



Internal factors hindering SMEs from entering in to international market in Ethiopia, the case of Fitch town.

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Abstract

Small and Medium Enterprises (SMEs) play an important economic role in many countries and are recognized as an important vehicles of economic diversification, employment creation, income generation and distribution, and poverty alleviation. SME occupy a prominent position in the development agenda of many developing countries like Ethiopia. Currently, in Ethiopia, the Government has been promoting the development of SMEs through the formulation and implementation of Micro and Small Enterprises Development Strategy and the number of SMEs in the country is steadily growing. But, much more important than increase in their numbers, their current status, stage and pace of development is significant because most SMEs are hibernated from growing and faced with the threat of producing and marketing their products to foreign markets due to many factors. Little research exists that examines factors constraining entering of SMEs in to international markets. The purpose of this study is to assess factors related to marketing and management hindering SMEs from entering in to international markets in Fitch town. The study was employed through descriptive design; in which stratified random sampling method was used to collect data from SMEs owners/ managers of three selected sectors according to the objective of the study with a total population of 223 and 139 samples of managers. The samples were selected randomly from each stratum using proportionate allocation after stratification of the sectors. Questionnaires and interviews were used as tools of data collection in the study. The data was analyzed using descriptive statistics and presented through figures, tables and percentages. It is generally recognized that SMEs face unique challenges, which affect their opportunity to enter in to international market and hence, diminish their ability to contribute effectively to sustainable development. The findings indicate that the

most common factors constraining the internationalization of SMEs in Fitch are: lack of working capital, lack of market access, lack of managerial training and experience; and scanty of marketing information. .

Key words: Internationalization/Exporting, SMEs, Internal Factors.

INTRODUCTION

Currently, small and medium enterprises (SMEs) in both developed and developing countries are seen as the most important alternative sector in fostering socio-economic developments. Particularly, they make undoubtedly a huge contribution to employment in many developing countries, where there is a challenge of high joblessness and poverty. Several studies reveal that SMEs in these countries are considered as crucial in employment creation and generally contribute to economic growth as an engine of development (Erken.M 1990 cited in Kiris 2008, p.2).

On the other hand, SMEs play a great role in bringing innovative products, techniques and new markets, dynamism and flexibility which is another virtue of smallness with possibility of meeting and respond to customers' changing demand so as not to lose them and to win new ones by supplying better products and services. Practically, they invest relatively small amount in machinery, equipment's, human resource etc, when compared with larger ones which invest large amount on expensive single purposed machines, hold large inventory and use costly technologies and tools. These tolerate them to change what they have been doing with far less difficulty (David and Nyong, 1992), World Bank report (1993).

Robson et al (2004) states that, the responsiveness of SMEs to conditions and trends in the market come from a closer relationship with customers. It also allows them a careful understanding of the need and taste of their customers. This makes them the first to learn the changes in preference that will affect the market. In contrast, large businesses spend significant amount on R&D to learn about customers' behavior and send messages of concern. But for small businesses both learning about their customer's choices and concern is a natural part of doing business. In addition to this Yusuf (1995) states that, SMEs serve as an entrepreneurial training ground in which tomorrow's business leaders can find success and gain valuable experiences. As SMEs' role has become clearer, policy makers, donors and other organizations in developing countries have expended increasing amounts of scarce resources on SMEs by supporting, promoting and developing them.

Khan et al (1989) stated that, Africa with rapid growth in population have been experiencing the problem of large Size of unemployment through its economic history since indeterminate time in the past. Because of this fact, the problems of unemployment and poverty have been the prime challenges that many governments have tried their best to alleviate these challenges at all levels. Since Ethiopia is not the exceptions, the Federal Micro, Small and Medium Enterprises Development Package of 2005 and EEA (2003/4) Conference revealed that Ethiopia is facing high unemployment problem. According to this, the role of SMEs in generating significant number of employment opportunities for both skilled and unskilled human power is well recognized by government and perceived as prime solution to overcome this challenge.

Although contributions of SMEs were acknowledged, many programs and policies were developed to support them; their journey in many instances is short-lived, with high rate of failure mostly in Africa due to several factors like that of competitions, lack of access to credit, insecurity, debt collection, marketing problems, lack of enough working space, identical products in the same market, change in demand, absence of market linkages, lack of raw material accessibilities and like (Michael and Jeffrey, 2009).

When we come to SMEs in Ethiopia according to CSA (1995/2003), more than 11, 000 SMEs were surveyed and about 65 percent of them admitted having main constraints like lack of working space for production and marketing, shortage of credit and finance, regulatory problems (licensing, organizing, illegal business), poor production techniques, input constraints, lack of information, inadequate management and business skill, absence of appropriate strategy, lack of skilled man power, low level of awareness of SME's as job area, low level of provision and interest for trainings and workshops.

These limits confirm with other developing countries' especially experiences of Sub-Saharan African countries in which the major common constraints of SMEs are lack of financial support, poor management, corruption, lack of training and experience, poor infrastructural availability, insufficient profits and low demand for product and services (OECD, 2009).

Even though in the past decades the focus of Ethiopian government was mainly on large organizations, the recent wave of private sector expansion however shifted the policy efforts to SMEs. This new orientation has been possible because of poor performance in most state owned companies and the tension introduced by globalization and the increased need for competitiveness (Zewde, 2002).

Since 1991, there has been significant improvement in the incentive system and the macroeconomic environment with positive implications for manufacturing activities. A liberal

investment code has been introduced and the financial system has been partially liberalized. Tariffs have been reduced and nontariff barriers have removed. A public sector transformation program has also been introduced and one of its main objectives being to privatize SMEs that were nationalized in 1970s. All these reforms have greatly improved the domestic policy for SMEs. Actually, the Government has gone a step further in its support for small enterprises by formulating a National Micro, Small and Medium Enterprises (CSA 1991).

Development and Promotion Strategy; this is an important beginning and should be followed by refinements of micro-policies and incentive schemes aimed at promoting learning and technical change at the enterprise level. Some of these policies are identified below.

The Government of the Federal Democratic Republic of Ethiopia has recognized and paid due attention to the promotion and development of SMEs for they are important vehicles to address the challenges of being without a job, economic development and fairness in the country. As a result, the government has formulated a National MSE Development and encouragement Strategy, which enlightens a systematic approach to alleviate the problems of high unemployment and promote the growth of SMEs.

In general, promotion of SMEs in the country is increasingly becoming more important due to the fact that they use what the country possesses and less of what it lacks as well as their role in poverty reduction and employment creation for the majority of work forces. Because of, the potential of SMEs for economic development through creating market for local products, and utilization of local raw materials and knowledge more attention has given to the sector. Ethiopia is one of the countries with this condition and relying upon SMEs helping as an engine to drive economic growth, decrease unemployment and poverty and the failure rate of these businesses in Ethiopia indicates that they are in need of assistance, specially ; to survive and compete in the global market. To provide assistance, it is necessary to identify the constraining factors of SMEs' to inter and compete in international market.

1.2 Statement of the Problem

The SMEs are regarded as suitable strategy capable of stimulating growth and development as they are in line with the resources that developing countries comprise. Literature indicates that SMEs are important vehicles for addressing the challenges of unemployment, poverty and economic growth in a given country. In recent years, the significance contribution and the potential of the SMEs has been known in Ethiopia. Accordingly, the government has modified the new development strategy to promote them and policy document highlighted the crucial contributions of the enterprises in the Ethiopian economy and the government's commitment for

improving their constraints (MTI, 1997). The strategy of MTI on the promotion of the SME is an important step, which indeed shows government's attention to the promotion and development of the sector. However, while the policy document gives much attention to the potentials contributions of the sector, regrettably there is no clear and systematic approach to alleviate constraints of the sector. Many challenges still exist as indicated in MSE development strategy (MSE development strategy report 1997). But in a globalised world; SMEs need to be able to confront an increasing competition from developed and emerging economies and to plug into the new market opportunities these countries will provide.

EU (2009) report stated that, there is a direct link between internationalization and improvement of SMEs performance. International activities support growth, enhance competitiveness and support the long term sustainability of companies. Yet SMEs still depend largely on their domestic markets despite the opportunities brought by the enlarged single market and by globalization at large.

The existing reality shows that the development prospects of the sector is not as much as it is expected and is constrained by several factors including the high competition from international and domestic large firms.

Research has shown that in order to achieve the contributions of SMEs and ensure them to grow; it is required to overcome series challenges such as: financial constraints, marketing constraints, managerial problems, lack of infrastructural services and others because they are the common and major factors in making businesses to fail (Okpara, 2011). The factors hindering the potential growth of SMEs in sub-Saharan countries are limited access to financial source and market; business services like marketing, information, networking, short-term training and these challenges account for the reasons why many SMEs fail/cannot survive and grow. In Ethiopia specifically, SMEs have been confronted in the past by many of these problems as little existing researches shows. For instance, the survey by the Central Statistical agency of Ethiopia in May 1997 indicated that the increased role and contribution that the SMEs sector could have provided to the national economy is largely constrained by the various policies, structural and institutional related problems. Lack of smooth supply of raw materials and working premises were reported to be the major bottlenecks facing small scale manufacturing industries.

