JORDANIAN SMALL AND MEDIUM ENTERPRISES (SMEs) BARRIERS TO ENTER INTO FOREIGN MARKETS

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Abstract - The study identified the key barriers that confront Jordanian SMEs to inter into foreign markets. A field study was conducted to collect data from a sample of (60) SMEs foreign trade units, represent Jordanian SMEs, engaged in exporting into foreign markets, or strive to enter into those markets. The most important findings were: language difference between home and host country, difference in social approaches between home and host country, insufficient R&D investments, legal procedural complexity in the home country, lack of express service within the home economy, corruption in the home economy have a significant effect on Jordanian SMEs entry into foreign markets. At individual institutional barrier level, the difference in social approaches is the most important barrier for Jordanian SMEs, followed by legal procedural complexity. The findings of the paper correspond with previous research findings on legal procedural complexity in the home country, differences in social approach between participating firms also increase complexity in the exporting process and hence, affect entry into foreign markets, language barriers indicate lower language ability of home firm communication flow with its foreign parallel one. Lack of express service within the home economy, corruption, R&D investments are also work as constraints to SMEs entry into foreign markets. Researcher presented a set of recommendations, the most important ones were: Investing and supporting Jordanian SMEs more actively is the most realistic strategy as the country, as many other emerging countries, suffer from an inadequate supply of capital to support growth of larger industries. Jordanian SMEs owners and managers needed to be responsive about the different entry modes available to firms in the context of the operating environment. The policymakers along with other stakeholders should address and support Jordanian SMEs to overcome those barriers, and facilitate a smooth internationalization process to ensure the expected pace of national development. The identification of barriers that confront Jordanian SMEs to enter into a foreign market is important, since they, like most other SMEs in an emerging economy, cannot undertake independent research considering resource limitation, therefore, Jordanian government along with other formal authorities should undertake and finance this independent research.

Keywords - Market entry, SMEs, barriers, Emerging economy.

I. INTRODUCTION

For decades, entering foreign markets has been a topic of extensive debate, yet there is an agreement among researchers that they need more entry mode studies for more understanding (Arslan et al., 2015; Hennart and Slangen, 2014). Multinational companies attracted the most interest leaving SME entry mode research relatively under exploration (Brouthers and Hennart, 2007). SMEs have a number of foreign entry mode options and exporting has been identified as one of the most important among those (Lu and Beamish, 2001). Direct and indirect exporting has been identified as the most dominant, and popular due to the lower cost commitment and lower degree of risk involved in it (Leonidou et al., 2010; Wheeler et al., 2008).

However, despite the need for SMEs to internationalize, little is known about the barriers that hinder or slow down the process (Laufs and Schwens, 2014). This, despite an increasing number of international SMEs failing to thrive, is regardless of the size of the economy (Hulbert et al., 2013). The failure rates are extremely high for emerging countries (Khalique et al., 2011; Fatoki and Asah., 2011). Based on the gap in existing research, and from the context of an emerging country, this paper intends to explore the barriers confront Jordanian SMEs entry into foreign markets.

To explore the barriers of Jordanian SMEs to inter into foreign markets, this paper has used an institutional approach. Institutional factors affect export propensity and performance, and therefore omitting institutional dynamics in exploring drivers and performance could seriously limit our understanding (Gao, etal.2010). Due to their size, SMEs are vulnerable to institutional barriers, and careful consideration of such obstacles to maintaining growth must be emphasized (Hessels and Parker, 2013). The need for additional research in the area of home country institutional possible barriers is vital (Laufs and Scshwens,2014). This paper examines home country factors that may act as barriers for Jordanian SMEs to inter into foreign markets. The determinants of SMEs entry into foreign markets have been previously examined in international marketing literature (D'Angelo et al., 2013; Morgan et al., 2004). However, findings may not be applicable to developing economies as a majority of studies are focused on North American or European SME sectors (Bruton et al., 2008).

Socio-economic aspects of developed countries differ from developing countries (Gao et al., 2010; Peng et al., 2008), so generalizing could be misleading (Milanzi, 2012). This study collected data from Jordanian SMEs. Jordan was chosen due to a heavy dependence on SMEs as a major source of economic growth.

