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# INFLUENCE OF PERCEIVED EXPORT BARRIERS ON THE EXPORT INTENSITY OF THE CROATIAN MANUFACTURERS

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***Abstract***

*This paper examines the influence of the perceived export barriers on export intensity. The survey was conducted on the sample of 100 Croatian manufacturers. Upon review of the literature 14 variables of the export barriers have been identified. The results reveal a negative relationship between the perceived export barriers on export intensity. Factor analyses were used to sort variables to 4 categories. This model introduced external environment factor, organization and commitment, governmental factor and financial factor as critical obstacles to export intensity of Croatian companies. The survey emphasized the prevailing role of the export experience and knowledge in effective overcoming export challenges and recognizing export opportunities.*

***Keywords: internationalization, export barriers, export intensity, managers' experience***

# 1. INTRODUCTION

Globalization and liberalization have improved international trade dramatically in the past several decades. Continuous market deregulations, regional trade agreements caused significant growth of the world export. As of 2009 until 2015 the global export of goods increased by 50% (WTO Statistics; 2010 – 2015). Nevertheless, trade barriers still exist.

Export companies worldwide are facing difficulties when entering international markets. Dealing with such obstacles influences the decision to enter foreign market, and finally, export performance. For that reason, solving barriers' problem is the essential part of marketing strategy.

Management and marketing academic literature has placed many conceptual suggestions for improvement of the internationalization processes (Aaby and Slater 1989). Export barriershave been the subject of empirical research since internationalization took a swing (Groke and Kreidle, 1967; Morgan and Katsikeas, 1998; Rabino 1980; Leonidou, 2000). However, multiple studies have shown that the relationship between export barriers and level of export activity is somewhat controversial. Some studies proved a negative relationship, e.g.Leonidou(2000),while the others proved a positive relationship,e.g.Kneller and Pisu (2011). Consequently, the relation between export barriers and success in the international market is an inexhaustible research problem.

According to theWorld Bank (2016) national accounts data, approximately 49,38% of Croatian's GDP comes from the export of goods and services tointernational markets. Despite becoming the member of European Union, export of goods has not been changed as expected (Statistical Yearbook, 2014, 2015). Although tariff barriers have dropped, Croatian exporters are still experiencing complications in the process of internalization. Consequently, only 15% of Croatian companies export (Central Government Portal).

Competitiveness of Croatian companies has been the subject of several studies. Jakšić and Žmuk (2014) have searched for the reasons why Croatia did not manage to recover exports above the pre-crisis level. They came to conclusion thatCroatia is the only CSEE economy where the real exchange rate is the key factor of export dynamics. Croatian export is heavily dependent on German real exchange rate directly and US real exchange rate indirectly. Buturac and Gržinić (2009) stated that the differences in the size of Croatian export among EU countries could be well explained by the geographical distance between Croatia and individual EU countries, as well as, by the GDP of the EU countries.Croatian manufacturing industry is characterized by the lack of investment in production and reduced innovating competences of the companies (Bezić et al., 2011). For that reason Croatian exporters rely on cost reductions and improvements in labour productivity (Stojčić, 2012).

Since there are no studies concerning export barriers that affect Croatian exporters, it is justifiable to conduct such a research. The main purpose is to determine key export obstacles that threaten export performance measured by export intensity. This survey presents deeper insight into the export barriers and the extent to which such limitations hinder export activities. Data for the study were obtained via questionnaire on the sample of 100 Croatian companies.

The paper is structured as follows: introduction, literature review, methodology, results, discussion and conclusion with implications for further research.

# 2. LITERATURE REVIEW

## 2.1. Export performance and export intensity

Export performance has been a subject of numerous studies dealing with companies' internationalization. The earliest papers described the very process of the internalization (Bilkey and Tesar, 1977; Cavusgil, 1982, 1984; Czinkota and Johnston, 1981; Johanson and Weidernsheim-Paul, 1975). Some later authors have deepened the issue writing about international performance (Bilkey, 1982; Kirpalany and Macintosh, 1980; Rosson and Ford, 1980, 1982; Shoham and Albaum, 1994; Shoham, 1998; Sousa, Martínez-López, and Coelho, 2008; Wheeler, Ibeh, and Dimitratos,2008). However, there is no consensus among researches about unique definition of the export performance.Export performance represents the outcome of a firm's activities in export markets (Papadopoulos and Martín Martín, 2010). Export performance can also be defined as the resultof the company's international activities. From this perspective, export performance is the extent to which the company achieves its objectives when exporting a product to an international market (Navarro et al., 2010).Shoham (1998) introduced a threedimensional measurement of the export performance. Those subdimensions are: sales, change of sales and profitability. Change of sales is a benchmark dimension and refers to export sales and the sales of the reference point, such as competitor export sales or company's past export sales (Shoham, 1998).