Though the globalization and liberalization trend have opened more vistas to SMEs for the internationalization, past research findings report as there were many barriers at domestic and international level for Small and Medium Scale firms. Notably, the new environment's has essential influence on the process of internationalization of small and medium enterprises. As

Morgan and Katsikeas, (1997) have stated, internationalization is so risky and small and medium enterprises have no adequate resources to deal with the negative side of global and thus the barriers hindering SME's global development can be classified as information problem, operational, strategic related problems. Saixing et al (2009) state that, even though the internationalization strategy can be considered as a growth source for companies' profitability, it can also bring huge losses as the survival of firms in the global environment is very tough. Rajesh et al (2008) also stated that, SMEs did not give attention about developing the effectiveness of their strategies last time and are concerned about the functioning.

Gurme et al (2009) have stated that, the advantages that the SMEs can gain from the internationalization process are numerous but the barriers usually hinder SMEs seeking to access international market. Therefore, because of the several barriers that SME's confront, they have drawn the attention of policy makers and various government bodies who have understand that these barriers have the effect of reducing the ability of these potential high growth firms to achieve their full potential from international markets.

So as we have seen from the back ground and statement of the problem, there are many contributions expected from these sectors for economic growth. And to do so, these sectors have to inter and compete with in the international market to bring the long run alienation of poverty, unemployment and to bring new insight to the economy of the country. By considering this, the researcher collected some information before starting the study whether Fitch's SMEs enter international market (start exporting) or not and get information as these sector did not start to operate in international market and are limited to domestic market. In addition to this the researcher's literature shows that, to date very little research has been conducted on the factors constraining the globalization of SMEs businesses in general and till no in Ethiopia and Fitch town in particular. Thus, gaps exist with respect to understanding the problems facing SMEs in Fitch town to inter in to international market. Availability of the empirical gaps and information gained from the companies motivated the researcher to conduct actual study on SMEs in Fitch town to identify factors hindering them to export their product.

Based on the above information, researcher has developed the following research questions and research objectives against which related literature was reviewed and primary data were collected.

The Key Research Questions

What are the internal factors that hinder Fitch's town SMEs from penetrating to international market?

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study is to identify and analyze internal factors hindering SMEs from entering in to international markets.

1.3.2 Specific Objectives

- ✓ To identify and analyze internal factors that hinder SMEs from entering in to international markets.
- ✓ To suggest actions to be taken by concerned bodies to overcome such constraining factors

1.4 Significance of the Study

The findings of this study are expected to be significant for the following stake holders.

Government and other parties involved in the promotion of the development of SMEs may use the findings of the study as additional information to address the problems uncovered in the development of SMEs. The researcher, academicians, consultants and government agencies may use the study as a stepping-stone and have also input for further study in the area at an advanced level. The findings may also be considered as important in addition to the existing knowledge and literature in the area for the public at large.

1.5 Scope and limitations of the study

The issue of SME is currently hot and interesting throughout the country. However, it is difficult and unmanageable to conduct the study in all areas in terms of time, finance, and research manageability. Therefore, the scope of this study is delimited theoretically to specific context that is internal factors (marketing, management and human resource management, resource and capability) that hinders SMEs from entering to international markets and focus on exporting means of entry as it is the most suitable means of entering in to the global market for the small firms or SMEs (Johansson, 1997). Geographically, the study was under taken in case of Fitch town and also covered purposively only SMEs from three sectors established since 1996 as the researcher assumes these sectors have the potential to produce exportable products. These were Manufacturing/Industry, Agricultural and Trade sectors. Methodologically there was also possibility of using various tools, designs and large sample size, but the study was used descriptive research design through questionnaire and interviews by considering the time, energy and financial resources required to accomplish the study.

In addition to difficulty during data collections, the instruments were developed by the researcher based on the literature & limited to descriptive statistical which needs more statistical tests in order to establish a more robust validity and reliability. Thus, the instruments could be further refined to more closely capture each of the problem areas identified in the literature.

CHAPTER TWO: LITERATURE REVIEW

2.1 Definition of SME

There is no universally accepted definition of SMEs. Different countries employ various measures of size depending on their level of development. The SMEs nomenclature is used to denote micro, small and medium enterprises. It is sometimes referred to as micro, small and medium enterprises (MSMEs). The SMEs cover mainly manufacturing, mining, commerce and services. The commonly used yardsticks to define SMEs are total number of employees, total asset and sales (revenue).

Small and medium-scale enterprises are defined variously. Some of the criteria employed in defining these enterprises include: number of employees, value of assets or annual income, nature of premises/space, status of registration/ legality of business and sustainability. However, most definitions employ the number of workers criteria as this is easier to determine compared to other measures of size. In the United States for example, the higher limit size for SMEs is set at 500 employees for most manufacturing and mining industries. In the European Union, a medium enterprise is one that employs up to 250 people. In China, the definition of SMEs is quite complex and can include relatively large firms. For example, an industrial SME is defined as having up to 2,000 employees, while a medium-sized business has between 301 and 2,000 employees, and a small business has less than 300 workers. (Therefore, what is regarded as an SME in China or in the US may be quite large relative to an SME in another smaller economy.

2.1.1 Definition of SME in Ethiopia

By recognizing that as there are no standard definitions of SMEs and that their definitions vary from country to country, depending largely on the size of the economy, the levels of development, culture and population size of a country involved, a working definition for the purposes of this paper is one given by the Ministry of Trade and Industry and Central Statistical Agency (CSA) which defines enterprises according to the number of employees and paid up capital.

Ministry of Trade and Industry adopted official definition of Micro and a Small enterprise in Ethiopia is as follows. Micro enterprises are business enterprises found in all sectors of the Ethiopian Economy with a paid-up capital (fixed assets) of not more than Birr 20,000, and excluding high-technology, consultancy firms and other high-tech establishments. Small enterprises are enterprises with a paid-up capital of more than Birr 20,000, but not more than birr 500,000 and excluding high tech consultancy firms and other high-tech establishments

The Central Statistical Agency (CSA), for the purpose of its study on "Urban Informal Sector Activity Operators and Small-scale enterprises", gives different meaning to enterprises in different sectors. Viz: handicraft, small-scale manufacturing industries and medium and large scale manufacturing industries. The Central Statistical Agency based its definitions on the number of employment and extent of mechanization for small, medium and large scale enterprises and used a combination of criteria for defining informal sector operators.

CSA (2011) definition of enterprises:

- ✓ "Large and medium scale manufacturing enterprises have been classified as establishments with more than ten (10) employees using automated machinery.
- ✓ Small and medium enterprises are establishments that engage less than 10 persons using power driven machinery.
- ✓ Cottage/handicrafts are household type enterprises located in households or workshops normally using own or family labor and mostly manual rather than automated/mechanical machinery.

2.2 Roles of SME in Ethiopia

There is consensus amongst policy makers, economists and business professional that small and medium enterprises (SMEs) are drivers of economic development. A healthy SMEs sector contributes highly to the economy through creating more employment opportunities, generating higher production quantity, rising exports and bring in innovation and entrepreneurship skills. The dynamic role of SMEs in developing countries insures them as engines through which the growth objectives of developing countries can be achieved. One of the significant characteristics of a flourishing and growing economy is energetic and blooming SMEs sectors. SMEs play a pivotal role in the development of a nation. They contribute to socioeconomic development in various ways, as creating employment for a rural and urban growing labor force and providing desirable sustainability and innovation in the economy as a whole. .

While the importance of large manufacturing and other enterprises for the growth of the Ethiopian economy cannot be denied, there is an ample evidence that the labor absorptive capacity of the small business sector is high, the average capital cost per job created is usually lower than in big business and its role in technical and other innovation activities is vital for many of the challenges facing our country.

According to the result of the sample survey, the whole labor force engaged in the informal sector activities and small scale manufacturing industries is more than eight fold (739,898 persons) to that of the medium and large scale manufacturing industries (90,213 persons). Moreover the informal and small manufacturing sector contributed value added of Birr 8.3 million in 1996. Based on the 1992/93 data, this figure constitutes about 3.4% of the GDP, 33% of the industrial sector's contribution and 52% of the manufacturing sector's contribution to the GDP of the same year.

Nevertheless, SMEs in developed and less developed countries (LDCs), as in other countries, are still facing a number of difficulties and obstacles that are impeding and complicating their operations and growth. Much literature shows that as SME are limited to domestic market and this part of literature gives some of those barriers that limit them to the domestic market.

