDI). SME could invest abroad but mostly utilizing exporting and other non-equity modes of internationalization. Flexibility and responsiveness to market changes acted as competitive advantages of SMEs while for MNE resource ownership was. The 1980s saw the commencement of studies of 'born globals', firms that undertook early internationalization.

It is proper to recognise that the early stages of the development of research in the internationalization area was dominated by the creation of theoretical models. The research models created fell into four perspectives (Ruzzier et al, 2006). Early in the development of the field were the internationalization theories focusing on MNEs which covered the use of internalization theory, the transaction cost model, the electric paradigm and monopolistic advantage theory.

The second stream focused on SME internationalization, explaining the large firm behaviour and characterised by the Innovation related model and Uppsala internationalization model. The third approach used the network theory to understand firms as embedded actors in the business environment and last was the Resource based view (RBV). Over the years the scholarship agreed that the one overarching model would not fully explain the internationalization patterns of firms and suggested the development of frameworks that explores competing theories.

Of interest to the present study is the issue of internationalization of SMMEs. Increasingly SMEs are confronted with international competition and compelled to play an important role in international markets as globalisation intensifies (Kuada, 2006). The issue of internationalization of SMMEs has become significant for world economies as a tool to improve national deficit and driving national prosperity. An increasing trend among SMMEs to grow by diversifying through international markets is a reality.

In different nations, developing or developed economies, the benefits have been recorded. They are linked to job creation (Temtime and Pansiri, 2004), contribute to GDP (Abor & Quarterly, 2010). In Botswana they contribute 35 % of the GDP (Republic of Botswana, 2012) and in SA it is around 57 % (Jonathan and Wilma, 1995).

SMMEs are motivated by various actors to move into international markets, this include limited growth opportunities in the domestic market, closeness to foreign markets, underutilized production capacity and more opportunities creating room for diversification( Amed et al , 2006).

However SMMEs are heavily constrained resulting in high failure rate and this is stronger in developing nations. In SA the high failure rate is at 70-80 %( Brink and Michael, 2003). The complexities of international trade seems to be more challenging for SMMEs than large enterprises given their low resource base (Leonidou, 2004).SME internationalization have been found to show a positive moderating effect on the relationship between local constraints and SMME growth (Omer et al, 2015).

Although it may be difficult to know how these constraints can be eliminated , internationalization of firms have been found as one way to overcome local bottlenecks through the selection of more favourable environments. In general, studies have found that involvement in international trade lead to high growth rates (Hashi and Krasniqi, 2011). Even though these findings are largely based on large firms, the same has been found for small firms.

Exporting has been widely acknowledged as the first mode of entry into international markets adopted by SMMEs, attributable mainly to the fact that compared to other entry modes ,it involves fewer resources, less costs and lower risks (Amal and Filho,2009). Exporting is defined as the selling of goods/services via direct and/or indirect methods to overseas markets using the firm's production facilities in the home country(Amal and Filho,2009)..

Literature is in agreement that for SMMEs, exporting continues to be the major form of internationalization strategy (Narayanan, 2015; Omer et al., 2015).According to Sinkovics, Kurt and Sinkovics,2018) exporting firms enjoys certain benefits that play a major role in the flow of goods and services and capital across borders. This may come through trade deals, relationships among countries, economic integration and development of international organisations.

The role of SMMEs in the country's exports cannot be denied. Dana (1999) posited that exports can be improved through small enterprise participation. Rehman (2016) agreed with Dana's views explaining that SMMEs are easy to start, easy to manage, they are a source of innovation and risk taking hence their characteristics drive many countries in growing more SMMEs for export readiness. China is a good example of an economy that increased its export participation through large SMME participation and in 2015 was reported the world's largest exporter (Muller, Caliandro, Viktoriya, Gagliardi, Marzocchi, Ramlogan and Cox, 2015).

Throughout its history, exporting research has taken many and diverse courses of thematic development. In the early 1960s exporting research was concerned with company exports at country level, applying the fundamental business concepts to international trade. Research then moved towards understanding export engagement and export development covering issues of export intention, export attitude and behaviour, stimuli to exporting, barriers to exporting and export development process. By the 1990s export performance was by far the dominant topic in this field of research. This was an outcome of researchers intending to establish how background factors such as environmental, organisational and managerial could be directly associated with export performance.

Leoniduo,Katsikeas and Coudounaris(2010) when analysing exporting research for the year 1960-2007 suggested that an understanding of the significance of export barriers could be enhanced by linking these factors to export strategy, export development stages and export performance. It is therefore the intention of this study to understand the relationship between the export barriers faced by SMMES to their export firm performance.

Reaping the benefits of internationalization is not free from obstacles. The obstacles may originate from strategic business flaws, internal organisational weakness, home country deficiencies or host market problems (Leonidou, 2004; Narayanan, 2015). Leonidou (2004) emphasised that in order to motivate local firms, in particular SMMEs to internationalise, it is important to understand not only the factors stimulating SMMEs to export but also the barriers to exporting in order to successfully enter and operate sustainably in foreign markets. To enhance the survival and development of enterprises there is great is also a need to understand the determinants of export performance.

In explaining international activities of SMMEs, there is need to utilise theories. Several theoretical perspectives have been used to study the exporting phenomenon. These

perspectives include internationalization, institutional theory, transaction cost economics, resource based view, and knowledge based view and relationship marketing. For this study the researcher expounds on the internationalization theory and the resource based view.

Much research has been conducted to differentiate non-exporters from exporters and to establish why some firms enters the export market aggressively while others do not. As a result much is known about the export behaviour of firms in developed economies and a handful studies have been conducted in developing nations. Botswana is an interesting case to study as the economy is heavily reliant on export success. Since current theories of internationalization were done in developed nations, it is uncertain whether the theories apply in the Botswana context. This study will therefore explore the stages models and the resource based view theories.

The stages model has dominated the diversity of approaches used to explain the export behaviour of SMMEs. The model proposes that firms move sequentially from one stage to another as they develop their international activities (Cavusgil, 1984). Each stage leading to increased commitment. Of the stages models on internationalisation, the Uppsala model is the most discussed. This model will be expounded upon in this study. The Uppsala model (U model) recognises internationalization as a sequential process based on learning and on which enterprises increase their international commitment in incremental and successive steps. This model states that each step in internationalisation is driven by knowledge obtained in the previous step.

Another model called the Innovation model (I model) correspond to the U models but views each step as a new innovation decision. Both types correspond to each other in the gradual increasing commitment of firm's resources. In the 1980s, from the Uppsala school, another type of model emerged called the network theory which posits that for a firm to succeed it needs many organisational relationships (Johanson and Mattson, 1988). As the area evolves, later on in the 1990s, Johanson and Vahlne incorporated the network relationships in the light of changes in the globalised business environment (Johanson and Vahlne, 1990).

Firms have been noted to change countries, modes or structure as more experiential knowledge is gained on a particular market and decision makers becoming more conversant with the costs associated with that market. Firms at the early stages of internationalization have viewed exports costs as higher and revenues as lower whereas long runners in the export market hold a different view. The lack of export knowledge on external markets and

operations therefore represents a major obstacle of internationalization. This theory suggests that market knowledge can be obtained through experience and views experience as an important factor.

As knowledge about the market is accumulated international expansion will increase adopting a linear and gradual progression. This model has been criticised for viewing firms as being passive and reactive and not providing the possibility of leap frogging as witnessed in the case of 'born globals'. The U model is important for this study as it explains how SMMEs can obtain and utilize knowledge and experience and how they can commit their resources in exploiting international opportunities.

The resource based view perspective will be used to explain the relationship between the export barriers and export performance. Scholars have placed greater emphasis on the role played by firm capabilities and resources in driving its international activities (Brush, Edelman and Manolova, 2002).Brouthers, Nakos and Dimitratos(2015) acknowledged that lack of both internal and external resources is a major hindrance to firm's performance in the foreign landscape. The resource based approach view firms as unique bundles of intangible and tangible resources (information and knowledge, capabilities, processes, managerial attributes and assets) that are controllable and can be used to execute strategies (Zou and Stan, 1998). Four elements have been recognised as determinants of export performance; internal and export barriers, exporters advantages and export motives (Anil,Pfajfar and Shoham, 2016) .

Scholars have also acknowledged that exporters compete in markets they target based on their resource command. The manager's role in the export activities of the firm have been highlighted as vital in determining the firm's international behaviour. Their decision making role thereby determine the level of commitment to exporting. Some scholars defined perceived export barriers as managerial characteristics (Rocha,Kury and Monteiro, 2018)

#### 1.2.1.2. EXPORT PERFORMANCE

Export performance is defined as a reflection of a firm's specific behaviour in leveraging its resources and capabilities in an international context at a given point in time (Beleska-Spasova, 2014). Strong export performance is known as one of the indicators of a country's economic growth, since exports can improve a firm's production efficiency to overcome higher trade barriers and address different market tastes in competitive international markets.

With much interest developed in the study of this construct, a simple model to have been suggested to conceptualise the interrelationships between export performance determinants and their outcomes. According to Katsikeas, Leonidou and Morgan (2000) the model consists of three variable which are background variables (managerial, organisational and environmental forces), intervening variables (targeting, marketing strategy) and outcome variables (performance measures).

Environmental forces have been repetitively stressed in exporting literature, with an indication that little empirical research has been conducted to explain the concern. In respect to empirical research, the environmental factors have been examined mainly within the context of stimuli/or barriers to exporting (Leonidou, 1995). This is the relationship that will be explored in this study, how export barriers impact export performance for SMMEs in Botswana.

To operationalize export performance, different measures has been used-economic and non-economic measures (Beleska-Spasova, 2014; Chugan and Singh, 2014). The can also be categorised into observed measures which are based on absolute values such sales, profit, growth market or composite scales or perceived measures which are baed on management perceptions of the similar indicators. Previous scholars has recommends the use of perceived indicators than observed ones as decision makers are normally comfortable with those. For purposes of this study export performance will be analysed based on perceived measures on sales, profitability, market growth and manager's overall satisfaction as respondents are normally hesitant to release empirical data (Chugan and Singh, 2014).

#### 1.2.1.3. EXPORT BARRIERS

Scholars have defined export barriers as all the constraints hindering a firm's ability to either initiate or sustain international operations (Leonidou, 2004; Narayanan, 2015; Suarez-Ortega, 2003). They further categorised the barriers into different classifications. The broad based classification developed was to categorise the barriers into internal and external barriers.

Leonidou (2004) defined internal barriers as those associated with the organisational capabilities, resources and the approach of the company to export business (i.e. marketing, functional and information barriers). In contrast, external barriers are those stemming from the home country or host environment (i.e. procedural, environmental, task and governmental barriers).Furthermore, previous research classified the barriers into four groups; export

knowledge, procedural, exogenous and internal resource barriers( Arteaga-Ortiz & Fernandez-Ortiz,2010). This will be the adopted classification for this study.

These obstacles have been linked to the reluctance of small firms to enter foreign markets, new entrants withdrawing and seasoned exporters struggling in international market (Suarez-Ortega, 2003). The perceptions of export barriers by company decision makers are a key factor in shaping their internationalization (Wawoska,2016) and consequently affect firm's export performance. Al-Hyari, Al-Welsh and Alnsour (2012) adopted Leonidou's (2004) model and explained the performance of SMMEs and how it's correlated to internal and external barriers. Understanding the barriers to export have been correlated to minimising their effect and resulted in a higher export propensity and performance, both at individual and country level

This study therefore develops a conceptual model in which the relationship between the export barrier (export knowledge, internal resource constraints, exogenous and procedural) and the export performance (perceived measures on sales, profitability, market growth and manager's overall satisfaction) is established.

## 1.3. MOTIVATION FOR THE STUDY AND PROBLEM STATEMENT

There is a problem of lack of access to market by SMMEs in Botswana. Despite potential market access to over 293 million in the South African Development Community (SADC) region and over more than 1.2 billion people in Africa made available by the trade agreements Botswana is a signatory to, problems associated with lack of markets still persist (Botswana Investment Trade Centre, 2017, p.9).

This problem negatively affects growth of businesses locally and contributes to high failure rate (Pansiri and Yalala, 2017). Possible causes of this problem are the small domestic markets, an over reliance on government as a sole customer and under exploitation of international markets (Mutoko, 2014). To address issues of lack of access to markets several measures have been proposed such as government coming up with policies geared towards helping SMMEs access the African continent market and taking advantage of the trade agreements; introduction of incentives for companies engaging in foreign business (Gaetsewe, 2018; Mutoko,2014).

Meanwhile export opportunities to regional and international markets are largely unexplored (Guruwo, 2018). Perhaps the findings of a study that investigates the factors hindering SMME export performance will guide and ensure an improvement in their competitiveness in the global market and ultimately show an increase of small businesses maturing to role play in the export activities. The Botswana government has also embarked on an export led growth which necessitates the need for empirical findings that guides solutions developed to enhance export performance especially by SMMEs.

## 1.4. RESEARCH PURPOSE, RESEARCH QUESTION AND AIMS OF THE STUDY

The over reliance on a single commodity (diamonds) of the Botswana economy poses vulnerability on the economy. With the advent of blood diamonds and synthetic diamonds there is a need for driving economic diversification away from non-diamonds sectors (Kapunda, Magembe and Shunda, 2007). SMMEs have been suggested to be playing an important role in the diversification process by producing products that can be sold to other countries (Sekwati, 2010). This therefore provides a clear justification for development of SMMEs to export maturity as new strategies for robust economic growth.

However a diversity of challenges that manifest in the form of export barriers, either knowledge, internal resource constraints, procedural and exogenous barriers will have to be addressed. In Botswana access to markets, competition from large firms and lack of funds will have to be addressed to facilitate success of SMMEs in the international markets (Jefferis, 2014; Mutoko, 2014). The basic understanding of the environmental factors (export barriers) faced by businesses especially small firms therefore becomes paramount in directing the strategies and structures of programmes designed to facilitate export development.

The dynamic change of the global market makes it imperative for periodical studies to be conducted to contribute to empirical data used as a reference point when the strategies and programmes in place are being evaluated. Despite the established government institutions geared towards SMME development only 9.6% of firms (large or small) in Botswana export (World Bank, 2010). This led to a research question what are the barriers to export faced by Botswana businesses, especially SMMEs hindering them to expand their operations across national borders and to what extent do they impact export performance.

This study therefore answered the main research question that was further subdivided to 4 questions which are; 1. To what extent does knowledge barriers impact export performance; 2. To what extent does internal resource barriers impact export performance; 3. To what extent does procedural barriers impact export performance and 4.To what extent does exogenous barriers impact export performance? It is for that reason that this study aimed to examine the export barriers categorised as knowledge barriers, internal resource barriers, procedural barriers and exogenous barriers hindering export performance by SMMEs in Botswana.

# 1.5 CONTRIBUTION OF THE STUDY

It was quite clear from the extant literature that exporting was a core vehicle for international trade which indicated its key role in economic growth. The globalised business environment has led to firms searching for business opportunities beyond their domestic market as a way of expanding and also ensuring their survival. The significance of exporting reflects in the increasing attention of studies on export performance. Exporting research has been undertaken from different perspectives, examined from a business perspective rather than economic perspective and has been criticised for repetitive insights, being uncoordinated or too fragmented (Leonidou, Katsikeas & Coudounaris, 2010). This has led to meta-analysis studies to review extant literature and identifying key research themes. A review study by Leonidou, Katsikeas and Coudounaris (2010) identified the following research themes ; a) export engagement and development covering export intentions, attitudes, stimuli to exporting, barriers to exporting and export development process, b) internal and external determinants for exporting, c) managerial effects of exporting, d) strategic aspects of exporting covering strategy, products and services, financing, distribution, advertising and performance and lastly e) special issues relating to exporting such as planning, government export promotion and exporter-importer relations. It was on this review study that the need to understand the significance of export barriers to export performance was raised.

This study will therefore add to the theoretical findings on the relationship of this two variables and will add to empirical findings from emerging markets as the socio economic differences between developed and emerging markets make the findings not to be directly generalised. Due to the export performance construct being least understood despite being studied extensively some authors argued that the construct is context specific as its conceptualisation is based on theoretical framing and empirical setting of the study. The

study findings on export performance in the Botswana context therefore add unique findings to the extant literature.

In Botswana the exporting literature is mainly focused on macroeconomic level impact of international trade and the impact of internationalization at firm level remains under researched and this study will address that gap in the knowledge. Over more, although the role of environmental factors(export barriers) have been stressed in the export marketing literature, limited empirical studies has been undertaken to confirm it (Katsikeas and Morgan, 2000). This study will add to the extant literature by offering insights from a developing country perspective.

This study also systematically integrates the perceived export barriers classified as export knowledge barriers, internal resource constraints, procedural and exogenous barriers and investigate their impact on export performance, whereas previous studies integrating on that has been limited. Using this classification of barriers focused on harmonising the measurement of the export barriers, which contribute to the standardisation of the scales used in this field of research.

Practically the implication of this study for policy makers is that there will be empirical findings that will improve an understanding of the specific barriers facing Botswana SMMEs and that will guide the policy interventions developed. For business managers the knowledge of the export barriers affords them preparation and direct efforts to minimise them. Researchers in the field will use the knowledge generated to build theories in the exporting field.

## 1.6 DELIMITATIONS OF THE STUDY

This research was delimited by geography and the size of the business. This research was set within Botswana and therefore delimited to the Botswana context and due to time and resource constraints more specifically to SMMEs as per the definitions of the Policy on Small, Medium and Micro Enterprises.. However respondents were sampled from a diverse range of industries.

## 1.7 CONCEPTUAL DEFINITION OF TERMS

### SMMEs:

Amongst the articles reviewed there was no common definition of SMMEs. It is therefore safe to assume that no one definition fits the concept of SMME in all countries. This study

therefore adopts the definition of SMMEs as contained in the Policy on Small, Medium and Micro Enterprises in Botswana (Jefferis, 2014, p.3).

**Micro-enterprise (also referred to as informal sector enterprises):** An enterprise with up to six workers, including the owner and an annual turnover of up to P60 000.

**Small enterprises:** They have less than 25 employees and an annual turnover of between P60 000 and P1 500 000. They are operated in a more structured way, and may have links to medium or large scale firms as markets for their goods and services.

**Medium enterprises:** have a more outward looking approach to marketing their products, and may be involved in exporting and have links to larger firms, both of which present good opportunities for growth. They have between 25 and 100 employees and an annual turnover of between P1.5 million and P5 million.

**Internationalization:** used to describe the extent to which a firm is involved in international business. It includes exporting, the presence of foreign subsidiaries, shares ownership by foreigners and the appointment of foreigners in the organizational structure (Chelliah, Sulaiman and Yusoff, 2010).

**Exporting barriers** are all the factors, external or internal that serves to dissuade a firm from exporting or which hinder actually export activity (Suarez-Ortega, 2003).

**Exporting performance** reflects firm-specific behaviour in leveraging its resources and capabilities in an international context at a given point in time (Beleska-Spasova, 2014).

# 2. LITERATURE REVIEW

## 2.1. INTRODUCTION

This chapter aims to get an understanding of the research subject, based on extant literature what is the relationship between export performance and export barriers. The chapter provides a review of extant literature on the different constructs leading to the formulation of hypotheses to answer the research questions. A conceptual model is included in this chapter to give a diagrammatical relationship between the independent and dependent variables. For this study, export performance is the dependent variable and the independent variables are made up of knowledge barriers, internal resource constraints barriers, procedural barriers and exogenous barriers.

The study is organised as follows; theoretical perspectives which provides the theories the study is grounded on, background discussions on the dependent variable, SMME export performance and independent variables, SMME export barriers. At the end of the literature review the hypotheses are stated as possible answers to the research questions posed in Chapter 1.

## 2.2. THEORETICAL PERSPECTIVES ON SMME EXPORTING

### 2.2.1 UPPSALA MODEL OF INTERNATIONALISATION

Before the introduction of the Uppsala model of internationalisation, existing literature state that firms chose the optimal mode for entering international markets based on cost analysis and risk associated with the market and the resources the firm possess (Arvidson, 2019; Mroczek-Dawbroska,2016; Tuzova, Toulova, Straka and Kubickova, 2015).Scholars in Uppsala university had vast critism on those theories, they complained of the shortfalls of the theories, indicating that their focus was confined to domestic environments. They believed that existing theories ignored the problems of cultural difference and side-lined the firm characteristics needed to handle international activities (Tuzova, Toulova, Straka and Kubickova, 2015).

The Sweddish scholars then developed a model that explain sequential steps in the directions of increased foreign involvement (Johanson and Vahlne, 1990).The underlying assumption of the model being that internationalization , which is a gradual process, is driven by experiential learning which is needed to overcome liability of foreignness and physic distance between domestic market and target country( Wawoska,2016).

They also assumed that the internationalisation process occurs gradually and the commitment of firm's resources increases with gradual learning about foreign markets. Additionally, they also identified the biggest obstacle to firm's internationalization being lack of resources and knowledge. These are key resources mentioned when studying the relationship between export performance and export barriers.

They assumed that due to the aforementioned, firms begin with exporting to neighbouring countries that are connected to lower perceived risk, lower psychic distance, then exporting via independent representative which is connected to lower resource commitment and only after obtaining knowledge about such market they expand to more distant markets in terms of psychic distance. Psychic distance involves culture, language, political systems and geographic distance. This is a core variable for the Uppsala model. These are the 4 phases the model distinguishes for entering the international market.

In 2002, Forsgen, challenged the psychic distance argument and he indicated that there are numerous ways a firm can use to overcome psychic distance, other than experiential learning such as imitation, search, acquisition of foreign firms which foster accelerated internationalisation do exist. Business networks has also been suggested as shaping the speed of internationalisation (Chetty and Campbell-Hont, 2003). This arguments lead to a revised model, with the authors of the Uppsala model acknowledging that the main theoretical barrier to internationalisation is the liability of outsider ship rather than liability of foreignness(Johanson and Vahlne,2009).

The Uppsala theory states that SMMEs would first establish firms in the domestic market before expanding to international markets (Amal and Filho, 2009). Then the company would start their international operations in physically and culturally nearby markets. According to Chakrabarty and Nag (2004) there are two change mechanisms in the model- change aspects and state aspects. The change aspects occurring through commitment decisions and current activities and the state aspects market knowledge and market commitment (Chakrabarty and Nag (2004). This leads to cycles of more learning and moving to a new level of resource commitment.

Crick (2004) criticised the assumption that subsequent decisions made in the process lead to an increased commitment to foreign markets arguing that this model is forward moving in nature and does not cater for de-internationalisation. He further stated that ignoring non-exporters and those who entered and failed undermines the understanding of export barriers perceived by companies at different stages of internationalisation.

The question then arises on the applicability of the model to exporting behaviour of firms. Despite the model having been studied for decades now, their general applicability remains vague as much evidence suggests that other variables beside market knowledge and market commitment influence internationalisation of SMMEs (Tuvoza et al., 2015). These factors include specifics of a country, firm characteristics such as age, experience having been found to play a significant role in export performance.

The answer could be that no model covers all aspects of internationalisation and they are complimentary to each other. The importance of knowledge still remains a key driver towards firm performance.