Export intensity is one of the export performance measures, together with perceived profitability (Bilkey, 1982) and continuous export engagement (Brooks and Rosson, 1982). It is defined as the percentage of the international sale (Axinn, 1988; Pan and Chi, 1999; Rose and Shoham, 2002; Mánez-Castillejo et al., 2010).On the other hand, export intensity could be understood as the proportion of the production exported in relation to total production (Lageset at, 2008).

Export intensity directly influences the degree of the internationalization (Pla and Cobos,2002). The bigger the export intensity coefficient, the higher the level of internationalization.

According to the literature on internationalization, the most important factors that influence export performance are managers' perceptions on export activities (Aaby and Slater, 1989; Zou and Stan, 1998) as well as managers' perceptions on export barriers.

## 2.2. Export barriers

Export barriers can be defined as the attitudinal, structural, operational and other constraintsthat hinder a firm's ability to initiate, develop or sustain international operations(Koksal and Kettaneh, 2011; Leonidou, 2004). Such obstacles are also defined as the problems that prevent non-internationalized companies to be involved in the process of the internationalization (Morgan and Katsikeas, 1998).

Since the globalization process started, the necessity for adaptation to the challenges of the rising international trade has become an important research problem to many authors (Leonidou, 2000).

One of the earliest researches dealing with export barriers was conducted by Groke and Kreidle (1967). They identified main obstacles to export: the lack of specific information on the export activity (including transportation, credit extension, documentation and data about product adaptation), the competition in the target markets, the difficulties connected to the export activity such as government restrictions, documentation, market segmentation, cost and availability of transport and administrative problems in the foreign market.

There were continuous studies during the ninth decade of the last century. For example Rabino (1980) detected 10 export barriers, Bauersmidt et al. (1985) 17 export barriers.

Morgan and Katsikeas (1997) investigated export obstacles of the small and medium sized enterprises and grouped them as follows: export marketing knowledge and communication, national export administration, product characteristics and export competitive position.

Schroath and Korth (1998) divided 211 barriers into nine groups: foreign market opportunities, lack of knowledge about the opportunities in the export market, lack of qualified personnel, lack of knowledge about export regulation, problems of language and culture, exchange of currencies, costs of international operations, lack of capital for the expansion abroad, concern about the domestic market and other barriers.

One of the most cited authors is Leonidou (1995a, 1995b, 2000, 2004). He proposed two broad categories of the barriers. Internal barriers exist within the organization and are often associated with resources of the company or its international marketing strategy. External barriers take place outside the company, either in the domestic or international market Leonidou (1995a, 2004.). Parallel approach is found in the study of Koksal and Kettaneh (2011). They conducted a study of two developing countries, Turkey and Lebanon, by dividing export barriers in two groups; internal barriers and external barriers. Their study showed that the burden of tariff/non-tariff barriers by host countries negatively affected the performance of firms in both samples, based on export volume and market share. They found that a strong brand image in foreign markets offers prospects for capitalizing on economies of scale, developing global markets and helping to establish a firm's visibility and position in the minds of international consumers.

In another Leonidou'spaper (Leonidou, 2000) 20 export barriers[1] were analyzed on the base of 100 Cyprus export companies. These barriers were categorized in six groups: corporate resource constraints, environmental differences, export bureaucracy and legislation, government apathy, foreign market entry and operating difficulties and competitive pressures.

Similar classification is found in an earlier survey. Katsikeas and Leonidou (1996) grouped 24 export barriers in eight categories: information and communication with the export market, product adaptation, restrictions of export prices, adaptation of the marketing strategies, exogenous logistical constraints, national export policy, procedural complexity and devaluation of the domestic currency.

Westhead et al. (2002) offered their conceptual model of export barriers which were organized as follows: strategic barriers, information barriers, and operational barriers. Additionally,Arteaga and Fernández (2010) propose another classification of export barriers dividing them into 4 groups: barriers of knowledge, resources based barriers, process barriers andexternal barriers.

Da Silva and Da Rocha (2001) studied 69 exporters from Brazil and proved that lack of incentives, strong international competition and exchange rate policies are the most influential obstacles to export activities. Ortega's paper (2003) on Spanish exporters and non-exporters, involving only small and medium sized enterprises, is another research that introduced lack of resources, strong foreign competition and lack of export knowledge as export barriers (Ortega, 2003). Based on the study, he concluded that export procedures can be the main motive for the introduction of an export activity (Altintas, Tokol, and Harcar, 2007).