2.3 Definition and Different Means of Internationalization or Entering in to the Global Market.

Internationalization is the process of adapting the firms' operations (the strategy, structure, and resources) to the international environment. This is because it conveys the idea of internationalization is dynamic and adjustable and is thus more suited to emerging internationalization processes. Henrik (2007) states that, internationalization is the process that indicates the global activities of the company are dynamic, and the company might change its global strategy during this process in various ways. Luostarinen (1988) defined internationalization as, the process of increasing involvement in global markets. Business strategy is used as an umbrella term to denote the broad range of strategic options open to the firm, including both organizational and functional management strategies, product/market strategies, and diversification strategies. Bell and Young (2001) contend that the nature and pace of internationalization is conditioned by product, industry and other external environmental variables, as well as by firm-specific factors. Firms can involve in the international markets by using different strategies in order to get economies of scale, to become competent and to earn all the overseas opportunities according to different international theories. Different authors' (Cateora and Graham, 2001; Gillespie, Jeannet and Hennessy 2004) reveal that as there are

different means for both profit and no profit organization and for either of large and small firms with different preference based on their management strategy, product/market strategies, and diversification strategies. These include

- ✓ Exporting
- ✓ franchising,
- ✓ Joint ventures, and
- ✓ Strategic alliances.

The importance of international trade to a nation's economic welfare and development has been heavily documented in theories of international trade, foreign direct investment (FDI), and firm's internationalization (Morgan and Katsikeas 1997). At the macro policy level, governments around the world are concerned about the ways to improve firms' performance in export markets, because exports are considered an engine of economic growth. Plus to this exporting is considered as the most common foreign market entry mode, particularly among small-to-medium sized enterprises (SMEs), due to the minimal business risks, low resource commitment and high flexibility of action (Leonidou and Katsikeas, 1996).

So through this particular literature the researcher is interested to compile information about the exporting (its definition, importance, disadvantage, types and barriers that can confront SME to export their products or services) as it is the most suitable means of entering in to the global market for the small firms or SME.

2.3.1 Exporting

Exporting is the marketing and direct sales of a domestically made product in a foreign country. Exporting is a well-established form of market entry because it does not require foreign investment in production facilities. The product is produced in the domestic market (Johansson, 1997). If a company decides to manufacture at home and serve in foreign markets with these products, it has the options of either direct or indirect exporting or piggybacks (Keegan and Schlegelmilch, 2001). Exporting is typically the choice of market entry for companies that are in the early stages of foreign activities. According to Collett (1991), exporting requires a partnership between exporter, importer, government and transport. Without these four coordinating activities, the risk of failure is increased

2.3.1.1 Advantages and Disadvantages of Exporting

“Exports are of major importance to the global as well as national economies” and as reaches close to €5.5 trillion (Keegan, 2004). Because of this importance, national policies toward

exporting need to focus attention on educating uninvolved firms about the potential gains from exporting.

2.3.1.2 Advantages of Exporting

There are many advantages of exporting. For example, manufacturing is home-based. Thus, it is less risky than overseas-based. It gives an opportunity to learn overseas markets before investing in bricks and mortar and setting up a company abroad. This then reduces the potential risks of operating overseas. There is minimum risk and investment because of the lack of investment in the production facilities. This is mainly done because exporting to a foreign market is a strategy that many companies follow because few countries are large enough for local production to be justified. There is also a significant speed of entry because of its use of existing facilities. In addition, exporting allows a company to manufacture its products for several markets centrally and thus achieve economies of scale. Therefore, the firm can make more profits by lowering its prices. Furthermore, both transportation costs and government tariffs have fallen considerably in the past 25 years. Therefore, exporting is more cost effective (Gillespie and Hennessey, 2004).

2.3.1.3 Disadvantages of Exporting

The disadvantage of exporting is mainly that the exporting company can be at the "mercy" of overseas agents and so the exporting country's lack of control has to be weighed against the advantages. Trade barriers and tariffs are added to the cost, as well as transport costs. There is also limited information on the local market that is being entered unless extensive research is carried out. The company is viewed as an outsider to the local country and therefore there may be hostility toward its goods or it may be treated as an outcast (Kotabe, 2001). The company may also run into potential problems in exporting such as the logistics of exporting. This includes such things as transportation, rates, documents, insurances, financial information, and packaging (Johanssen, 1997). There could also potentially be problems with servicing exports because of part repairs, part maintenance, and giving technical advice. The sales promotion involved could also run into trouble because of the advertising, sales effort, and market information. In addition to the above mentioned, there could also be legal issues mainly caused by licensing, liabilities, duties/customs, and contracts. Foreign Market Intelligence is yet another risk because of the complexity of locating markets, restrictions, and competition.

2.3.1.4 Types of Exporting

Exporting methods include direct or indirect export. In direct exporting, the organization may use an agent, distributor, or overseas subsidiary. Indirect marketing and direct marketing are a firm's two options for carrying out exporting.

2.3.1.5 Indirect Exporting

Using indirect exporting, a partner in the manufacturer's home country takes over all activities related to the foreign market. Exporting through local agents or distributors is the norm in most markets and also the most effective. Exporting agents are individuals or firms that assist manufacturers in exporting goods and focus on one country or part of the world. The agents focus on the sales and handling of the goods. The major advantage of the indirect approach is that the local intermediary knows the foreign market conditions. This is especially important for companies that have little experience in exporting because the domestic intermediary has expertise in the market (Gillespie and Hennessey, 2004). As market "insiders," they speak the language, understand how business is done, and know who the customers are and how to reach them (Keegan). The end-users generally prefer to deal with local agents and distributors, rather than to buy direct from foreign suppliers because of their local connections.

2.3.1.6 Direct Exporting

Alternatively, direct exporting is using an intermediary in the foreign market. According to Gillespie and Hennessey (2004), a company would use direct exporting when it exports directly to customers or to intermediaries located in foreign markets. A direct exporting operation requires more expertise, management time, and financial resources than does indirect exporting, but this mode gives the company a greater degree of control over its distribution channels. Overseas agents typically act as the representatives in the market. They develop and send sales orders, arrange payment in dollars, prepare all required import documents, and clear the goods through customs. They normally work on a commission basis and do not take title to the goods. Overseas distributors, in addition to representation functions, generally purchase the goods and resell them at a mark-up. Many are equipped to stock, install, and service the goods. In large, developed markets, agents and distributors often specialize by industry. In smaller, less developed markets, they are more likely to carry many different lines.

2.3.1.7 Piggybacking

Piggybacking is an interesting development. One method of piggybacking is that organizations with little exporting skill may use the services of one that has. Another form is the consolidation of orders by a number of companies in order to take advantage of bulk buying. This is used when

there are already modes of transport and distribution facilities set up and the newly exporting company chooses to use them (Johansson, 1997).

2.4. Internationalization of SME's

Jolanda and Madeleine (2008) have defined international SMEs as companies that have direct investment (such as joint ventures, overseas subsidiaries, and branches) or those companies which are having foreign suppliers concerned in export. In the past, internationalization was only related with the large multinational enterprises (MNE) but nowadays SME are progressively dealing with the globalization trend. Some research findings reveal that, internationalization is part of business activities in an increasingly global economy and important for SMEs as well. Factors such as changing consumer preferences, developments in manufacturing, communication and information technologies, and changing competitive conditions provide a favorable environment for small firm internationalization now and into the future.

Exploring the diverse experiences of knowledge-intensive and traditional firms is important from both academic and public policy perspectives since within the former category, in particular are born global firms that compete globally virtually from inception).

Lu and Beamish (2001) have stated that, there is an emerging consensus that the SMEs internationalization process is an entrepreneurial activity and this is reflected by the recent approaches trying to define the concept of SMEs internationalization. More importantly, the new environments, foreignness have essential influence on the process of internationalization of small and medium enterprises. Morgan and Katsikeas, (1997) have argued that, internationalization is so risky and small and medium enterprises have no adequate resources to deal with the negative side of global expansion, thus, the barriers hindering SMEs global development can be classified as, informational, operational, strategic and operation-based restrictions. Saixing et al., (2009) have said that, although the internationalization strategy can be considered as a growth source for companies' profitability, it can also bring huge of losses as the survival of firms in the global environment is very tough. Rajesh et al., (2008) in this context indicates that SME have not paid enough concern about developing the effectiveness of their strategies last time and are concerned about the functioning.

2.4.1 Factors Influencing SME's Exporting

Export problems are constraints that hinder the ability of firm to initiate, develop or maintain export marketing activities of the firm (Kaleka and Katsikeas, 1995). Though, these export marketing problems have been viewed differently by different authors and researchers, but these are quite related to the degree of market orientation of the firm.