### 2.2.2 RESOURCE BASED VIEW

This theoretical view together with stages model theories have been largely used as principal theoretical frames explaining SME export activity. This theory quote that large enterprises are more likely to perceive export barriers less than smaller ones as they possess greater resource capacity. SMEs are generally resource constrained and largely hindered by export barriers when compared to their large counterparts (Brouthers, Nakos. Hdjimarcou & Brouthers, 2009).

The resource based view literature considers firm's export performance to be influenced by a proper combination of their own resources and combination. Scholars of this theoretical view indicate that the exploitation of immobile resources owned or controlled by a firm lead to superior performance (Janaidu, Abdul, Mohamed and Sabasivan, 2012). Previous studies (Cieslik, Michalek, Michalek, 2014; Hoang, 1998; Kahiya, 2010; Gilaninia et al, 2013; Janaidu, Abdul, Mohamed and Sabasivan, 2012; Peyman, Karimi, Danaee, 2013) tested a number of these internal influences broadly grouped into management characteristics, management attitudes and perceptions, firm characteristics and export strategy. The most frequently cited in extant literature being the firm-determinants – marketing mix variables, firm specific characteristics such as age, experience, size and export strategy factors(Ayan,2005; Behmiri, Gouviea,2019; Dhiliwayo,2016).

This school of thought focuses on internal resources and capabilities to identify the determinants of firm's competitive advantage and performance. The assumption is firm's performance is controlled by its specific influences. The resource based approach view firms as unique bundles of intangible and tangible resources (information and knowledge, capabilities, processes, managerial attributes and assets) that are controllable and can be used to execute strategies (Zou and Stan, 1998).

Resources are defined as the stocks of knowledge, physical assets, human capital and other tangible and intangible factors owned or controlled by the firm (Teese, Pisano and Shuen, 1997). On the other side capabilities are a firm's complex bundles of skills and accumulated knowledge, exercised through organisational processes, which enable the firm to coordinate activities and make the best use of its resources. When combined, developed and used effectively they create competitive advantage and drive export performance. Capabilities reflect what the firm does. The RBV School of thought posit that firm's internal competitive advantage is driven by internal assets.

Scholars have placed greater emphasis on the role played by firm capabilities and resources in driving its international activities (Brush, Edelman and Manolova, 2002). To drive performance the resources possessed have to be unique, rare, valuable and difficult to substitute. Wilkinson and Brouthers (2006) argues that such resources are related to the owner manager.

Unlike large enterprises, SMEs international activities are to a certain extent influenced by managers' knowledge and attitudes toward exporting (Gilaninia et al, 2013 ). This line up with the Uppsala model of which the managers perception of the psychic distance have a significant role in shaping the internationalization of the firm, the psychic distance is influenced by knowledge and attitudes(Siawsuratand Nylen,2011). Favourable perceptions and attitudes towards exporting is a pre-requisite for SME export performance and positive perception increases managers commitment leading to improved performance. The association between the resources devoted to international operations and managers commitment to export operations and the success achieved has been widely documented (Gilaninia et al, 2013; Pinho and martin, 2010; Suarez-Ortega, 2003; Wilkinson and Brouthers, 2006).

Lack of knowledge has been raised as one of the main obstacles hindering performance. (Pinho and Martin, 2010; Suarez-Ortega, 2003).Possession of the export knowledge assist

firm managers in their decision making process especially in uncertain markets. Exporters compete in markets they target based on resources they command and export venture managers are the most unique, valuable and difficult resources to imitate( Stoian et al,2011) The role managers play become even more important for SMEs as they may be the only representative whose perception of firm's external environment matters for the export behaviour of the firm. The decision making role of the manager has been cited as a determining factor guiding the level of firm's commitment to exporting(Cieslik, Michalek, Michalek, 2014; Hoang, 1998; Kahiya, 2010; Gilaninia et al, 2013; Janaidu, Abdul, Mohamed and Sabasivan, 2012; Peyman, Karimi, Danaee, 2013) . Some scholars even went to the extent of defining perceived export barriers as managerial characteristics (Rocha,Kury and Monteiro, 2018)

Brouthers, Nakos and Dimitratos (2015) acknowledged that lack of both internal and external resources is a major hindrance to firm's performance in the foreign landscape. Scholars have also acknowledged that exporters compete in markets they target based on their resource command.Initiation and sustaining export activities involve the marshalling and utilization of substantial amount of resources such as communication, human, financial and operation resources. These resources the firm has to bear in order to succeed in the exporting venture. This is consistent with the resourced based view as the possession or lack of resources affect the direction of the export performance of the firm.

Four elements have been recognised as determinants of export performance; internal and export barriers, exporter's advantages and export motives (Anil, Pfajfar and Shoham, 2016). Lack of firm competence has the strongest negative impact on export performance. Empirical studies that have been reviewed attest to that. According to Arteaga-Ortiz and Fernandez-Ortiz, 2010; Okpara and Knoumbiadis, 2008 insufficient capital could lead to difficulty for SMMEs to engage in export activities such as adapting to market strategy. The lack of financial resources to undertake or support export activities as a barrier to export performance.

The operational capabilities of a firm is another important factor determining how successful a firm can be. The capabilities could present themselves as lack of manufacturing capability impacting the ability to meet international demands, inability to adapt product to market requirements and packaging, labelling requirements. Technology also serves as an important resource needed by a firm to adapt and meet dynamic customer requirements. Therefore

when the requirements do not meet existing operational resources, firms could experience for export performance.

## 2.3. SMME EXPORT PERFORMANCE

Studies on export performance dates back to the 1960s when Tookey (1964) attempted to understand the factors related to success in exporting. Since then studies have been conducted to examine the interrelationships among export performance determinants and export outcomes.

Attempts to conceptualise the interrelationships between export performance determinants and output outcomes has suggested a simple model comprising of three variables( Katsikeas, Leonidou and Morgan,2000) : background variables that include managerial, organisational and environmental forces indirectly affecting performance; intervening variables directly affecting export performance comprising of marketing and strategy elements and outcome variables which is the firm performance. Ever since, researchers have explored export performance studying different relationships.

Human factors have been highlighted by the scholarship as crucial for the decisions on exporting which ultimately turns into export success. These factors have to do with the characteristics of decision makers involved in exporting operations. Some scholars have suggested that certain managerial profiles drive export success, however except for personal commitment, professional experience and language proficiency that exhibited a strong effect on export performance the findings on other factors remain inconclusive (Katsikeas et al., 2000).

Gilaninia, Taleghani and Damirch (2013) studied the impact of managerial factors on export performance in Iran and found that when managerial capabilities such as foreign language skills and international business knowledge are nurtured an increase in exports will be realised. To support these findings, Ayan and Percin (2005) mentioned that management orientation may have an impact of export performance, mentioning manager's motivation, manager's education, and frequency of market research as the determining factors in export success.

Certain organisational factors, operating elements, resource characteristics, demographic aspects and goals and objectives of the exporting firm have been hypothesized to lead to superior export performance (Katsikeas et al., 2000). With reference to company size,

measured in terms of sales turnover, number of employees, resource availability and total assets, assumptions that large firms will perform better than their small counterparts have been made (Katsikeas et al., 2000; Sousa et al., 2008).Despite this argument, internationalization literature has proven that size of business is not the determining factor in firm export success (Arbaugh, Camp & Cox, 2008).

The environmental factors have been reported to influence management to introduce, develop or maintain exporting activities. Environmental factors have been defined as all the forces shaping domestic and overseas markets. These are all the external factors beyond the firm's control. Ayan and Percin (2005) in their study that structurally analysed the determinants of export performance on Turkey firms indicated that dynamic and complex export environments influence export operations due to differing customer preferences, domestic competitive advantages and varying national laws.

Sousa et al. (2008) mentioned these environmental features as legal, political and cultural and highlighted that in their review they found legal and political environment to be the most cited factors affecting export performance. On the other hand Katsikeas et al. (2000) highlighted that even though these external forces have been stressed in extant literature, little empirical research has been done to confirm them. What is notable is that these factors have been studied within the context of export barriers or export stimuli relation to barriers (Leonidou, 1995).

Firm survival and expansion and the consequent economic growth of many economies is strongly dependent on a better understanding of the determinants or factors that influence their export performance. From the reviewed studies (Jalali, 2010; Beleska-Spasova, 2014) export performance is recognised as a key indicator of the success of a firm in its international operations.

The growing importance of exporting firms has led to an increased attention among managers and academics on export performance as successful export performance is at the core of strategic decisions. Katsikeas et al. (2000) in their review study on firm-level export performance assessment they have indicated that this construct is important for managers who consider exporting as a tool that can improve firm's growth, survival, financial performance together with competitiveness.

The survival and development of enterprises in many countries have been linked to a strong understanding of the determinants of export performance (Stoian, 2011). This finding

therefore suggests that understanding the factors of export performance may result in improving the country and its firm performance created with a balance between national and global economy. Cavusgil & Zou (1994) support that the involvement of a firm in export business is a pathway to its success.

Export performance as a construct has been widely studied in extant literature even though the conclusions that can be drawn from those studies are conflicting. This arise from the difficulties in conceptualizing, operationalizing and measuring the export construct ((Beleska-Spasova, 2014; Chugan & Singh, 2014; Katsikeas, Leonidou & Morgan, 2000; Sousa, 2004). Even though widely studied, the construct is one of the least understood in the export literature (Katsikeas et al., 2000, Sousa, Martinez-Lopez & Coelho, 2008).

As with any measure, export performance comprises of conceptual and operational definitions. The operational definitions indicate how export performance can be measured whereas the conceptual definition attempt to define the construct. On their attempts to develop conceptual definitions, many scholars (Shoham, 1996; Navaro, Losada, Ruzo and Diez,2010) have presented their definitions. Shoham, in 1996 defined the construct as the outcome of a firm's activities in export markets. Export performance can also be explained as the extent to which the firm's objectives are achieved when exporting a product to a foreign market (Navaro, Losada, Ruzo and Diez, 2010).In his turn, Beleska-Spasova (2014) affirms that export performance is largely related to the firm's specific behaviour in exploiting its resources and capabilities at a given point in time in an international context (Beleska-Spasova, 2014. While numerous studies have been done to explain export performance and its antecedents, there is no generally accepted conceptualisation.

Most researchers accept the fact that export performance is multidimensional but disagree on which indicators should measure the variable. This makes it difficult to compare the findings of the different studies as scholars are unable to establish whether the variations originate from the independent variable studied at the time or from the use of different measurement scales (Zou, Taylor and Osland, 1998).However work in this field is evolving.

When it comes to conceptualization of the construct, it was observed that to date different authors uses different measures when measuring the construct. For a firm, superior performance indicate that firm objectives are achieved and reflects the suitability of the chosen export strategy in responding to firm and environmental circumstances. Consequently diverse export performance indicators have been used.

Two broad theoretical approaches, contingency theory and resource based view theory have been employed to provide a baseline for categorising the determinants of export performance into internal, firm-specific influences and external, environmental influences. The external determinants of export performance, which comprises of industry, domestic and foreign market characteristics have been supported by the contingency theory which posits that firms must adapt to external pressures in order to survive and flourish (Sousa et al., 2008).

Beleska-Spasova in their study on the determinants and measures of export performance emphasised that the factors affecting firm performance in their national boundaries differ from those elsewhere and indicated that market factors in the domestic market are somewhat neglected in the export performance studies(Beleska-Spasova,2014).

On the other hand the internal which comprises of firm and managerial characteristics have been explained using the resource based view. This view associate the strategic resources controlled or owned by a firm to its source of superior performance (Dhanaraj & Beamish, 2003). Extant research cites firm characteristics, management attitudes and perceptions, management characteristics and export strategy as firms' strategic resources.

Having identified the determinants of export performance, the measurement indicators have been classified into two different dimensions which are objective (economic/ financial) and subjective (non-economic/non-financial) (Cavusgil and Zou, 1994; Katsikeas et al., 2000; Sousa, 2004). Objective measures are based on absolute values related to sales and profits, for example- export sales volume, export intensity, export market share meanwhile subjective measures are perceptual and attitudinal indicators which are market and product related such as satisfaction with export market and perceived export success. Scholars in the field encourage the use of perceived measures as decision makers are more comfortable sharing perceived information.

From the reviewed articles there is an indication that sales measures are widely used (Beleska-Spasova, 2014; Sousa, 2004). These include measures on export sales or composite measures such as export sales ratio to domestic market sales. Even though widely used, composite measures used have been criticised on the basis that they do not reflect competitive dimensions of export success (Kirpalani & Balcome, 1987). Also of importance are profit related measures such as export profitability, export growth but criticised on the grounds that export-related profits may be unknown(Samiee & Anckar,1998). Amongst the objective measures market related measures are less used due to the difficulty in measuring.

On the other hand for perceived measures, market related measures have been widely used. These measures are widely used due to reluctance of managers sharing objective information (Katsikeas et al., 2000).Authors believe that using perceived indicators encourage more managers to respond. One common measure used is the degree of satisfaction by export managers. This measure is generally accepted on the ground that management knows the goals and expectations of the firm (Sousa, 2004). The economic and non-economic indicators are said to be complementary in nature and the use of both is recommended in order to give a comprehensive picture of export performance (Jalali, 2012).

SMMES have mostly used managerial perceptions related to firms' export activity such as sales, profits, satisfaction with exporting in operationalizing the export performance construct (Chugan and Singh, 2014).For example Rutihinda (2008) in their study to measure the impact of export barriers and performance of small and medium size enterprises they used sales level, sales growth rate, cash flow and gross profit. In addition in their study on export barriers and export performance; empirical evidence from the commercial relationship between Greece and Iran Jalali (2012) used both economic and non-economic indicators. In this study a combination of perceived and observed measures will be used and those are managers' overall satisfaction, sales growth, export sales, market share growth and overall profitability.

## 2.4. SMME EXPORT BARRIERS

Globalisation has provided a platform for an increasing number of enterprises to develop strategies for entering markets outside their homes. This entry into foreign markets can occur by either exporting to the market or producing in the host country. Currently exporting represent one of the most common international trade activity and mode of entry into international markets. Exporting remains the preferred method especially for small enterprises as it involves less foreign investment, low commitment of resources , high flexibility of movements and fewer business risks(leoniduo,1994; Pinho,2010; Mokethi,2019)

The general objective for most countries is to find pathways to increase exports. This can be done by encouraging non-exporting firms especially SMMEs to start exporting or encouraging exporters to exports more. Moreover many developing countries have identified exporting as a leading strategy that needs to be adopted by their indigenous firms and more

than a few countries have developed export-oriented trade strategies and launched extensive assistance programs to encourage export expansion( Jalali,2012 )..

International trade is an important source of revenue for developing countries such as Botswana. Growth of exports is crucial for the development of every national economy. Exports improve trade and payment balances, helps deal with unemployment, leads to better competitiveness, boosts profitability and increases capacity utilisation (Koksal, 2008). At firm level Arteaga-Ortiz and Fernandez-Ortiz (2010) highlighted that firms can improve their financial position, enhance its management skills, attain competitive advantage and take better advantage of its production capacity.

Additionaly, Atkin and Junhage (2017) indicated that exporting is beneficial for small enterprises as it offers opportunities to learn new techniques that lead to enhanced productivity and output quality. Other scholars, Junaidu et al., (2012) previously said that exporting affords owner managers time to assimilate the acquired knowledge from exporting operations in their decisions influencing their perceptions of market uncertainties and foreign opportunities on subsequent transactions

But many SMEs especially in developing countries do not export despite the vital role that exporting can play in their health and dynamism. SMEs face a number of challenges when they attempt to initiate exports or expand their export operations. In order to motivate SMEs to enter foreign markets, it becomes necessary to understand the success factors but also the barriers they face (Leoniduo, 2004). On his turn, Rocha et al., 2008) added that the understanding of this barriers will help governments develop policies that stimulate domestic firms to export by either eliminating or minimising the impediments to their foreign expansion. The fact that growth by international diversification is an observed trend among SMMEs in international markets makes understanding export behaviour even more crucial.

Arguably, one of the most researched areas in exporting literature is exporting barriers. These had led to substantive work in regard to conceptualisation of the construct. Previous studies have captured various export barriers affecting export behaviour of enterprises. The structure and nature of the barriers have been described and eventually categorised. In 2003, Suarez-Ortega defined all barriers to exporting as all factors, either internal or external that serves to dissuade a firm's actual export activity. Leoniduo, in his work in 2004 reported that all issues that limit a firm's progress to start, develop and retain business opportunities in external markets are obstacles. Koksal and Kettaneh (2011) defined export barriers as the attitudinal,

operational, structural and any other constraint that hinders a firm's ability to initiate, develop or sustain international operations Based on these definitions it suggests that export barriers would not only make entry or expansion difficult but they also discourage or prevent enterprises from entering foreign markets.

Numerous approaches have been used in an attempt to classify the barriers to exporting. Leoniduo(2004) suggested that internal barriers are those related to the company approach to business, its capabilities and resources. On the other hand all barriers originating from the external environment, either domestic of host country are external barriers. Other studies have identified broader internal and external barriers. For example Westhead, Wright and Ucbasaran (2002) proposed a conceptual model on which eternal barriers include operational barriers and internal barriers including strategic and information barriers. On their turn, Suarez-Ortega (2003), classified the perceived barriers into export knowledge, internal resource constrains, procedural and exogenous barriers. This later classification is discussed in this study in relation to their impact on export performance. From the reviewed literature there is an indication that literature on export barriers continues to lack a common classification and this area continues to be of interest to scholars.

Of importance in this area is the fact that firms experience exporting barriers at different stages on the internationalisation process, from the initial to established stages ( Mpinganjira, 2011). The nature of these barriers would then differ systematically from stage to stage and differences in perceptions exist also exist among different firm within the same stage (Wasowska, 2016).

Of interest is the findings on the differences in thinking between exporters and non-exporters. It has been reported that non exporters perceive more barriers to exporting that exporters, considering the barriers to be more severe. These differences can be eliminated by exporting experience (Khattak, Arslan and Umair, 2011). The removal or minimization of obstacles faced by non-exporters have been raised as being of interest as inability to cope with the impediments at the early stage may lead to passive attitude towards foreign expansion(Julian and Amed,2008). Failing which can lead to permanent withdrawal from exporting (Leoniduo, 2004).

## 2.5. CONTROL VARIABLES

Multiple internal and external factors of a firm have direct or indirect relationship with export performance. These include firm demographics, for example, size, age, export experience, management traits, investment in research and development and export destination.

Age is an important factor used to extend firm access to international markets. The issue has been explained from different perspectives. Age has been linked to increase in experience based capabilities explaining that older firms have the capacity to influence standard processes (Haveman, 1993). Some authors have associated younger firms with more interest in exporting activities highlighting that small firm management is flexible in terms of decision making and change of strategy (Love, Roper and Zhou, 2016). Based on theoretical perspective of the Uppsala model firms start up size may determine growth, survival and performance.

Based on the resource based view, size can be argued as an indicator of the amount of resources a firm has. It can be a proxy for research and development capacity, quality management systems and technological adoption (Ali, 2004). These factors are directly linked to export performance. This theoretical perspective suggests a positive relationship between size and export performance, a large size associated with greater performance. Negative relationships can be discussed based on the notion that more employees may

In relation to firm size some authors have reported positive relationship while some reported an inverted relationship. One scholar indicated that the relationship can change from positive to negative when the measurement of firm size used changes from sales turnover to number of employees (Kaynak and Kuan, 1993). On the other hand some scholars found firm size to be linked to resources and capabilities that determine the extent to which a firm deal with export barriers (Katsikeas and Morgan, 1994). The number of employees has been cited as being the best variable for this firm characteristic. Negative relationships can be discussed based on the notion that more employees may compromise important qualities such as flexibility and agility (Oviatt and McDougall, 1995). The relationship cannot be generalised as it depends on firm performance and from the empirical studies it remains inconclusive as to what effect the age of firm has on performance.

Experience is an important factor related to export performance. This discussion implies the liability of newness. It is premised that with increased experience, the impact of newness weakens and performance is enriched. Experience allows the firm to accumulate resources

and increase its export base (Knight and Cavusgil, 2005). Some authors argued that time spent building domestic market can have a negative effect. For example, Oviatt and McDougall (1995) argued that the long gestation period focusing on the local market can create some form of resistance to internationalise.

With age and experience positively impacting performance, they endorse theories of experiential learning and various models of firm growth. Firm size and number of employees were operationalized as the control variables for this study.

## 2.6 THE IMPACT OF KNOWLEDGE BARRIERS ON EXPORT PERFORMANCE

Knowledge barriers are defined as lack of information and knowledge on all aspects of export activity (Leoniduo, 2004). These barriers are associated with the company's ignorance of the basic aspects of exporting (Arteaga-Ortiz and Fernandez-Ortiz, 2010) .They can be a result of lack of general knowledge on how to export ,lack of knowledge of potential export markets, lack of information about opportunities for the products /services abroad, ignorance of the stages to follow when exporting, lack of awareness of exporting economic benefits, inability to contact international customers, difficulty in accessing international market data ,lack of knowledge of export assistance programmes and ignorance of the non-financial and financial benefits of exporting(Arteaga-Ortiz and Fernandez Ortiz, 2010; Blomstermo, Erikkson & Sharma ,2004; Naidu and Rao ,1993; Okpara and Koumbiadis ,2009; Ortega ,2003; Pinho and Martins (2010).

With respect to lack of general knowledge on how to export, having the right amount of knowledge is a primary requirement for firms that follow the Uppsala model. This knowledge comprises of the basics on how to export, planning and export tactics irrespective of the target market. The lack of knowledge on export markets is a barrier to exporting given the fact that enough knowledge on these markets is not readily available and may be costly for individual firms to obtain them. The advancement in technology and access to information via the internet may have reduced the effects of this barrier but the barrier still exist.In addition to lack of knowledge of potential markets, difficulty in identifying opportunities in foreign markets constitutes another major barrier, it is acknowledged that this act as a barrier to increased commitment to international activity within a company ((Arteaga-Ortiz and Fernandez Ortiz (2010) .As far as the benefits, financial or non-financial, of selling products or services abroad are concerned, if ignored by the managers, then the

opportunities the external markets offer will be missed (Arteaga-Ortiz and Fernandez Ortiz (2010)

Export assistance programs that may come in the form of incentives play a secondary role in motivating managers to consider exporting as a strategic move to enhance firm performance as the main reason why mangers take decisions to export are based on profit perception (Zaman, 2019).The lack of knowledge on this programs may lead to missed opportunities to exploit them and be motivated to either initiate exporting or expanding exporting operations.

Of the resources needed by SMMEs to successfully enter the foreign markets, information and knowledge are the most important and difficult to obtain which suggest that with the right amount of information, firms will thrive.Prasad, Ramaurthy and Naidu (2011) acknowledged that in a globalised world, information, communication and technology skills are key to identifying and monitoring markets, locally and abroad.

SMMEs that consider lack of information as an important export barrier therefore remain less internationalised. (Milanzi, 2012) in their study found out that lack of export knowledge and information was a strong predictor of export performance. Meanwhile some authors found the problem of lack of knowledge to be only significant for non-exporters (Suare-Ortega, 2003).

Suarez-Ortega (2003) advised on the importance of export knowledge which covers planning and general strategic principles of exporting irrespective of target market. Export knowledge barriers have been reported in Botswana as most SMMEs have no access to information and communication technologies and lack resources to commit in research and development (African Economic Outlook, 2012). Based on this evidence and studies elsewhere it is reasonable to suggest that lack of export knowledge has an impact in the performance of exporting companies.