[1] Existence of keen competition abroad, inability to offer satisfactory prices, deteriorating of economic conditions abroad, lack of government assistance, limited information to locate and analyze foreign markets, high political risk or instability abroad, perception of high business risks and costs abroad, shortage of working capital, high tariff and non-tariff barriers, inadequate transportation and infrastructural facilities, restrictions imposed by rules and regulations, different customer habits and attitudes, difficulty in locating and obtaining representation, unfavorable foreign exchange rates, different product standards and specifications, inadequate and untrained staff, unfamiliarity of foreign business practice, different cultural traits and language abroad, difficulty in handling documentation and procedures and inability to offer technical after sales service.

Kneller and Pisu referred to changes in consumers' preferences, the presence of middlemen and agent representatives, import tariffs, problems finding a dependable distributor in the target market, exchange rate instabilities, risk of losing money in the international market, and quality and safety standards as potential export barriers to firms (Kneller and Pisu, 2011).

Taking into consideration revisited literature; there is no uniform classification of the export barriers and, accordingly, no common opinion about which obstacle is the most threatening and how to overcome it.

Leonidou (2004) considered the inadequate information, low price competitiveness, the consumers' buying habits and political-economic barriers as major obstacles for achieving desired export intensity.

According to numerous papers (eg, Katsikeas and Morgan, 1994;Julian and Ahmed, 2005; Hutchinson et al., 2009), the acquisition of information is a precondition forincreasing export activitybecause it reduces uncertainty ( Souchon and Diamantopoulos, 1997, 1999) and increases export performance (Yeoh, 2000).

## 2.3. The impact of export performance and export intensity on export barriers

The relationship between export barriers and export performance or intensity was the subject of many research papers. However, the results are not entirely in accordance. For example, Zou and Stan (1998, p. 351) analysed 50 studies dealing with export performance conducted all over the world. The conclusion is that the export barriers fail to be significant predictors of export performance. These findings suggest that it is important for the management to focus on the advantages rather than barriers to exporting, and keep a positive attitude toward the outlook of export operations (Zou and Stan, 1998).

Kneller and Pisu (2011) came to the conclusion that among many firm- and industry-level variables, only export experience appeared to be significantly related, in a negative way, to trade costs generated by specific barriers. The companies are able to learn from their past experience how to overcome new export barriers and therefore manage the trade costs associated with these markets (Kneller and Pisu, 2011).

Mavrogiannis, Bourlakis, Dowson and Ness evaluated the export performance of Greek food and beverage exporters. Theresearch involved a diversity of variables and also included export barriers. They determined that export barriers had a negative effect on export performance and Greek exporters should be proactive and innovative to resolve export difficulties and trade barriers. On the other hand, the role of the government was crucial in easing export performance. Government policies can help exporters to overcome export barriers by providing information about overseas markets and host country partners, and by educating managers to design and implement suitable export marketing strategies (Mavrogiannis et al., 2008).

Castillo et al (2013) conducted a survey on the sample of 214 Spanish companies. Authors examined moderating effect of R&D investment and export experience of the company on the relationship between the perceived export barriers and export intensity. The analysis revealed that R&D investment had a moderate influence on the relationship mentioned and export experience hada direct influence on the export intensity.

An interesting research was done by Jalali (2012) investigating export barriers to the export performance of Greek companies targeting Iranian market. The model identifies the most important barriers: noncompetitive prices, limited information about foreign markets, unfamiliar foreign business practice and insufficient production capacity. Companies from the emerging countries should control their product prices by cost effectiveness of the company's operations, because price oriented strategies are vital in creating competitive advantage in international markets (Jalali, 2012).

Institutional environment may be an important obstacle for successful international business, especially considering small and middle sized enterprises in transition economies. The biggest negative influence on the degree of internationalization belongs to the tax rates, tax administration and corruption (Shirokova and Tsukanova, 2013).

From the arguments elaborated above, it can be concluded that there are certain incompatibilities among research results. The reason lies in theperceptional character of the variables. Managers perceive the same export barriers in a different manner, and create specific marketing strategies accordingly.