II. DEFINING THE PROBLEM

TThe Problem of the study is centered on the belief that the low level of Jordanian small and medium enterprises contribution in foreign markets may indicates to the existence of a problem due to certain barriers preventing them from entering those markets. In general, the problem of the study can be crystallized by asking the following questions:

1. Would language difference between home and host country work as a barrier for Jordanian SMEs to enter into foreign markets?
2. Would difference in social approaches between home and host country work as a barrier for Jordanian SMEs to enter into foreign markets?
3. Would insufficient R&D investments work as a barrier for Jordanian SMEs to enter into foreign markets?
4. Would legal procedural complexity in the home country work as a barrier for Jordanian SMEs to enter into foreign countries?
5. Would lack of express service within the home economy work as a barrier for Jordanian SMEs to enter into foreign markets?
6. Would corruption in the home economy work as a barrier for Jordanian SMEs to enter into foreign markets?

III. THE HYPOTHESIS OF THE STUDY

The field study was designed to test the following hypothesis, as follows:

3.1 The first hypothesis:
H01: Language difference between home and host country wouldn't work as a barrier for Jordanian SMEs to enter into foreign markets.
3.2 The second hypothesis:
H02: Difference in social approaches between home and host country wouldn't work as a barrier for Jordanian SMEs to enter into foreign markets.
3.3 The third hypothesis:
H03: Insufficient R&D investments wouldn't work as a barrier for Jordanian SMEs to enter into foreign markets.
3.4 The fourth hypothesis:
H04:Legal procedural complexity in the home country wouldn't work as a barrier for Jordanian SMEs to enter into foreign countries.
3.5 The fifth hypothesis:
H05: Lack of express service within the home economy wouldn't work as a barrier for Jordanian SMEs to enter into foreign markets.
3.6 The sixth hypothesis:
H06:Corruption in the home economy wouldn't work as a barrier for Jordanian SMEs to enter into foreign markets.

IV. METHODOLOGY OF THE STUDY

4.1 Population and Sample
With the help of the Ministry of Trade and Industry recent Publications, the population of the study is composed of Jordanian SMEs, in various productive sectors, which engaged in exporting into foreign markets or strive to enter into those markets. A purposeful sample of (60) SMEs foreign trade unit director, have been adopted to obtain data for the study. Hence, the director, can be regarded as the unit of analysis for this study.

4.2 Data collection tools
To collect data for the current study and its variables, a questionnaire by using likert scale has been designed, it consisted of thirty dedicated phrases to measure the six independent variables (barriers), (language difference, difference in social approaches, insufficient R&D investments, legal procedural complexity, lack of express service, corruption) on Jordanian SMEs entry into foreign markets.

4.3 Sources for obtaining data
The researcher adopted two sources to collect data for this study:
1- Secondary data sources:
Included, references, literature, and periodicals relevant to the study in order to clarify basic concepts related, its various dimensions, and to identify the most important and relevant studies on the subject.
2- Primary data sources:
Questionnaire was designed for collecting data from the directors of foreign trade unit in the Companies involved, about the effect of the following variables: (Language difference, Difference in social approaches, Insufficient R&D investments, Legal procedural complexity, Lack of express service, Corruption) on Jordanian SMEs entry into foreign markets.

4.4 The statistical analysis methods used:
Since the study is descriptive, and analytical, the most appropriate statistical methods, for the purpose of analyzing variables and testing hypotheses, are the following:
1-Descriptive statistics (means, standard deviations, and relative weights) have been used to describe the proposed variables that maybe prevent Jordanian SMEs to enter into foreign markets.
2-One-Sample T-test: to test whether the proposed variables (language difference between home and host country, difference in social approaches between home and host country, insufficient R&D investments, legal procedural complexity in the home country, lack of express service within the home economy, corruption in the home economy) would work as barriers for Jordanian SMEs to enter into foreign markets.

4.5 Validity and reliability

1. (Validity) means the ability of the instrument to measure the variables that are designed to measure. Questionnaire has been introduced to a number of specialists in marketing studies to ascertain the validity of the instrument.

2. The reliability of the tool: refers to the possibility of obtaining the same results if the measurement re-evaluated under the availability of similar circumstances and by using the same tool for the measurement tool. (Cronbach's Alpha) is used to determine the degree of reliability of the tool. The Overall Reliability coefficient was (0.775) which is higher than the acceptable limit (.60).

V. FINDINGS AND RECOMMENDATIONS

This section contains the main findings and recommendations of the study that can be summarized as follows:

5.1 Finding

This study has estimated if the proposed home country barriers to enter into foreign markets would work as barriers for Jordanian SMEs to enter into foreign markets. Therefore, overall findings support the hypotheses.

1. The paper has found language difference between home and host country, difference in social approaches between home and host country, insufficient R&D investments, legal procedural complexity in the home country, lack of express service within the home economy, corruption in the home economy have a significant effect on Jordanian SMEs entry into foreign markets.

2. The overall findings that support the hypotheses have a clear indication of our prediction based on literature that these home country factors act as possible barriers for SMEs entry into foreign markets.

3. The results of the paper correspond with previous research findings on Legal

procedural complexity in the home country since, the ease of doing business varies from country to country due to the legal processes (Al-Hyari et al., 2012), differences in social approach between participating firms also increase complexity in the exporting process and hence affect entry into foreign markets (Pinho and Martins, 2010),language barriers (OECD, 2006) that indicate lower language ability of home firm personnel hinder the communication flow between the home organization and its foreign parallel one. As a result, SMEs entry to foreign markets would become more complex and costly (Uner et al., 2013; Pinho and Martins, 2010). The paper has also found that lack of express service within the home economy (OECD, 2006), corruption (Okpara and Kabongo, 2010), R&D investments (Yam et al., 2011), are also work as constraints to SME entry into foreign markets.

4. This study provides a comprehensive understanding about foreign market entry barriers for the SMEs in the case of emerging economies, since the most of the previous studies have not adequately addressed this field, except, Uner et al. (2013), and Pinho and Martins (2010), who explored the export barriers within emerging markets and found similar results.

5. At individual institutional barrier level, the paper has found that difference in social approaches is the most important barrier for Jordanian SMEs. Other more important barriers include Legal procedural complexity. This is in contrast to the results found in Uner et al. (2013) who found procedural barrier as the most important barrier for Turkish SMEs. The result for Jordanian SMEs is also in variance with other studies like Pinho and Martins (2010) have found informational barrier as most prominent for Portuguese and Spanish SMEs. The differences in results are clear indications of the impact of different institutional settings on export barriers. Developed countries like Spain have a different institutional setting compared to Jordan. . Moreover, Turkey and Portugal are also relatively different from Jordan. Therefore, differences in relative importance of export barriers are not surprising. The previous examples

Reflect the social and economic differences between different communities about social and economic barriers.

5.2 Recommendations

1. Investing and supporting Jordanian SMEs more actively is the most realistic strategy as the country, as many other emerging countries, suffer from an inadequate supply of capital to support growth of larger industries.

2. Jordanian SMEs owners and managers needed to be responsive about the different entry modes available to firms in the context of the operating environment.

3. The findings from this paper are of enormous importance to practitioners and policymakers as it points clearly that Jordanian SMEs suffer from economic and social barriers while they plan to enter into foreign markets.

4. The policymakers along with other stakeholders should address and support Jordanian SMEs to overcome those barriers, and facilitate a smooth internationalization process to ensure the expected pace of national development.

5. Develop a hierarchical reflective model to assess the barriers to enter into foreign markets for the SMEs in a developing country.

6. The identification of barriers that confront Jordanian SMEs to enter into a foreign market is important, and Jordanian SMEs, like most other SMEs in an emerging economy, cannot undertake independent research considering resource limitation (Ghauri et al., 2003), Jordanian government along

with other formal authorities should undertake and finance this independent research.

7. Since there is a lack of research on SME entry mode from the context of an emerging market, further studies in this area should be conducted.

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