It is therefore hypothesized that:
**H1**: Lack of export knowledge has a negative relationship to export performance in SMMES in Botswana.

## 2.7. THE IMPACT OF INTERNAL RESOURCE CONSTRAINTS TO EXPORT PERFORMANCE

These are barriers resulting from the lack of financial resources, productive resources or external aid (Arteaga-Ortiz and Fernandez-Ortiz, 2010). Alternatively, they refer to

capabilities and resources a firm possess in order to make a decision to start export activities. Resources have been highlighted as the main hindrances for small firms to export (Leonidou, 2004). Lack of financial resources, lack of production capacity, and lack of trained personnel have been highlighted as aspects of internal resource constraints (Suarez-Ortega, 2003).

These barriers manifest as product, human resources, financial aspects and external aid issues (Narayanan, 2015). In a previous study by Leoniduo(2004) these barriers are called functional barriers .They include barriers emanating from limited managerial time to deal with exports, inadequate export personnel, lack of production capacity for export production and shortage of working capital to finance.

The international experience of managers has been discussed in many studies, all echoing the key role managers play as decision makers for export activities .Gilaninia, Taleghani and Damirchi (2013) in their study on the impact of managerial factors on export performance of export firms found that perceived barriers, perceived export stimuli, international business knowledge and foreign language skills are important factors for export success.

Julian and Ahmed (2005) found that unrealistic export fear have a negative effect on firm performance and is an export barrier. Some firms indicated that lack of working capital had the potential to affect their production operations and hindering their ability to meet international demands(Okpara and Koumbiadis, 2009).In addition Tesfom and Lutz (2006) indicated that resources are connected to money, trained personnel's, technologies that produce safe and quality products competitive in the foreign markets. They further posited that lack of the aforementioned disadvantages firms. On another note lack of qualified personnel to execute export activities has also been mentioned as a barrier to exporting.

Similarly superior export performance is directly associated with sound financial position (Milanzi, 2010).To succeed in the export market there is need for financial capability to cover marketing costs, transport and insurance costs. Therefore shortage of finances is of importance to export behaviour of a firm. Previous scholars have mentioned the importance of strategic alliances in reducing transaction costs, increasing market access and information (Lu and Beamish, 2001).

In a landmark study by Leonidou (2004), he found that difficulties in obtaining funding were one of the barriers to export linked to the uncertainties that exist when entering new markets. The need for external support from banks such as in the acquisition of honouring letters of credit was highlighted as an important barriers to exporting. A study by Sentsho et al. (2007)

has reported lack of finance as a major problem for many entrepreneurs in Botswana and Okurut et al. (2016) emphasised that lack of access to bank credit is a constraint to SMME development. This views lead to a hypothesis that internal resource barriers impact the performance of exporting companies.

It is therefore hypothesized that:

**H2**: Lack of internal resources has negative impact on export performance in SMMES in Botswana.

## **2.8** THE IMPACT OF PROCEDURAL BARRIERS ON EXPORT PERFORMANCE

Procedural barriers are barriers that arise from the firm's performance on their own export activities. They relate to the activity itself. These obstacles may present themselves through complexity of exporting procedures/documentation, cultural and linguistic barriers, logistical difficulties, trade barriers, transportation costs and shipping arrangements, problematic communication with foreign customers and slow collection of payments from abroad (Arteaga-Ortiz and Fernandez-Ortiz,2010; Leonidou, 2004).

From the procedural barriers there are those that can be controlled after the right experience has been gained such as documentation, on the other hand non-controllable barriers originating from non-tariff barriers will need case by case attendance. Suarez-Ortega (2004) indicated that procedural barriers are the most prominent for non-exporters and initial exporters together with lack of knowledge. On their turn, Altintas, Tokol and Harcar (2007) when they studied export barriers for Turkish firms reported that procedural barriers had the most impact on export performance.

As for the transportation costs and shipping costs , international operations involves costs that would not normally be incurred in the domestic market , distant markets means delays in product delivery hence more costs. These costs may lead to an increase in the price of the product in order to accommodate extra costs. Price increase can make the product less attractive in the foreign market has affecting firm performance (Da Silva and da Rocha, 2000). Differences in product usages in foreign markets may require product adaptation to a certain degree to cater for the new markets. There is need for the exporting firm to establish how the product is used in target markets, failing which may lead to failure of the venture.

Many SMMEs find export procedures, shipping arrangements and customs documents too difficult to manage leading to their negative attitude towards exporting (Leoniduo, 2004). The positive side of documentation related barriers is that some assistance can be sought from the government, consultants and financial institutions As for culture, scholars observed that it establishes the day-to-day behaviour of a business behaviour and the general patterns for attitude and motivation, therefore if managers are not culturally sensitive they could have a hard time succeeding in foreign cultures (Julian and Amed, 2005). Cultural and language barriers have been mentioned in the reviewed literature but some scholars suggested that they be discussed separately as their existence is not always a duo case for all markets (Arteaga-Ortiz and Fernandez-Ortiz, 2010).

Trade barriers which manifest as either non-tariff or tariff. These tariff come in the form of establishment of various quality control and safety standards, adaptation of products to the requirements of the market. Scholars such as Mavrogiannis, Dawson and Ness (2008) indicated that these barriers have a negative impact on export performance as compliance issues always come at a cost of which small firms may not afford. The impact of these barriers have been greatly reduced by the liberalisation of international trade. Koksal and Kettaneh (2011) whilst conducting a comparative study between Turkey and Lebanon exporting firms they found out that the imposition of trade barriers either tariff/non-tariff by the host country negatively affected export performance in both countries.

Mpunga (2016) cautioned poor products placed into the export market present a limitation to competition in a competitive space. An investment study pointed out that Botswana's industries are not competitive and that less than 10 percent of the manufactured output is exported which makes this a concern (UNDP Evaluation Office, 2009).

Procedural barriers have been widely studied and reveal to have a moderate to high obstructing effect on export behaviour. Against that backdrop, procedural barriers impact performance of the exporting companies.

It is therefore hypothesized that:

**H3:** The presence of procedural barriers have a negative impact on export performance in SMMES in Botswana.

## 2.9. THE IMPACT OF EXOGENOUS BARRIERS ON EXPORT PERFORMANCE

These barriers originate from uncertainties in the international markets and they are beyond the firm's control. They result from the government, supply and demand fluctuations, competitors and monetary fluctuations. Factors such as political instability, powerful competition, risk of losing money and risk from variation in exchange rates have been highlighted by different scholars.

Competition has been recognised to be important in the foreign market. Koksal and Kettaneh (2011) established that a strong brand image offers opportunities on economies of scale leading to developed global markets and increased visibility in the minds of consumers. They found out that strong international competition was positively associated with export performance.

Previous studies conducted indicated that competition in foreign markets was the strongest barrier to engagement in export activities by non-exporters (Leoniduo, 1995). Over more the inability to offer competitive prices was prevalent among firms without export experience. Altintas et al. (2007) added that competition in foreign market came second after procedural barriers in importance.

Government barriers refer to all the supportive or non-supportive programs developed by governments to create an enabling environment for exporters. From the reviewed literature it is evident that governments aim to eliminate these barriers and create a supportive environment. Rose (2007) highlighted the role of embassies in promoting export opportunities in foreign nationals. Arms such as Botswana Investment Trade Centre do exist to drive export development agenda in Botswana. Narayanan (2015) posited the positive correlation between promotional programs and export performance.

Some authors emphasised the importance of specific environmental factors such as economic and political conditions in facilitating exports. For example, Koksal and Kettaneh (2011) suggested that different concepts be tested in different political, cultural, economic and institutional setup to evaluate prevailing theories. In the domestic market, governments' regulations through export procedures, tax incentives, technical assistance and customs regulations may restrict exporters. These restrictive and uneasy procedures have a negative impact on export performance.

Foreign markets have also been associated with lack of understanding in terms of political, economic, legal and socio-cultural environment by exporters. This is accelerated by the lack of information on the destination environment. Trade barriers on the other hand have been reported as critical to foreign trading as they cause prices to escalate(Mpinganjira, 2011).Mavrogiannis,Bourlakis,Dawson and Ness(2008) on their study on the Greek food and beverage companies found out that trade barriers had negative effects on export performance.

On another hand political instability in foreign markets have been reported to be a serious obstacle in export performance as the exporters goods may be confiscated or prohibited of repatriations. Terpstra and Sarathy (2000) emphasised that the greater the involvement of a firm in exporting, the greater the impact of political instability.

Some countries have entry restrictions, price controls and special tax rates which raise export prices (Cateora and Graham, 2001).Botswana pride itself to have many incentives for investors , including no foreign exchange controls, full repatriation of dividends and profits, liberal tax regimes, no restrictions on business ownership and customs duty exemptions. Differences in religious and cultural traditions have also been reported as important barriers to exporting firms since they alter marketing programs and customer preferences (Kneller and Pisu, 2011).

In overall government role in the realisation of export performance cannot be overemphasised. Government policies can ensure exporters deal with the barriers by eliminating them. Foreign currency exchange risks have been stressed as a problem endemic to international business transactions presenting themselves as unstable exchange rates, revaluation of exporters' currency and inconvertible foreign currencies.

Cateora and Graham (2001) found out that foreign country rules and regulations such as entry restrictions, process controls and special tax rates may limit firm's profitability. Favourable home country regulatory environment can build firms capability to overcome foreign based barriers. This is correlated to building home country competence before expansion across borders. Mutoko (2014) reported an influx of cheaper foreign product into Botswana, which bring stiff competition for local SMMEs. Against that backdrop, the following hypothesis is formulated: exogenous barriers impact the performance of exporting companies.

It is therefore hypothesized that:

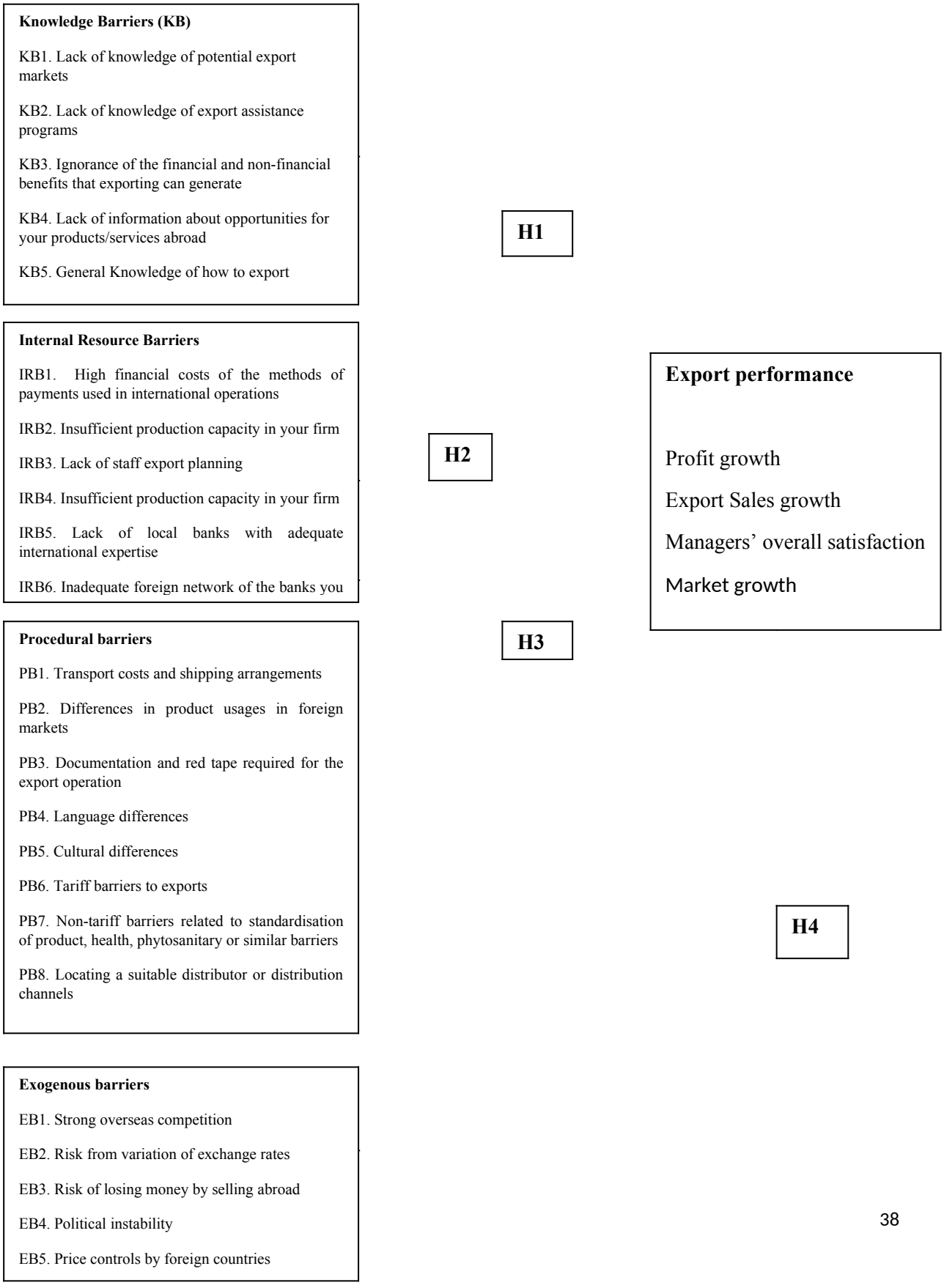
**H4**: The presence of exogenous barriers will have a negative impact on export performance in SMMES in Botswana.

The conceptual framework showing the relationship between export performance and export barriers is shown in figure 2.1.

CONCEPTUAL FRAMEWORK

This study therefore develops a conceptual model in which the relationship between the export barrier (export knowledge, internal resource constraints, exogenous and procedural) and the export performance (perceived measures on sales, profitability, market growth and manager's overall satisfaction) is established.

*Figure 2. 1: Conceptual framework for barriers for SMME export performance (Source: Own)*



## 2.10 CONCLUSION OF LITERATURE REVIEW

Studies on the relationship of export barriers and export performance have been done in different context and interesting findings have been generated. Studies reviewed in this study covered American context, African context and European context.

Mpunga (2016) and Milanzi (2012) focused their research on companies from Tanzania and found that lack of export knowledge and information, limited finance and poor infrastructure are the important barriers to exporting. Jalali (2012) conducted a comparative study in Greece and Iran to establish the commercial relationship between export barriers and export performance and found operational dimensions to be the most important barriers when exporting to Greece. Suarez-Ortega (2003), in his study conducted in Italy studied export barriers under the following categories; knowledge, resource, procedural and exogenous and argued that the relative importance of each type of barrier would vary based on firm's level of export development. He also reported that it would even be unquestionable to expect export barriers to have a negative relationship to export involvement.

Madsen (1989) have found a negative association between barriers and export performance once the collinear relationship between commercial barriers and external market growth rate had been controlled. As an example from empirical studies, the cost of transportation in Iran had been reported as playing a negative role in export performance (Jalali, 2012). Another study which exploited the impact of knowledge and information barriers, strategic resource barriers and exogenous resource barrier has reported negative correlations between the export performance and the aforementioned (Milanzi, 2012).

Empirical studies have also been conducted to establish the barriers that influence success or failure of SMME internationalization with reference to exporting. A study conducted in Tanzania by Mpunga (2016) sought to find out the barriers that affect export performance looking at internal capabilities, export market characteristics and national business environment. The results showed that some barriers have significant impact on export performance while some do not. They had assumed that lack of key export related competencies, market characteristics opted by the SME and national business environments are significantly associated with export performance of the SMME. A study by Rutihinda (2008) investigating the export barriers and performance of small and market enterprises revealed no significant relationship between firm specific barriers or institutional barriers but highly significant for foreign market barriers. Another study conducted in Zimbabwe in 2017

by Karedza and Govender shown that the relationship between distinctive capabilities and export performance where positive. Al-Hyari et al (2012) explained export performance and internal external barriers to be negatively correlated. These studies generally show that though different, there are some consensual barriers that affect export performance among SMMEs.

# CHAPTER 3. RESEARCH METHODOLOGY

This chapter focuses primarily on the methodologies used to test and investigate the hypothesised relationships as outlined on the literature review. This section starts by describing the research approach and design. This will be followed by data collection methods, population and sample, the research instrument, procedure for data collection, data analysis and interpretation, limitations of the study, validity and reliability. The ethical consideration closes the chapter.

## 3.1. RESEARCH APPROACH

The research approach that was adopted was that of positivist research paradigm. This paradigm is based on the narrative that there is only one true reality that is measurable. The study was focused on hypotheses testing, collection of quantitative data using inferential statistics to test these hypotheses and the conclusion stayed within the boundaries of the analysis as suggested by Johnson and Onwuegbuzie(2004).

The positivist paradigm encourages that the researcher, participant and topic be independent. To follow the school of thought of this philosophy, the researcher was detached and uninvolved with the objects through the use of online survey through Qualtrics platform. Where the respondent did not have access to the internet the questionnaire was printed and given to the respondent who filled it in independently and the data later transferred into the Qualtrics platform. The study was objective and the outcomes were determined reliably and validly.

As this is a quantitative study supported by the positivist paradigm it means the researcher understands the world as made of observable and measurable facts. Glesne and Peshkin(1992) made an assumption that social facts have an objective reality and variables that can be identified and their relationships measured.

## 3.2 RESEARCH DESIGN

Online Surveys through Qualtrics with a provision for physical delivery of printed questionnaires were used for collecting primary data from SMMEs in Botswana. The provision of printed questionnaires was to accommodate entrepreneurs of various education backgrounds, especially those SMMEs with limited internet access and explaining unclear sections to those struggling with understanding certain questions.

The use of surveys is common in quantitative entrepreneurship studies (Saunders et al., 2009) and this method is suited for collecting descriptive information. The survey questionnaires were structured with closed ended questions. A survey also represent a cross sectional study that collects primary data (De Vaus, 2016). The data captured for this study was collected once off. The data collected with limitations of the different interpretations of questions by individuals hence responses based on personal understanding.

## 3.3 DATA COLLECTION METHODS

Primary data was collected using an online survey through Qualtrics platform. A research questionnaire was designed using the Qualtrics platform. The survey contained a covering letter that explained the reasons for the study and expression of data confidentiality. A variety of distribution options offered by the Qualtrics platform were used- anonymous link, emails, personal link and social media. For the emails, the respondents were sent an invitation to partake in the study with a link and for social media the respondents received the link through direct messaging. Over a period of three months the Qualtrics platform was open for access, with follow ups done weekly. Ultimately this method yielded a response rate that is within the literature suggestions.

Botswana lacks a centralised up-to-date database of SMMEs, exporting firms included. It therefore meant to obtain an SMME list, different sources were consulted. Access to the SMMEs listings was obtained through organisations that worked with SMMEs such as Botswana Exporters and Manufacturers Association, Focus Survey and Botswana International Trade Centre (BITC). Botswana Exporters Manufactures Association has a publicly accessible directory which was used to provide access to the mailing list of the SMMEs. As for Focus Survey and BITC the list of SMMEs were requested and the researcher approached the companies to request their participation on the online survey.

## 3.4 POPULATION AND SAMPLING

### 3.4.1. Population

The unit of analysis for this study was the firm. To survey the firm, middle and upper managers responded to the questionnaire. The target population therefore consisted of middle

and upper managers of SMMEs in Botswana. Botswana lacks official statistics on SMMEs and this has been raised by previous scholars (Gagoitseope, 2012; Mutoko, 2014) which made it difficult to establish how many SMMEs are operating and furthermore what percentage has tapped into the export market. This therefore became a major limiting factor.

The study was carried out in Botswana; the location of where the SMME operate was not taken into consideration. Given the already low numbers of exporters, the study was not closed to specific industries and used the Botswana Statistics SIC to deduce the industry composition. The SMMEs that participated came from Agriculture, forestry and fishing; mining and quarrying; manufacturing; electricity, gas ,steam and air supply; water management; construction; wholesale and retail trade, repair and motors; transportation and storage; accommodation and hospitality; financial and insurance activities; real estate activities; arts, entertainment and recreation, professional ,scientific and technical activities.

It was therefore necessary to consult multiple sources of information to obtain a list of SMMEs and further establish those that have exporting activities in order to develop a sampling frame. The 3 information sources consulted gave a total of 1992 SMMEs.

### 3.4.2. Sample and Sampling Method

Since multiple sources were used to identify the respondents, multiple sample frames were used to avoid double counting and duplication of SMEs included in the target sample (Jalali, 2012; Milanzi, 2012). The sample frame was constructed by merging the information from these sources as recommended by Milanzi(2012). A total of 1992 firms were obtained from 3 sources. The list was checked to ensure that no particular firm is repeated and 230 firms were excluded leaving 1762 firms. To obtain the appropriate sample size, a sample formula as suggested by Israel (2013) was used. Using the formula a recommended sample size was 394 for the population. Revindo and Gan (2016) emphasised the need to expand sample size by approximately 25% to increase the sampling efficiency and the ultimate target sample size was 520.

The key informants were managers or key employees entrusted with export activity as they are positioned to take export decisions or know the status of the company in terms of its intentions to export (Arteaga-Ortiz & Fernandez-Ortiz, 2010). The sampling frame for this study is therefore an SMME business that is registered with Companies and Intellectual Property Authority (CIPA), have less than 6 employees and annual turnover of up to P60 000 for a micro-enterprise, less than 25 employees and an annual turnover of between P60 000

and P1 500 000 for a small enterprise and have between 25 and 100 employees with an annual turnover of between P1.5 million and P5 million for a medium enterprise., with exporting activities and the respondent had to be medium to top management. Table 3.1 below shows that the SMEs selected met the selection criterion of the number of employees and the annual turnover.

Table 3. 1 *Sample distribution of SMMEs*

| | | | |
|---|---|---|---|
| Number of employees | 1-6 | 47 | 38.5% |
| | 7-24 | 51 | 41.8% |
| | 25-100 | 24 | 19.7% |
| Annual Turnover | Up to P60 000 | 36 | 30% |
| | Between P60 001- P1 500 000 | 60 | 49% |
| | Between P 1 500 000- 5 000 000 | 26 | 21% |

Simple probability sampling was employed to identify the respondents. From the sampling frame the Excel RAND() function was used to randomise the sample list and after sorting the list according to increasing order of their corresponding random number, the sample respondents to be used were selected. The randomly picked respondents were invited to partake in the survey. The invitations were sent directly to the respondent through Qualtrics survey platform.

Simple random selection have been reported to have a few advantages; first, all SMEs within the sampling frame have an equal chance of being selected, second, the sample will be more representative, and last, the sampling error and bias will be reduced (Creswell, 2012).

The 1762 firms were entered into Excel spreadsheet and the Excel RAND ( ) function was used to generate random numbers for each of the 1762 on the list. Next the list was sorted in increasing order of their corresponding randon number and the first 520 firms selected. Invitations to participate were then sent out.By the end of the data collection 1100 invitations had been sent out as the response rate was very slow and low. From the invitations sent 209 responses received. The final number of cases used in the study represents a response rate of 19 percent.