# 3. METHODOLOGY

## 3.1. Sampling and data collection

The study sample consisted of 100Croatian companies of the manufacturing sector:a) food and beverage, b) clothing, c) soaps, detergents, cleaning agents, perfumes and cosmetics, d)furniture and e) electronic and optical devices. The register of business entities (www.biznet.hr) was used for the purpose of research. The sample was selected randomly using a stratified sampling method. This approach allowed us to include respondents in all the above industrial sectors in the study and thus obtain a more representative sample of the population (compared with, e.g., simple random sampling) (Robson, 2011). The industries chosen are also appropriate for the purpose of this study because a clear trend towards more international activities has been observed, throughexport activities in Croatia over the past decade (Statistical Yearbook, 2014, 2015).

A standardized structured questionnaire was designed for this study and was used to collect data from senior managers, who acted as key informants. It was expected that this group would provide more precise responses for the purposes of this study because their position allows them to observe the entire organization (Glick, et al. 1990).

The design of the questionnaire was based on measures from the literature studied previously and modified for the current research context (Churchill, 1979). Additionally, a preliminary study had been conducted to assure that all questions and measurements were correctly structured.

The questionnaire was divided in two parts. The first part refers to basic information about the company and the manager, and the second part consists of the statements that reflect managers' perceptions of the export barriers.

The survey was performed in March, April, May and June in 2016. The questionnaire was sent to 455 companies by e-mail.

## 3.2. Variables and measurement

Export barriers represent independent variables, acting as a limitation factor in the international business. Since the previous studies offer a vast number of categories, the process of selection was necessary. Originally, 20 variables were selected.After preliminary analysis, the following 14 barriers were included:

| | |
|---|---|
| Insufficient target market information | Leonidou (2000); Koksal et al. 2011; Castillo et al.,( 2013). |
| Different customer culture | Leonidou, (2000); Castillo et al., (2013) |
| Access to the foreign distribution channels | Castillo et al., (2013) |
| Shortage of skilled export staff | Leonidou, (2000); Ortega, (2003) |
| Lack of government assistance | Leonidou, (2000); Jalali, (2012) |
| Unfamiliar export procedures | Leonidou, (2000); Jalali, (2012); Castillo et al., (2013); |
| Tariff and non-tariff barriers | Leonidou (2000); Shirokova and Tsukanova (2013) |
| Special quality standards | Leonidou (2000); Kneller et al. (2008) |
| Uncompetitive prices | Leonidou (2000); |
| High foreign competition | Leonidou (2000); Da Silva et al. (2001), Ortega (2003); Jalali, (2012) |
| Exchange rate | Leonidou (2000); Da Silva et al. (2001); Kneller et al. (2008) |
| Expensive bank loans | Leonidou (2000) |
| Focus on home market | Katsikeas and Leonidou (1996);Castillo et al., (2013) |
| Low expectations from international market | Katsikeas and Leonidou (1996);Castillo et al., (2013) |

The effect of the barriers was measured by 5 point Likert scale (Leonidou, 2000), from 1 no influence to 5 high influence.

Export intensity is a dependent variable. It is measured as a value of sales on the international markets in relation to total sales (Pan and Chi, 1999.) Like most measures, export intensity is self-reported based on managers‘perceptions (Castillo et al. 2013; Eusebio and Llonch, 2006; Lages and Leal, 2004). Authors offered a five-intervalscale as follows: < 10%; 10% - 24,9%; 25% - 49,9%; 50% - 74,9%; 75% -100%.

Control variables were also included in the analysis. The first control variable is the size of the company. A company's size is often suggested to enhance its export intensity. Utilizing economies of scale, access to specialized executives, their marketing and sales departments, and the possibility of financing at lower cost provide advantages for exporting firms to enhance their performance (Wagner, 1995, 2001). The size of the company is measured as the average number of full time employees in the past three years on a six-interval scale: < 10; 10 -24; 25 – 49; 50 – 99; 100 – 249; 250 or more.

The second control variable is manager's experience in the export (Chetty et al., 2014). The measure is the number of years on current position. The managers who have been on the leading positionlonger should have more knowledge about export procedures, and more experience to adapt to the potential international business challenges (Kneller and Pisu, 2011). For the purpose of the analysis, the number of the years will be converted into a logarithm.

The statistical analysis was performed in several steps. First of all, all variables in the model were tested for significance. Consequently, six out of 20 export barriers were removed from the model for significance failure: difficulties of foreign promotion, complex administrative procedures, packaging and labeling requirements, foreign corruption, communication difficulties and transport costs. Cronbach's alpha of the model was 0,885. The values of Cronbach's alpha if item deletedwere calculated and compared to the main α value (Table 1). Variance inflation factor (VIF) was used to detect multicolinearity. If VIF value exceeds 10, than the model has multicolinearity and some variables should be removed. In this particular case, VIF values were much lower than 10, namely 1,933.