Barriers to exporting are all those attitudinal, structural, operational and other constraints that hinder the firm's ability to initiate, develop and sustain international operations (Leonidou, 1995) and proposed that export barriers can be categorized as external or internal to the firm, and as domestic or overseas. Whereas, Kaleka and Katsikeas (1995), combines these categories to: internal-domestic; internal-foreign; external-domestic and external-foreign. Katsikeas and Morgan, (1994) distinguished the exporting problems amongst external, operational, internal and informational problems.

According to the OECD and APEC,(2008) study the numerous benefits of SMEs engaged in international trade are well documented, with a considerable body of evidence that international trading activity stimulates increased productivity growth by strengthening competition and innovation and increasing access to new ideas and technology. International trading activity enables businesses to achieve growth and economies of scale which domestic markets alone would not provide. Exporters are consistently found to outperform non-exporters using a variety of measures of success, including profitability, production, wages and sales volumes. At the same time, the study finds that trade barriers can be particularly damaging for SMEs since these barriers are generally outside of their control and are difficult to overcome. And while trade barriers do not only affect SMEs, it is SMEs who are especially vulnerable and need an open and transparent environment in which to operate. This study identifies the nine (9) top problems that hinder SME from exporting their product.

Lack of access to financing: Access to trade financing is critical for SMEs since many foreign buyers look for vendor that is able to provide financing as part of a purchase. SMEs that are engaged in trade typically have unique borrowing requirements, such as using international receivables as collateral or the need for longer payment terms, which can make it difficult to obtain financing from smaller commercial lenders.

Lack of capacity to internationalize and difficulty in identifying foreign business opportunities: Providing effective resources to assist SMEs in doing business in foreign markets is fundamental to encouraging SMEs to internationalize their operations. SMEs often lack the resources and knowledge necessary to proactively seek business opportunities in foreign markets, and instead rely on a passive approach of waiting for customers to approach them.

Need for open and transparent business environments: An open and transparent business environment lowers the cost of doing business and increases predictability; both are important factors for SMEs that often lack the resources to have specialized personnel in foreign markets to deal with issues related to corruption.

High transportation and related costs: A number of factors contribute to high transportation and other related costs, including inadequate infrastructure, limited availability of transportation options, and higher insurance costs for overseas shipments. These costs generally impact SMEs to a greater degree since they cannot take advantage of economies of scale and have difficulty identifying other, more cost-effective shipping alternatives.

Customs clearance delays due to difficulties in navigating overly complex customs requirements and documentation: There are many factors that could cause customs clearance delays and overly complex customs requirements and documentation is one of them. Custom clearance delays could more significantly impact the ability of SMEs to conduct business. This is because SMEs tend to have lower inventory volumes (e.g., just in time inventory), and modern supply chains require prompt and accurate shipment of components to final assembly points. Delays also impact the shipment of perishable goods (e.g., food or medical supplies). SMEs also tend to have less manpower with a good understanding of customs procedures.

Problems navigating differing legal, regulatory, and technical requirements: For SME exporters in developing economies, these varying requirements can be particularly difficult to meet given the challenges they may face in obtaining information and in terms of their ability to demonstrate conformance in a reliable and accurate manner. With fewer resources, improved access to legal, regulatory, and technical information will make it easier for SMEs to export their goods and services to different markets by decreasing monetary and resource costs associated with acquiring knowledge of the regulatory environment in different export markets.

Difficulty with intellectual property acquisition, protection, and enforcement: A major concern for SMEs in deciding whether to export their goods or services is uncertainty about how and whether they will be able to protect their intellectual property in foreign markets. Major concerns for SMEs in commercializing their intellectual property in third markets include lack of familiarity with relevant local legislation and registration/IP acquisition procedures, non-availability of important information relating to IP acquisition (e.g. info on local service providers and costs of registration), and lack of familiarity on procedures to protect their intellectual property. This puts a strain on their already limited resources, resulting in delays in acquiring IP and identifying sources of infringement, and once detected, to understand and implement the legal options they may pursue to enforce their IP rights. Also, education and facilitation of awareness, adoption and dissemination of emerging technologies, including Information and Communication Technology (ICT) are important for SME exporters

Inadequate policy and regulatory frameworks to support cross-border electronic commerce: Electronic commerce provides SMEs with a virtual global storefront, which is a powerful enabler for the internationalization of SMEs. Important to the ability of SMEs to conduct this type of trade are enabling policies and regulatory frameworks that promote the use of electronic commerce in APEC economies.

Difficulty in taking advantage of preferential tariff rates and other aspects of trade agreements: Improving the understanding of how to utilize regional trade agreements (RTAs) will make it easier for SMEs to take advantage of preferential tariff rates and other benefits of RTAs. By making it easier to utilize RTAs, SMEs will lower their overall cost of doing business in other economies and be more competitive.

In general as it is seen from theoretical and empirical evidence it is possible to compress export barriers that a firm can face for simplicity of understanding.

2.4.1.1. Internal Problems

Internal problems are the constraints associated with organizational resources/capabilities and company approach to export business. These problems are directly related to the controllable issues within the firm itself. Kaleka and Katsikeas's (1995) explained that, these problems are experienced in domestic as well as foreign context i.e. the problems which are internal in nature, but are manifested in domestic country base whereas, internal foreign problems are those which are experienced in the country of the target-market. These problems are intrinsic to the firm and are usually associated with insufficient organizational resources for export marketing. For instance, inability to self-finance, difficulty in meeting importer's product quality standards and poor product design and style for exporting goods (Neupert *et.al*, 2006). Further, some problems can emerge as poor organization of firm's export department, lack of personnel qualified in exporting marketing activities and lack of experts in export consulting to draw and develop initiatives for improved export marketing performance (Tesfom and Lutz, 2006). On the other hand, difficulty in making contacts with the foreign buyers, distributors and communication with overseas customers are export barriers and are found in many forms and are subject to different categorization. However, most barriers fall under the following dimensions: lack of knowledge and information, lack of strategic resources to undertake export operations, and exogenous barriers (Arteaga-Ortiz & Fernandez-Ortiz, 2010). Knowledge and Informational Barriers

Export knowledge and informational barriers are associated with unfamiliarity with important aspects of export activities and export market environments. The barriers are found in several dimensions. They can be a result of difficulties in identifying export opportunities

(Pinho & Martins, 2010), states that as lack of understanding of foreign culture and business practices or the lack of knowledge on the availability of export support programs are one factors that hinder the exporting activities. Others are in the form of limited information to locate and analyze markets and inability to communicate with potential foreign customers (OECD, 2009). Katsikeas and Morgan, (1994) define informational barriers as the problems in identifying, selecting, and contacting international markets due to information barrier. Lack of knowledge or insufficient information about the overseas and difficulty in locating promising markets is perceived to be a major problem deteriorating exporting performance of the company. Difficulty in making contact with the overseas customers is a serious problem for many present and aspiring exporters which have disastrous effect on the promotion in the export markets (Weaver and Pak, 1990). Efforts will be made to fill this gap in the present literature by applying both qualitative and quantitative methods to do in-depth research into the export-marketing problems (Karan Vohra, 2008).

Export knowledge and information barriers are particularly most important due to two main reasons. First, the market for information in developing country is underdeveloped because the institutions providing export market information or facilitating its acquisition are inadequate and/or inefficient (URT, 2003). Second, the majority of firms are small to medium. Hence, they lack other resources required to invest in knowledge and information generation activities such as research and development (R & D) and information and communication technologies.

Strategic Resource Barriers

Strategic resource barriers take different shapes and forms, ranging from lack of managerial and financial resources to a lack of capabilities to undertake export operations. Managerial barriers include insufficient human resource capacity to carry out export operations. And in order to succeed internationally, firms need managers who are capable of identifying export opportunities, designing and implementing export marketing strategies, and monitoring business with overseas customers as well as handling export documentation and logistics (Katsikeas, & Morgan, 2000). Thus, the lack of export oriented managers such as those with low export commitments, as well as those with limited export knowledge, skills, time, and with unrealistic exporting fears can negatively affect export behavior and performance of a firm (Julian & Ahmed, 2005; OECD, 2009). The lack of strategic resources in developing economies seems to be a critical problem. The fact that the majority firms in developing country are unable to invest in better technologies, meet international market demand requirements (e.g. quality and design) as well as to set competitive prices for the products (URT, 2003).

Marketing Related Problems

Product and Price Barriers: pressures imposed by external forces on adapting the elements of the company's product and pricing strategy. Difficulty in developing new products for foreign markets or unwillingness to develop entirely new products for specific foreign market needs and wants. Difficulty in adapting product design/style: inability, difficulty or unwillingness to adapt the company's product design or style to the idiosyncrasies of each foreign market (e.g. different conditions of use, variations in purchasing power, dissimilar consumer tastes, diverse socio-cultural settings). Difficulty in meeting product quality/standards/specifications of foreign markets: inability, difficulty, or unwillingness to adapt products necessitated by both legal and non-legal differences in quality standards and preferences among overseas markets. Difficulty in offering satisfactory prices to customers: inability to offer foreign customers satisfactory prices because of: higher unit costs due to small production runs; additional costs incurred in modifying product, packaging and/or service; higher administrative, operational and transportation expenses; extra taxes, tariffs, and fees imposed; and higher costs of marketing and distribution.