From similar studies it is observable that there is no agreement in terms of the sample size used (Leonidou, 2004).Other similar studies reviewed, showed that sample sizes ranged from 140-1420 with a response rate varying from 19.1 to 94.7 (Jalali, 2012; Mokhethi and Vogel, 2014; Omer et al., 2015). An average response rate of 53.9% was calculated from previous

studies. The limitation of this data collection method was that it needed access to the internet, it was time consuming and frequent follow ups required to drive response rate (Okpara & Koumbiadis, 2009). The context used was significant because the study is conducted in a country with low carrying capacity and the outcome may offer guidance for strategies to be developed for low populated economies in terms of foreign market access.

## 3.5 THE RESEARCH INSTRUMENT

The methodology to test the relationship between export barriers and export performance has been generally similar in the past studies. Researchers have surveyed firms using economic and non-economic measures of export performance (Beyhan, Mohamad and Omar, 2012; Gilaninia, Taleghani and Damirchi, 2013).This approach recognises the multidimensionality of export performance and does not define it as a linear sum of four dimensions (Sousa, 2004). The multidimensionality of the construct has been reported to make it difficult for scholars to attribute the conflicting findings to the independent variables measured.

For the export barriers different authors used different barrier categories in many cases leaving important barriers (Leonidou, 2004).Measures used in this study have been drawn from similar empirical studies on SMME internationalization (Mpunga, 2016; Suarez-Ortega, 2003;Tunica, 2018). The scales for export barriers for this study have been adopted from a study by Arteaga-Ortiz and Fernandez-Ortiz (2010).

From the adopted article for the export barriers, knowledge barriers were reliable at Cronbach alpha of 0.80, resource barriers at Cronbach alpha of 0.70, procedural barriers at Cronbach alpha of 0.80 and exogenous barriers at Cronbach alpha of 0.68. The scales are in line with what Ruthihinda (2008) found out in her study, all the barriers had reliability alpha of more than 0.78.The scales have also been found to be reliable at alpha above 0.80 and the KMO measured at 0.76 which is acceptable by other authors (Jalali, 2012; Mokhethi, 2014; Suarez-Ortega, 2003).

To ensure the questionnaire's content was valid, reliable and unambiguously understood by respondents, it was pretested by 33 SMMEs, and the questionnaire revised in the light of their comments. The comments from the initial questionnaire highlighted ambiguity in most questions therefore some questions had to be rephrased. It was also noted that some respondents left the questionnaire incomplete which called for revising the presentation of the questionnaire. In overall the item scales remained the same.

While research has been conducted to study the relationship between export performance and export barriers, it still suffers from being isolated, fragmented, and does not offer relative impact of each barrier on exporting (Leonidou, 2004). This study therefore used summated scales to measure the constructs as suggested by Mascherpa (2011).

The measures are as shown in the attached questionnaire in the Appendix. The respondents were given a potential list of the barriers and asked to what extent those exporting barriers hindered the initiation or expansion of export activity by their companies. See table 3.2 in the Appendices for an indication of constructs, scales, items and sources for measures .Regarding the control variables the study uses demographic indicators and firm characteristics. Export barriers are identified as independent variables and export performance are the dependent variables.

The questionnaire for collection of data was developed keeping in mind the following; demographic particulars, firms characteristics, knowledge barriers, internal resource constraints, procedural barriers, exogenous barriers and export performance. The pros for this method is that it is convenient and offers standardised data, with a downside of questions being capped and not allowing the respondent to use their own words. Ordinal scales with a 7 point likert scale were used to allow the respondent to have a wider range of options.

Multiple internal and external factors of a firm have direct or indirect relationship with export performance. These include firm demographics, for example, size, age, export experience, management traits, investment in research and development and export destination.

Age is an important factor used to extend firm access to international markets. The issue has been explained from different perspectives. Age has been linked to increase in experience based capabilities explaining that older firms have the capacity to influence standard processes (Haveman, 1993). Some authors have associated younger firms with more interest in exporting activities highlighting that small firm management is flexible in terms of decision making and change of strategy (Love, Roper and Zhou, 2016). Based on theoretical perspective of the Uppsala model firms start up size may determine growth, survival and performance.

Based on the resource based view, size can be argued as an indicator of the amount of resources a firm has. It can be a proxy for research and development capacity, quality management systems and technological adoption (Ali, 2004). These factors are directly linked to export performance. This theoretical perspective suggests a positive relationship

between size and export performance, a large size associated with greater performance. Negative relationships can be discussed based on the notion that more employees may

In relation to firm size some authors have reported positive relationship while some reported an inverted relationship. One scholar indicated that the relationship can change from positive to negative when the measurement of firm size used changes from sales turnover to number of employees (Kaynak and Kuan, 1993). On the other hand some scholars found firm size to be linked to resources and capabilities that determine the extent to which a firm deal with export barriers (Katsikeas and Morgan, 1994). The number of employees has been cited as being the best variable for this firm characteristic. Negative relationships can be discussed based on the notion that more employees may compromise important qualities such as flexibility and agility (Oviatt and McDougall, 1995). The relationship cannot be generalised as it depends on firm performance and from the empirical studies it remains inconclusive as to what effect the age of firm has on performance.

Experience is an important factor related to export performance. This discussion implies the liability of newness. It is premised that with increased experience, the impact of newness weakens and performance is enriched. Experience allows the firm to accumulate resources and increase its export base (Knight and Cavusgil, 2005). Some authors argued that time spent building domestic market can have a negative effect. For example, Oviatt and McDougall (1995) argued that the long gestation period focusing on the local market can create some form of resistance to internationalise.

With age and experience positively impacting performance, they endorse theories of experiential learning and various models of firm growth. Firm size and number of employees were operationalized as the control variables for this study.

## 3.6 DATA ANALYSIS AND INTERPRETATION

Deductive approach has been used when analysing data collected. The export barriers treated as the independent variables and export performance the dependent variable. IBM SPSS Statistics Version 25 was used for statistical analysis to calculate the Exploratory Factor Analysis (EFA) and reliability analysis. Inferential statistics was used for data classification to enable making inferences on the population based on the sample taken. This was guided by the time and financial limitations.

The data was managed by screening for missing data, outliers and violations. This was followed by descriptive statistical analysis to assess the characteristics of the demographics. EFA was assessed to confirm the perceived structure of the theoretically derived scales. To determine the underlying factors all constructs were subjected to factor analysis using principal axis factoring and promax rotation .Primarily this was to test the structure of the variables leading to an explanation of the correlations among the variables. The highly correlated factors converged to form factors. An exploratory factor analysis reduced the data into few underlying dimensions. The dimensions were thereafter subjected to further analysis.

Factor loading items loading at least 0.5 were considered practically significant (Hair, Anderson, Tatham, and Black, 2005). The principal axis factoring was used as the extraction method together with Kaiser's criterion and scree plot. Promax was selected as the rotation method to optimise the factor structure as it is a type of oblique rotation which allows for correlations between factors. The value of the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was expected to be at least 0.05 and the Bartlett's Test of Sphericity to be significant (less than .05) (Field, 2009). For interpretation of results, KMO, total variance explained, scree plot and pattern matrix were reported.

To assess the reliability of the scales, Cronbach's alpha and average intra-item correlations were tested. Cronbach Alpha is a reliability test conducted to measure the internal consistency of the measuring instrument and to determine whether the scales are reliable or not. The loaded factors on factor matrix were used and the mean of the new variables for the specific factors found by EFA was calculated to create new factors. Cronbach alpha must be 0.07 and above (Hair et al., 2010).The factor loadings and composite reliability were used to assess the convergent validity as suggested by Tavakol and Dennick (2011).

The test for normality was done on the new constructs to determine the type of correlation which was used .To tests for normality; the Kolmogorov-Smirnov test and the Shapiro-Wilk test were assessed. Moreover, histograms and box plots were used to supplement data normality tests and determine outliers. The Kolmogorov-Smirnov if significant is more than 0.05 and that shows normality, if less than 0.05 it is not normal. If all constructs are normally distributed Pearson's coefficient is used, if not Spearman's coefficient is used. In this case all constructs were normally distributed and Pearson coefficient was used.

Correlation and regression analysis were used to test the hypothesized associations. The strength, size, direction and significance of relationships between the variables were analysed

using bivariate correlations and the significant variables used to enter the regression model. The assumptions tested include linearity, multi-collinearity, independent errors, normality of residuals, homoscedasticity.

## 3.7 LIMITATIONS OF THE STUDY

There is an inconsistency in the size definitions employed by government agencies; this complicates the task of understanding the firm size and its readiness to export in the context. Only operating businesses will be included in the sample. Due to the use of a limited number of questions in the research instruments, not all information one would have wished to obtain would be obtainable. The study is cross sectional hence it gives views of a particular instance only.

## 3.8 VALIDITY AND RELIABILITY

These are two important parameters crucial in assessing the quality of the measure. Reliability and validity determine the outcome of the quality of the research. This has been proven in extant literature (Karedza and Govender, 2017).

### 3.8.1 VALIDITY

Different types of validity have been discussed in previous literature; external, internal, content, construct and criterion validity. For this study construct and structural validity has been assessed using exploratory factor analysis. Nunnally (1978) has indicated in his study the weakness of factor analysis, indicating that it can give the indication of content validity but it does not necessarily mean that those items measure the same construct or come from the same construct.

To ensure content validity, pilot testing was done on 33 SMMEs in Gaborone. This permitted testing all aspects of the questionnaire including layout and sequence.Exploratory factor analysis was used to determine the construct validity of the instrument. The result of the EFA (Table 4.4) show factor 1, named knowledge barriers and is made of 5 variables, factor 2, named procedural barriers is made up of 4 items, factor 3, internal resource constraints made up of 3 variables. The factors account for 66.369% of total variance. This is further supported by the Eigen values more than 1.00. Based on the factor analysis, 12 variables were excluded from the factor analysis because they either had low factor loading (<0.4) or they had low communality. Upon inspecting the items making up each of the 4 factors, it was confirmed that the instrument did measure the construct and as a result considered valid.

### 3.8.2 RELIABILITY

Reliability measure whether the same instrument can produce consistent results across different situations (Field, 2009). Cronbach's alpha coefficient has been used throughout previous studies to assess the empirical reliability of the study. This has been adopted for this study. Cronbach's alpha coefficient provide a measure of internal consistency of the scale which means the degree to which items in a scale measure the same underlying attribute or construct and has to be between 0 to 1, higher values indicating high levels of reliability. To determine the scales to be kept and discarded Field (2009) suggested that if the value is below 0.5 it has to be disregarded and if above 0.5 it's a factor. Nunnally (1978) on the other hand recommends a minimum of .7, however alpha values increase with scale length so checking for uni-dimensionality via exploratory factor analysis is key here.

The instrument in the study was considered reliable as presented in table 4.3, based on the Cronbach alpha, 4 of the 3 factors were above the recommended value of 0.70 (Cohen, Marion and Morrison,2007). Notably the dependent variable, export performance had a poor reliability of 0.680. The poor reliability level of the dependent variable can be associated with the limitations of the sample errors.

## 3.9 ETHICAL CONSIDERATIONS

The use of online surveys involves five key ethical issues; informed consent, use of incentives, privacy, anonymity and confidentiality. The first part of the questionnaire was a consent letter that outlined what the study was for and the contributions intended. There was also a consent request portion that ensured the participation was voluntary. Enough information was shared to ensure to inform the respondent about the intent of the study so that they made an informed judgement as to whether they wish to participate. Assurances such as confidentiality or anonymity were promised and kept.

No incentives were offered to the respondents, this allowed for anonymity because when incentives are offered participants have to disclose who they are to obtain the incentive. Even though management of SMEs are easy to recognise, the Qualtrics platform ensures that data collected cannot be linked to a particular respondent. This improves data quality.

There was a mistake in the research instrument where the demographics sector had an option that stated below 18. The questionnaire requested that before one consented to participating in the study a disclaimer of respondent must be above 18 was made. This confusing mistake is acknowledged. The Qualtrics platforms allows for the distributions of the questionnaire

link using different methods such as emails, social media. To cater for all the ethical issues that surround social media, this was resolved by the fact that the link immediately redirected to Qualtrics and the data collected would not be identifiable to the respondent and this ensured that issues of confidentiality, anonymity and informed consent were covered.

A university ethical clearance was obtained before commencing with the data collection. For all the agencies that were contacted for SME list, a written permission was sort before conducting the study and the letter included in the appendixes. For SMES that needed signing of confidentially clauses before releasing information that was adhered to. Before administering any questionnaire or interview a covering letter was issued seeking respondent's consent and thanking them for their participation. Informed consent was achieved through voluntary participation. All sources have been acknowledged using references.

# CHAPTER 4: PRESENTATION OF RESULTS

## 4.1 INTRODUCTION

The chapter will present the results of the study based on the methodology that was outlined in Chapter 3. Interpretation of the results will be the focal point of this chapter. The data was analysed using IBM SPSS Statistics Version 25. The outline of the results presentation is as follows; the descriptive profiles of the respondents and sample characteristics. Secondly, the exploratory factor analysis, the reliability of the data and how factors were created. The final

part is for the correlation analysis and the regression analysis of the hypothesized relationships.

## 4.2 DEMOGRAPHIC PROFILE OF RESPONDENTS

Fig 4.1 below shows a summarised process from data collection to data analysis.

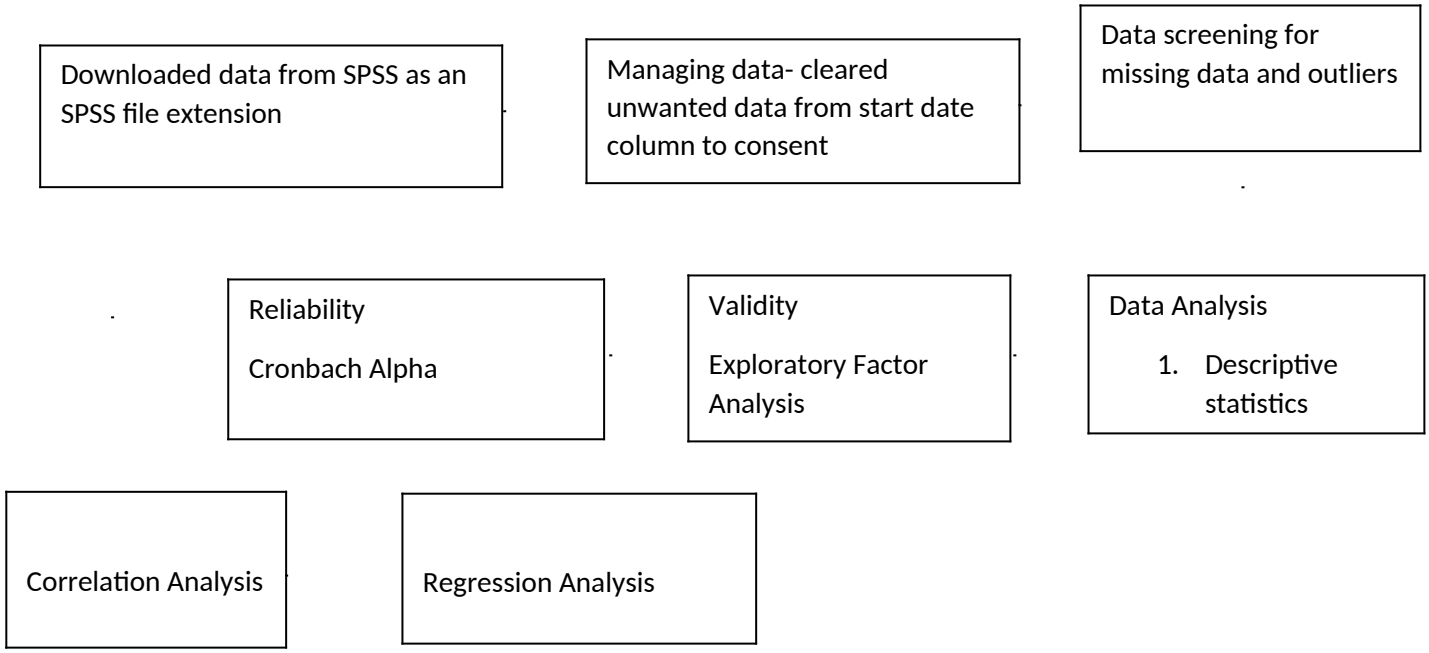



**Figure 4. 1. Process diagram for collection of data to data analysis stage.**

The subsection is divided into two parts. The first part focuses on respondents characteristics and in this study, the respondents are SMMEs key personnel. The second part focuses on the firm characteristics addressed as SMMEs in this study.

### 4.2.1 Respondents Characteristics

The raw data was downloaded from Qualtrics under an SPSS file extension. 1100 invitations were sent out and 209 responses received back. After all the screening and data cleaning, 87 were excluded because they had missing data and only 122 were usable for further analysis. The final number of cases used in this study represents a response rate of 19 percent.

#### 4.2.1.1 Gender

The results show that more males (60%) than females (40%) were sampled in overall. Figure 4.2 illustrates how the sample is distributed in terms of gender.

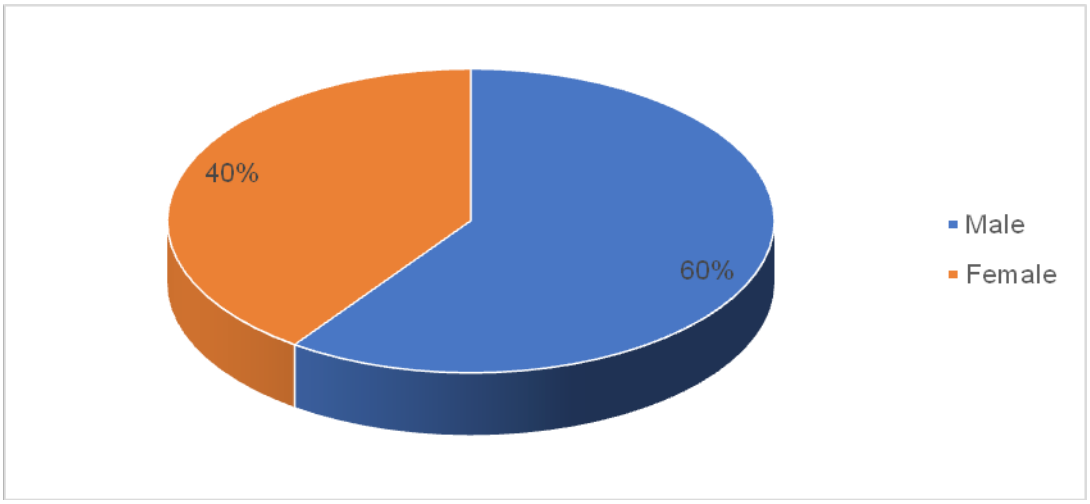



**Figure 4. 2: Gender**

#### 4.2.1.2 Age group

Figure 4.3 shows that the majority of respondents (42%) belonged to age group 26-35, followed by 36-45(21%). In Botswana, the majority of early stage entrepreneurs within the adult population has been reported to be young to middle aged (25-44 years) by GEM 2012. The 19-25 age group scored 15 %, which is about 12 respondents, this results highlight that high unemployment pushes many graduates into entrepreneurship as this is a group made up of the majority of the fresh graduates. When cleaning the data the age group 66-75 was excluded.

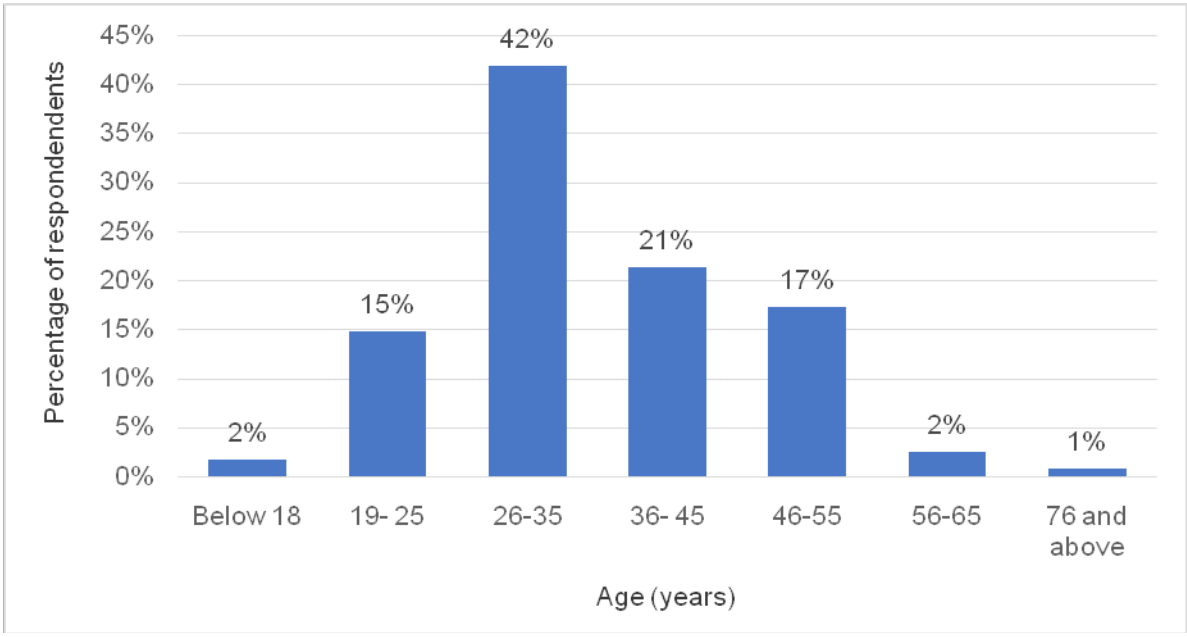



**Figure 4. 3: Age**

#### 4.2.1.3 Race

The majority (81%) of the respondents were African, followed by Indians (11%) and other race groups combined was 8 %. Figure 4.4 shows diagrammatical representation of the race composition.

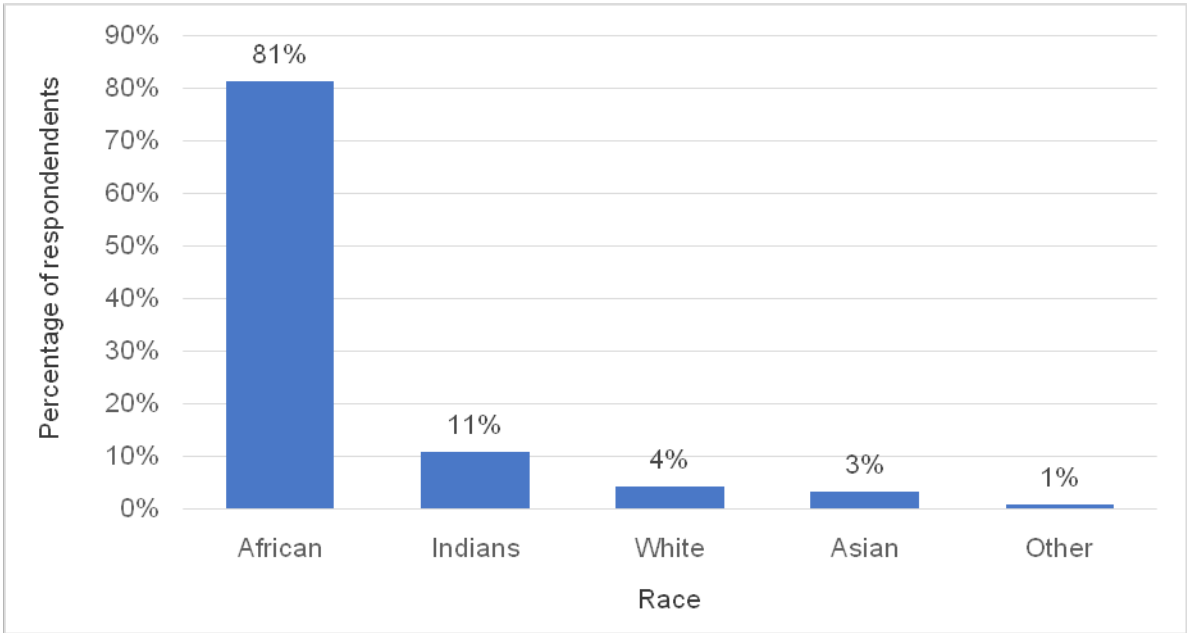



**Figure 4. 4: Race**

#### 4.2.1.4 Education

In regard to education, 42% of the respondents were bachelors' degree holders, 23% Master's degree holders and 21 % being diploma holders. The sample was highly educated which correlates to the country's literacy level. According to the national literacy survey conducted in 2014, the literacy level in Botswana is at 86.3% (Botswana Investment Trade Centre, 2017, p.9). Figure 4.5 illustrates the education percentage of the education levels.