The correlation matrix was calculated for significant variables to examine if there was any linear relation between them. The main purpose was to seek any relationship between export barriers and export intensity.

Next step was factor analysis to find which variables of the export barriers ware strongly associated with one another. In other words, we composed these 14 variables into fourcategories (factors).

Finally, the factors were controlled by the size of the companies and managers' experience variables. Statistical software SPSS was used for the analysis.

## 4. RESULTS

Out of 455 companies covered by the survey, 100 valid questionnaires were received. That gives the return rate of 22%. The structure of the respondents consists of: a) food and beverage: 26companies, b) clothing25, c) soaps, detergents, cleaning agents, perfumes and cosmetics: 24 companies, d) furniture: 14 companies and e) electronic and optical devices: 11 companies. The average age of the company is 19 years. Onethird of the sample exports occasionally and two thirds export on regular basis. Table 1 shows descriptive statistics for all variables included in the analysis. Table 2gives a review of Spearman's rho coefficients of the variables analysed.

Table 1.

Descriptive statistics(N=100)

| Variables | Code | Mean | α if item del. | St. dev. |
|---|---|---|---|---|
| Export intensity | EI | 3,88 | 0,723 | 2,18 |
| Insufficient target market information | EB1 | 4,21 | 0,824 | 3,21 |
| Different customer culture | EB2 | 2,96 | 0,873 | 2,48 |
| Access to foreign distribution channels | EB3 | 3,47 | 0,744 | 2,11 |
| Shortage of skilled export staff | EB4 | 3,91 | 0,721 | 1,78 |
| Lack of government assistance | EB5 | 4,22 | 0,788 | 1,48 |
| Unfamiliar export procedures | EB6 | 3,22 | 0,863 | 1,05 |
| Tariff and non-tariff barriers | EB7 | 2,87 | 0,851 | 2,04 |
| Special quality standards | EB8 | 2,11 | 0,711 | 1,68 |
| Uncompetitive prices | EB9 | 3,44 | 0,655 | 1,54 |
| High foreign competition | EB10 | 3,79 | 0,667 | 1,54 |
| Exchange rate | EB11 | 3,89 | 0,742 | 1,78 |
| Expensive bank loans | EB12 | 4,12 | 0,847 | 2,68 |
| Focus on home market | EB13 | 1,78 | 0,776 | 0,87 |
| Low expectations from international market | EB14 | 1,64 | 0,634 | 0,62 |
| Company size | CS | 2,29 | 0,732 | 0,98 |
| Managers' experience | ME | 8 | 0,688 | 7,36 |

*Source: Authors' calculation*

Table 2.

Correlation matrix (N=100)

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EI | 1 | | | | | | | | | | | | | | | | |
| EB1 | -0.32* | 1 | | | | | | | | | | | | | | | |
| EB2 | -0,22* | 0,05 | 1 | | | | | | | | | | | | | | |
| EB3 | -0,26* | 0,03 | 0,12 | 1 | | | | | | | | | | | | | |
| EB4 | -0,44* | 0,08 | 0,25 | 0,33* | 1 | | | | | | | | | | | | |
| EB5 | -0,34* | -0,02 | 0,22 | 0,06 | 0,01 | 1 | | | | | | | | | | | |
| EB6 | -0,25* | 0,00 | 0,12 | 0,23 | 0,08 | 0,22* | 1 | | | | | | | | | | |
| EB7 | -0,41* | 0,01 | 0,08 | 0,12* | 0,14 | 0,01 | 0,00 | 1 | | | | | | | | | |
| EB8 | -0,31* | 0,02 | 0,31* | -0,01 | 0,02 | 0,02 | 0,01 | 0,20 | 1 | | | | | | | | |
| EB9 | -0,21* | 0,03 | 0,01 | 0,01 | 0,00 | 0,02 | -0,14 | 0,03 | -0,05 | 1 | | | | | | | |
| EB10 | -0,33* | 0,03 | 0,41 | 0,23 | 0,25 | 0,24 | -0,30 | 0,11 | -0,20 | 0,18 | 1 | | | | | | |
| EB11 | -0.22* | -0,15 | 0,01 | -0,01 | 0,02 | -0,02 | 0,02 | 0,01 | 0,00 | 0,01 | 0,03 | 1 | | | | | |
| EB12 | -0,46* | 0,35 | 0,12 | 0,11 | 0,09 | -0,08 | 0,17 | 0,09 | 0,11 | 0,10 | 0,05 | 0,04 | 1 | | | | |
| EB13 | 0,32* | 0,12 | -0,01 | -0,02 | -0,01 | -0,20 | -0,03 | 0,01 | 0,12 | -0,10 | 0,11 | 0,04 | 0,06 | 1 | | | |
| EB14 | 0,54* | 0,09 | 0,15 | -0,18 | 0,23* | 0,26* | 0,21* | 0,13 | 0,17 | 0,16 | 0,12 | 0,10 | 0,15 | 0,21 | 1 | | |
| CS | 0,28* | -0,25 | -0,21 | 0,04 | 0,03 | -0,12* | 0,17 | -0,23* | 0,05 | 0,06 | 0,01 | 0,01 | 0,00 | 0,12* | 0,31 | 1 | |
| ME | 0,36* | -0,14 | -0,22 | 0,12 | 0,26 | -0,41* | 0,18 | 0,19 | -0,25* | 0,02 | 0,01 | 0,13 | 0,21 | 0,30 | 0,01 | 0,42* | 1 |