Difficulty in matching competitors' prices: lack of price competitiveness due to factors that are controllable (e.g. strict adoption of a cost-plus pricing method) and/or uncontrollable (e.g. existence of unfavourable foreign exchange rates; differences among countries' cost structure of production, distribution, and logistics; adoption of dumping practices by competitors; and government policy to subsidise local industry). Difficulty in granting credit facilities to foreign customers: problems due to a lack of funds to sustain providing credit facilities to customers and/or a fear that debts may not be recovered from customers that might be far away, have no past experience with the company, and come from countries with unstable politico-economic environments. Lack of excess production capacity for foreign markets: inexistence of or inability to generate excess production over and above what the domestic market requires in order to initiate or expand export business operations. **Distribution, Logistics and Promotion Barriers:** barriers associated with the distribution, logistics and promotion aspects of in foreign markets. Difficulty in establishing/using distribution channels in foreign markets: problems associated with adjusting distribution methods according to the variations and idiosyncrasies within foreign markets (e.g. range and quality of services offered, and number of layers of a distribution channel), and/or problems associated with gaining access to distribution channels in overseas markets (including channels that are occupied by the competition; the costs of managing the length of the channel; or various levels of the system being controlled by a certain distributor). Difficulty in obtaining reliable foreign representation: difficulties in obtaining reliable

representation overseas who meet the: structural (territorial coverage, financial strength, physical facilities), operational (product assortment, logistical arrangements, warehouse facilities), and behavioural (market reputation, relationships with government, cooperative attitude) requirements of the exporter and is not already engaged by a competitor. Difficulty in offering technical/after-sales service: problems associated with the provision of technical and/or after-sales service including delays and increased costs associated with: geographical distances between the company and its foreign market; setting up servicing operations in strategic locations; maintaining large quantities of spare parts; adjusting the approach to after-sales service for country variations in conditions of use, competitive practices, and physical landscape. Difficulty in adjusting promotional activities to foreign market: problems associated with adjusting promotional activities due to country variations in buying motives, consumption patterns, and government regulations including: variations in the composition of the target audience, inappropriate content of the advertising message, unavailability or different use of advertising media, restrictions in the frequency/duration of advertising, and insufficient means to assess advertising effectiveness across countries.

CHAPTER THREE: METHODOLOGY

3.1 Research Design

“Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present” (Davies M.B., 2007).

In this study, as part of descriptive research, survey method of research was employed for which respondents answer questions administered through questionnaires and interviews. After participants answer the questions, the researcher described the responses given. In order for the survey to be both reliable and valid the questions were constructed properly.

3.2 Research Approach

Employing the appropriate selection of a research method is a key issue at the outset of the research undertaking, to facilitate the collection of worthwhile data and to ensure that subsequent analysis of the data produce valuable conclusions; the selection of the research design is made by considering the different aspects of the research area.

“There are two main research strategy to choose from, either a qualitative or a quantitative. The main differences between these two are the assumptions they are built on (Johanna Carlsson, Richard Akerstom, 2008). In the qualitative research approach, the data collection is based on “soft” data, for example in form of qualitative interviews. The quantitative research approach refers to measurements by data collection and statistical facts (Johanna Carlsson, Richard Akerstom, 2008).”

This thesis combined both approaches; the reason for combining a qualitative and quantitative approach for this study was to produce richer and more complete information.

3.3. Data Type and Source

This study was used both quantitative and qualitative type of data, for which quantitative research mainly conducted according to deductive approach whereas the qualitative approach is subjective and utilizes language and descriptions to be examined in inductive approach. In this study primary and secondary data were considered. Primary data was used in getting direct information from primary stakeholder while secondary data was collected through reviewing important literatures, books and articles related with the topic

Source of Primary Data

Primary data was collected from Fitches different sectors of SMEs managers, representatives or samples (by using both structured and semi structured questionnaire) and from top manager of SME’s office and other concerned bodies by using semi structured interview.

Secondary Data

Related literature, books and different articles that articulated around the concept of small and medium enterprises especially in regard to factors hindering firms exporting was explored so as to see the gap among existing literature and common consensus of the topic among different empirical findings.

3.5 Population

The studies target populations were internal managers of each selected small and medium enterprise sectors from which the samples of the study was drawn.

3.6 Unit of analysis

The data collected from the sampled respondents or managers of the sectors were unit of analysis. In addition, data collected from key informants those were operated by forming

themselves in groups, MSEs Bureau, Trade and Industry Bureau, Oromia Saving and Credit Share Company were also the unit of analysis.

3.7 Sample design and procedure

In order to collect necessary data through questionnaire, the target populations of the study were the managers of SME operating cooperatively in three different sectors were purposively selected for this study. I.e. from Manufacturing or Industry, Trade and Agricultural sectors. The total population for this study was 223. Sample size was determined based on the following simplified formula proposed by Yamane (1967) (as cited in Israel 2003). Where, n is sample size, N is the population size and e is the level of precision. A 95% confidence level and $e = 0.05$, were assumed for the purpose of determining sample size for this study. Accordingly, the sample size for the study was calculated as follows. Accordingly, the sample size for the study was calculated as follows. $n = \frac{N}{1+N(e)^2}$. Accordingly, $n = 139$.

Since questionnaires were distributed to different sectors, the total sample size was made proportional to the size of each sector sets of the population. The proportionate stratified random sampling was utilized to select sample respondents (from each sector). To ensure representativeness of the managers' population, the number of sample managers was made proportional to the size of managers' population in each stratum (sectors). Proportional sample size from each stratum was calculated by the following formula: $n_i = \frac{n \times N_i}{N}$. Where: n_i is the sample managers in respective sector; N_i is the total number of managers in each sector; n and N are the sample size and the total population size at SME level. Accordingly, the following table 1.3 depicts the number of sample managers selected from respective sectors.

Table: 1 Determination of the sample

S. No	Sectors	No. of Managers	No. of Sample Size/stratified samples
1	Manufacturing	58	37
2	Trade	113	70
3	Agriculture	52	32
Total		223	139

Source: Fitch town SMEs Office ,2020

3.8 Methods of Data Collection

Questionnaire and interview were the tools through which the data was collected from participants.

Questionnaire

Questionnaires were used mostly with both close-ended and open-ended as the main instruments in assessing constraining factors of SMEs exporting. The questions were in statements form and managers were asked to express their agreement/disagreement in the five point Likert scale, where 1=strongly disagree, 2= disagree, 3= neutral, 4= agree, 5=strongly agree for close-ended questionnaire. In this study mostly the questionnaires were used because of its convenient to reach wide participants and appropriate to get relatively uniform data regarding the research problem and with the given resources. Data collections through questionnaires were selected as there were different strata's in the population and to identify different confronting situations influencing the enterprises' operation in the global market. The questionnaires included different variables expected to identify the challenges.

Interview

Another data collection was unstructured interview in which key informants selected purposively and interviewed to provide insights to the problem of SMEs from each sectors. Especially; those who were operating by forming themselves in groups; and MSEs Bureau, Trade and Industry Bureau, Oromia Saving and Credit Share Company were interviewed.

3.9 Data Processing/editing and Methods of Data Analysis

The collected data was analyzed and summarized in a clear and interpretable form. The data collected using semi structured and structured questionnaire was edited, coded and analyzed with great care. Both in-house and field editing was undertaken to detect errors that has been committed by respondents during completing the questionnaires. The coding of the possible alternatives in the questionnaire was made in advance of administering the questionnaire. Meaning, in a five point scale the possible responses was pre-coded (for example, 1= strongly disagree, 2= disagree, 3= neutral, 4= agree, and 5=strongly agree; 1=very low, 2=low, 3=medium, 4=high and 5=very high) to facilitate quick answering of the questions and to simplify data entry in to computer software for analysis.

Even though most enterprises have different limitations in identified factors in the questionnaire, their mean value indicates as they have differences in existing and affecting the exporting of the firm. Accordingly, the researcher divided the variables effect as low, moderate and high by using the group means as a bench mark in which each means compared and decided. The variables having lesser mean value than group mean was taken as low effect on business to inter to international markets or export their products. Variables having mean value approximate to group mean were moderate and needs more support to be taken as hindering factor from

interview and empirical studies. Whereas variables with high mean value were the foremost factors affecting the exporting of the businesses.