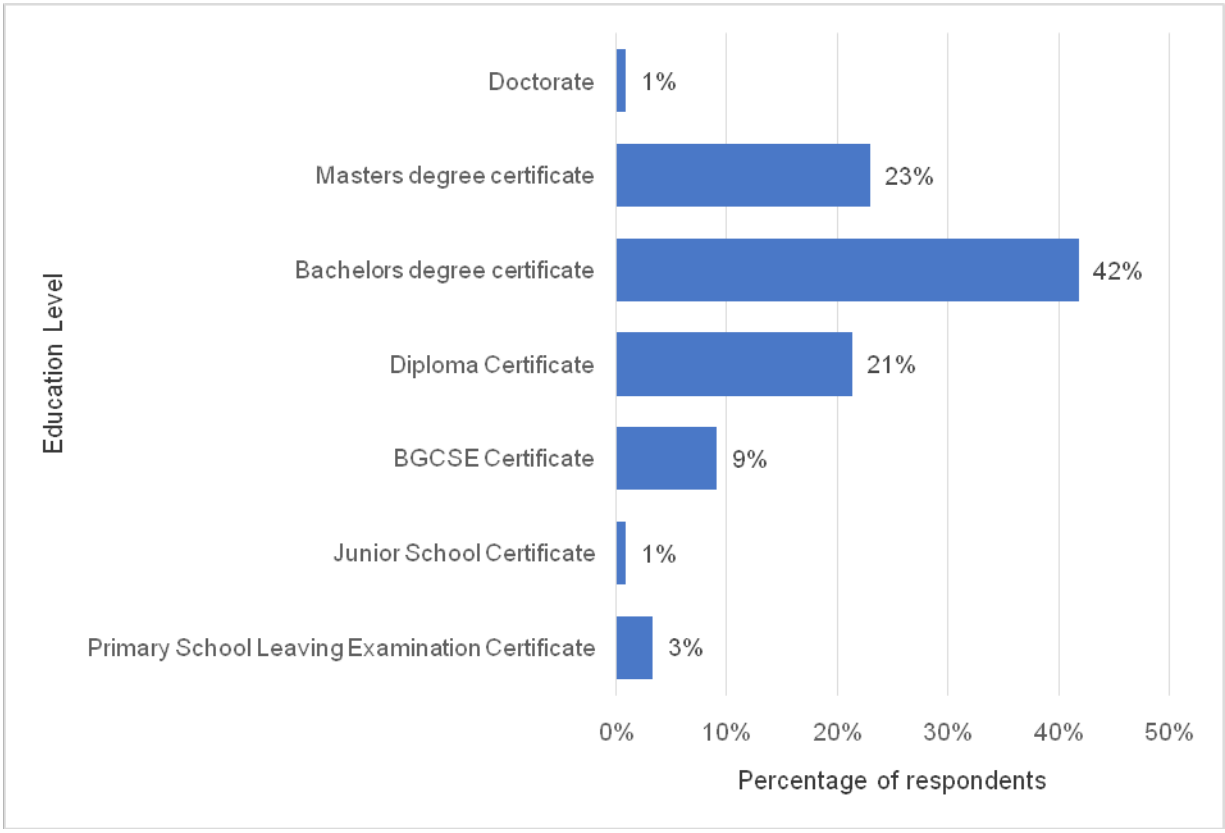



**Figure 4. 5 : Level of Education**

### 4.2.2 Firm Characteristics

The sample was collected from a broad spectrum of business sectors, with the SMME definition stipulated by the Botswana government being adhered to. The majority (16 %) of the respondents were from Manufacturing companies, followed by Wholesale and retail at 12%, then Water management at 11% and other sectors combined were at 60%. Table 4 indicate the business characteristics of the sample taken.

The majority (41%) of the respondents were small businesses, followed by micro enterprises at 39 % and the rest of the sample respondents being medium enterprises. According to the Botswana definition of medium enterprises they are the ones perceived to have potential to export. The annual turnover and number of employees correlates with the definitions for the SMME categories.

Majority (72%) of respondents have never exported, 20 % were exporting and 8 % have seized exporting. These findings indicate the low numbers of companies exploiting international markets despites the challenges of a small domestic market. For the exporting SMMEs, the majority were below a year doing it. On average 7 % of SMMEs have exported

for over 5 years. This calls for more strategies to drive more SMMEs to export and assisting them overcome internationalising constraints. Most (52%) SMMEs are motivated by the increase in sales associated with exporting, followed by increasing the customer base (15%).

Firm size and number of employees were operationalized as the control variables for this study.

*Table 4. 1: Business Characteristics of the SMMEs*

| Variable | Option | Frequency | Percent |
|---|---|---|---|
| Industry | Manufacturing | 19 | 15.5% |
| | Wholesale, and Retail trade, Repair and of motors | 15 | 12.3% |
| | Water management | 14 | 11.5% |
| | Financial and Insurance activities | 14 | 11.5% |
| | Agriculture, Forestry and Fishing | 12 | 9.8% |
| | Construction | 11 | 9.0% |
| | Transportation and storage | 9 | 7.4% |
| | Accommodation and Hospitality | 5 | 4% |
| | Mining and Quarrying | 4 | 3.3% |
| | Real estate activities | 4 | 3.3% |
| | Professional, Scientific and Technical Activities | 4 | 3.3% |
| | Electricity, Gas, Steam and Air Supply | 3 | 2.5% |
| | Administration | 1 | 0.8% |
| | Other | 7 | 5.8% |
| Ownership | Sole proprietorship | 25 | 20.5% |
| | Closed corporation | 10 | 8.2% |
| | Partnership | 14 | 11.5% |
| | Private company | 73 | 59.8% |
| Business Size | 0-5 years | 50 | 41% |
| | 6-10 years | 45 | 37% |
| | 11-20 years | 18 | 15% |
| | 21-30 years | 6 | 5% |
| | 31 + years | 3 | 2% |
| Number of employees | 1-6 | 47 | 38.5% |
| | 7-24 | 51 | 41.8% |
| | 25-100 | 24 | 31.7% |
| Annual Turnover | Up to P60 000 | 36 | 30% |
| | Between P60 001- P1 500 000 | 60 | 49% |
| | Between P 1 500 000- 5 000 000 | 26 | 21% |
| Exporting status | We have never been involved in exporting | 88 | 72% |
| | We are currently exporting | 24 | 20% |
| | We used to export but we are no longer | 10 | 8% |

| | | | |
|---|---|---|---|
| | exporting | | |
| Motivations for your company to export | To increase sales | 64 | 52% |
| | To develop strategic partnerships | 14 | 11% |
| | To increase customer base | 18 | 15% |
| | To drive an international presence | 8 | 7% |
| | Favourable currency exchange | 8 | 7% |
| | To support local agents, distributors or partners | 4 | 3% |
| | Other motivations | 6 | 5% |

# 4.3 EXLORATORY FACTOR ANALYSIS (EFA)

Though the employed survey constructs have been tested for validity in previous studies (Karedza, 2017; Okpara and Koumbiadis, 2009; Rutihinda, 2008 ;) it was necessary to assess that all variables loaded to the hypothesized variables. To perform the factor analysis, the data collected was first checked for outliers and missing data through checking the frequencies per response; adequate sample size using KMO.

Exploratory factor analysis was conducted to assess both convergent and divergent validity of the constructs. The results are presented below.

## 4.3.1 KMO AND BARTLETT SPHERICITY TEST

*Table 4. 2: KMO and Bartlett's Test for all the constructs*

| | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .777 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 996.626 |
| | Df | 136 |
| | Sig. | .000 |

Table 4.2 had results about the sample adequacy for factor analysis. A Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) value of 0.777 was above the minimum requirement of 0.5. This implies that the sample was adequate for factor analysis. The Bartlett's Test of Sphericity was significant implying that the items were correlated large enough to conduct factor analysis.

## 4.3.2 TOTAL VARIANCE EXPLAINED

The EFA resulted in four constructs that explained 66.369% of variance in the initial items as shown by a cumulative % under initial Eigen values. Table 4.3 illustrates the total variance explained for the constructs.

**Table 4. 3 : Total Variance Explained**

| Factor | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings[a] |
|---|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total |
| 1 | 5.113 | 30.079 | 30.079 | 4.724 | 27.788 | 27.788 | 3.758 |
| 2 | 2.698 | 15.870 | 45.949 | 2.294 | 13.497 | 41.285 | 3.570 |
| 3 | 1.918 | 11.282 | 57.231 | 1.478 | 8.693 | 49.978 | 3.214 |
| 4 | 1.553 | 9.138 | 66.369 | 1.123 | 6.605 | 56.583 | 1.473 |
| 5 | .923 | 5.429 | 71.798 | | | | |
| 6 | .788 | 4.636 | 76.434 | | | | |
| 7 | .664 | 3.903 | 80.337 | | | | |
| 8 | .576 | 3.388 | 83.725 | | | | |
| 9 | .521 | 3.063 | 86.788 | | | | |
| 10 | .495 | 2.910 | 89.698 | | | | |
| 11 | .378 | 2.224 | 91.922 | | | | |
| 12 | .304 | 1.788 | 93.711 | | | | |
| 13 | .288 | 1.693 | 95.404 | | | | |
| 14 | .237 | 1.394 | 96.798 | | | | |
| 15 | .226 | 1.332 | 98.130 | | | | |
| 16 | .171 | 1.007 | 99.137 | | | | |
| 17 | .147 | .863 | 100.000 | | | | |
| Extraction Method: Principal Axis Factoring. | | | | | | | |
| a. When factors are correlated, sums of squared loadings cannot be added to obtain a total variance. | | | | | | | |

## 4.3.3 SCREE PLOT

The scree plot shown in Figure 4.6 also confirms that there were four factors extracted. This is because the scree plots show that only four factors had Eigen values greater than 1 and also the line graph flattens after the 4 factors.

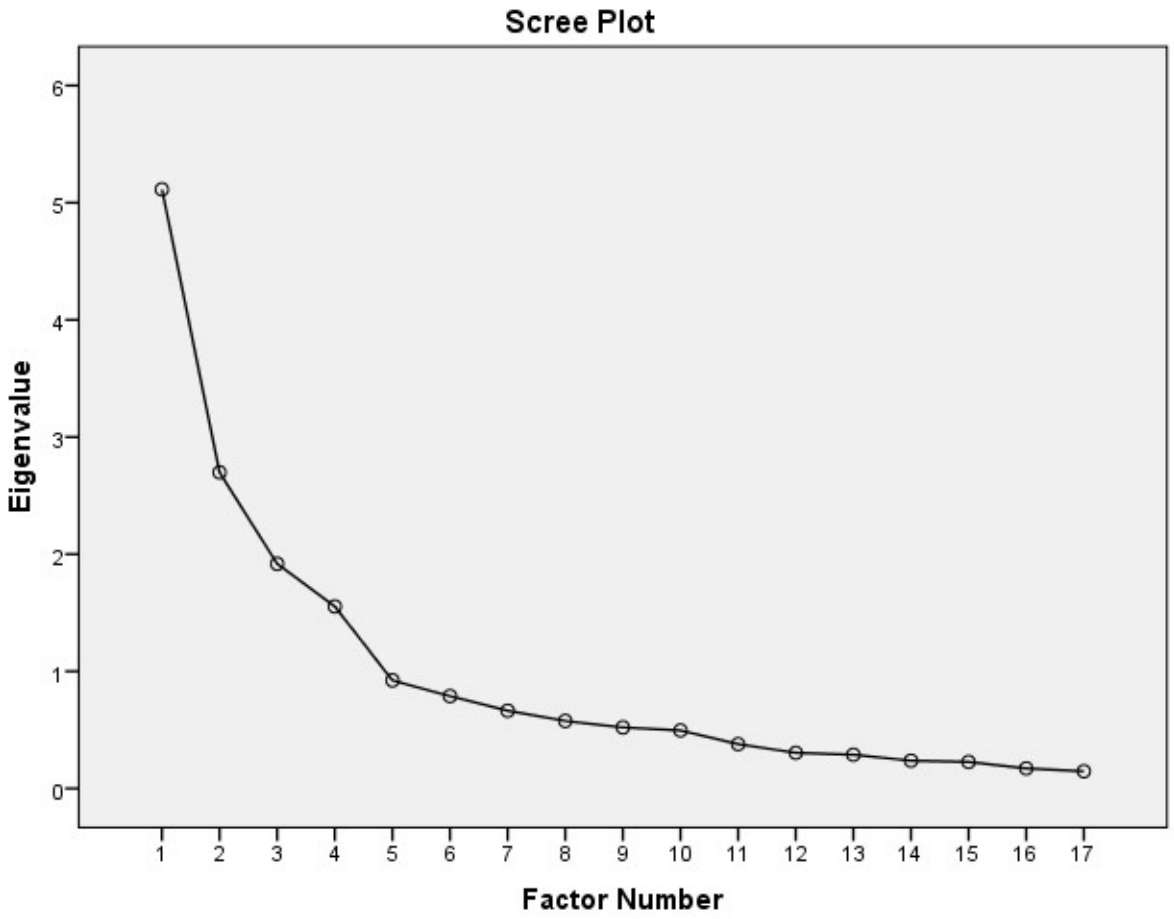



**Figure 4. 6: Scree plot**

### 4.3.4. PATTERN MATRIX

The following list of items was removed during factor analysis because they either had low factor loading (< 0.4) or they had low communality.

- EI7. Managers overall satisfaction with the company's export performance
- IRB1. High financial costs of the methods of payments used in international operations
- IRB2. Insufficient production capacity in your firm
- IRB3. lack of staff export planning
- PB1. Transport costs and shipping arrangements
- PB2. Differences in product usages in foreign markets
- PB3. Documentation and red tape required for the export operation
- PB6. Tariff barriers to exports
- PB8. Locating a suitable distributor or distribution channels

- EB1. Strong overseas competition
- EB3. Risk of losing money by selling abroad
- EB4. Political instability

The final EFA results showed that there was no valid construct for exogenous barriers. The retained constructs were Knowledge Barriers (KB), Procedural barriers (PB), Internal Resource Constraints (IRB) and Export Performance (EP). This therefore means that the exogenous barriers construct will not be carried forward or discussed further as respondents did not perceive external barriers as that important to them.

The items loaded onto their respective constructs hence confirming convergence validity. On the same token, the items which did not belong to the same factor divergent into different clusters.

The pattern matrix below shows the composition of the final constructs after exploratory factor analysis.

*Table 4. 4: Pattern Matrix*

| Construct | Items | Factor | | | |
|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 |
| Knowledge Barriers (KB) | KB5. General Knowledge of how top export | .901 | | | |
| | KB1. Lack of knowledge of potential export markets | .812 | | | |
| | KB4. Lack of information about opportunities for your products/services abroad | .805 | | | |
| | KB3. Ignorance of the financial and non-financial benefits that exporting can generate | .756 | | | |
| | KB2. Lack of knowledge of export assistance programs | .736 | | | |
| Procedural barriers (PB) | PB5. Cultural differences | | .858 | | |
| | PB6. Tariff barriers to exports | | .803 | | |
| | PB7. Non-tariff barriers related to standardisation of product, health, phyto-sanitary or similar barriers | | .798 | | |
| | PB4. Language differences | | .695 | | |
| Internal Resource constraints | IRB5. Lack of local banks with adequate international expertise | | | .776 | |
| | EB2. Risk from variation of exchange rates | | | .742 | |
| | IRB4. Insufficient production capacity in your | | | .620 | |

| | | | | | |
|---|---|---|---|---|---|
| (IRB) | firm | | | | |
| | IRB6. Inadequate foreign network of the banks you work with | | | .619 | |
| | EB5. Price controls by foreign countries | | | .567 | |
| Export performance | EI5. The ratio of export profit to overall profitability is significant | | | | .858 |
| | EI4. I have experienced sales growth since I started exporting | | | | .695 |
| | EI6. Export sales lead to growth in market share | | | | .436 |
| | Extraction Method: Principal Axis Factoring. Rotation Method: Promax with Kaiser Normalization. | | | | |
| | a. Rotation converged in 5 iterations. | | | | |

# 4.4 RELIABILITY OF SCALE

Reliability of the scale for the constructs was assessed using Cronbach's Alpha. The results are summarised in Table 4.5.

*Table 4. 5: Reliability*

| **Construct** | **N of Items** | **Cronbach's Alpha** | **Reliability Level** |
|---|---|---|---|
| Knowledge Barriers (KB) | 5 | 0.898 | Good |
| Procedural barriers (PB) | 4 | 0.865 | Good |
| Internal Resource Constraints (IRB) | 5 | 0.766 | Acceptable |
| Export Performance (EP) | 3 | 0.680 | Poor |

It can be noted that there was good reliability for Knowledge Barriers ($\alpha = 0.898$) and Procedural barriers ($\alpha = 0.865$). There was acceptable reliability for Internal Resource Constraints ($\alpha = 0.766$) and poor reliability for Export Performance ($\alpha = 0.680$).

# 4.5 CORRELATION ANALYSIS

Since all the Cronbach Alpha values were greater than 0.5, below which the reliability becomes unacceptable, a composite score was computed for each construct. This was computed by getting the average of the items within the scale. The descriptive statistics and the Pearson's correlation for the composite scores are shown in Table 4.6.

*Table 4. 6: Descriptive statistics and Correlations among constructs*

| | Descriptive Statistics | | Pearson's correlations | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Mean | Std. Deviation | FC3. Business size | FC4. Number of employee | Knowledge Barriers | Procedural Barriers | Internal Resource Constraints | Export Performance |
| FC3. Business size | 1.91 | 0.99 | 1 | | | | | |
| FC4. Number of employees | 1.81 | 0.74 | .349** | 1 | | | | |
| Knowledge Barriers | 4.29 | 1.80 | .116 | .267** | 1 | | | |
| Procedural Barriers | 4.46 | 1.73 | .304** | .409** | .299** | 1 | | |
| Internal Resource Constraints | 4.16 | 1.43 | .292** | .249** | .321** | .640** | 1 | |
| Export Performance | 3.59 | 0.92 | .001 | .067 | -.050 | -.001 | -.015 | 1 |

**. Correlation is significant at the 0.01 level (2-tailed).

It can be noted from Table 4.6 that none of the independent variables; Knowledge Barriers (r = -0.050), Procedural Barriers (-0.001), and Internal Resource Constraints (-0.015) were not significantly correlated to Export Performance. For the control variables there was no significance in performance for any of the control variables.

# 4.6 REGRESSION ANALYSIS

**Hypothesis testing**

Regression analysis was conducted with Export Performance as the dependent variable and each of Knowledge Barriers, Procedural Barriers, and Internal Resource Constraints as independent variables. The results are presented below.

## 4.6.1 Testing Regression assumptions

### 4.6.1.1 Test for Linearity

Scatter plots were plotted to assess whether there was linearity between the independent variables and the dependent variables.

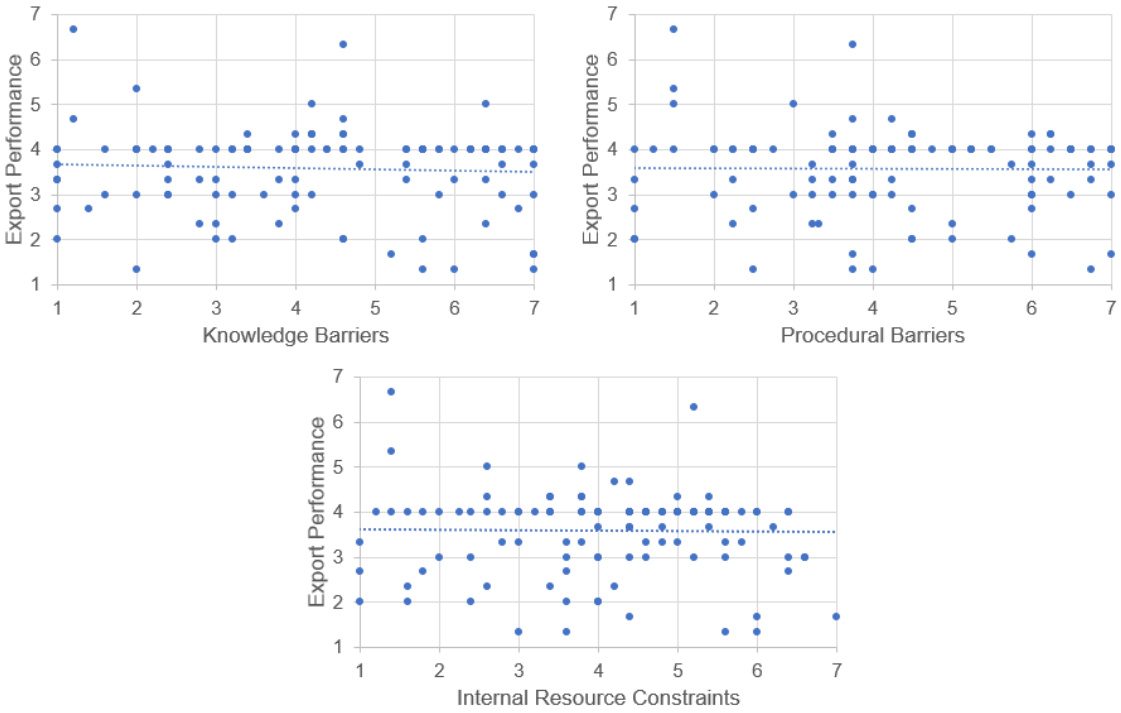



**Figure 4. 7: Scatter Plots9 ( Source: Own)**

The trend lines on the scatter plots suggest that there was no linear relationship between each of the independent variables and the dependent variable. This implies that the linearity assumption was not met.

### 4.6.1.2 Test for Multicollinearity

Multicollinearity was tested using Variance Inflation factors (VIF) values. The VIF values were all less than 10; this implies that there was no fear of multicollinearity. This implies that the assumption of there being no multicollinearity was met. The illustration is shown in Table 7.7 below.