p<0,05

*Source: Authors' calculation*

All the values Cronbach's alpha if item deleted were between 0.625 and 0,873, indicating high reliability and consistency for the entire scale (0.6 is the lower limit for Cronbach's alpha).

Spearman's rho coefficients of the variables are presented in Table 2.It can be observed that all the variables included are significant.

An exploratory factor analysis was undertaken in order to reduce the data into a few underlying categories (Table 3). The categories were thereafter exposed to further analysis. To conduct factor analysis, it was initially determined by Kaiser-MayerOlkin (KMO) measure and Bartlett's test that the number of data is suitable for factor analysis. KMO measure in this study was 0.729 and the value of the significance of the statistic of Bartlett's test which is an approximation of $\chi 2$ statistic is less than 5%, namely 0.00 which shows that factor analysis is suitable for identifying the studied structure.

Table 3.

Exploratory factor analysis (N=100)

| **Export barriers** | **Factors** | | | |
|---|---|---|---|---|
| | **1** | **2** | **3** | **4** |
| Insufficient target market information | **0,728** | 0,266 | 0,077 | 0,002 |
| Different customer culture | **0,655** | 0,144 | 0,021 | 0,024 |
| Access to foreign distribution channels | **0,889** | 0,009 | 0,004 | 0,001 |
| Shortage of skilled export staff | 0,104 | **0,802** | 0,322 | 0,125 |
| Lack of government assistance | 0,422 | 0,001 | **0,928** | 0,009 |
| Unfamiliar export procedures | 0,002 | **0,741** | 0,001 | 0,245 |
| Tariff and non-tariff barriers | 0,091 | 0,202 | 0,116 | **0,832** |
| Special quality standards | **0,833** | 0,112 | 0,020 | 0,333 |
| Uncompetitive prices | 0,344 | 0,315 | 0,045 | **0,826** |
| High foreign competition | **0,768** | 0,029 | 0,107 | 0,121 |
| Exchange rate | 0,226 | 0,102 | 0,010 | **0,744** |
| Expensive bank loans | 0,001 | 0,267 | 0,313 | **0,642** |
| Focus on home market | 0,020 | **0,712** | 0,295 | 0,168 |
| Low expectations from international market | 0,211 | **0,687** | 0,129 | 0,187 |
| Eigen values | 3,503 | 2,015 | 1,417 | 2,009 |
| Percentage of variance explained | 38,22 | 17,54 | 10,16 | 16,52 |

Principal Component Analysis; Rotation method: Varimax with Kaiser Normalization; A rotation converged in 6 iterations

*Source: Authors' calculation*

The results of the explanatory factor analysis showed that the 14 identified export barriers could be reduced to four underlying categories with Eigen values of at least one, for which a proper name was selected according to the content of the loaded variables in each category. Items loading at least 0.5 were considered practically significant (Hair, Anderson, Tatham, and Black, 2005); these items were used to form the components of each category. The categories are: external environment factor; organization and commitment; governmental factor and financial factor. As illustrated in table 3, the external environment factor includes insufficient target market information, different customer culture, access to foreign distribution channels, special quality standards and high foreign competition. This is the bigger category and accounted for 38,22% of the total variance. The organization and commitment has four variables and accounted for 17.54% of the total variance. Shortage of skilled export staff, unfamiliar export procedures, focus on home market and low expectations from international market were loaded under the organization and commitment category. Only one variable was loaded under the governmental factor: lack of government assistance. The governmental factor accounted for 10,16% of the total variance - the lowest amount of all the categories. The financial factorhas four variables: tariff and non-tariff barriers, uncompetitive prices, unfavourable foreign exchange rates and expensive bank loans accounted for 16.52% of the total variance.