The qualitative method of data analysis was employed for the analysis of data that was collected through personal interviews, open ended questionnaire for secondary data. To accomplish the task of data analysis the researcher was first wrote down the interview take place with the key informants. Accordingly, the collected (recorded) data through interview was organized and prepared for analysis based on topic and objectives.

Data collected through questionnaires were analyzed quantitatively by utilizing statistical tools such as tabulation and bar charts, to present data. In addition, descriptive statistics such as mean, percentage, and standard deviation was used to analyze and interpret data. Data was analyzed with the help of SPSS version 26 to reduce the error that may occur manually. After data has been presented and analyzed, summary, conclusion and recommendations was drawn from the findings.

CHAPTER FOUR: RESULTS AND DISCUSSION

The main objective of the study was assessing the factors hindering small and medium enterprises from entering in to international market in Fitche town. Questionnaires and interviews were the tools used throughout the analysis of the study and data collected through questionnaire were analyzed by using SPSS. To collect the data through questionnaire, 139 questionnaires were distributed to managers of SMEs in Fitche and 110 of questionnaires were returned with completely filled and significant responses. The returned questionnaires were 110 and hoped sufficient to analyze the data with it. In addition to questionnaires, interviews were conducted with some selected SMEs Owners /managers, SMEs Development Bureau, Fitche Industry and Trade Bureau, OCSSC.

The data was analyzed using descriptive statistics with figures and tables using frequency, percentage, mean and standard deviation. All expected factors for the activity of business were asked in negative terms (lack of these factors is existing in the business) using likert scale in which respondents have shown their level of agreement. The identified factors were expected as their limitation can affect the operation of small business in the international market. Factors

with high mean values in the tables indicate foremost obstacles facing SMEs and also its effect too.

4.1 Sex of Participants

Like other country, in Ethiopia both females and males are operating in SMEs at different positions as owners, managers or employees. However the percentage of their involvement in such enterprises is not equal. According to the Federal MSEs Development Package, there is difference between males and females participation in SMEs.

Table 4-1: Sex and Age of respondents

		frequency	percentage
Respondent sex	male		72.7
	female		27.3
Respondents age	15-20		9.1
	21-25		44.5%
	25-30		26.4%
	31-35		5.5%
	36-40		10.9
	40 and above		3.6%

Source: Researcher's Survey, 2020

Depending on table 4.1, 72.7 percent of total sample are males and the rest 27.3 percent are females. This percentage is relatively consistent with the MSEs Business environment in Ethiopia in which 34 percent and 66 percent of Ethiopian MSEs beneficiaries are female and male respectively as per the current Federal MSEs Development Package.

Different individuals with different age groups can join similar work environment. However, in some activities individuals can have or not equal chance to participate because of their age. Concerning this idea, SMEs are not much far from this truth in which different age group individuals (children's from shoeshine) to higher enterprises can involve in working either individually or cooperatively for the objective of getting bread to survive and to be millionaires instead of sitting and waiting hand overs. As it is presented above 4.2, the researcher divided respondents' age into six age groups ranging 15-40 years and above 40 years. Accordingly, 49 or 44.5% of the respondents fall between 21-25 years old, whereas (29) 26.4 percent of respondents' age is between 26-30 years. Only 9.1% or 10 respondents are found between 15 and 20 years old. Whereas, 6 or 5.5 percent are 31-35 and 12 or 10.9 percent of them have above 36 - 40 years and 4 or 3.6% are above 40 years. This show, the majority of respondents are between

ages of 20 and 30 years in which they are active work force and ready to act where there is comfortable situation prepared for them. As they are in adult age and have many responsibilities in the future, they are the age group expected to imitate and flexible according to the environment migrated from rural to urban area are without educational background and forced to work under the control of many owners.

4.2 Educational Level

Table 4.2 Educational Background

Respondents Educational Level	Frequency	Percentage
High School		62.7%
College Certificate		20.9%
Diploma		10.9%
First Degree		5.5%
Total		100

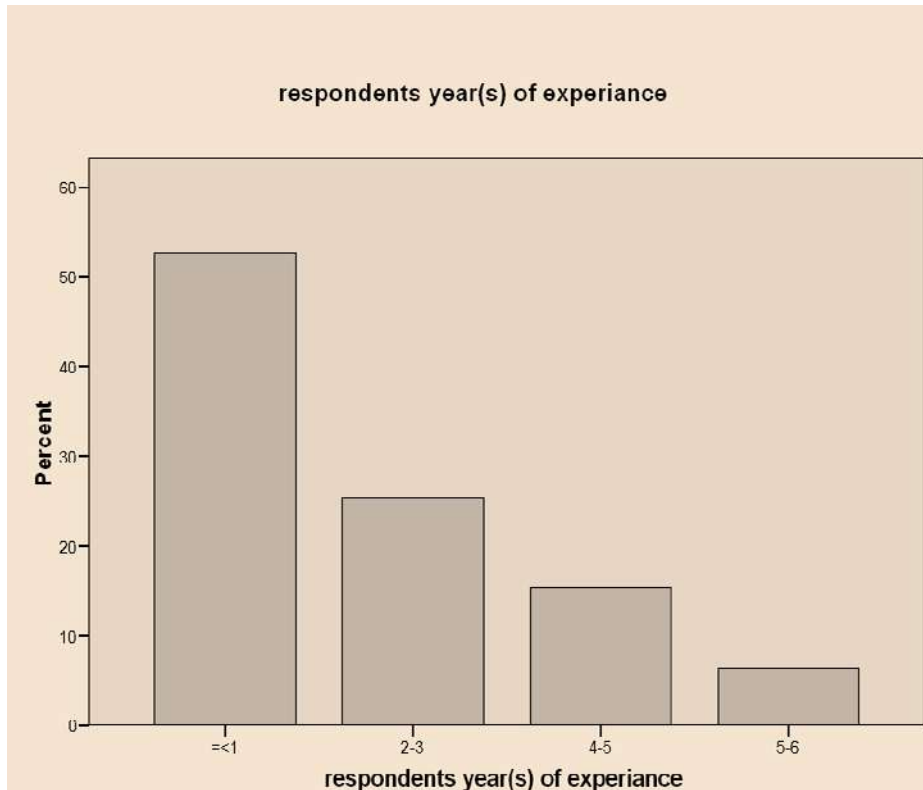
Source: Researcher's Survey, 2020

As table 4.2 indicates regarding to educational qualification, 69(62.7) percent of the respondents' education is high school, 23(20.9%) of them are college certificate, 12(10.9%) had graduated in diploma, and 6(5.5) percent are first degree holders. This figure indicates most participants are relatively educated individuals reached high school level. Mostly, in Ethiopia participants of SMEs are individuals who do not have job before joining the business and as this figure indicates the level of education of most participants is high school which implies students taking the National Examination of grade 10 and lost chance to join preparatory school are forced to seek the job. These groups do not have business course backgrounds since Educational Curriculum Policy of Ethiopia starts business courses in preparatory schools. Even though educational qualification didn't aimed to be assesses in the study, it implies lack of business knowledge have impact on owners business.

4.3 Experience of Participants

As sex, age and educational qualification of individuals are different; individuals also differ in their work experience durations. Respondents were asked to indicate the experience year they have in business activities

Figure: 4.1 Experience of Respondents



Source researcher's survey, 2020



As graph 4.1 indicate, most of the respondents surveyed (58 participants or 52.7 percent) have =<1years of experience, 28(25.5 percent) of them have 2-3, 17(15.5 percent) have 4-5 and 7(6.4percent) have 5-6 years of experience in the enterprises. Even though individuals can learn more from their experience that can help them to predict and flexible according to the opportunities in the environment, can learn more from the colleagues in planning and in creating relationship with Society/customers consuming their products, most respondents of SMEs have =<1 year in which their experience of year has impact on their business where many studies indicates there is relationship between experience and business performance.

4.5. Discipline in Which Respondents Graduated

Regarding educational background, only 33(30%) business education back ground and the rest or most of participants have no business background. i.e.8(7.3%) of respondents are from engineering, 17(15.5%) are from social science, 19(17.3) are from humanities and the rest 33(30%) are from other department which indicates as these groups do not have business course

back grounds since Educational Curriculum Policy of Ethiopia starts business courses in preparatory and it implies lack of business knowledge have impact on owners business.

Table: 4.3 Respondents Discipline of Graduation.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Business	33	30.0	30.0	30.0
	Engineering	8	7.3	7.3	37.3
	Social Science	17	15.5	15.5	52.7
	Humanities	19	17.3	17.3	70.0
	Others	33	30.0	30.0	100.0
	Total	110	100.0	100.0	

Source: Researcher’s Survey, 2020

4.6 Respondents who take Entrepreneurship as a Course

As GEM report (2004) Education in enterprise is essential and should be introduced to students at a young age to equip them with relevant skills needed to pursuing an entrepreneurial career and to provide them with the relevant skills needed to follow such a career in the future.