*Table 4. 7: Test for Multicollinearity*

| Model | | Collinearity Statistics | |
|---|---|---|---|
| | | Tolerance | VIF |
| | Knowledge Barriers | .882 | 1.133 |

| | | | |
|---|---|---|---|
| | Procedural Barriers | .581 | 1.721 |
| | Internal Resource Constraints | .572 | 1.748 |

#### 4.6.1.3 Test of Normality of Residuals

The error terms are assumed to follow a normal distribution. A histogram of the regression standardised residuals was plotted, and the chart shown in Figure 4.8 indicates that the residuals approximates the normal distribution since almost all the bars were under the normality curve. Thus, the normality of residuals assumption was met.

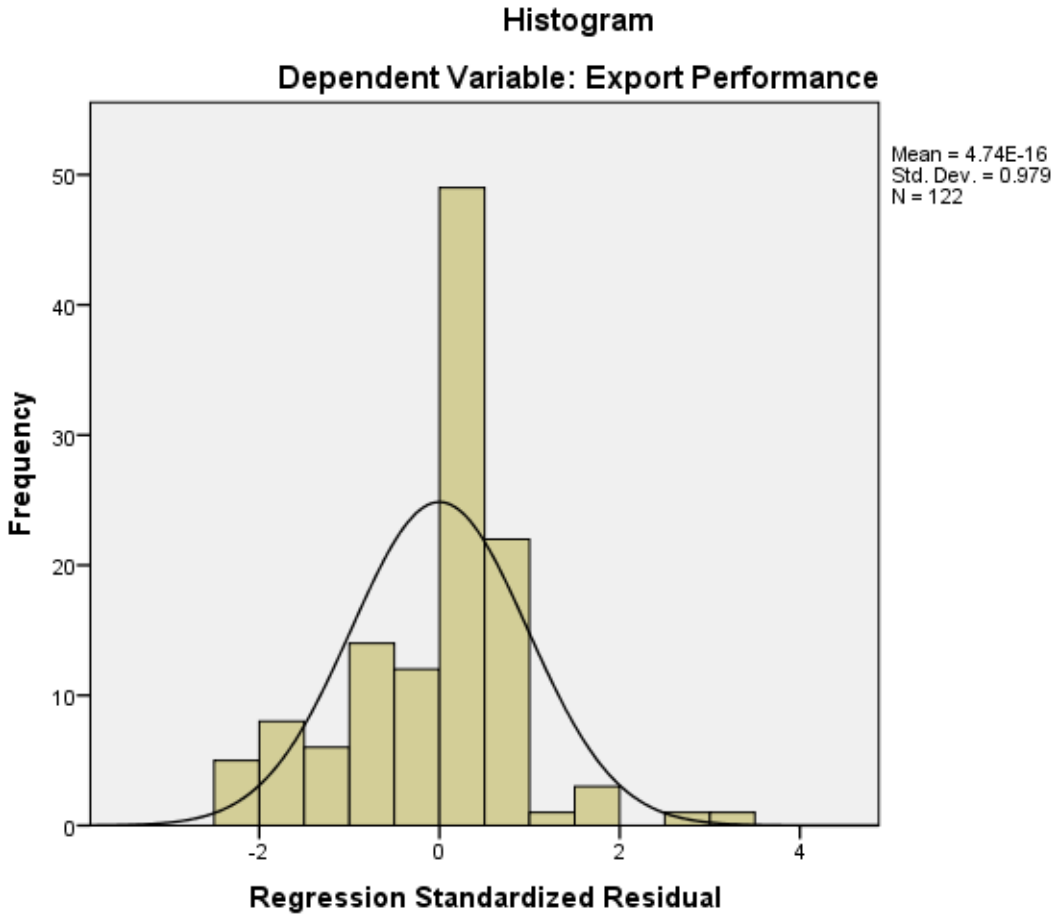



**Figure 4. 8: Histogram of regression standardised residuals (Source: Own)**

Boxplots for all the variables were plotted and the resultant chart is shown in Figure 4.9. It can be noted that there were no outliers for all the four variables. Outliers will be shown by

values with an astrerisk (*) outside the wiskers of the box plots. This means that the no outliers' assumption was met.

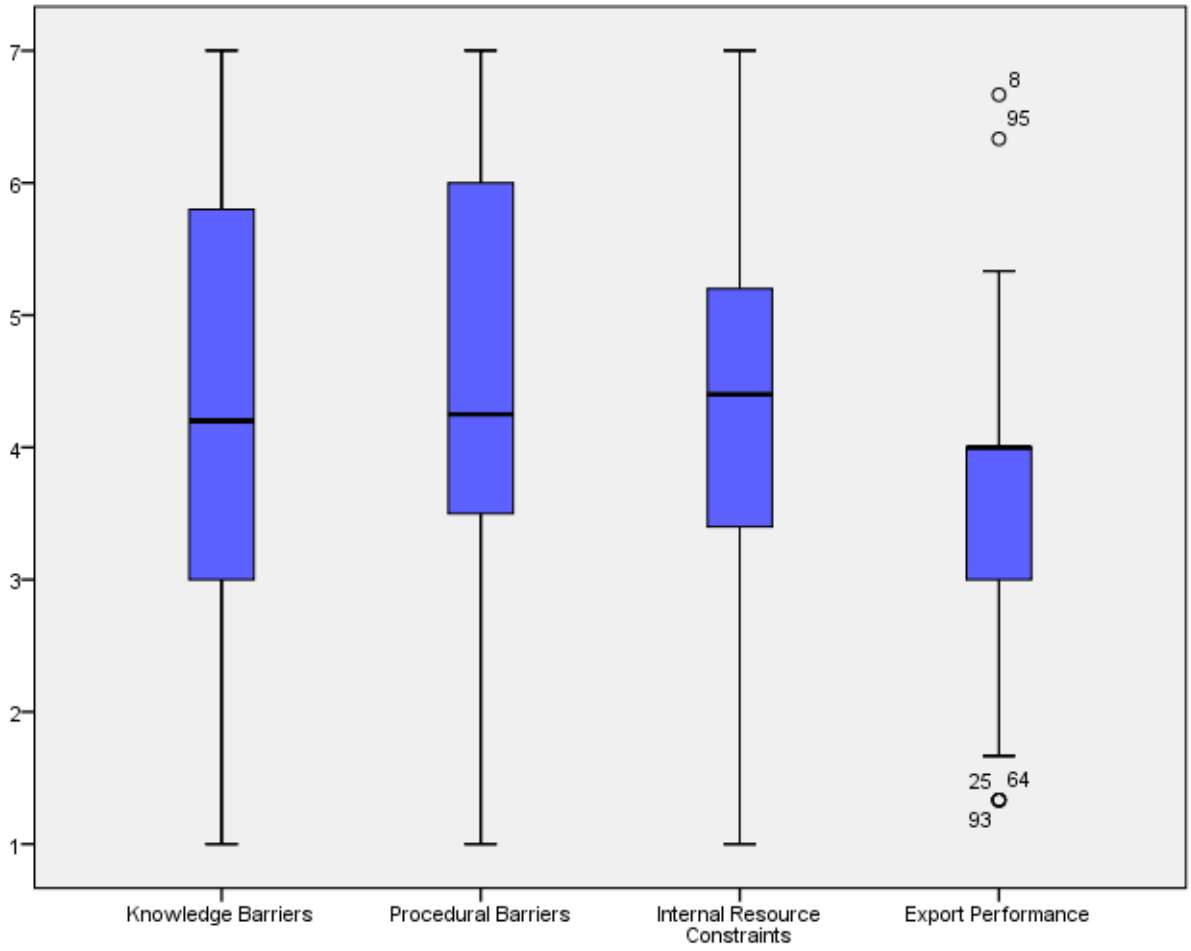
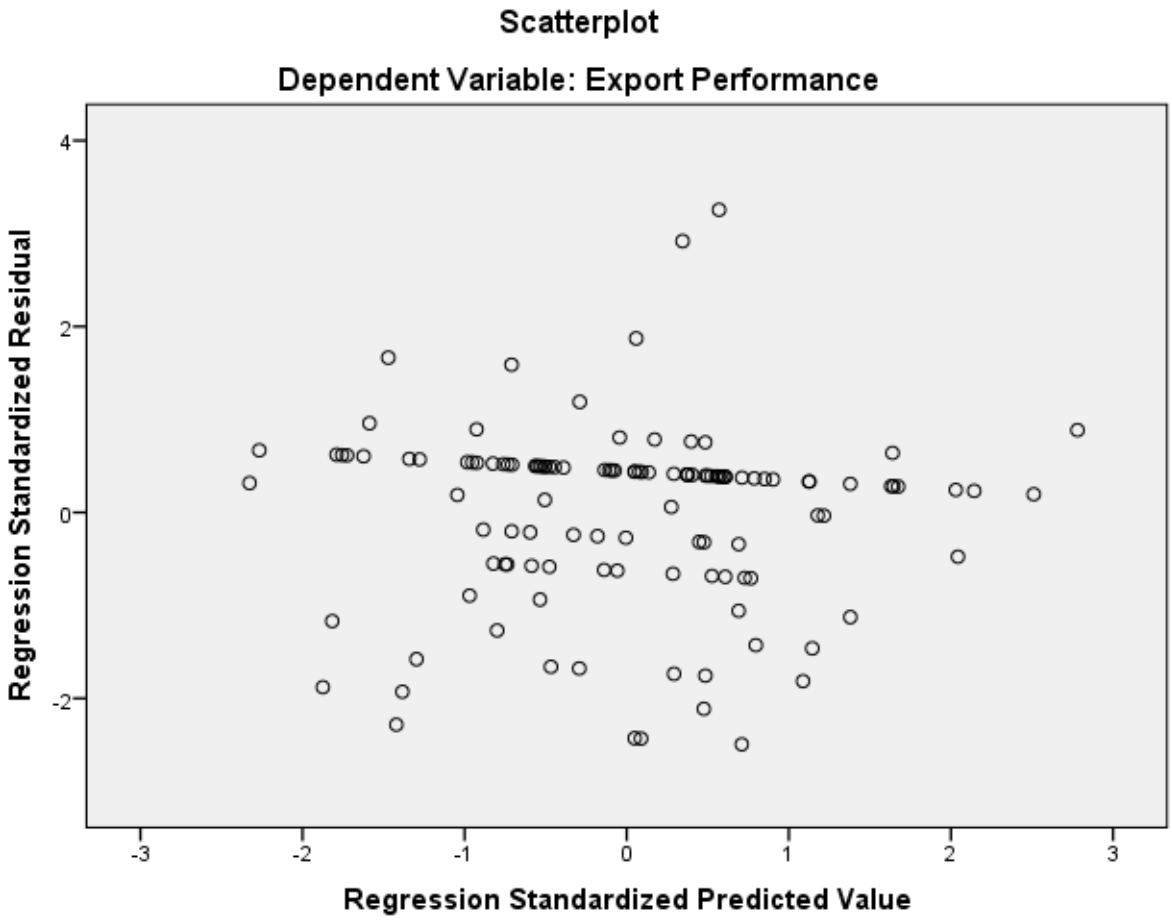



**Figure 4. 9: Boxplots of all Constructs**

#### 4.6.1.4 Test for homoscedasticity

The error terms are assumed to have an equal variance. This was tested by plotting a scatter plot of the regression standardised residuals against the regression standardised predicted value. The chart shown in Figure 4.10, indicate that there was equal variance as the dots were scattered all over around the zero line with no obvious pattern. This implies that the homoscedasticity assumption was met.


Scatterplot
Dependent Variable: Export Performance
Regression Standardized Residual
Regression Standardized Predicted Value
4
2
0
-2
-3
-2
-1
0
1
2
3

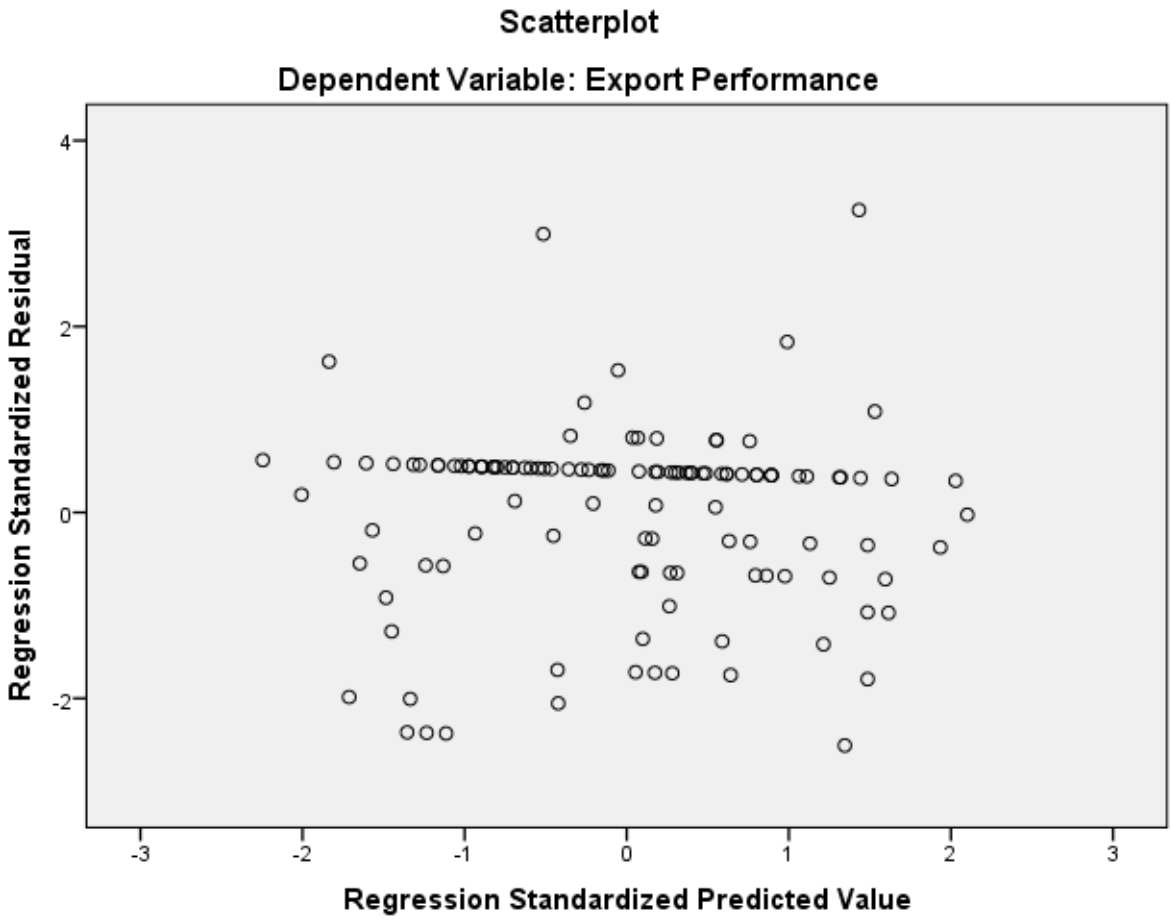



**Figure 4. 10: Scatter plot of Regression standardise residuals against the regression standardised predicted values (Source: Own)**

Since almost all regression assumptions were met with the exception of the linearity assumption, the regression model was fitted and the results are shown below in Table 4.8.

*Table 4. 8: Model Summary*

| **Model Summary[c]** | | | | | |
|---|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .071[a] | .005 | -.012 | .92051 | |
| 2 | .101[b] | .010 | -.033 | .92996 | 1.506 |
| a. Predictors: (Constant), FC4 Please indicate the number of employees, FC3 Please indicate the size of your business | | | | | |
| b. Predictors: (Constant), FC4 Please indicate the number of employees, FC3 Please indicate the size of your business, Knowledge Barriers Knowledge Barriers, Internal Resource Constraints Internal Resource Constraints, Procedural Barriers Procedural | | | | | |

| |
|---|
| Barriers |
| c. Dependent Variable: Export Performance Export Performance |

The model summary indicates that a model with Internal Resource Constraints, Knowledge Barriers, and Procedural Barriers and predictor variables explains only 1 % of variation in the export performance as indicated by an R-square value of 0.010

### 4.6.1.5 ANOVA

The ANOVA table shown in Table 4.9 indicates that the model with Predictors, Internal Resource Constraints, Knowledge Barriers, Procedural Barriers was not significant in predicting export performance (p-value = 0.945 > 0.05).

*Table 4. 9: ANOVA*

| **ANOVA[a]** | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | .512 | 2 | .256 | .302 | .740[b] |
| | Residual | 100.833 | 119 | .847 | | |
| | Total | 101.345 | 121 | | | |
| 2 | Regression | 1.025 | 5 | .205 | .237 | .945[c] |
| | Residual | 100.320 | 116 | .865 | | |
| | Total | 101.345 | 121 | | | |
| a. Dependent Variable: Export Performance Export Performance | | | | | | |
| b. Predictors: (Constant), FC4 Please indicate the number of employees, FC3 Please indicate the size of your business | | | | | | |
| c. Predictors: (Constant), FC4 Please indicate the number of employees, FC3 Please indicate the size of your business, Knowledge Barriers Knowledge Barriers, Internal Resource Constraints Internal Resource Constraints, Procedural Barriers Procedural Barriers | | | | | | |

### Controls

The coefficients table shown in Table 4.10 indicates that none of the independent variables; Knowledge Barriers, Procedural Barriers, Internal Resource Constraints was significant in predicting export performance.

*Table 4. 10: Coefficients*

| Coefficients[a] | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Correlations | | |
| | | B | Std. Error | Beta | | | Zero-order | Partial | Part |
| 1 | (Constant) | 3.463 | .241 | | 14.378 | .000 | | | |
| | FC3 Please indicate the size of your business | -.023 | .090 | -.025 | -.259 | .796 | .001 | -.024 | -.024 |
| | FC4 Please indicate the number of employees | .094 | .120 | .076 | .778 | .438 | .067 | .071 | .071 |
| 2 | (Constant) | 3.592 | .322 | | 11.139 | .000 | | | |
| | FC3 Please indicate the size of your business | -.019 | .094 | -.020 | -.201 | .841 | .001 | -.019 | -.019 |
| | FC4 Please indicate the number of employees | .122 | .131 | .099 | .924 | .357 | .067 | .086 | .085 |
| | Knowledge Barriers Knowledge Barriers | -.035 | .051 | -.069 | -.693 | .490 | -.050 | -.064 | -.064 |
| | Procedural Barriers Procedural Barriers | -.007 | .068 | -.012 | -.097 | .923 | -.001 | -.009 | -.009 |
| | Internal Resource Constraints Internal Resource Constraints | -.002 | .079 | -.003 | -.026 | .979 | -.015 | -.002 | -.002 |
| a. Dependent Variable: Export Performance Export Performance | | | | | | | | | |

**Results pertaining to Hypothesis 1 (H1): There is a negative relationship between export knowledge barriers and the performance of exporting SMMEs.**

The results shown in the coefficients table, Table 4.10, indicates that Knowledge Barriers (B = -0.035 β = -0.069, t-value = -0.693, p-value = 0.490) had a negative impact on Export Performance but the impact was not significant. The impact is negative because the coefficient for Knowledge Barriers (-0.035) was less than zero. The relationship was

significant because the p-value was less than 0.05. Thus, although hypothesis H1 was supported the result was insignificant.

**Results pertaining to Hypothesis 2 (H2): There is a negative relationship between internal resource barriers and the performance of exporting SMMEs.**

It can be noted from Table 4.10 that internal resource barriers (B = -0.002, β = -0.003, t-value = -0.026, p-value = 0.979) had a negative impact on Export Performance but the impact was also not significant. The impact is negative because the coefficient for internal resource barriers (-0.002) was less than zero. The relationship was insignificant because the p-value was greater than 0.05. Thus, although hypothesis H2 was supported, the result was insignificant.

**Results pertaining to Hypothesis 3 (H3): There is a negative relationship between procedural barriers and the performance of exporting SMMEs.**

The results in Table 4.10 revealed that that procedural barriers (B = -0.007, β = -0.012, t-value =-0.097, p-value = 0.923) had a negative but insignificant impact on export performance. The impact is negative because the coefficient for procedural barriers (-0.007) was greater than zero. The relationship was insignificant because the p-value was greater than 0.05. Thus, hypothesis H3 was supported.

**Results pertaining to Hypothesis 4 (H4): there is a negative relationship between exogenous barriers and the performance of exporting SMMEs.**

Not tested because there was no valid construct for exogenous barriers.

*Table 4. 11: Summary of Hypothesis*

| **Hypothesis** | | **Supported / Not Supported** | **Significant / Not significant** |
|---|---|---|---|
| H1 | There is a negative relationship between export knowledge barriers and the performance of exporting SMMEs. | Supported | Not significant |
| H2 | There is a negative relationship between internal | Supported | Not significant |

| | | | |
|---|---|---|---|
| | resource barriers and the performance of exporting SMMEs. | | |
| H3 | There is a negative relationship between procedural barriers and the performance of exporting SMMEs. | Supported | Not significant |
| H4 | There is a negative relationship between exogenous barriers and the performance of exporting SMMEs. | Not assessed | Not assessed |

## 4.5 Summary of the results

The study commenced with a sample of 122 usable data made up of 60 % males and 40% females. The sample comprised of the majority of respondents aged 26-35 years with more Africans (81%) responding, followed by Indians (11%). The sample was found to be highly educated with most SMMEs operated by bachelor's degree holders (42%), 23% of them being Master's degree holders. Most (60%) of SMMEs were privately owned and having employees less than 24.

The majority of the SMMEs have not reached international markets as yet. 88 out of 122 businesses were not exporting. Increasing sales and customer base were the main reasons why businesses export.

The validity and reliability of the constructs were tested to establish to see if the items loaded together, indicating they represent the same construct, to establish reliable factors of the hypothesised model. From the analysis it shows that the exogenous barriers were not a valid construct.

As per the presented results above, the following deductions and interpretations were made, there was no evidence to support the relationship between export barriers (procedural, internal resources and knowledge) and export performance. The high probability values suggest a small or no evidence that the null is false. This shows that there was no credible evidence to support that export barriers negatively impact export performance. The relationship between exogenous barriers and export performance were not tested due to the construct being not valid.

# CHAPTER 5: DISCUSSION

## 5.1 INTRODUCTION

The purpose of this study was to quantitatively examine the export barriers hindering export performance by SMMEs in Botswana. The researcher's intention was to answer a research question to what extent does export barriers impact export performance for SMMEs in Botswana. The researcher hypothesised that a negative relationship exists between export knowledge barriers, internal resource constraints, procedural barriers, exogenous barriers and export performance (Hypothesis 1 to 4).

This chapter discusses the findings of the study beginning with profile of the SMME respondents, then the findings for each construct; discussion pertaining to knowledge barriers, internal resource constraints, procedural barriers and export performance respectively. The chapter ends with a summary and conclusion.

## 5.2 DEMOGRAPHIC PROFILE

Data from this research was derived from SMMEs. The researcher evaluated the constructs knowledge barriers, internal resource constraints, procedural barriers and exogenous barriers. The exogenous barriers did not load as a construct after exploratory factor analysis.