Four categories together accounted for 81.22% of the total variance. Total variance can be used asthe total validity measure of the model.

Next step was evaluating the influence of control variables using hierarchical multiple regression analysis (Table 4).The analysis was performed in three steps. In the first step, the categories of the export barriers were introduced (Model 1). In the second step the control variable company size wasadded (Model 2). In the third model, the fullest version, managers' experience wasadded (Model 3).

Table 4.

Results of regression analysis (N=100)

| | **Model 1** | **Model 2** | **Model 3** |
|---|---|---|---|
| External environment | -0,747* | -0,761* | -0,302 |
| Organization and commitment | -0,326* | -0,455* | 0,036 |
| Governmental factor | -0,524* | -0,497* | -0,429* |
| Financial factor | -0,413* | -0,388* | -0,369 |
| Company size | | 0,326* | 0,318* |
| Managers' experience | | | 0,422* |
| $R^2$ | 0,235 | 0,241 | 0,327 |
| $R^2$ adjusted | 0,232 | 0,238 | 0,318 |
| $R^2$ change | - | 0,005 | 0,08 |
| F statistics | 7,288* | 10,452* | 9,882* |

*Note: Dependent variable is export intensity.* $^{*}$ *p<0,05*

*Source: Authors' calculation*

Model 1 represents evidence of statistically significant relationships between the export intensity and all categories. In all three models the negative impact of the export barriers categories on export intensity can be noticed. External environment has the worst impact on export intensity in Model 1 (beta = -0,747, sig. = 0,000) and Model 2 (beta = -0,761, sig. = 0,000). Regarding control variables, company size does not influence the relationship between export intensity and barrier categories. It can be observed that beta values do not change dramatically between Models 1 and 2. Additionally, $R^2$ value is also practically the same with the change of only 0,5% of the variance explained. Notably, company size influences export intensity directly (beta= 0,326, sig. = 0.001).

However, managers' experience does influence the relationship between external environment and export intensity because beta is much lower and insignificant in Model 3. Similar results were obtained with organizational commitment and financial factor. That reflects on $R^2$ and $R^2$change values which are noticeably higher. This means that managers' experience explains 8% of total variance, so the model is better explained with this control variable. Just as company size, managers' experience is positively related to export intensity (beta= 0,422, sig. = 0,004).

## 5. DISCUSSION

In this paper we have examined the relationship between the perceived barriers to commercial activity abroad and export intensity. The findings suggest that this approach explains the export intensity of Croatian manufacturing companies.

It has been proven that the relationship between e export barriers and export intensity is negative and significant. In order to perform the research, 14 export barriers have been chosen, taking into account literature review and the results from the preliminary research. Explorative and confirmative factorial analysis categorized them into four groups: external environment factor; organization and commitment; governmental factor and financial factor.

According to the results of the analysis, external environment dimension acts as the biggest obstacle for successful export performance. External environment consists of the following barriers: insufficient target market information, different customer culture, access to the foreign distribution channels, special quality standards and high foreign competition. Croatian exporters lack adequate information about foreign markets. Since the foreign market research requires much financial resources, they have to rely on secondary information that is not always suitable for tailoring marketing strategy. This is supported by the information obtained from the questionnaire: only 4% of the respondents have a department for international markets. Distribution of the exported products is also a big challenge. Distribution network requires not only financial resources, but also international experience and personal connections. For this reason inexperienced companies begin their export activities through the middleman (Kneller and Pisu, 2011). When exporting to developed countries, required quality standards become areal obstacle. On the other hand, high quality products may be a tool for achieving competitiveness in the foreign market. Export success depends on the ability to create and implement adequate competitive strategy(Liargovas and Skandalis, 2008). Different customer culture is recognized as the least serious obstacle for international business. One of the reasons lies in the fact that Croatian exporters operate mainly in the neighbouringmarkets (Statistical Yearbook, 2014, 2015) where consumer habits are well known or are similar to domestic ones.

Croatian exporters see government assistance as an important barrier for successful export activity. This finding coincides with Shirokova and Tsukanova, (2013). None of the respondents in this research stated that they had received government help in any form. Governmental passivity can be very discouraging for the exporters in the early stage of the internationalization. Government assistance may be offered in a variety of forms, financial and non-financial. Government institutions could be the mediator in the pursuit for international partners or could facilitate international promotion of Croatian products. Government financial help in the form of export subsidies or tax relief could result in price competitive advantage on the foreign market.