Table: 4.4 Entrepreneurship course.

		Frequency	percent	Valid Percent	Cumulative Percent
Valid	Yes	80	72.7	72.7	72.7
	No	30	27.3	27.3	100.0
	Total	110	100.0	100.0	

Source: Researcher’s Survey, 2020.

Based on the importance of the entrepreneurship education for the development and expansion of small enterprise; its logic to understand whether the owners or managers of the small and medium enterprise have taken entrepreneurship as any form of education (either in regular form or in form of training). As table 3 indicates 80 participants (72.7%) have taken entrepreneurship course in either regular or in form of training for specific time and 30 (27.3%) haven’t take this course. It is possible to conclude that as most of SMEs managers have taken entrepreneurship

course and this have invaluable contribution for the expansion and innovativeness which enables them to enter foreign markets smoothly.

4.7 Sectors of Respondents

As anywhere parts of the country, in Fitch town small and medium enterprises are operated either cooperatively or privately in different sectors. From these sectors the researcher collects data from three sectors.

Table: 4.5 Respondents sectors.

	Frequency	Percent	Valid Percent	Cumulative Percent
Manufacturing/industry	60	54.5	54.5 54.5	54.5
trade	29	26.4	26.4	80.9
agriculture	21	19.1	19.1	100.0
total	110	100	100	

Source: Researcher’s Survey, 2020.

As it is seen from the above table 60 (54.5%) managers are from manufacturing or industry, 29 (26.4%) and 21 (19.1%) are from agricultural sectors. This figure indicates as most of these enterprises are operated in manufacturing sectors and hence have high contribution for the development of the industry in the country and can export their products in the long run.

4. 8 Managers Skills Related Analysis.

Because of their formal position managers, superiority and strategic positions managers engage in creating good relations with subordinates, peers and others. Having these skills for once organizations managers is critical in order to share information and experience and hence enable them to seek for new opportunity.

Table 4.6 Managers’ Networking Skills

Networking Skill	Frequency	Percent	Valid Percent	Cumulative Percent
Low	22	20	20 54.5	20
Medium	35	31.8	31.8	51.8
High	40	36.4	36.4	88.2
Very High	13	11.8	11.8	100.0
Total	110	100	100	

Source: Researcher’s Survey, 2020.

The above table indicates as the managers of these sectors are not as such active indicating 51.8%. So this has its own impact on the internationalization of the firm.

Managers must also make sure that the organizations interest is adequately represented on behalf of the organizations goal. They have to formally bargain with various individuals and representatives of other organization on non-routine matters to attain the expected outcomes of the organization.

Table 4.7 Manager’s Negotiation Skill

Negotiation Skill	Frequency	Percent	Valid Percent	Cumulative Percent
Low	5	4.5	4.5 54.5	4.5
Medium	34	30.9	30.9	35.5
High	42	38.2	38.2	73.6
Very High	29	26.4	26.4	100.0
Total	110	100	100	

Source: Researcher’s Survey, 2020.

Accordingly the above table indicates as the managers of these sector are good on negotiation of different issues with both employees and other concerned bodies to seek for new opportunities and this is good attempt that have positive contribution to the internationalization of the firms.

Managers are also responsible to provide official statement to both peoples outside of the company and members of the company about the company’s policies, plans, actions or results in a way that it can convince the audience.

Table 4.8 Manager’s Oral Presentation Skill

Oral presentation	Frequency	Percent	Valid Percent	Cumulative Percent
medium	17	15.5	15.5	15.5
high	53	48.2	48.2	63.6
Very high	40	36.4	36.4	100.0
total	110	100	100	

Source: Researcher’s Survey, 2020.

Table 4.8 indicates as the managers rate themselves as they are good at oral presentation and convincing the employees’ base on the organizations goals indicating 84.6% and this is good management skill which makes employees to work hard once they believe to their organizations goal.

Managers have also the responsibility to identifying problems from its roots by using different techniques, such as conducting mini-research, gathering information either formally or informally from concerned bodies whom he believes it enables him to get the root of the

problems which enables him to analysis and solve it. Accordingly this table indicates as the managers of these sectors are good at problem analyzing and solving problems indicating 83.6%.

Table 4.9 Manager’s Problem Analysis and Solving Skill

Problem Analysis & Solving	Frequency	Percent	Valid Percent	Cumulative Percent
Low	6	5.5	5.5	5.5
Medium	12	10.9	10.9	16.4
High	69	62.7	62.7	79.1
Very High	23	20.9	20.9	100.0
Total	110	100	100	

Source: Researcher’s Survey, 2020

Managers are also responsible bodies to create the culture of team sprit within the organization. Team is the best solution to overcome the risk that come by the decision of single or few person as it enables the members to generate different ideas and reach on consensus finally by implementing the best alternative decided by team members.

Accordingly the below table indicates as the managers of these sector are active in team building indicating 90% and have good contribution to the internationalization of the firm as team enable one organization to generate new ideas and non-routine activities.

Table 4.10 Managers Team Building Skills

Team Building	Frequency	Percent	Valid Percent	Cumulative Percent
Low	6	5.5	5.5	5.5
Medium	5	4.5	4.5	10.0
High	81	73.6	73.6	83.6
Very High	18	16.4	16.4	100.0
Total	110	100	100	

Source: researcher’s survey, 2020

Motivation plays a central role in shaping behavior and specifically it is one factor in influencing work performance. Hence the managers have to motivate their employees by using different means of motivating techniques as different person are motivated by different things. The bellow table indicates as the managers of the SMEs have motivating skill revealing 70% which enable them to achieve their organization goals as the motivated employee performs well for the organizations success.

Table: 4. 11 Managers Motivating Skill

Motivating Employee	Frequency	Percent	Valid Percent	Cumulative Percent
Medium	33	30.0	30.0	30.0
High	46	41.8	41.8	71.8
Very High	31	28.2	28.2	100.0
Total	110	100	100	

Source: Researcher's Survey, 2013

Table: 4. 12 Manager's Skills in Creating Relationship with Others

Team Building	Frequency	Percent	Valid Percent	Cumulative Percent
Very Low	5	4.5	4.5	4.5
Low	12	10.9	10.9	15.5
Medium	35	31.8	31.8	47.3
High	46	41.8	41.8	89.1
Very High	12	10.9	10.9	100.0
Total	110	100	100	

Source: Researcher's Survey, 2020.

Carson, McGowan and Hill (1995) stated that as entrepreneur possess certain skills that have an underlying effect on the way that they run their business.

The above tables shows that as the owners or managers of the enterprises rate themselves as they are good at networking, negotiating, teambuilding and motivating employees. But they put themselves as they are poor at foreign language reveal 36.3%.

Table: 4 13 Fluency of Managers in Foreign Language

Fluency In Foreign Language	Frequency	Percent	Valid Percent	Cumulative Percent
Low	12	10.9	10.9	10.9
Medium	58	52.7	52.7	63.6
High	24	21.8	21.8	85.5
Very High	16	14.5	14.5	100.0
Total	110	100	100	

Source: Researcher's Survey, 2020

This result is corresponding with the previous research findings of Carson (2000) who says the entrepreneur can create good personnel contact and networks which they excel due to the fact that, it is their main method of communication and hence important for the success of the business both in national and international market. This indicates as these managers have

potential for exporting where different support is given to them with concerned body (government and other stake holders) to enable them in different aspects.

4.9 SMEs method of selling products

The SMEs method of marketing their product/service is somewhat different to that of the larger multinational firm they do concede that the methods employed, namely networking and word of mouth marketing, provide the SMEs with a competitive advantage with the result that they are more flexible to meet customer demands and operate successfully in niche markets (Fillis,2004).

Table: 4.14 Respondents Selling Method of their Products

Respondents Selling Method of their Products	Frequency	Percentage
Word of Mouth		46.4%
Media Advertising		14.5%
Net Working		35.5%
Others		3.6%
Total		100

Source: Researcher’s Survey, 2020

From above table, it can be seen that as the most often used method of selling their product is through word of mouth (46.4%) followed by networking through existing customers. And it can be concluded as they use informal method of advertising their products or by telling and asking each other about the products and have not mixes of different advertising method. And this finding correlates with Fisher (2004) who states as the word of mouth is regarded as the main method of SMEs marketing.

4.9. Marketing Related Problems/Constraints

Marketing problems are the major problems of all SMEs. Most SMEs managers/owners have a very limited knowledge of the marketing concept and basic marketing skills. Romano and Ratnatung, (1995) also acknowledged marketing activities as being most important factors affecting small business success. Customer relationship include keeping customers record, making follow-up on customers behaviors, improving knowledge of their characteristics, understanding the market complexity and having adequately trained staff.

4.9.1 Mean and Standard Deviation of Marketing Constraints

As table 4.15 demonstrates, there are many marketing constraints affecting the small and medium enterprises in which variables related with exporting of the firm were described above

using percentages. Even though most enterprises have different limitations concerning marketing activities, their mean value indicates as they have differences in existing and affecting the exporting of the firm. Accordingly, the researcher divided the variables effect as low, moderate and high by using the group means as a bench mark in which each means compared and decided. The variables having lesser mean value than group mean was taken as low effect on business to inter to international markets or export their products.

Variables having mean value approximate to group mean are moderate and needed more support to be taken as having effect from interview and empirical studies and variables with high mean value were the foremost factors affecting the exporting of the businesses.

Table: 4. 15 Descriptive Statistics of marketing factors.

	n	Mean	Std. Deviation
Sectors have difficulties to identify and contact potential customer in overseas markets	110	3.42	1.144
The current product portfolio isn't adequate to serve international markets.	110	3.25	1.237
The products quality standard don't meet the needs of customers in international market	110	3.05	1.605
Selling price of companies products in international market is not attractive	110	2.82	1.228
Company gets it difficult to meet the competitor's prices in the international markets.	110	3.86	1.079
Lack of network with successful and other business.	110	3.75	.969
Lack of marketing skill, experience and expertise.	110	3.82	1.151
market at home is sufficient	110	3.55	1.345

group mean	3.432
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Source: Researcher’s Survey, 2020.

As mentioned above constraining factors of the internationalization of the firm were taken using the group mean value as stepping stone and marketing constraint which its mean value is lower than the group mean value was categorized as low effect, and which its mean value is equal or greater but not far from group mean are categorized moderate. The marketing constraints having mean value of greater than group mean were taken as the major marketing constraints affecting the SMEs. Generally variables with low mean value indicates low effect in constraining the firm’s to export their products, moderate value was medium with effects and variables with high value have high effect hinder the firms from exporting their product.

According to the marketing constraints indicated on Table 4.14 lack of product portfolio (3.25), lack of products quality (3.05) and unattractiveness of company’s products (2.82) are variables with low mean value compared with group mean (3.432). The moderate marketing constraint is sufficiency of market at home with mean value of 3.55 and difficulty of identifying and contacting customers in overseas markets with mean value of (3.42). The other marketing constrains indicating high mean value are problems of competitive price for products in international markets (3.86) and lack of marketing skill, experience and experts (3.82) are those marketing constraints having higher mean value than group mean and are identified as the strongest in constraining the internationalization of the enterprises because they also supported with the data collected from interviews.

4.10 Management Related Problems.

Many researchers and practitioners claim that the major cause of small business failure to export their product is poor management. Whether the causes are labeled as financing, competition, marketing, inventory, etc, they can be safely avoided if good management was in place.

Table: 4.16 Mean and Standard Deviation of Management Constraints

	n	Mean	Std. Deviation
No person in the sector with the right skills to manage export related activities.	110	3.00	1.084
The daily management activities of the company don't give enough time to think about export	110	3.34	1.016

Lack of well trained and experienced employees within the company.	110	3.70	1.000
Staff members and employees lack of familiarity with commercial practices abroad affects company's operation in international markets.	110	3.43	1.153
Lack of management ability in creating external relationship.	110	3.78	1.160
Group mean	3.45		

Source: Researcher's Survey, 2020

Accordingly sectors lack of skills to manage export (3%) and giving time to think about export has low mean value than group and also their effects are considered as low.

On the other hand, staff members lack of familiarity with commercial practices abroad (3.43) is moderate mean value and the rest of them are with higher power in influencing the firms exporting potential like lack of well trained and experienced employees within the enterprises (3.7) and lack of management ability in creating external relationship(3.78).

4.11 Resource and Capability Related Problems.

Providing effective resources to assist SMEs in doing business in foreign markets is fundamental to encouraging SMEs to internationalize their operations. SMEs often lack the resources and knowledge necessary to proactively seek business opportunities in foreign markets and instead rely on a passive approach of waiting for customers to approach them.

Suarez-Ortega (2003) states that internal resource constraints refer to the need for a firm to possess resources in order for it to be able to commence export activity. The following factors have been recognized as internal resource barriers. Lack of financial resources such as the difficulty in obtaining the necessary funds needed to start export operations. Strategic resource barriers take different shapes and forms, ranging from lack of managerial and financial resources to a lack of capabilities to undertake export operations. Managerial barriers include insufficient

human resource capacity to carry out export operations. In order to succeed internationally, firms need managers who are capable of identifying export opportunities, designing and implementing export marketing strategies and monitoring business with overseas customers as well as handling export documentation and logistics (Katskeas, Leonidou & Morgan, 2000). Thus, lack of export oriented managers such as those with low export commitments as well as those with limited export knowledge, skills, time and with unrealistic exporting fears can negatively affect export behavior and performance of a firm.

Similarly, achieving superior export performance requires a sound financial position. Sufficient amount of financial resources enables firms to meet operational costs such as the costs of market research, transport, insurance and the like (Leonidou, 2004). Thus, a shortage of working capital to finance exports or inadequate access to export financing can be critical to export behavior of a firm (da Silva & da Rocha, 2001)

The lack of strategic resources in developing economies, such as Tanzania, seems to be a critical problem. The fact that the majority of Tanzanian firms are unable to invest in better technologies, meet international market demand requirements (e.g. quality and design) as well as to set competitive prices for the products. (URT, 2003) suggests that lack of strategic resources is a critical problem.

4.11.1 Mean and Standard Deviation of Resource Constraints

The process of internationalization is the result of a combination of various resources and competencies held or controlled by SMEs. The resources can emerge from the interior of the company or of its environment. With the international one, the international environment (surrounding) represents the whole of actors and factors facilitating the internationalization of SMEs (Philippe, 1995; Torrès, 1999). It provides to SMEs resources and skills (organizational learning, information, productive resources, communication, public services, etc.). According to Suarez-Ortega (2003), internal resource constraints refer to the need for a firm to possess resources to be able to commence/start export activity. The following factors have been recognized as internal resource barriers: lack of financial resources such as the difficulty in obtaining the necessary funds needed to start export operations.

Table: 4.17 Descriptive Statistics of Resource and Capability Constraints

	n	Mean	Std. Deviation
Limited production facilities don't allow the company to consider exports.	110	3.13	1.242
Underutilization of company's assets or	110		1.306

lack of capability to use company's resource efficiently.		3.4	
Company has problems of shortage of working capital.	110	3.88	1.073
Lack of providing convincing business plan to get loan.	110	3.53	1.131
Group mean	3.5		

Source: researcher's survey, 2020.

Previous research dealing with aspects of resource constraints and internationalization has tended to highlight the assumption that resource constraints may put off internationalization. For example, an article studying small firms (firms with less than 50 employees) located in Great Britain indicates that resource constraints are among the reasons cited for why these firms are not exporting (Westhead, Wright and Ucbasaran, 2002). Accordingly limited production facilities which its mean is (3.13) and underutilization of companies resource(3.4) are less than group mean (3.56) which have low effect on hindering exporting of the firm. Whereas lack of convincing business plan (3.53), shortage of working capital with (3.88) are the major constraining factor of export.

Chapter Five; Conclusion and Recommendation

5.1 Conclusions

From the above analysis the study concluded that internal factors are seriously affected the internationalization of SMES. According to the study result the business management skills which has been taken and studied as an internal factors that consists of general management skills, financial management skills, and human resource management skills and marketing skills, affect the business to a very great extent.

Management skills in different areas of business activities like that of accounting and financing, marketing, purchasing, business management, networking skills which enables the manager to create relation with other exporting firm and can pave the way for the enterprise to engage in exporting activities. This particular study's finding indicates as the Company has lack of well trained and experienced employees, lack of management ability in creating external relationship and can be concluded as the company is suffered with different management related problems which is one of influencing factor of firms exporting potential.

5.2 Recommendation

The major constraints identified in the study that affect the enterprises' exporting and as a reason the following actions are suggested for owners, actors and other stakeholders to improve the performances and initiate exporting of the products of SMEs in Fitch town

- SMEs owners/managers should improve internal capacity/operational excellences by different techniques like that of training that enable them to overcome the identified problems.

This can be,

- By preparing sound business plan and hence can avoid problems of shortage of capital by getting enough loan from financial institution
- sharing experience, creating network with other firms which enable them to gather information about marketing and
- Practice ways of gathering customer information from both national and international customers for the purpose of satisfying their needs through conducting market research and creating effective distribution network.

- Networking with external bodies starting from suppliers of raw material to distribution is suggested, because it keeps them from sudden stoppage of production due to different limitations of resources and also enable them to export their products directly or indirectly by integrating with experienced and model SMEs and larger companies that already start exporting their products.

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