The sample characteristics were presented in chapter 4. This chapter discusses only key findings. The survey received 209 responses and 122 were usable. This indicated a 19 percent response rate. The response rate obtained is in line with the response rate observed in previous studies .Reviewed studies shown response rate range from 19.1 to 94.7 % (Jalali,2012; Mokhethi and Vogel 2014; Omer et al.,2015). Field (2009) recommends that with an independent variable with between six or fewer variable, a sample of 100 is sufficient. Therefore this study had 4 constructs under the independent variable and the 122 usable data was sufficient.

### SAMPLE CHARACTERISTICS

A good understanding of the demographic and firm characteristics can provide more insights in the results interpretation. Unpacking the characteristics of the sample add an invaluable

understanding of SMME exporting. This part of the discussion focus on the findings related to demographics.

**GENDER AND AGE**

The respondents were SMME managers or responsible informants knowledgeable on export decisions. By inspection of the results presented on the profile of the respondents many inferences can be drawn. It is apparent that in terms of gender more males (60%) are operating SMMEs than females (40%). The majority (41%) of the SMMEs have been operating for less than 5 years. The findings are in line with the GEM report conducted in 2012 in Botswana that indicates that more males(30%) than females(25%) were involved in early stage entrepreneurial activity(made up of 3 and half years and below).

This has been reported to be common across Sub Sahara, except for Malawi. According to a study by Okurut et al. (2016) conducted to establish the determinants of SMME growth in Botswana female entrepreneurs have been found to have a negative but significant effect on SMME performance. This reasoning is based on the assumptions that women have split attention between business and family duties. Other studies found that gender does not have a significant influence on SMME performance. Additionally some studies have found that gender does not have a significant influence of SMME performance, arguing that both genders have equal opportunities to succeed (Cliffe, 1998; Woldie, Leighton and Adesua, 2008).

**EDUCATION**

The sample was very educated, 92.6% of them had post senior secondary school certificate. This findings correlate with the country's high literacy level and also speaks to the high unemployment rate as more youth are driven to engage in entrepreneurial activities as a way of survival. On the other hand some scholars (Diraditsile and Maphula, 2018) have questioned the relationship between entrepreneurship and youth unemployment in Botswana, arguing that there is evidence that proves that youth entrepreneurship has not produced desired results to address employment creation. Additionally there is a high failure rate of youth businesses which is linked to the lack of entrepreneurial skills (Kenewendo, 2012).

Even though Botswana has attained a universal primary education, there is evidence that shows that the education system is not entrepreneurial oriented and does not create an entrepreneurial culture(Nthomang & Diraditsile, 2018).Notwithstanding that, having basic

primary school education has been found to have a positive and significant impact on SME performance in Botswana (Okurut et al., 2016). This is relevant because the expectation is for business managers to be educated and risk averse so they are able to take strategic decisions such as exporting. Additionally a study conducted in Nigeria showed that entrepreneurs holding diploma, degree and post graduate qualification attracted large profits leading to high performance (Woldie et al., 2008).

**FIRM CHARACTERISTICS**

Most businesses have been in operation for less than five years, being either micro or small. Only 20% of the sampled businesses are medium sized, according to the Botswana Small Business Act, these are the kind of businesses perceived to be mature to export, the remainder (80%) are small and micro enterprises. However 59% of these businesses have been operating for more than 6 years which could be assumed that their experience should be enough for them to consider foreign markets.41 % of the business have operated for less than 5 years but remain small which is an indication of slow growth and low success rate. According to Temtime and Pansiri (2004) the concern is that these businesses remain micro or small even after long years in business. Most of these businesses are owner managed, which shows commitment so the stagnated growth can be attributed to existing barriers in their operating environments.

The results show that only 28 percent of businesses have exploited the exporting strategy and the majority have not. The Uppsala model can be used to explain why many businesses remain within their domestic borders and not exploring foreign markets. Most business have not exported as yet because they are building the domestic market .The theory explains that until such a time firms have established themselves in the domestic market they will not exploit foreign market. The fact that most firms have not internationalised presents a good opportunity for them to learn and exploit exporting strategy to avoid local constraints and take advantage of the market opened by globalisation.

The expectation is for these businesses to overcome local constraints through outward growth strategies but the findings indicate that the majority of businesses do not export. This results show that the problem diagnosed from extant literature does continue to exist. It is therefore proper for businesses, stakeholders, policy makers and researchers to identify the much needed solutions to overcome these performance constraints and eliminate the barriers.

## 5.3 DISCUSSIONS OF THE FINDINGS

The previous chapter was structured per research objective and that same structure will be followed when discussing the results.

**LIMITATIONS OF THE STUDY RESULTS**

The researcher acknowledge some methodological limitations that impact the outcome of this study. There was a non- sampling error than occurred due to over coverage where the researcher included non-exporters in the study where the dependent variable can only be tested on exporting firms. This has affected the outcome of the results in that the majority of the respondents ended up being non-exporters who based their responses on assumptions.

The effect of this sampling error is felt in the sense that even though the hypotheses were supported the results for all the hypotheses were not significant. This suggested a small effect or no evidence that the null hypotheses is false. This was an indication that there was no credible evidence that export barriers negatively impact export performance (Goldsmith and Derr, 2003).

To improve the validity and credibility of the study, there is need to a follow up study that would focus on only SMME exporting firms in Botswana, using an adequate sampling frame. According to Banda, (2003) the most effective way to reduce coverage error is to improve the frame by excluding erroneous units and duplicates and updating the frame through filed work to identify units missing from the frame. Another way to improve the sampling frame would be to undertake a study on export barriers that would cover an open SME population and have an option were they indicate their exporting experience and then a follow up study on the relationship between export performance and export barriers be done based on firms with exporting experience only.

### 5.3.1 DISCUSSIONS PERTAINING TO HYPOTHESIS 1

**H1: Lack of export knowledge has a negative relationship to export performance in SMMES in Botswana.**

Knowledge barriers are defined as lack of information and knowledge on all aspects of export activity. It includes knowledge on export markets, opportunities available, stages to follow when exporting and export support programs. The hypothesis stated that due to lack of export knowledge there will be a negative relationship between export barriers and export performance.

According to the findings of the study the relationship is confirmed but not significant. The evidence obtained from this study was not credible enough to confirm that knowledge barriers lead to poor export performance. This is contradictory to some of the previous studies that indicated that lack of export knowledge and information was a strong indicator of export performance.Based on the fact knowledge and information has a big role in influencing business decisions it was expected that the lack of it will hinder export performance especially that exporting is a strategic decision(Leoniduo,2004). The relationship between knowledge barriers and export performance suggest that when an SMME does not have enough or adequate information on export activities, there will be some resistance to export or expand export operations.

The barriers identified in this study are lack of general knowledge on export assistance programmes, lack of knowledge on potential export markets, lack of information about opportunities for products or service abroad, and ignorance of the financial and non-financial benefits that exporting can generate and the general knowledge on how to export. The expectation was that firms who have accumulated knowledge on exporting will perceive information barriers as being the least obstacle and those who struggle accessing information will perceive the negative relationship more(Jalali,2012).The expectation was confirmed and this is not surprising as information is key in driving export activities. Lack of knowledge on potential customer markets is an important obstacle in the firm's execution of its marketing function.

This negative relationship could be associated with the fact that when a firm has no knowledge of the information barriers, that could result in some form of inertia or resistance brought by uncertainty of the outcome of the exporting decisions. It is not surprising that many firms did perceive knowledge barriers as their major hindrance to exporting as a good portion of respondents did not export. For those who are exporters the knowledge barriers could be associated with information on available opportunities for expanding export portfolio.

This finding is supported by Kabiri & Mokshapathy (2012) who surveyed export barriers faced by SMMEs in Iran and concluded that internal barriers were more important than external barriers for non-exporters. They found information and functional barriers to be the most important. This finding could be used by government support organisations entrusted

with export development to develop focused education programmes and educate enterprises about the global market place.

Further studies that support the hypothesis state that:

-Information is key in reducing the high level of uncertainty given the sophisticated turbulent, heterogeneous foreign business environment (Leoniduo, 2004).

- Wiedersheim-Paul, Olson and Welch (1978) indicated that the limited access to information for identifying and analysing foreign markets is directly associated with the uncertainty regarding international business operations.

-According to Alrashidi (2019), in the comparative study on exporting barriers perceived by manufacturing SMMEs between emerging and advanced markets, they highlighted the importance of market intelligence in researching foreign markets before entry.

-Similarly Milanzi (2012) on their study of the impact of barriers on export behaviour in Tanzania, found out that an increase in export knowledge results in decrease in export intensity.

In conclusion export knowledge is critical in making export decisions as adequate export market knowledge enhances the formulation of competitive strategies. With knowledge barriers being classified as of very high impact it is critical for all stakeholders to share information on the opportunities available and for experienced exports to mentor initiating exporters.

## 5.3.2 DISCUSSIONS PERTAINING TO HYPOTHESIS 2

**H2: Lack of internal resources has a negative impact on export performance in SMMES in Botswana.**

These are barriers resulting from lack of financial resources, productive resources or external aid. The hypothesis stated that due to lack of internal resources there will be a negative relationship between internal resource constraints and export performance.

The research findings indicate that there is a negative but insignificant relationship between export barriers and performance, and the hypothesis is supported. From the analysed data lack of local banks with adequate international expertise, risk of variation of exchange rates, insufficient production capacity in the firm, inadequate foreign network of the banks used and price control by foreign countries emerged as the most important internal resource

barriers. Lack of local banks with adequate international expertise emerged to be the most important barrier.

The study findings are supported by Karakaya and Yannopoulos (2017) who indicated that lack of competence strongly impact export performance negatively. Similarly Suarez-Ortega (2003) argued that lack of qualified personnel to effectively handle export transactions could negatively impact export performance. Operational capabilities have been reported to be an important asset of a firm. Okpara and Koumbiadis (2009); Suarez-Ortega (2003) indicated in their studies that lack of production capacity could have an impact on meeting customer demands. On a similar tone Arteaga-Ortiz and Fernandez (2010) maintained that lack of capabilities could hinder product adaptability to meet market requirements and linked the lack of adaptability to poor export performance. It is also evident that when firms export and the operational resources do not fit product /service requirements that naturally result in poor performance.

Ahmed, Craig, Baalbaki and Hadadian (2004) reported pricing and promotion policies to be important barriers for Lebanese firms. Another study on Brazilian firms concluded that exchange rate policies are the most influential obstacles to export activities (Da Silva and Da Rocha (2001). To support Da Silva and Da Rocha (2001), Kneller and Pisu (2008) noted that exchange rate fluctuations and risk of losing money in the foreign market are key impediments experienced by firms. This makes sense because these are firms that are already resource constrained and every cent in the business matter and return on investment expected. Altintas et al. (2007) also reported that high banking charges to be a major problem experienced by exporters.

In conclusion internal capabilities and resources need managers who are pro-active in addressing this matters and seeking assistance in all the places available because when a firm is constrained internally it would be close to impossible to withstand external pressures.

### 5.3.4 DISCUSSIONS PERTAINING TO HYPOTHESIS 3

**H3: The presence of procedural barriers have a negative impact on export performance in SMMES in Botswana.**

These are barriers arising from the firm's performance on their export activities. They present themselves through exporting procedures/documentation, cultural and language barriers, logistical difficulties, trade barriers, transportation costs, shipping arrangements,

communication problems with foreign customers and slow collection of payments from abroad.

From the 8 factors studied 4 have proven to be important for SMMEs in Botswana; cultural differences, language differences, tariff barriers to exports, non-tariff barriers related to standardisation of product health and phyto-sanitary or similar barriers. Language barriers and cultural differences have proven to be of greater importance. These socio-cultural factors may indicate the cultural distance between the trading partners. The most promoted markets in Botswana have been Europe, Asia, USA and the rest of the world.

The hypothesis stated that due to procedural barriers there will be a negative relationship between procedural barriers and export performance in SMMEs. The research findings show that the relationship exists, it is negative, not significant and the hypothesis is supported. The study found that culture, language and trade barriers played an important role in enhancing export performance. The aforementioned are classified as external barriers when using Leniduo (2004)'s model.

In line with previous literature the study confirms that procedural barriers have a negative impact on export performance (Altintas et al., 2007; Barker, Tansu & Kaynak, 1992; Mavrogiannis, Bourlakis, Dawson & Ness, 2008).For example, in their study to examine the effects of export barriers on export performance on SMMEs in Turkey, Altintas et al. (2007) found that procedural barriers were the most important. They suggested that there is need for firms to adapt their export procedures. It is therefore important for firms to be able to evaluate and understand export barriers such as procedures and import rules to enable mitigating these barriers.

According to Martins and Pinho(2010) tariff barriers and the unavailability of time to learn cultural barriers and language barriers are important predictors of export performance especially non-exporters. On a similar context, Ayan and Percin (2005) reported cultural differences to have an important impact on export performance particularly for firms that export to culturally distant countries on this case European Union, United States of America, Africa, China and Australia. Flexibility to environmental factors is therefore an important strategic factor for firms. The differences in cultural differences have been associated with inability of firms adapting their exporting processes.

On a comparative study examining export barriers and export performance on Greek and Iranian firms, a strong relationship between environmental factors and export performance

was found (Jalali, 2012). Differences in customer culture emerged as an important hindrance for exporting from Greece to Iran. In addition, Tariff and non-tariff barriers negatively affected export performance for Greek exporters.

Non-tariff barriers have been said to have potential in shaking the confidence of trading partners leading to hesitancy in signing contracts (Khattak, Arslan and Umair, 2011). Additionally Koksal and Kettaneh (2011) emphasized that the imposition of trade barriers by host nations negatively impacted export performance.

## 5.3.5 DISCUSSIONS PERTAINING TO HYPOTHESIS 4

**H4: The presence of exogenous barriers will have a negative impact on export performance in SMMES in Botswana.**

This hypothesis was not tested. This could suggest that the effect of exogenous barriers in previous literature has been overstated. On the other hand it may mean that the respondents did not perceive exogenous barriers as their obstacles.

## 5.3.6 CONTROL VARIABLES

Business size and number of employees were used as control variables and were found to have an insignificant relationship in understanding the relationship between export barriers and export performance. There exist mixed findings on this outcome. Ayan and Percin (2005) on their study on structural analysis of the determinants of export performance from Turkey also found an insignificant relationship between firm age, size and export experience on export performance. Additionally some scholars argued that export performance does not have a linear relationship to firm age or size.

## 5.3.7 CONCLUSION

The main objective of the study was to examine the impact of export barriers on export performance barriers as perceived by SMMEs in Botswana. It was found that export barriers hinders or reduce export performance. This result may be a good guideline to establish ways of overcoming the barriers by different stakeholders so that export performance can be enhanced. Eliminating the export barriers can be a pathway to increasing export activities.

This is an issue of great importance given Botswana's economy is dependent on export revenue. The barriers perceived by both exporters and non-exporters determine their decisions on future engagements on international business. With the results indicating low exporting levels, the government ought to assist companies to diagnose the business

environments that they operate in and that of host countries. Institutions such as Botswana Investment Trade Centre should ensure to relax their qualifying criteria for export development programmes so that more SMMEs gain access to training and mentoring.

The study determined that Botswana SMMEs face three exporting barriers; knowledge barriers, procedural barriers and internal resource barriers. The knowledge and internal resource barriers are internal barriers whereas procedural barriers are external. The classification of the export barriers into four classes was to enable the researcher to identify which barriers impacted export performance more and it was found that procedural barriers topped the list. It has been said that firms in developing country depend more on the government for guidance than being pro-active in finding solution themselves.

Extant literature has reported that procedural barriers can be overcome through experiential learning and seeking assistance from government programmes and consultants (Al-Hyari et al., 2012). Additionally knowledge barriers were of paramount importance, this could make sense given than in Botswana finding business information is a mammoth task; information is not readily available from government websites. This suggests that export assistance programs be targeted at educating Botswana firms to improve their knowledge on global markets. This suggestion was supported by Ahmed et al. (2004).

In a country with a small domestic market, export orientation is crucial for firm growth both at company level and national level. The business size and age of the firm did not impact the relationship between export barriers and export performance. This suggests that when a firm has adequate export information, resources and capabilities they can achieve high export performance and perceive export barriers less. The low levels of exporting indicate that SMMEs have no incentives or they are just not able to be involved in exporting. SMMEs need to be encouraged to be involved in export business at earlier stages.

The export barriers found can be linked to Botswana's business environment. According to various reports (Mutoko, 2017; Pansiri and Yalala, 2007) about Botswana SMMEs, market access is a major challenge, poor competitiveness of the enterprises. Khanie (2018) reported that the internationalization orientation of Botswana firms is at 21.64 % which indicate low levels of doing business across the border. This is confirmed in this current study where only 28 % of firms export. There exists a great opportunity for Botswana firms to develop to reach export maturity. The government should focus on developing a robust manufacturing industry that produces good quality products and services that can compete at international level. This

will contribute towards economic diversification and also employment creation to curb the situation where graduates leaving universities annually fill up the streets.

Entrepreneurs must be encouraged to regard the global village as their market place. Previous studies indicate that businesses in Botswana fear to internationalise and to overcome that government must introduce programs focused on mind-set change towards international business.

The study adds to the theoretical findings on export barriers and performance, providing a new contextual perspective from Botswana. The findings also add to the emerging markets perspectives and because previous scholars have indicated that the export performance construct is context specific, this study therefore offers unique findings from the context of Botswana.

In Botswana, where there is limited research at firm level especially on exporting –this study add to the knowledge on exporting at firm level. This study also add on the empirical evidence on the environmental factors(export barriers) as previous literature pinpointed that even though this area is much stressed in exporting literature , limited studies have undertaken. This study therefore confirms the role of export barriers in determining the outcome of the firms export performance. Having used the proposed scale by Arteaga-Ortiz and Fernandez-Ortiz (2010) for export barriers, this study further confirms the validity and suitability of the scale proposing that the classification may be used in future studies.

With the study conducted amongst exporters and non –exporters it can be seen that SMMEs have negative perceptions about export markets even before exporting. This can be associated with lack of adequate information on the export markets. This therefore makes it difficult to validate the transaction cost theoretical assumptions. With the transaction costs associated with international markets more expensive than domestic ones, this could explain why SMMEs perceived knowledge barriers and procedural barriers as most important.

Based on the collected data, it has also been discovered that SMMEs make decisions without having conducted market research and the decisions are haphazard. This finding agree with what Donaldson (2001) shared, when he concluded that the decisions are not always rational.

# CHAPTER 6 CONCLUSIONS AND RECOMMENDATIONS

## 6.1. INTRODUCTION

### 6.2. CONCLUSIONS REGARDING RESEARCH QUESTION 1: To what extent does knowledge barriers impact export performance of SMMEs

The study investigated knowledge barriers with five factor items(lack of knowledge of potential export markets, lack of knowledge assistance programs, ignorance of export benefits, lack of information about opportunities for products /services abroad and lack of general knowledge on how to export). The results have shown lack of knowledge barriers insignificantly affect export performance. The hypothesis is supported but offers limited evidence to confirm an indication of the extent to which the absence of market knowledge has on export performance. The research question was partially answered.

### 6.3. CONCLUSIONS REGARDING HYPOTHESIS 2: To what extent does internal resource barriers impact export performance of SMMEs

The study exploited six internal resource constraints and four factors have proven to be of importance to SMMEs (lack of local banks with adequate international expertise, risk from variation of exchange rates, insufficient production capacity in the firm, inadequate foreign networks of the banks used and price control for foreign countries). The internal resource barriers were found to have a negative relationship with export performance, however the relationship was insignificant. Even though the relationship was confirmed, the evidence suggested that there was a small effect or no evidence that the null was false.. Language barriers and cultural differences had the strongest impact on firms in determining their export performance.

## 6.4 CONCLUSIONS REGARDING HYPOTHESIS 3: To what extent does procedural barriers impact export performance of SMMEs

The study investigated eight factors and found 5 to be of significance; cultural differences, language differences, tariff barriers and non-tariff barriers related to product standardisation, health, phyto-sanitary or similar barriers. The results show that there is an insignificant negative relationship between the barriers and export performance. The hypothesis is therefore supported and the research question partially answered. Lack of local banks emerged as the factor with the strongest impact.

## 6.5. CONCLUSIONS REGARDING HYPOTHESIS 4: To what extent does exogenous barriers impact export performance of SMMEs

It remains inconclusive of what the impact of exogenous barriers is to export performance as the items under these barriers did not load when assessing exploratory factor analysis.

# 6.6 RECOMMENDATIONS

The findings of this study are instrumental to policy makers, researchers, managers .From the study it is evident that external barriers (procedural barriers) were perceived more than internal barriers (knowledge barriers and internal resource constraints).To overcome these barriers it requires cooperation from all stakeholders; managers, policy makers and government organisations dealing with international trade. Managers can lobby government organisations to put pressure on national governments of their targets markets to help them overcome external barriers experienced.

## 6.6.1 PRACTICAL IMPLICATIONS FOR POLICY MAKERS

For policy makers the study provides baseline findings at firm level on how companies perceive the different barriers to export performance. This could be a valuable guideline to formulating strategies that are suitable leading to export assistance programmes that are focused and relevant. The policies or programmes designed should be more focused, where financial assistance is needed it should be for existing exporters who want to expand their operations and market information be more directed to initiating firms.

Given that SMMEs have expressed that knowledge barriers exists and hinders their export performance there is need for government arms entrusted with international trade to make available up to date information on export markets. The information should cover trade agreements the country is a signatory to, potential markets, the available programs that could

help firms prepare for foreign markers, available export assistance programs, trade regulations and restrictions, exchange rate policies, cultural and language environment of export destinations. The government should ensure to use platforms such as conferences, training programmes, seminars and workshops hosted by government departments to explain this information and reduce perceptions on the risk of exporting.

The government should assist SMMEs to actively take part in international business by making available the information on the benefits thereof made known to them. Although SMME development framework already exists in Botswana, there is need to focus on developing competitive enterprises that can sustain themselves in the foreign markets. The small domestic market is a natural reality for Botswana firms; therefore a strong commitment to build resilient international firms is crucial. There is need to eliminate the fear that has been reported in the literature reviewed by developing programs that focus on attitudinal changes by SMMEs on how they view exporting. It is also high time for government to introduce tax and other financial incentives to firms who enter foreign operations.

The government should ensure that manufacturing firms pro-actively export their goods as a way to increasing the country's export portfolio. The government should also intervene by bringing institutions such as banks on board so that they become active in assisting exporting firms and help them with international transactions and how to navigate issues such as foreign exchange rate fluctuations.

All support structures for SMMEs should ensure that an enabling environment for SMMEs is created, in relation to price control, assistance on export documentation and assistance on addressing tariff and non-tariff barriers. Various organisations such as trade organisations, organisers of professional business seminars and non-government organisations must work hand in hand to stress the benefits that can be derived from exporting at firm level and country level. One of the things that could be done is to tailor workshops specific to foreign markets opportunities available and for which industries.

Business supporting institutions have duplicated roles, hence affecting the service rendered to businesses. It is important for managers to know which organisation offer what service and be intentional in being part of trade associations such as Women in Business Botswana and Botswana Exporters Manufactures Association as a way to build networks. Social networking can be used to overcome some of the export barriers and enhance export performance.

The study findings may be used to identify which sectors of the economy has low export participations and help identify solutions to enhance it.