When considering price competitiveness, financial category is brought to attention. Financial category consists of tariff and non-tariff barriers, uncompetitive prices, unfavourable foreign exchange rates and expensive bank loans. Uncompetitive prices are not the consequence of governmental passivity alone, but also of the poor cost management, lack of economy of scale, low productivity and expensive bank loans (Jalali, 2013). Since entering the EU, tariff barriers have been reduced but non-tariff barriers remained. However, tariff barriers still hinder the exporters who operate outside of the EU. Unfavourable exchange rates, especially HRK/EUR are perceived as a huge obstacle for Croatian exporters because they make Croatian goods more expensive.

The last category of export barriers is organization and commitment. It consists of the following items: shortage of skilled export staff, unfamiliar export procedures, focus on home market and low expectations from the international market. Staff unqualified in exporting is the most critical component of this category. It is believed that marketing expertise is one of the discriminating factors between high and low performing companies in export markets (Koksal and Kettaneh, 2011). Companies should try to develop their employees' skill in finding the available export opportunities as well as development knowledgeabout exporting process (Jalali, 2013). Focus on home market reflects on the fact that few sample companies have at least one employee dedicated only to export operations. This is evidence of poor commitment to international business. Low expectations from the international market are usually the consequence of the lack of key information about opportunities in the foreign markets and the benefits of export activities. That brings us back to the first categoryof export barriers, namely external environment, and the circle of obstacles is closed.

Additionally, the effect of control variables has been evaluated. It has been proved that the size of the company does not influence the relationship between export barriers and export intensity. The same results were obtained by Castillo et al. (2013)and Shirokova and Tsukanova, (2013). Big companies have more resources available in comparison to SMEs, but SMEs are more flexible then large companies. On the other hand, managers' experience influences the relationship mentioned. Knowledge accumulated during the years, gives managers the ability to overcome many barriers, especially the ones regarding information about foreign markets, international business contacts and familiarity with export procedures. The most important experience leverage is the ability to see and exploit the opportunity in the foreign market and to recognize new trends and adapt marketing strategy accordingly.

## 6. CONCLUSION AND IMPLICATIONS FOR FURTHER RESEARCH

This paper has provided evidence that Croatian exporters perceive exporting barriers as the limiting factor for developing international activities. Some obstacles are nested within the company and company may make an effort to eliminate them. Those are organizational issues like poorly skilled staff, low commitment for international business; focusing on home market etc. Other barriers come from the outside of the company, either from home or international environment. Those barriers represent a challenge for the companies to overcome in developing and implementing export strategies.

Special emphasis should be put on the government's role in facilitating export activities for Croatian companies. Government should not be a barrier, but an active assistance that is available to anyone with export orientation.

The findings reported in this paper are generally consistent with the reviewedliterature on the subject of detecting key obstacles to export activity.

The paper has obvious limitations. The research has covered only a few industries of the manufacturing sector. Producers of industrial goods were omitted. It would be interesting to compare the perceived export barriers between the producers of the consumer and industrial goods. Agricultural sector is also a goodcandidate for research in this context due to its export potentials.

It is common perception that export is the first phase of internationalization and, in comparison to other alternatives such as greenfield investment, less exposed to risk. However,this does not mean that export problems should be ignored. Moreover, they should remain the subject of further academic debates as well as government policies.

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# UTJECAJ PERCIPIRANIH IZVOZNIH PREPREKA NA INTENZITET IZVOZA KOD HRVATSKIH PROIZVOĐAČA

***Sažetak***

*U radu se istražuje utjecaj percipiranih prepreka izvoza na intenzitet izvoza. Istraživanje je provedeno na uzorku od 100 hrvatskih proizvodnih poduzeća. Nakon proučavanja literature i empirijskog istraživanja, identificirano je 14 prepreka koje u najvećoj mjeri ograničavaju izvozne aktivnosti. Faktorskom analizom, izvozne prepreke kategorizirane su u četiri skupine: vanjsko okruženje, organizacija i posvećenost, utjecaj države te financijska ograničenja. Istraživanje je potvrdilo da iskustvo i znanje može smanjiti negativan utjecaj ograničenja izvoza i povećati sposobnost prepoznavanja poslovnih prilika na inozemnom tržištu.*

***Ključne riječi: internacionalizacija, izvozne prepreke, izvozni intezitet, iskustva menadžera.***

***JEL klasifikacija: F10, F14***