## 6.6.2. PRACTICAL IMPLICATIONS FOR RESEARCHERS

This study provides a base for researchers to expand on theories on exporting and bring more insights related to export barriers and export performance especially from a developing country context. More qualitative research on SMMEs and the barriers they face that impede export performance must be undertaken to find solutions on overcoming exporting barriers at the different stages of internationalization.

Researchers must also examine the effects of managerial perceptions in overcoming export barriers and increasing export performance. There is need to review the existing government programs as it has been said that if barriers to exporting have been identified targeted programs could be developed. This study can offer baseline guidelines for that. Some programs aimed at redressing the barriers could stimulate international business and consequently export performance.

## 6.5.3 PRACTICAL IMPLICATIONS FOR SMME MANAGERS

Managers should know that entering foreign markets is not without obstacles but be open to addressing the challenges met. Preparedness is crucial in minimising the barriers. In the context of this study managers would know what potential impact of lack of resources and certain capabilities, lack of knowledge and export information and procedural barriers could bring to the firm.

The findings could be used by SMMEs to gauge their readiness in terms of initiating or expanding their export operations. Where possible adapting strategies that suits their firm characteristics. Since it became apparent that SMME managers suffers from lack of knowledge. It is important that information seeking be intentional by attending business seminars and workshops, trade fairs such as the Global Expo Botswana to acquire knowledge on other business expansion opportunities available to them across borders. Attending trade fairs could also assist SMMEs in building international networks as this have been found to enhance knowledge sharing about existing opportunities in other markets. Managers must

also be pro-active in knowing the available export assistance programs and the benefits thereof.

It has been shown in this study that SMMEs do not perceive exogenous barriers as obstacles to exporting. It is therefore important for SMMEs in Botswana to focus on factors which strongly impact them such as improving internal capabilities and resources. SMMES should focus on developing strategies that reduce the effects of knowledge barriers, procedural barriers and internal resource constraints.

As poor competitiveness has been reported in reviewed studies as one of the weaknesses of businesses in Botswana, SMMEs should focus on improving their capabilities, enhancing product/ service quality and production capacities to meet the high demands. As operators of businesses in a small domestic market, managers should be export oriented from the onset and be pro-active in building teams with diverse expertise to facilitate export decisions. Managers should work hand in hand with consultants and advisory experts from institutions such as Local Enterprise Authority and Botswana Investment Trace Centre to select export markets that suit their current capabilities in order to address issues such as language and cultural differences and fluctuations of the exchange rate.

SMMEs should enrol for export readiness programs where they can be coached and mentored on their journey on international operations. Recall that the internal barriers faced by Botswana SMMEs were linked to lack of export knowledge, lack of general knowledge on how to export, lack of information about available opportunities for products and services abroad. Handling the aforementioned requires internal moves by managers.

Having established that more external barriers affect Botswana SMMEs than internal barriers and this kind of barriers cannot be fully controlled by firms; local firms should try by all means to overcome internal barriers as the government assist in reducing the external barriers. Where it is possible SMME managers should make use of the internet to enhance market intelligence and communication with foreign potential customers or trading partners. In conclusion managers could develop positive attitudes towards foreign expansion

## 6.7. LIMITATIONS

This study had some limitations of covering a detailed examination of barriers affecting export performance as the barriers are exhaustive and separate study can be conducted to cover other factors. The data collected was for a specific time period as this was a cross

sectional study and might not be adequate to investigate the relationship between export barriers and export performance. Export performance construct is better measured in a dynamic way. The survey was constrained by low response rate from SMMEs, which limited the size of respondents and otherwise the accuracy of the results.

The lack of a reliable list of exporting SSMEs could have affected the generalizability of results to all firms. On another hand the sample was taken from various source listings and not a centralised database which means it is possible that some firms were omitted as they have not been captured in this list which suggest that future studies expand on the sources of respondents. The study was also focussed on a single country context which limits the generalization of the findings to Botswana firms.

Additionally the operationalization of the constructs can be enhanced by using more indicators such as capacity utilisation and managers' international experience and manager's foreign language proficiency. Lastly the study investigated export barriers not taking into consideration the market destination characteristics which also pose a limitation to markets perceived by the firms.

## 6.8. SUGGESTIONS FOR FUTURE RESEARCH

Future research could build on the findings of this study and explore the following;

Maybe use qualitative approach to get deeper feedback from the SMMES in regard to export activities. Secondly it might be appropriate to interview government agencies that deal with enterprise development for export readiness on what are the barriers to exporting faced by firms at different stages of growth. Thirdly, future studies could be expanded to compare the barriers experienced by SMMEs to those experienced by their large counterparts; this could assist managers and policy makers in terms of adapting strategies relative to exporting. There is also a need for a follow up study that compare the barriers experienced by exporters versus those experienced by non-exporters in the context of export performance.

As this particular study was a cross sectional study it is important for future research to consider longitudinal studies using mixed methods so that deep insights may be drawn from the firms. It is also recommended that future studies replicate this study but with a larger sample size to improve validity of the study. There is also a need to replicate the study in countries with small domestic market to enhance the understanding of socio-economic factors affecting firms. Lastly given the difficulty in obtaining information on SMMEs, a nation-

wide survey on SMMEs and their export orientation must be conducted to establish SMME attitudes on exporting activities in Botswana.

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*Table 3. 2 Constructs, scales and items and sources for measures*

| **Construct (Measure on 7 point likert scale)** | **Literature Reviews** | **Dimensions** | **Comment on instrument** |
|---|---|---|---|
| Knowledge barriers | Arteaga-Ortiz and Fernandez-Ortiz (2010)<br><br>Suarez-Ortega (2003) | 1. Lack of knowledge on potential export markets<br>2. Lack of information about opportunity for products/services abroad<br>3. Inability to contact overseas customers<br>4. Lack of knowledge on the benefits of export activity | Confirmatory factor analysis was used to test validity, resulting in 4 factors loading (Arteaga-Ortiz and Fernandez-Ortiz, 2010)<br><br>Cronbach alpha of 0.82 across the 4 dimensions |
| Internal resource barriers | Arteaga-Ortiz and Fernandez-Ortiz (2010)<br><br>Suarez-Ortega (2003) | 1. Lack of financial resources<br>2. Lack of personnel to devote time to export activities | Confirmatory factor analysis was used to test validity, resulting in 4 factors loading (Arteaga-Ortiz and Fernandez-Ortiz, 2010) |

| | | | |
|---|---|---|---|
| | | 3. Lack of local banks prepared to foster international activities<br>4. Limited managerial time to deal with exports<br>5. Difficulty in obtaining financing for export operations<br>6. Lack of production capacity | Cronbach alpha of 0.70 across the 4 dimensions |
| Procedural barriers | Arteaga-Ortiz and Fernandez-Ortiz (2010)<br>Janaidu (2012)<br>Milanzi (2012) | 1. Transportation costs and shipping arrangements<br>2. Communication problems with overseas customers<br>3. Documentation issues<br>4. Tariff barriers to exports | Confirmatory factor analysis was used to test validity, resulting in 5 factors loading (Arteaga-Ortiz and Fernandez-Ortiz, 2010)<br>Cronbach alpha of 0.82 across the 4 dimensions (Mpunga, 2016) |

| | | | |
|---|---|---|---|
| | | 5. Payment collection difficulties | |
| Exogenous barriers | Arteaga-Ortiz and Fernandez-Ortiz (2010)<br><br>Okpara and Koumbidias (2009) | 1. Strong overseas competition<br>2. Unstable exchange rates<br>3. Price controls due to foreign country rules<br>4. Different socio-cultural traits | Confirmatory factor analysis was used to test validity, resulting in 4 factors loading (Arteaga-Ortiz and Fernandez-Ortiz, 2010)<br><br>Cronbach alpha of 0.68 across the 4 dimension (Suarez-Ortega, 2003, Arteaga-Ortiz and Fernandez-Ortiz, 2010) |

# Appendixes

## APPENDIX A: CONSISTENCY MATRIX

| To examine the export barriers hindering SMME export in Botswana | | | | | | | |
|---|---|---|---|---|---|---|---|
| Sub-problem/Aims | Literature Review | Hypotheses | Research questions | Variables (Independent and Dependent) | Source of data | Type of data | Analysis |
| To examine the export knowledge barriers (Lack of knowledge of potential export markets, lack of knowledge of export assistance programs, ignorance of the financial and non-financial benefits that exporting can generate, lack of information about opportunities for your | Suarez-Ortega (2003)<br><br>Okpara and Koumbiadis (2007)<br><br>Leonidou (2004)<br><br>Narayanan | **$H_1$**: Due to lack of export knowledge there will be negative relationship between export barriers and export performance.in SMMES in Botswana. | To what extent does knowledge barriers impact export performance of SMMEs | IV- export knowledge barriers<br><br>DV- export performance | Survey Questionnaire<br><br>Question KB1-KB5 | Ordinal | Correlations<br><br>Descriptive<br><br>Regression |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| products/services abroad, general knowledge of how top export<br>) benefits hindering SMME export performance in Botswana | (2015) | | | | | | |
| To examine the internal resources constraints (High financial costs of the methods of payments used in international operations, insufficient production capacity in your firm, lack of staff export planning , insufficient production capacity in your firm, lack of local banks with adequate international expertise, inadequate foreign network of the | Suarez-Ortega (2003)<br><br>Okpara and Koumbiadis (2007)<br><br>Narayanan (2015)<br><br>Leonidou (2004) | **$H_2$**: Due to lack of internal resources there will be a negative relationship between internal resource barriers and export performance.in SMMES in Botswana. | To what extent does internal resource constraints impact export performance of SMMEs | IV- internal resource constraints<br><br>DV- export performance | Survey Questionnaire<br><br>Question IRB1-IRB6 | Ordinal | Correlations<br><br>Descriptive<br><br>Regression |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| banks you work with<br>) hindering SMME export performance in Botswana | | | | | | | |
| To examine the procedural barriers (Transport costs and shipping arrangements, differences in product usages in foreign markets, documentation and red tape required for the export operation, language differences, cultural differences, tariff barriers to exports, non-tariff barriers related to standardisation of product, health, phyto-sanitary or similar barriers, locating a suitable distributor or | Suarez-Ortega (2003)<br><br>Okpara and Koumbiadis (2007)<br><br>Narayanan (2015)<br><br>Leonidou (2004) | **$H_3$:** Due to procedural barriers there will be negative relationship between procedural barriers and export performance.in SMMES in Botswana. | To what extent does procedural barriers impact export performance for SMMEs | IV- Procedural barriers<br><br>DV- Export performance | Survey Questionnaire<br><br>Question PB1-PB8 | Ordinal | Correlations<br><br>Descriptive<br><br>Regression |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| distribution channels<br>) hindering SMME export performance in Botswana | | | | | | | |
| To examine the exogenous (Strong overseas competition, risk from variation of exchange rates, risk of losing money by selling abroad, political instability, price controls by foreign countries<br>) barriers hindering SMME export performance in Botswana | Suarez-Ortega (2003)<br><br>Okpara and Koumbiadis (2007)<br><br>Narayanan (2015)<br><br>Leonidou (2004) | **$H_4$**: Due to exogenous barriers there will be negative relationship between exogenous barriers export and export performance.in SMMES in Botswana. | To what extent does exogenous barriers impact export performance for SMMEs | IV- Exogenous barriers<br><br>DV- Export performance | Survey Questionnaire<br><br>Question EB1-EB5 | Ordinal | Correlations<br><br>Descriptive<br><br>Regression |

# APPENDIX B: RESEARCH INSTRUMENT

**Revised Research Instrument**

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Start of Block: Survey Instruction



Consent

Consent Form

WITS BUSINESS SCHOOL

Welcome to the research study!

My name is Gloria Molefe, I am a postgraduate student at the University of Witwatersrand Business School, reading for a Master of Management in Entrepreneurship and Venture Creation. The topic of my research is " The Factors Hindering Export Development in Botswana, A focus on SMMEs".

In order to accomplish my research objectives, a questionnaire has been prepared to gather information regarding the export barriers faced by SMMEs in Botswana. I kindly request you to complete the attached questionnaire, which will take about 10 minutes to complete. Your response will be of great value to the research.

You will be presented with questions on knowledge barriers, internal resource barriers, procedural barriers and exogenous barriers with relevant scales and asked to answer questions about it. Please be assured that your identity and responses will be kept completely confidential. Your participation in this research is voluntary. You have the right to withdraw at any point during the study, for any reason, and without any prejudice.

Your views are very important to me.

Yours sincerely

Gloria Molefe

Contact: +267 74151731

Email: 2015232@students.wits.ac.za

If you would like to contact the supervisor/lecturer in the study to discuss this research, please e-mail Professor Boris Urban at boris.urban@wits.ac.za.

By clicking the button below, you acknowledge that your participation in the study is voluntary, you are 18 years of age, and that you are aware that you may choose to terminate

your participation in the study at any time and for any reason.

Please note that this survey will be best displayed on a laptop or desktop computer. Some features may be less compatible for use on a mobile device.

Do you consent to take part in this study?

- ○ I consent, begin the study (1) (1)
- ○ I do not consent, I do not wish to participate (2) (2)

**End of Block: Survey Instruction**

---

**Start of Block: Demographics**

This section asks your background information. Please indicate your answer by selecting the appropriate answer.

---



DM1 Gender

- ○ Male(1)  (1)
- ○ Female(2)  (2)
- ○ Other (3)  (3)



DM2 Age

- ○ Below 18 (1)  (1)
- ○ 19- 25 (2)  (2)
- ○ 26-35(3)  (3)
- ○ 36- 45(4)  (4)
- ○ 46-55(5)  (5)
- ○ 56-65(6)  (6)
- ○ 66-75(7)  (7)
- ○ 76 and above(8)  (8)

DM3 Ethnic group

- White(1) (1)
- African(2) (2)
- Indians(3) (3)
- Asian(4) (4)
- Other(5) (5)

DM4 Education

- ○ Below Primary School Leaving Examination (1)  (1)
- ○ Primary School Leaving Examination Certificate (2)  (2)
- ○ Junior School Certificate (3)  (3)
- ○ BGCSE Certificate (4)  (4)
- ○ Diploma Certificate (5)  (5)
- ○ Bachelors degree certificate (6)  (6)
- ○ Masters degree certificate (7)  (7)
- ○ Doctorate (8)  (8)

**End of Block: Demographics**

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**Start of Block: Firm Characteristics**

Below are statements about firm characteristics. Choose the option that suits you best

FC1 What industry best describes the classification of your business?

- ○ Agriculture, Forestry and Fishing(1)  (1)
- ○ Mining and Quarrying(2)  (2)
- ○ Manufacturing(3)  (3)
- ○ Electricity, Gas, Steam and Air Supply(4)  (4)
- ○ Water management(5)  (5)
- ○ Construction(6)  (6)
- ○ Wholesale, and Retail trade, Repair and of motors(7)  (7)
- ○ Transportation and storage(8)  (8)
- ○ Accomodation and Hospitality(9)  (9)
- ○ Financial and Insurance activities(10)  (10)
- ○ Real estate activities(11)  (11)
- ○ Administration(12)  (12)
- ○ Arts , entertainment and recreation(13)  (13)

- ○ Professional, Scientific and Technical Activities(14)  (14)
- ○ Other(15)  (15)

---

X→

FC2 What form of ownership best describes your business?

- ○ Sole proprietorship (1)  (1)
- ○ Closed corporation (2)  (2)
- ○ Partnership (3)  (3)
- ○ Private company (4)  (4)

---

X→

FC3 Please indicate the size of your business

- ○ 0-5 years (1)  (1)
- ○ 6-10 years (2)  (2)
- ○ 11-20 years (3)  (3)
- ○ 21-30 years (4)  (4)
- ○ 31 + years (5)  (5)

---

X→

FC4 Please indicate the number of employees

- ○ 1-6 (1)  (1)
- ○ 7-24 (2)  (2)
- ○ 25-100(3)  (3)
- ○ Above 101(4)  (4)

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X→

FC5 Please indicate your annual turnover

- ○ Up to P60 000 (1)  (1)
- ○ Between P60 001- P1 500 000 (2)  (2)
- ○ Between P 1 500 000- 5 000 000 (3)  (3)

**End of Block: Firm Characteristics**

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**Start of Block: Exporting Development**

EI 1 Please choose the statement that is relevant to your company

- ○ We have never been involved in exporting(1)  (1)
- ○ We are currently exporting(2)  (2)
- ○ We used to export but we are no longer exporting(3)  (3)

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EI 2 What are the motivations for your company to export?

- ○ To increase sales (1)  (1)
- ○ To develop strategic partnerships (2)  (2)
- ○ To increase customer base (3)  (3)
- ○ To drive an international presence (4)  (4)
- ○ Favourable currency exchange (5)  (5)
- ○ To support local agents, distributors or partners (6)  (6)
- ○ Other motivations(7)  (7)

EI 3 How long has your company been exporting?

- ○ less than 1 year(1)  (1)
- ○ 1-5 years (2)  (2)
- ○ 6-10 years(3)  (3)
- ○ 11-15 years (4)  (4)
- ○ More than 16 years (5)  (5)

EI 4 I have experienced sales growth since I started exporting

- ○ Strongly agree(1)  (1)
- ○ Agree(2)  (2)
- ○ Somewhat agree(3)  (3)
- ○ Neither agree nor disagree(4)  (4)
- ○ Somewhat disagree(5)  (5)
- ○ Disagree(6)  (6)
- ○ Strongly disagree(7)  (7)

EI 5 The ratio of export profit to overall profitability is significant

- ○ Strongly agree(1)  (1)
- ○ Agree(2)  (2)
- ○ Somewhat agree(3)  (3)
- ○ Neither agree nor disagree(4)  (4)
- ○ Somewhat disagree(5)  (5)
- ○ Disagree(6)  (6)
- ○ Strongly disagree(7)  (7)

EI 6 Export sales lead to growth in market share

- ○ Strongly agree(1)  (1)
- ○ Agree(2)  (2)
- ○ Somewhat agree(3)  (3)
- ○ Neither agree nor disagree(4)  (4)
- ○ Somewhat disagree(5)  (5)
- ○ Disagree(6)  (6)
- ○ Strongly disagree(7)  (7)

EI 7 Managers overall satisfaction with the company's export performance

- ○ Extremely satisfied (1)  (1)
- ○ Moderately satisfied (2)  (2)
- ○ Slightly satisfied (3)  (3)
- ○ Neither satisfied nor dissatisfied (4)  (4)
- ○ Slightly dissatisfied (5)  (5)
- ○ Moderately dissatisfied (6)  (6)
- ○ Extremely dissatisfied (7)  (7)

**End of Block: Exporting Development**

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**Start of Block: Knowledge barriers**

This section refer to the barriers associated with lack of information and knowledge about all aspects related to export activity. Please give your company’s evaluation of the importance of the following barriers to initiating and expanding exports

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To what extent does each of the barriers to export indicated below make it difficult for your company to initiate or expand its export activity?

| | Far too much (1) | Moderately too much (2) | Slightly too much (3) | Neither too much nor too little (4) | Slightly too little (5) | Moderately too little (6) | Far too little (7) |
|---|---|---|---|---|---|---|---|
| KB1. Lack of knowledge of potential export markets (1) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| KB2. Lack of knowledge of export assistance programs (2) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| KB3. Ignorance of the financial and non-financial benefits that exporting can generate (3) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| KB4. Lack of information about opportunities for your products/services abroad (4) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| KB5. General Knowledge of how top export (5) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |

**End of Block: Knowledge barriers**

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**Start of Block: Internal Resource Barriers**

These barriers refers to the need for a firm to possess a series of resources in order for it to be able to initiate export activity

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IRB To what extent does each of the barriers to export indicated below make it difficult for your company to initiate or expand its export activity?

| | Far too much (1) | Moderately too much (2) | Slightly too much (3) | Neither too much nor too little (4) | Slightly too little (5) | Moderately too little (6) | Far too little (7) |
|---|---|---|---|---|---|---|---|
| IRB1. High financial costs of the methods of payments used in international operations (1) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| IRB2. Insufficient production capacity in your firm (2) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| IRB3. lack of staff export planning (3) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| IRB4. Insufficient production capacity in your firm (4) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| IRB5. Lack of local banks with adequate international expertise (5) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| IRB6. Inadequate foreign network of the banks you work with (6) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |

**End of Block: Internal Resource Barriers**

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**Start of Block: Procedural barriers**

PB These obstacles pertains to the activity itself and originate in both domestic and international markets.

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Click to write the to what extent does each of the barriers to export indicated below make it difficult for your company to initiate or expand its export activity? Question text

| | Far too much (1) | Moderately too much (2) | Slightly too much (3) | Neither too much nor too little (4) | Slightly too little (5) | Moderately too little (6) | Far too little (7) |
|---|---|---|---|---|---|---|---|
| PB1. Transport costs and shipping arrangements (1) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| PB2. Differences in product usages in foreign markets (2) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| PB3. Documentation and red tape required for the export operation (3) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| PB4. Language differences (4) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| PB5. Cultural differences (5) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| PB6. Tariff barriers to exports (6) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |

| | | | | | | |
|---|---|---|---|---|---|---|
| PB7. Non-tariff barriers related to standardisation of product, health ,phytosanitary or similar barriers (7) | ○ | ○ | ○ | ○ | ○ | ○ |
| PB8. Locating a suitable distributor or distribution channels (8) | ○ | ○ | ○ | ○ | ○ | ○ |

**End of Block: Procedural barriers**

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**Start of Block: Exogenous barriers**

These barriers originate in the uncertainty of international markets

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EB To what extent does each of the barriers to export indicated below make it difficult for your company to initiate or expand its export activity?

| | Far too much (1) | Moderately too much (2) | Slightly too much (3) | Neither too much nor too little (4) | Slightly too little (5) | Moderately too little (6) | Far too little (7) |
|---|---|---|---|---|---|---|---|
| EB1. Strong overseas competition (1) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| EB2. Risk from variation of exchange rates (2) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| EB3. Risk of losing money by selling abroad (3) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| EB4. Political instability (4) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| EB5. Price controls by foreign countries (5) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |

**End of Block: Exogenous barriers**

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**Graduate School of Business Administration**
**University of the Witwatersrand, Johannesburg**

Wits Business School

**Wits Business School Ethics Committee**
Constituted under the University Human Research Ethics Committee (Non-Medical)

## Ethics Clearance Certificate

**Ethics protocol number:** WBS/BA2015232/698
*This certificate is only valid with a legitimate ethics protocol number and signed by the Researcher (below)*

| | |
|---|---|
| **Project title** | 'Factors hindering export performance in Botswana, a focus on SMMEs'. |
| **Investigator / Researcher** | Ms Gloria Molefe |
| **Nature of Project** | MM (Entrepr & New Venture Creation) |
| **Decision of the Committee** | Approved unconditionally |
| **Issue Date of Certificate** | 2019/11/20 |
| **Expiry date** | Date of submission of the project report |
| **Chairperson** | Prof Anthony Stacey<br>+27 11 717 3587<br>+27 82 880 4531<br>anthony.stacey@wits.ac.za |

**Declaration by Researcher**

*One copy must be signed by the Researcher and returned to the Chairperson of the Wits Business School Ethics Committee.*

I fully understand the conditions under which I am authorized to carry out the abovementioned research and I guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I undertake to resubmit the protocol to the Committee.

MOLEFE
Signature

20/11/19.
Date: