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Investigating the moderating role of Export Promotion Programmes using evidence from North-Africa

Abstract

Purpose: Based on an institutional approach to explaining firms' internationalisation, this paper empirically investigates the role of export promotion programmes (EPPs) in moderating the influence of export barriers perceptions on Small and Medium Enterprises' (SMEs) propensity to export.

Design/Methodology/Approach: The study uses evidence from Algeria, the largest North-African country. The data were collected using an online questionnaire, targeting SMEs operating in the manufacturing sector. The study considers the influence of procedural, informational, environmental and functional barriers on export propensity, to uncover the moderating role of trade missions, trade shows and export seminars and workshops on such relationships. To examine these links, five main hypotheses are proposed and tested through a non-linear partial least squares structural equation modelling on a sample of 128 Algerian SMEs.

Findings: The results show that while internal barriers decrease firms' export propensity, export promotion programmes including trade fairs and shows may independently pose either a positive or negative influence on such relationships.

Research Implications: The study confirms the applicability of the institutional perspective to explaining firms' internationalisation. More importantly, the present study highlights the role of EPPs in moderating the influence of export barriers perceptions on SMEs' international market entry, a role neglected by the extant empirical literature.

Practical Implications: The current findings hold important implications to export promotion organisations operating in African countries. Notably, the results reveal that some programmes could have a negative influence if they are not delivered appropriately.

Originality: This study offers a rare focus on the moderating role of export promotion programmes in the relationship between export barriers and export propensity, within the setting of a North-African country.

Key Words: Export Barriers, SMEs, Export Promotion, Algeria

Introduction

The impact of export activities on the wealth of nations and the growth of firms is well documented and widely reported in the academic and common literature (Leonidou, 1995, 2004, Smith *et al.* 2006). Whether by direct or indirect appointment, home-country institutions are *de facto* government agents with a mission to succeed and deliver value in an increasingly competitive international market (Moen, 2016). As nations depend on the actions of small firms under their domain to spark economic activity (Pradhan and Das, 2015) and improve overall welfare, they have, by the same token, developed various government Export Promotion Programmes (EPPs) to encourage local firms to start and succeed in exporting (Ayob and Freixanet, 2014; Cruz, 2014). Ultimately, such programmes are contrived as tools for economic development (Wilkinson and Brouthers, 2006). Notwithstanding the obvious need for capital formation, exchange rate depreciation and increase in physical infrastructure (Mijiyawa, 2017), in African countries EPPs can be regarded as an effective way to lessen the reliance on natural resources and diversify their economy.

Against this backdrop, the role of EPPs in firms' internationalisation has been extensively studied in the international business literature. Thus, different approaches have been explored to evaluate the effectiveness of such programmes in assisting firms to enter and perform successfully in export markets. In fact, while several scholars have investigated their effectiveness through country-level research (Wilkinson and Brouthers, 2000; Martincus and Carballo, 2008, 2012; Schminke and Biesebroeck, 2013; Banno *et al.*, 2014), the majority of studies have explored the role of EPPs through firm-level studies. Similarly, within these studies, numerous works focused on the direct influence of EPPs on firms' export behaviour (Gencturk and Kotabe, 2001; Spence and Crick, 2001; Spence, 2003; Francis and Collins-Dodd, 2004; Wilkinson and Brouthers, 2006; Sousa and Bradley, 2009;

Cadot *et al.*, 2012; Domusglu *et al.*, 2012; Freixanet, 2012; Cansino *et al.*, 2013; Díez-Vial and Fernández-Olmos, 2013; Cruz, 2014), whereas others considered such programmes as a “resource supplement” and established a more indirect approach through firms’ resources and capabilities enhancement (Lages and Montgomery, 2005; Shamsuddoha *et al.*, 2009; Leonidou *et al.*, 2011; Haddoud *et al.*, 2017).

However, in addition to this well-acknowledged and validated resources supplement role, EPPs are also designed to reduce the psychological obstacles which often prevent firms from entering export markets (McNiven, 1991; Seringhaus and Rosson, 1991). They are expected to lessen the effect of export barriers and, at the same time, give traction to the export propensity of small firms (Persson, 2013). Yet, very few studies have investigated the effect of EPPs on the barriers confronting firms when entering export markets and this raises a central question: *Do EPPs reduce the negative influence of Small and Medium Enterprises’ (SMEs) export barriers?* Answering this question will enrich the export literature by validating this important function attributed to the EPPs which has thus far not been confirmed.

Based on an institutional perspective, this paper develops an integrative model highlighting the moderating influence of EPPs in decreasing the negative effect of perceived internal and external barriers on firms’ export propensity. Although the current study is not the first to explore the link between EPPs and export barriers (see for example Karakaya and Yannopoulos, 2012), their moderating influence is yet to be validated. The proposed model is tested in a North-African context. It is noteworthy that studies investigating firms’ internationalisation in African countries remain scarce (Boso *et al.*, 2012). International business in Africa is expected to be influenced by unique factors and generalising findings established in developed contexts to explain African firms’ internationalisation is a

questionable practise (Boso *et al.*, 2012; Robson and Freel, 2008). For this reason, evidence from the largest North-African country will enrich the current literature from the region.

Overall, the purpose of this study is, firstly, to determine and explain the interplay of internal and external barriers constraining Algerian SMEs' export propensity, and secondly, to evaluate how EPPs reduce the negative influence of such barriers. As the study is set in an Algerian context, there is scope in the findings for public decision makers in African countries to adopt the inherent findings to fine-tune their EPPs to the benefit of SME's export activities and national economic growth.

The North-African Context: Algeria

In the aftermath of its independence in 1962, Algeria adopted a planned economy where heavy industries were prioritised at the expense of the private sector. However, the economic crisis of 1986 and its consequences forced the country to shift to an open market economy and recognize the significant role of the private sector in leading economic development. The mid-1990s period has witnessed the emergence of numerous reforms and new laws with the purpose of boosting SMEs' growth nationally and internationally (Mosbah and Debili, 2014).

In spite of these reforms, Algeria remains heavily reliant on oil and gas reserves that generate 95% of its export earnings (Global Insight, 2014). The number of exporters across Algeria does not exceed 520 companies (ACCD, 2016), whereas the number of potential exporters accounts for approximately 1,200 firms (APS, 2015). Accordingly, the World Bank (2014) has urged the Algerian government to diversify from oil into other industries that currently account for a low share of foreign income (MDIPI, 2013).

To build this capacity, the Algerian government has extensively invested in export promotion programmes to mobilise SMEs' export activity (Mosbah and Debili, 2014; APS,

2016). However, these programmes have been ineffective in delivering an increase in Algerian SME exports (Nancy *et al.*, 2009) and falling foreign receipts coupled with a growing trade deficit have led the Algerian government to squeeze spending on public services (World Bank, 2016), including funding for export promotion programmes.

Algerian SMEs are typically characterised by a low use of modern technologies, limited innovation, unskilled personnel and a focus on small and domestic markets (FTGO, 2012; Mosbah and Debili, 2014). They face obstacles such as financial constraints, complex procedures and a lack of specialised personnel (Mosbah and Debili, 2014) and local public support for SMEs is regarded as poor. According to the European Investment Bank report on the support to SMEs in developing countries (EIB, 2011), local public support in these countries do not meet the needs of SMEs.

Therefore, in view of the above, the timeliness and relevance of empirical studies investigating the role of promotion programmes in assisting Algerian SMEs in overcoming export obstacles could not be overstressed. More so, Ibeh *et al.* (2012) found that between 1995 and 2011 there were only two African-centric studies in the internationalisation literature (Khemakham, 2010 for Tunisia and Fafchamp *et al.*, 2007 for Morocco), and to the authors' knowledge there has been no such study in Algeria.

Conceptual Framework

To address the research question proposed in the present study. A model examining the influence of manager's perceptions of various types of export barriers on SMEs' export propensity is proposed. Additionally, the model examines the moderating role of export promotion programmes in the link between barriers' perception and export propensity. The following subsections review the relevant literature on these constructs.

The Use of Export Propensity

Existing research investigate the factors that influence whether firms exports or not and this is known as the propensity to export (Obben and Magagula, 2003; Densil, 2011; Serra *et al.*, 2012; Boehe, 2013). The premise behind this instrument is that factors which are significantly higher in exporters than in non-exporters would constitute the elements needed to motivate and enable non-exporters to begin exporting (Atuahene-Gima, 1995). A similar approach could be applied when investigating export obstacles. In this vein, it could be argued that barriers that are prevalent amongst non-exporters when compared with exporters would reflect the factors preventing firms from entering foreign markets. Hence, the present study attempts to examine the influence of various export barriers on SMEs' export propensity.

Barriers to Exporting

Export barriers (also referred to as problems, impediments and obstacles) are often regarded as the main factors preventing SMEs from entering international markets (Leonidou, 1995). Export barriers can arise in all stages of export activity. They can be at the initiation as well as the advanced stages (Leonidou, 2004). Studying the export barriers perceived by managers is important in order to understand and mitigate the factors that reduce the desirability and profitability of export activity (Crick and Chaudhry, 1997). Understanding the influence of export barriers allows SMEs' managers to take appropriate actions to overcome issues related to exporting, it supports policymakers to effectively design suitable EPPs and it enables export researchers to develop theories in export fields (Leonidou, 2004). In this study, export barriers are defined as the set of constraints hindering firms' ability to initiate international operations.

Export barriers can be internal and external (Bagchi-Sen 1999; Smith *et al.*, 2006). Internal barriers are defined as firm's endogenous problems associated with a lack of

organisational resources, while external barriers are more diverse and relate to issues in firms' external environment including problems in both the domestic and export markets (Tesfom and Lutz, 2006). Thus far, the export literature has presented a wide range of barriers that could potentially influence SMEs' international activities. While some of these barriers are redundant and fragmented, reporting all of them could be challenging and may prevent the provision of meaningful results. Therefore, for the purpose of clarity, this review has applied a voting technique to evaluate the most frequently cited internal and external export barriers preventing potential exporters from entering foreign markets. According to Al-Assaf and Schmele (1993), voting is a brainstorming process that facilitates the evaluation, critiquing and ranking of a list of ideas. Hence, the internal barriers voted in this study include limited information about foreign markets, difficulty in contacting foreign customers, language and cultural problems, the lack of adequate/trained personnel for exporting, insufficient production capacity, insufficient capital for export, the inability to meet export requirements and the lack of/inaccessible reliable foreign distributors. Similarly, the voted external barriers include the complexity of export procedures, issues with overseas payment collection, high transportation costs, unfavourable home government rules and regulations, the lack of/inadequate government assistance, political instability in foreign markets, tariffs and non-tariffs barriers, strong foreign competition and exchange rate fluctuations.

Smith *et al.* (2006: 54) assert that a paired consideration of internal and external barriers is essential to develop "*a holistic framework for diagnosing sources of export barriers along two sets of dichotomies*". Indeed, both the resource-based view and the industrial organisation-based view of firms postulate that internal characteristics and external influences jointly impact on export performance (Calantone *et al.*, 2006). Hence, since the early inception of studies in export research, the literature has continuously explored the causal relationships between export behaviour and variables that are both internal and

external to firms (Ditch *et al.*, 1984). The premise of the existing studies suggests that internal and external barriers are altogether independent variables that condition export propensity as a dependent variable.

Going beyond the internal/external categorisation, the extant literature has also provided numerous additional typologies (see for example Suárez-Ortega, 2003; Leonidou, 2004; Al Hyari *et al.*, 2012; Kahiya and Dean, 2016). The number of sub-categories included in each typology differed significantly. For example, while Suárez-Ortega (2003) and Arteaga-Ortiz and Fernández-Ortiz (2010) both included 4 groups of barriers, Kahiya and Dean (2016) and Leonidou (2004) classified the export obstacles into 7 and 13 groups respectively. For the purpose of clarity and non-repetition of items, the current study investigates export barriers groups as defined by Suárez-Ortega's (2003) and Arteaga-Ortiz and Fernández-Ortiz's (2010). The rationale for this approach is, having conducted a chronological review of export barriers, Arteaga-Ortiz and Fernández-Ortiz (2010: 398) firmly established that *'there are sometimes certain similarities between the individual barriers used and many are repeated under different names but with the same meaning'*. Furthermore, according to Suárez-Ortega (2003) and Arteaga-Ortiz and Fernández-Ortiz (2010), it is these four types of export barriers that may affect firms' export behaviour: Barriers related to the lack of export knowledge, obstacles resulting from the lack of resources, barriers related to export procedures and exogenous factors. While the first two are considered as internal obstacles, barriers related to the export procedures and exogenous obstacles are seen as external factors.

Commencing with the internal barriers, the influence of such impediments on firms' export propensity is successively evaluated. It is important to mention that given the context of the present study, research conducted in both developed and developing countries are reviewed. This will help to highlight the influence of the context in which firms operate.

Internal Barriers and Export Propensity

Barriers due to the lack of export knowledge are repeatedly cited in the export literature. By definition, export knowledge barriers refer to firms' lack of information and knowledge about various aspects of export activity (Suárez-Ortega, 2003). Obstacles related to information may also include difficulties in identifying and contacting international markets (Leonidou, 2004), whereas, resource constraints obstacles refer to firms' capacity to export (Suárez-Ortega, 2003). More specifically, they refer to inefficiencies in the functional areas of production and finance (Leonidou, 2004; Arteaga-Ortiz and Fernández-Ortiz, 2010). Following these definitions, these two types of obstacles are labelled as informational and functional barriers respectively.

The lack of information and knowledge about exporting and foreign markets is perceived as highly influential on export activities at both the initiation and continuation phases of export regardless of the level of involvement and the context where SMEs operate (Leonidou, 1995; Moini, 1997; Da Silva and da Rocha, 2001; Fillis, 2002; Suarez-Ortega, 2003; Shaw and Darroch, 2004; Altintas *et al.*, 2007; Pinho and Martins, 2010; Al-Hyari *et al.*, 2012). Accurate, reliable and updated information is essential to assist the SMEs' decision-making processes in export markets. Particularly, non-exporters would need foreign knowledge to avoid relying on instinctive perceptions of export markets. In their study of Jordanian exporting and non-exporting SMEs, Al-Hyari *et al.*, (2012) indicated that SMEs lacking foreign market information are more likely to view export markets as highly uncertain. Pinho and Martins (2010) investigated exporting and non-exporting Portuguese SMEs and found that the lack of foreign knowledge explains an impediment that SMEs face when developing and implementing an effective export marketing strategy. The lack of knowledge increases the uncertainty that already characterises turbulent export markets. In Tanzania, Milanzi (2011) revealed that exporting SMEs are unable to develop competitive

export strategies and assess the risks related to foreign markets due to the lack of information as well as the underdeveloped communication infrastructures in the country. Empirical evidence from both developed (Naidu and Rao, 1993; Suárez-Ortega, 2003; Pinho and Martins, 2010) and developing countries (Mpinganjira, 2011; Al-Hyari, 2012) have revealed that such an impediment played an important role in preventing non-exporters from going abroad. Similar findings were reported from existing exporters in both contexts (Bennett, 1997; Hornby *et al.*, 2002; Pinho and Martins, 2010; (Al-Aali *et al.*, 2012; Al-Hyari *et al.*, 2012; Milanzi, 2012).

Similarly, difficulties in contacting overseas consumers were also found to be amongst the informational barriers preventing firms from doing business abroad (Pinho and Martins, 2010; Bell 1997; Moini 1997). Bell (1997) found through a qualitative study on Finnish, Norwegian and Irish small software firms, that issues associated with contacting and communicating with foreign customers were due to the high costs of communication. Face to face communications is a necessary promotional tool for SMEs, and hence, in an international context where there could be long geographical distance, it is likely to incur high expenses (Leonidou, 2004). Language issues may also be amongst the reasons leading to communication problems. Language differences are likely to increase the psychic distance which would then lead to miscommunication and potential misunderstanding with foreign partners, to the extent that managers are discouraged to enter international markets (Densil, 2011; Nemkova *et al.*, 2012). However, the present review has revealed that such problems are considered by SMEs' managers to be among the least important export barriers affecting export propensity in both developed or developing countries (Leonidou, 1995; Da Silva and Da Rocha, 2001; Fillis, 2002; Suárez-Ortega, 2003; Shaw and Darroch, 2004; Altintas *et al.*, 2007; Kneller and Pisu, 2011; Al-Hyari *et al.*, 2012).

The lack of/inaccessible reliable foreign distributors may also create difficulties in reaching foreign consumers. This was often acknowledged as a major obstacle amongst exporters and non-exporters operating in developed countries (Diamantopoulos *et al.*, 1990; Fillis, 2002; Shaw and Darroch, 2004; Neupert *et al.*, 2006). In contrast, firms evolving in developing nations considered this issue to be the least significant of factors affecting their export behaviour (Da Silva and da Rocha, 2001; Mpinganjira, 2011; Al-Hyari *et al.*, 2012; Milanzi, 2012). Such disparity between developed and developing countries could be explained by the fact that distributors in developed countries are more available, professional and easily accessible compared to those in developing countries, and thus exporters in developed nations perceive more problems when selling to developing countries. Hence, in light of this discussion, the first hypothesis is proposed:

H1: Internal Informational Barriers decrease firms' export propensity

Conceptually, the lack of resources immobilising firms from entering and surviving in export markets would justify the widely acknowledged link between company size and export activity (Arteaga-Ortiz and Fernández-Ortiz, 2010). Engagement in export activities induces high costs in terms of foreign market research and market mix adaptation; hence, export activities require financial resources that SMEs may not be able to afford (Leonidou, 2004). In this vein, obstacles related to the lack of capital for exporting were amongst the factors perceived by firms operating in both developed and developing countries as highly influential (Bell, 1997; Fillis, 2002; Shaw and Darroch, 2004; Altintas *et al.*, 2007; Al-Hyari *et al.*, 2012; Milanzi, 2012). Additionally, such a lack of resources can also be in the form of a lack in the production capacity. In fact, small firms often consider exporting as a peripheral business activity, conducted only if there is availability of production resources (Leonidou, 2004). However, the empirical evidence from developing countries showed that both exporters and non-exporters in developing countries cited this problem among the least important export

barriers (Altintas *et al.*, 2007; Al-Hyari *et al.*, 2012; Milanzi, 2012), while in developed countries exporting and non-exporting SMEs ranked this issue as moderately significant (Leonidou, 1995; Suárez-Ortega, 2003).

Due to resource constraints obstacles, firms are also likely to be unable to meet the export requirements in terms of product quality standards. Product quality is an issue when a firm is exporting to a market where the quality standards are higher than in the home market (Leonidou, 2004; Neupert *et al.*, 2006) and is particularly true when SMEs in developing countries export to their developed counterparts (Tessom and Lutz, 2006) and foreign governments set specific quality guidelines (Al-Hyari *et al.*, 2012). The vast majority of studies conducted in developing nations reported that meeting the product quality standards was regarded as a highly significant export barrier for exporters (Da Silva and Da Rocha, 2001; Neupert *et al.*, 2006; Al-Hyari *et al.*, 2012). Conversely, evidence from developed countries ranked this impediment to be among the least important export barriers (Leonidou, 1995; Ramaseshan and Soutar, 1996; Shaw and Darroch, 2004; Pinho and Martins, 2010). Therefore, on the strength of this discussion, a second hypothesis is proposed:

H2: Internal Functional Barriers decrease firms' export propensity

External Barriers and Export Propensity

External barriers relate to issues in firms' external environment. These obstacles include barriers related to export procedures and exogenous factors (Suárez-Ortega, 2003). Firstly, procedural barriers are factors related to the operational aspects of foreign transactions (Leonidou, 2004). Secondly, exogenous factors comprise political, legal and economic exposures due to the inherent risks of dealing in an international environment (Suárez-Ortega, 2003; Leonidou, 2004). In this paper, to investigate both limitations, the procedural factors are labelled as Procedural Barriers, while the exogenous factors are labelled as

Environmental Barriers, respectively. Their influence on firms' propensity is discussed in succession.

It is commonly agreed that SMEs consider the documentation related to export procedures to be time consuming, costly and difficult to manage and thus would discourage them to go abroad (Moini, 1997). Empirically, this impediment was often cited amongst the factors preventing SMEs' from exporting. Among exporters, Bell's (1997) study in Norway and Bennett (1997) and Hornby *et al.*'s (2002) study in the UK reported a high negative influence of this factor, whereas, Bell's (1997) investigation in Finland and Ireland, Suárez-Ortega's (2003) study in Spain and Neupert *et al.*, (2006) inquiry in the US found a moderate impact. In contrast, Naidu and Rao (1993) and Moini (1997) in the US, Hornby *et al.*, (2002) in Australia and Shaw and Darroch (2004) in New Zealand reported a low influence. Turning to non-exporters, while Moini (1997) for USA and Fillis (2002) observed a high effect on managers' perception, Leonidou's (1995) inquiry in Greece and Shaw and Darroch's (2004) work in New Zealand found a low influence. With respect to developing countries, only two studies cited this impediment as moderate (Al-Hyari *et al.*, 2012) and least significant (Milanzi, 2012).

On a similar vein, payments procedures are also challenging when transacted abroad. Geographical distances make the control of debtors more difficult. Delays in payment can also be due to late shipment and debt recovery procedures (Bell, 1997). In the empirical literature, issues with overseas payment collection were regarded as highly influential amongst exporters in developed countries (Bell, 1997; Bennett, 1997; Hornby *et al.*, 2002; Pinho and Martins, 2010), whereas for their counterpart in developing countries, results recorded a high (Da Silva and Da Rocha, 2001) and moderate influence (Mpinganjira, 2011; Al-Hyari *et al.*, 2012). As for non-exporters, findings showed that the payment collection issue was regarded as moderately significant in both contexts (Pinho and Martins, 2010; Al-Hyari *et al.*, 2012).

Similarly, long distances from foreign market and additional insurance coverages would also incur greater transportation costs (Leonidou, 2004). Findings reported that SMEs in developed countries regarded these costs as highly influent barriers (Ramaseshan and Soutar, 1996; Bennett, 1997; Hornby *et al*, 2008; Shaw and Darroch, 2004). In comparison, SMEs in developing considered this as either moderate (Altintas *et al.*, 2007; Al-Hyari *et al.*, 2012) or highly significant barriers (Da Silva and da Rocha, 2001).

Such procedural obstacles are also due to the unfavourable home government rules and regulations. Particularly in developing countries, Al-Hyari *et al.*, (2012) and Milanzi (2012) reported that SMEs considered unfavourable government regulations as highly influent on their export activities. According to Leonidou (2004), such unfavourable regulations can be the result of a lack of interest from the government in assisting SMEs to export. In addition, studies from developing countries raised issues related to bureaucratic barriers affecting SMEs in such a context to initiate and continue export activities (Da Silva and da Rocha, 2001; Altintas *et al.*, 2007; Al-Hyari *et al.*, 2012). On the contrary, SMEs in developed countries perceived this problem to be among the least significant (Shaw and Darroch, 2004). Similarly, exporting SMEs in developing countries perceived the lack of governmental assistance or its inadequacy as a high export barrier (Da Silva and Da Rocha, 2001; Altintas *et al.*, 2007; Al-Aaali *et al.*, 2012; Milanzi, 2012). Their counterparts in developed countries also regarded this issue as either highly significant (Suirez-Ortega, 2003, Shaw and Darroch, 2004; Rutihinda, 2008) or moderately influent on export development (Fillis, 2002; Pinho and Martins, 2010). Da Silva and Da Rocha (2001) claimed that the inappropriateness of export incentives was perceived by Brazilian exporters as the most important export problem. Thus, inspired by the evidence, the third hypothesis is proposed:

H3. External Procedural Barriers decrease firms' export propensity

Politically, conducting business internationally can be challenging. SMEs dealing with countries characterised by a political instability can face many threats such as property confiscation, suspension of activities, or prohibition of repatriation of earnings (Leonidou, 2004). In past studies, exporting firms in developing countries considered political instability in foreign markets as being both a highly significant and moderate export barrier (Al-Hyari *et al.*, 2012 and Da Silva and Da Rocha, 2001). Conversely, findings from developed countries were different. Diamantopolous *et al.* (1990), Sujrez-Ortega (2003), Shaw and Darroch (2004) and Rutihinda (2008) considered that unstable political environment abroad was not highly influent on export activities (among the least affecting factors). Similarly, Leonidou (2004) argued that import tariffs cause a serious problem to exporters but also concluded that the factor is increasingly less of a barrier due to the efforts of the World Trade Organisation to liberalise international trade. However, on this issue, Altintas *et al.* (2007) and Da Silva and Da Rocha (2001) reached different conclusions. While the former reported a high perception of this factor by Turkish exporters, the latter found that Brazilian managers considered it to be least significant.

Economically, a number of environmental challenges may also affect SMEs' international activities. In fact, exchange rate fluctuations were often cited as such. Fluctuations in the currency value may lead to unstable and uncompetitive prices abroad as well as difficulties in sales and profits repatriation (Leonidou, 2004) and price quoting (Ahmed *et al.*, 2002). However, empirically, limited studies were conducted in developing countries and they revealed that, for exporters, currency conversion rates were highly significant (Da Silva and Da Rocha, 2001; Altintas *et al.*, 2007) and Al-Hyari *et al.*, (2012) found that non-exporters considered it as moderately important. Yet, SMEs in developed nations benefited from favourable conversion rates and exporters reported it as either highly significant (Bennett, 1997; Shaw and Darroch, 2004; Rutihinda, 2008) or moderately

important (Diamantopoulos *et al.*, 1990; Bell, 1997; Moini, 1997; Kneller and Pisu, 2011). Non-exporters considered this barrier to be among the least important factor impeding export activities (Naidu and Rao, 1993; Moini, 1997; Suárez-Ortega, 2003; Shaw and Darroch, 2004; Pinho and Martins, 2010).

Similarly, strong foreign competition poses a serious psychological handicap for firms (Leonidou, 1995). Leonidou (2004) reported that due to foreign competition, SMEs may lose their competitive advantage once abroad. Pinho and Martins (2010) concluded that keen foreign competition is one of the most influent factors of the export decision. The authors reported that this barrier decreased export propensity by 84%. In developing countries, Da Silva and Da Rocha (2001), Altintas *et al.*, (2007) and Al-Hyari *et al.*, (2012) found the latter to be highly perceived as an export barrier by exporters, whereas non-exporters regarded it as moderately important (Al-Hyari *et al.*, 2012; Mpinganjira, 2012). With respect to developed countries, exporters considered the keen foreign competition as moderately important (Bennett, 1997; Fillis, 2002, Hornby *et al.*, 2002; Pinho and Martins, 2010). On the other hand, non-exporters were highly encumbered by this factor (Ramaseshan and Soutar, 1996; Shaw and Darroch, 2004; Pinho and Martins, 2010). Leonidou (1995) concluded that younger firms particularly perceived intense foreign competition as an export impediment much more than older firms. To conclude, a fourth hypothesis is proposed to test the validity of the current argument thus:

H4: External Environmental Barriers decrease firms' export propensity

Export Promotion Programmes: The Institutional Based View

While the majority of studies investigating export behaviour lean towards the resource based view (RBV), an institutional perspective is also viewed as highly relevant when studying small business internationalisation (Szyliowicz and Galvin, 2010; Oparaocha 2015; Martineau and Pastoriza, 2016). Beyond the predominant RBV, the institutional theory

provides a sound theoretical base to study how government institutions can influence firms' internationalisation (Oparaocha, 2015).

In detail, the institution-based view argues a dynamic interaction between institutions and firms that is likely to result in a strategic move towards export. Institutional support has a direct influence on firms' strategic management process, from formulation through to implementation (Peng *et al.*, 2008). This view also posits that firms' entrepreneurial behaviour could be triggered by incentives accessed through institutional links (Bruton *et al.*, 2010). Essentially, institutions act through incentives that encourage them to learn, innovate and adapt to competitive challenges (Boehe *et al.*, 2016). In an internationalisation context, SMEs' foreign market entry is not only driven by opportunity seeking triggers, but also by institutional intervention in the home market (Cheng and Yu, 2008).

Furthermore, such institutional influences may manifest through the direct assistance that facilitate firms' foreign market entry and eliminate barriers that are likely to discourage international activities (Bruton *et al.*, 2010). Oparaocha (2015) posits that government institutions can help firms overcoming various barriers inhibiting the identification and exploitation of international opportunities. SMEs' internationalisation is often dependent on such institutional support as deficient assistance will negatively impact their ability to enter export markets. Particularly for SMEs operating in developing countries, a lack of institutional support may lead to increased uncertainty and additional transaction costs which will hinder the development of firms (Cardoza *et al.*, 2016; Narooz and Child, 2017).

Additionally, SMEs desire legitimacy when seeking institutional support for export activity. Accordingly, the institutional based view suggests that the interaction between SMEs and public institutions can assist firms in gaining critical legitimacy to overcome liabilities of newness and increase prospects of survival (Bruton *et al.*, 2010). In an

international SME context, legitimacy gained through institutional interventions is likely to affect firms' decision to export (Hassels and Terjesen, 2010), as well as the timing and means of internationalization (Cheng and Yu, 2008).

EPPs and the Propensity to Export: The Moderating Influence

Drawing on the institutional theory, government-based institutional assistance is captured through EPPs. However, empirical evidence on the role of EPPs in enhancing firms' export entry remains scarce and inconclusive (Lederman *et al.*, 2016). While several studies failed to confirm a significant direct influence of such programs on firms' probability of exporting (Bernard and Jensen, 2004; Girma *et al.*, 2009), others found the opposite and confirmed the positive influence of EPPs on SMEs' export likelihood (Schminke and Van Biesebroeck, 2013; Cruz, 2014; Lederman *et al.*, 2016).

In this paper we argue that such inconclusive findings could be attributed to a narrow focus on EPPs' direct influence. Taking a closer look at previous literature may suggest that such programs are more likely to have an indirect influence on export behaviour (see for example Leonidou *et al.*, 2011; Haddoud *et al.*, 2017). This indirect effect occurs in the learning process that SMEs undergo in the course of utilising EPPs. Laderman *et al.* (2016) affirm that learning is important for firms' entry into export markets. Like all organisations, SMEs engage in a process of searching and learning when seeking foreign markets which would accrue costs. During this learning process, export success is threatened due to externalities (Cruz, 2014; Kanda *et al.*, 2016) and information asymmetry. SMEs may underestimate the risks associated with operating in relatively unknown and uncertain foreign markets and thus may hinder their export entry (Laderman *et al.*, 2010; Kanda *et al.*, 2016). With this in mind, the role of institutional support is to assist with mitigating externalities and

balancing information asymmetries in export, which would in turn extenuate export market failures (Kanda *et al.*, 2016).

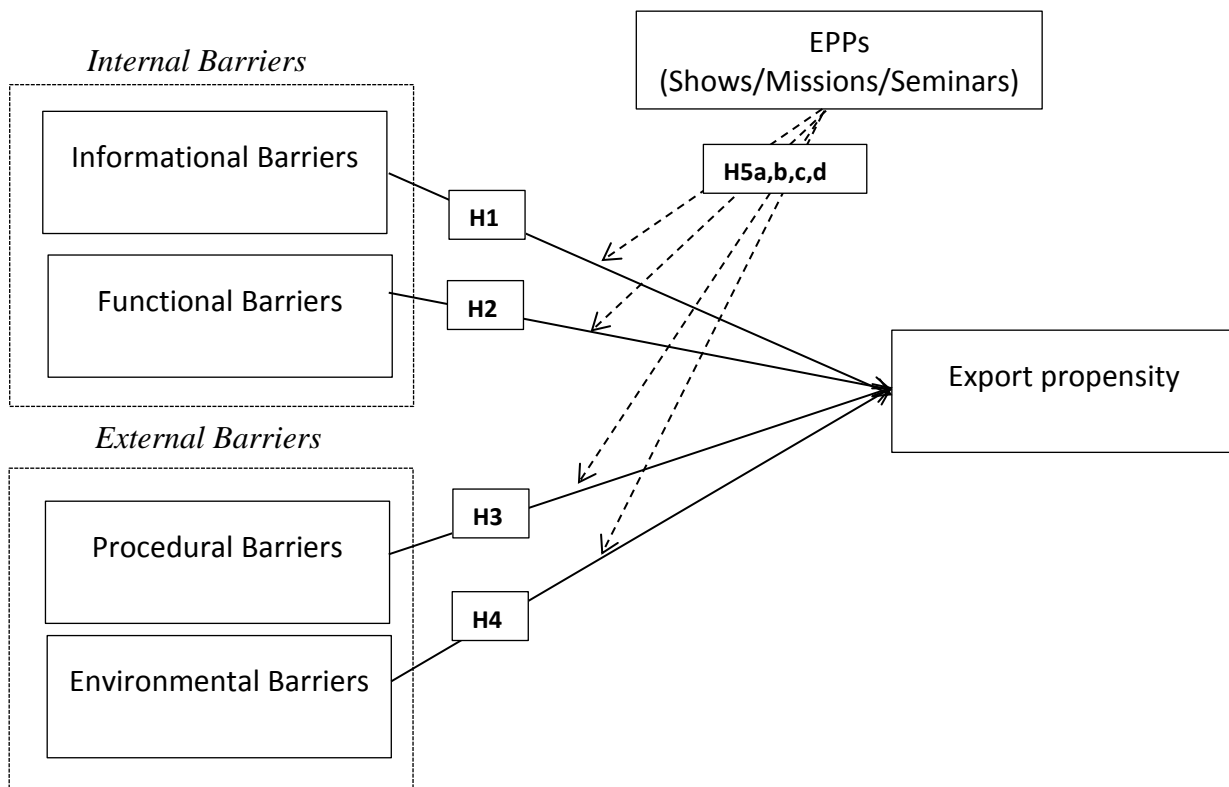
Theoretically, EPPs are defined as a set of programmes with the purpose of creating export awareness, providing incentives and reducing barriers to exporting to both existing and potential exporters (Seringhaus and Rosson, 1991). EPPs aim at reducing the psychological costs (McNiven, 1991) and unveiling uncertainties related to export markets (Seringhaus and Rosson, 1991). For example, Kotabe and Czinkota (1992) explain that the use of EPPs can nullify the perceived export barriers by US firms; however, they also concluded that considerable gaps existed between the firms' perceived obstacles and the EPPs offered. The accessibility of information and knowledge on export and foreign markets through participation in EPPs would encourage managers to adopt more positive perceptions toward export activities (Singer and Czinkota 1994). Similarly, the participation in such programmes often raises managers' awareness of the potential profits gained through exporting which would in turn help them in overcoming the psychological barriers associated with the internationalisation process (Leonidou *et al.*, 2011).

Examples of EPPs that managers may engage in to gain a positive perception of export markets could include trade missions, trade shows and seminars (Ayob and Freixanet, 2014; Francis and Collins-Dodd, 2004). Trade missions and trade shows enhance export participation among potential or new exporters with foreign inexperience (Wilkinson and Brouthers, 2006), whereas for existing exporters, they encourage them to expand into more markets (Durmusoglu *et al.*, 2012). Correspondingly, EPP seminars take the form of workshops and are beneficial as motivational and informational sessions to firms at every stage of the export cycle (Ahmed *et al.*, 2002). Therefore, based on the institutional theory and the aforementioned studies, one can argue that instead of a direct influence, EPPs are more likely to have an indirect effect on SMEs' export behaviour. In this study, we posit that

these EPPs enhance export probability through the reduction of the various export barriers. For example, EPPs in the form of trade shows, missions and seminars are considered as an important source of foreign market knowledge (Shamsuddoha et al. 2009; Leonidou et al. 2011). Participants are often able to benefit from experiential knowledge through meeting other exporters, potential customers and distributors which would in turn enhance their commitment to exporting (Singer and Czinkota 1994; Wilkinson and Brouthers 2006) and decrease the negative effect of informational barriers (Shamsuddoha et al., 2009). Similarly, through such programmes, users are usually provided with key information about export procedures, market knowledge, foreign practices and regulations. Such information is likely to improve managers' attitudes and abilities to deal with export procedures (Leonidou et al., 2011) and thus reduce the negative influence of procedural barriers. The information provision role of EPPs will also play an important part in lessening the challenges linked the uncertainty of the export environment (environmental barriers). Furthermore, the use of informational export assistance can also increase the efficiency of export planning by providing foreign markets information quickly (Seringhaus, 1987). This would help firms managing their production capacity and meeting their customers' requirements, hence, reducing the influence of functional constraints. With these arguments in mind, a fifth hypothesis is proposed and subsequently figure 1 summarises the initial research model developed for this study.

H5: Participating to EPPs reduces the negative influence of (a) informational barriers, (b) functional barriers, (c) procedural barriers and (d) environmental barriers on firms' export propensity

Figure 1: Research model



Methods and Data Collection

Measures

To measure export propensity, the study adopted categorical variables to indicate whether or not the firm exports. In the literature, categorical variables are a commonly used proxy to capture the propensity to export (Zhaou and Zou, 2002; Estrin *et al.*, 2008; Babatunde, 2016). Turning to the export barriers, 17 items were used to determine both internal and external barriers. These barriers were extracted from previous studies by way of reviewing the literature, using a voting technique (e.g. Suarez-Ortega (2003); Shaw and Darroch (2004); Neurpert *et al.* (2006); Pinho and Martins (2010); Al-Hyari *et al.* (2012); Milanzi (2012)).

As for the use of EPPs, the present study focuses on the non-financial export promotion programmes. The three forms of EPPs included here are, namely: export seminars/workshops,

trade fairs and trade shows. According to a study funded by the European Union (Nancy *et al.*, 2009), these three EPPs specifically constitute the main non-financial assistance offered by Algerian export promotion agencies. Additionally, the specific programmes were chosen for having more potential to result in immediate foreign sales (Wilkinson and Brouthers, 2006); hence their impact is more likely to be captured in this study.

Data Collection

The data were collected using an online questionnaire. This was sent to manufacturing SMEs employing less than 500 employees and operating across the country. An employee threshold of 500 was chosen to include firms that are more likely to seek assistance from government organisations during their internationalisation. This threshold was often adopted in previous internationalisation studies (See for example: Morgan and Katsikeas, 1997; Moini, 1997; Wilkinson and Brouthers, 2006; Rutihinda, 2008). The sample was drawn from a database provided by the Algerian Chamber of Commerce and included both exporters and non-exporters. To maximise the number of responses, several firms were also approached via personal contacts. The study targeted both existing and potential exporters. Given the low numbers of such companies (520 exporters and 1200 potential exporters), the study pursued all existing manufacturing segments, including food and beverage, metal products, textile and clothing, tobacco, wood and paper products, furniture and ‘other’ manufacturing.

Regarding the key informant, the study used a single respondent from each firm. This is in accordance with Sousa *et al.*’s (2008) suggestion arguing that, in the case of SMEs, only one person would deal with export activities. This is the case for Algerian SMEs where, often, one person is in charge of all decision making (Mosbah and Debili, 2014). To ensure the reliability of the information, the researchers targeted owners, general directors, export directors or financial directors (Leonidou *et al.*, 2011; Shamsuddoha *et al.*, 2009). To monitor this, a filtering question within the questionnaire noted the work position of the informant.

Sample Characteristics

The study returned 128 completed and usable questionnaires. This is considered representative since it represents around 7.4% of the total population of existing and potential exporters in Algeria. The characteristics of the sample are presented in Table 1. Here, figures show that the large majority of firms (around 60%) employed between 10 and 250 employees. As for firms' age, the table shows most companies were between 2 and 25 years old (about 74%). In respect of export status, the sample approximately included a balanced sample in terms of exporters and non-exporters, with 52.3% and 47.7% respectively. Regarding the use of EPPs, it can be seen that Algerian SMEs tend to be more users than non-users of these programmes.

Table 1: Firms' Characteristics.

Firms' Size (Employees)	%	Trade Mission Usage	%
Less than 10	21.9	Never	37.5
10 – 50	30.5	Rarely	16.4
51 – 250	30.5	Occasionally	14.8
251 – 500	7.8	Frequently	11.7
Firms' Age (Years)	%	Very Frequently	5.5
Less than 2	3.1	Seminars and Workshops' Usage	%
2 - 10	29.7	Never	31.3
11 - 25	44.5	Rarely	14.1
26 -50	17.2	Occasionally	23.4
Over 50	5.5	Frequently	11.7
Export Status	%	Very Frequently	7.8
Exporters	52.3	Key Informants	%
Non-exporters	47.7	Owners	37
Trade Shows Usage	%	General Directors	31
Never	17.2	Marketing Director	8
Rarely	10.9	Sales Directors (including export directors)	17
Occasionally	20.3		
Frequently	25.8		
Very Frequently	12.5%		

Finally, both non-response and common method biases were tested to ensure the validity of the data. Non-response bias was examined using Armstrong and Overton's (1977) extrapolation (Ketkar *et al.*, 2012), whereas common method bias was checked through

Harman's one-factor (Lings *et al.*, 2014; Mattila and Enz, 2002). While the non-response test revealed no major differences between early and late respondents, the Harman's single factor accounted for 22.72% of the variance. It can therefore be concluded that no major signs of nonresponse or common method errors exist.

Pre-Analysis: Clustering Export Barriers

To validate the typology adopted in this study, an exploratory factor analysis (EFA) was conducted. The EFA was conducted following principal component factor analysis with Varimax rotation (McDermott *et al.*, 2013). The results of the EFA are presented in Table 2. Overall, on the basis of the scree plot (inflection point) and the Eigen values (greater than 1), the EFA resulted in 4 distinctive factors. The first factor was labelled 'Informational Barriers' and comprised five obstacles linked to communication, cultural, lack of information and foreign distribution, the second factor was labelled 'Procedural Barriers' and included seven factors related to payments, transportation documentations, home regulations and local institutional support involved in the export procedure. The third group was named 'Environmental Barriers' and accounted for four obstacles related to exchange rates, taxes, competition and political instability. Finally, the fourth category was labelled 'Functional Barriers' and had three barriers linked to the firm's production capacity, export capital and product-related issues. These factors explained all together 69.88% of the total variations. The value of Kaiser-Meyer-Olkin was 0.84 which exceeds the recommended value of 0.6, whereas the Bartlett's test of sphericity reached statistical significant (Pallant, 2013).

Notwithstanding the superficial differences in terminology, the labelled items were those that exhibited higher loadings (Kahiya and Dean, 2016) and the current categorisation from the exploratory factor analysis corresponds with existing

definitions and taxonomies of export barriers in Suárez-Ortega (2003) and Arteaga-Ortiz and Fernández-Ortiz's (2010). Similarly, extant categorisations in Leonidou (2004), Al-Hyari *et al.* (2012) and Kahiya and Dean (2016) are fragmented due to a higher number of groups. In the present study, we opted for a more clearly demarcated typology to allow for a focused interpretation of the moderating influence of EPPs.

Table 2: Rotated component matrix for export barriers.

Factor Groups	Factor Loadings			
	1	2	3	4
Informational Barriers				
Language and cultural problems	.782			
Difficulty to communicate with overseas customers	.746			
Lack of knowledge about overseas markets	.745			
Lack of personnel experienced in exporting activities	.676			
Inaccessible reliable foreign distributors	.662			
Procedural Barriers				
Complexity of Export Procedures/documentation		.860		
Unfavourable home government rules and regulations		.830		
Lack /inadequacy of government assistance		.727		
High Transportation costs		.646		
Issues with overseas payment collection		.633		
Environmental Barriers				
Restrictive foreign tariffs			.821	
Exchange rate fluctuations			.767	
Political instability in foreign markets			.706	
Strong overseas competition			.639	
Functional Barriers				
Insufficient capacity for exporting				.849
Insufficient capital for export				.757
Inability to meet export requirements				.667

Analysis: Testing the research model

To test the study's hypotheses, a non-linear Partial Least Squares Structural Equation Modelling technique was applied, using the WarpPLS 6.0 software (Kock, 2017). The use of a variance-based approach was primarily due to the focus of the study which is the prediction of the variances of export propensity (Hair *et al.*, 2016). The model included four latent variables representing procedural barriers, informational barriers, environmental barriers,

functional barriers and one dummy variable representing export propensity. A Moderator representing firms' use of EPPs was also included.

Measurement Model

To confirm the taxonomy of export barriers obtained through the EFA, a confirmatory factor analysis (CFA) using a PLS approach was conducted (and is available upon request). In addition, to assess the measurement model, both reliability and validity of the latent variables were checked. While the former was assessed through the composite reliability coefficient and the Cronbach's Alpha, the latter was examined through the Average Variance Extracted (AVE) (for convergent validity) the square roots of AVE (discriminant validity). The study also examined collinearity issues through the Variance Inflation Factor (VIF). Table 3 presents the measurement model values.

Table 3: Measurement Model for Latent Variables

Variables	Composite Reliability	Cronbach's Alpha	AVE	VIF
Procedural Barriers	0.912	0.879	0.676	2.062
Informational Barriers	0.890	0.845	0.619	1.987
Environmental Barriers	0.879	0.816	0.647	2.051
Functional Barriers	0.893	0.820	0.735	2.004

From Table 3, it could be argued that values for composite reliability and Cronbach's Alpha meet the 0.7 threshold for a good reliability (Mackenzie *et al.*, 2011). Moreover, values for AVE were all higher than the 0.5 thresholds, implying that all latent variables have a good convergent validity (Schmiedel *et al.*, 2014). As for the collinearity test, no major issues were recorded as all VIF values were less than the 5 threshold. Finally, the square root of AVE of each variable was higher than any

of the other correlations with other constructs, which reflects good discriminant validity (Peng and Lai, 2012).

Structural Model

Table 4 illustrates the path coefficients (β) and the p values of the relationships hypothesised in this study. As it can be seen, with a significant negative influence, both informational and functional barriers are main impediments to firms' export propensity, hence accepting H1 and H2. In contrast, procedural barriers had a non-significant influence on firms' export propensity. This means that procedural obstacles played a marginal role in preventing SMEs' from starting export activities, thus rejecting H3. Finally, and surprisingly, environmental barriers were found to have a positive and significant influence on firms' export propensity. Therefore, H4 is also rejected since its influence was expected to be negative. Regarding the variances explained by these four variables, an R^2 of 0.13 was recorded. Hence, it can be concluded that export barriers accounted for 13% of the export propensity variations. The goodness of Fit (Tenenhaus GoF) shows a value of 0.30, while the Simpson's paradox ratio accounts for 0.75, indicating a good fit for the model.

Table 4: Structural Model

Hypothesis	β	Testing
H1. Internal Informational Barriers → Export Propensity	-0.15**	Accepted
H2. Internal Functional Barriers → Export Propensity	-0.13**	Accepted
H3. External Procedural Barriers → Export Propensity	0.01	Rejected
H4. External Environmental Barriers → Export Propensity	0.18***	Rejected

Significant at 5%, *Significant at 1%

Moderation Analysis

To capture the role of EPPs, the study has tested the moderating effect of the use of EPPs in the relationship between managers' perceptions of export barriers and firms' export propensity. Three forms of EPPs were used, namely: trade shows, trade missions and export

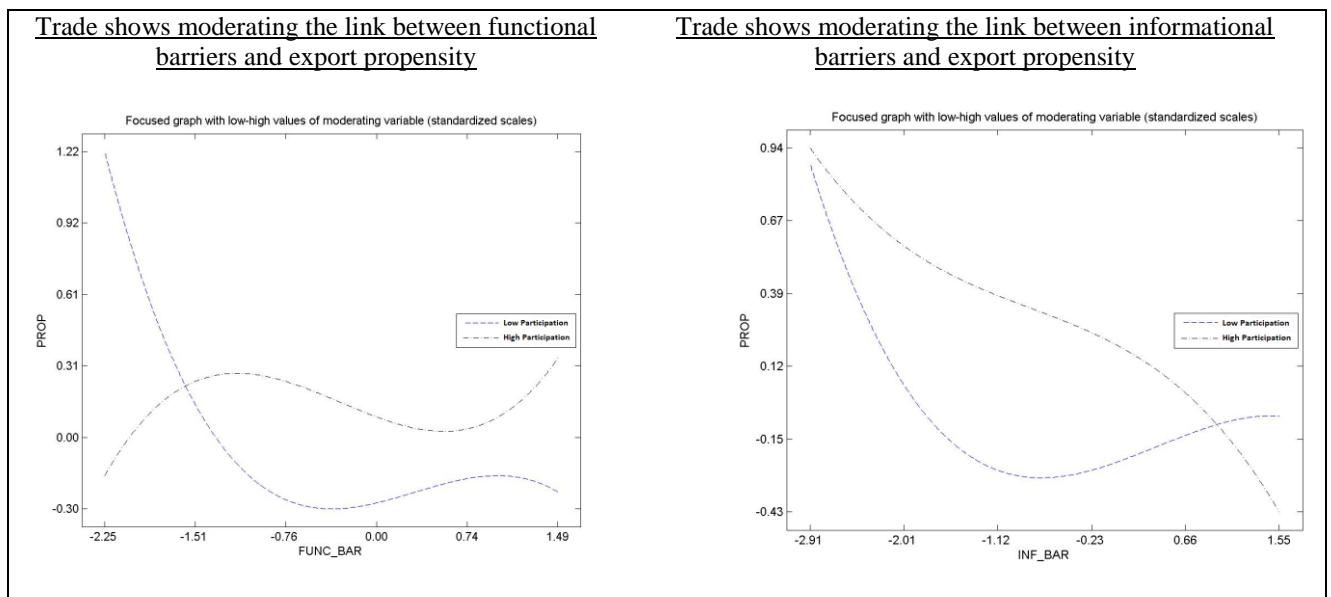
seminars. The results are presented in Table 5, alongside the plots for significant moderations in Figure 2.

Table 5: Moderation Analysis (H5)

Hypothesis 5 (a,b,c,d)	Path Coefficients for Moderators			Moderation Testing
	Trade Shows	Trade Missions	Export Seminars	
a. Informational Barriers → Export Propensity	-0.23***	0.07	0.01	Rejected
b. Functional Barriers → Export Propensity	0.16**	-0.18**	0.05	Accepted
c. Procedural Barriers → Export Propensity	NA ¹	NA	NA	Rejected
d. Environmental Barriers → Export Propensity	-0.11	0.04	0.03	Rejected

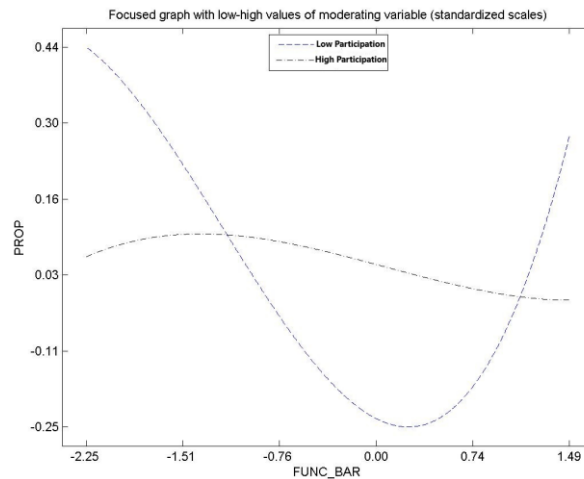
Significant at 5%, *Significant at 1%

Figure 2: Non-linear Moderation Plots



¹ There was a non-significant link between procedural barriers and export propensity both with and without the inclusion of the moderators.

Trade missions moderating the link between functional barriers and export propensity



As regards the use of trade shows, the latter was found to have a negative moderating influence on the link between informational barriers and export propensity. While this goes against the proposed hypothesis (H5a), a closer inspection of the relevant plots seems to suggest that this negative influence is mainly noted when higher perceptions of informational barriers are reported. Hence, these unexpected results could be due to the non-linear nature of the relationship (Kock and Gaskins, 2016). Contrastingly, a positive moderating effect of trade shows participation was noted in the link between functional barriers and export propensity. No significant moderating influence was however recorded in the link between environmental barriers and export propensity.

As for the use of trade mission, the latter was found to hold a negative moderating influence on the relationship between functional barriers and export propensity. Once more, this is not consistent with H5b. A closer inspection of the relevant plot indicates that the negative moderating influence of trade shows participation on the link between functional barriers and export propensity is more prevalent when participants reported higher perception of such barriers. Regarding the remaining moderating influences, no significant impact was obtained. Finally, the participation at export seminars and workshops was not found to hold

any significant influence on the links between export barriers and export propensity. Therefore, H5b is partly accepted, while H5a, H5c and H5d are rejected.

Discussion

To begin with, the results show that the foremost impediment to export propensity are informational barriers that encompass language, cultural, communication, foreign knowledge and manpower deficiencies. Furthermore, the second most important impediment to firms' export propensity are functional barriers that manifest in the insufficiency of capacity and capital for export, as well an inability of firms to satisfy export requirements. In contrast, results showed that procedural barriers did not have a significant influence on export propensity, whereas environmental barriers did in fact increase export propensity.

To discuss informational barriers, the results suggest that EPPs targeted at reducing language and cultural dissimilarities are particularly critical to enabling export propensity. Interestingly, this contradicts the view held by SMEs' managers that language and cultural problems are among the least important export barriers (e.g. Da Silva and Da Rocha, 2001; Fillis, 2002; Suarez-Ortega, 2003; Altintas *et al.*, 2007; Kneller and Pisu, 2011; Al-Hyari *et al.*, 2012). In fact, on the contrary, this study suggests that language and cultural problems are, precisely, one of the most important export barriers. Moreover, it can be argued that there is a strong influence of language and culture over SMEs' ability to communicate with overseas customers, acquire knowledge about overseas markets, and attract and retain foreign oriented personnel and distributors.

As for the impact of functional barriers, building the capacity and capital for export and meeting the requirements of export markets have been found to be crucial and only second to informational barriers in restraining export propensity. Firstly, the current finding on SMEs' capacity contests the claim by exporters and non-exporters in developing countries that

factors of production are among the least important export barriers (Altintas *et al.*, 2007; Al-Hyari *et al.*, 2012; Milanzi, 2012). Contrastingly, the current empirical evidence is that greater capacity gained from resourceful organisation of factors of production will have a positive impact on export propensity. Secondly, in light of the context of the current study, findings are consistent with the view that a lack of financial resources is highly influent on the export propensity of SMEs in developing nations (Al-Aali *et al.*, 2012; Al-Hyari *et al.*, 2012). This occurrence can be explained by a lack of access to trade credit for Algerian SMEs and a limitation of assets to demonstrate creditworthiness for trade credit. Recognisably, there is a relationship between exports and the per capita income of African countries (Amighini and Sanfilippo, 2014). In fact, Mosbah and Debili (2014) revealed that financial constraints were amongst the most critical impediments affecting Algerian SMEs in their everyday business. Lastly on SMEs' ability to meet foreign market requirements, disparities in product standard and have been found to impede Algerian SMEs' export propensity. This finding is consistent with Leonidou (2004), Neupert *et al.*, (2006) and Al-Hyari *et al.*, (2012) and confirms the difficulties that SMEs in developing countries face when meeting higher quality standards in developed markets. Particularly, a typical Algerian SME uses obsolete technology and generates limited innovation (FTGO, 2012; Mosbah and Debili, 2014) which may affect their ability to meet international quality and standards.

Surprisingly, the rejection of hypothesis H4 suggests that, rather than a negative influence, environmental barriers have a positive influence on firms' export propensity. This contradicts several previous studies showing that environmental barriers such as exchange rate fluctuations and trade restrictions (Da Silva and Da Rocha, 2001; Altintas *et al.*, 2007) negatively affect firms' internationalisation. However, in interpreting such findings in the current context of Algeria, fluctuations in exchange rate often lead to a depreciation of the local currency. Consequently, Algerian products become cheaper abroad and hence are more

competitive. This may confer Algerian exporters an international competitive advantage which would encourage them to enter foreign markets.

Furthermore, to explain the moderating influence of EPPs in the link between barriers perceptions and export propensity, the study only partly confirmed H5b. Firstly, in relation to the relationship between informational obstacles and export propensity, only trade shows were found to hold a significant moderating influence. Yet contrary to expectations, the influence was negative. This suggests that when participating in trade shows abroad, informational impediments become more significant in preventing Algerian SMEs from venturing into export activities. Such findings go against previous evidence highlighting the positive role of trade shows as a valuable source of foreign knowledge (Wilkinson and Brouthers, 2006; Leonidou *et al.*, 2011). However, since informational barriers in this study include language and communication obstacles, one plausible explanation could be that when Algerian SME managers participate in such events abroad, their language and communication inadequacy manifests and is likely to affect access to market information. Being directly exposed to these problems would increase the salience of informational barriers. In this respect, evidence suggested that language proficiency is prerequisite for trade events abroad (Spence, 2003). This explanation is supported by the plot in figure 2. In fact, it could be seen that the negative moderating influence of trade participation is mainly noted when participants report higher levels of informational barriers.

Secondly, pertaining the link between functional barriers and export propensity, mixed results were obtained on the moderating influence of EPPs. The findings suggest that when participating in missions, functional impediments tend to become more significant, whereas in trade shows, such obstacles are less preventive. These findings confirm previous studies on the superior efficiency of trade shows over trade missions. In fact, Wilkinson and Brouthers (2006) found that trade shows can be more effective in boosting export performance, whereas

trade missions are more beneficial for long-term relationship building. The low return on investment often associated with trade missions, in comparison with trade shows could also explain this (Seringhaus and Rosson, 1991; Wilkinson and Brouthers, 2006). Additionally, the negative influence of trade missions in increasing the prevalence of problems linked to the lack of capital and capacity could also be due to the inability of Algerian SMEs to fulfil the trade missions' outcome. In this vein, a study on trade missions revealed a gap between new users' perception of market requirements and their ability to meet these requirements (Spence, 2003). Trade missions often result in greater and longer-term commitments than Algerian SMEs have the capacity to meet. It is generally argued that trade missions may be more efficient for investment attraction (Wilkinson and Brouthers, 2000) which will not necessarily be relevant to resource-constrained SMEs. This is once more supported by the moderation plots presented in figure 2. It could be seen that the negative influence of trade mission participation is only prevalent when participants acknowledge higher functional constraints in terms of the lack of capital, capacity to export and inability to meet requirements. Contrastingly, the smaller scale/immediate sales generated from trade shows (Karakaya and Yannopoulos, 2012) would be more manageable for Algerian SMEs that are export ready, which explains the positive role of these events.

Thirdly, regarding the link between environmental barriers and export propensity, none of the EPPs was found to play a significant role. This is not consistent with previous findings that posit that EPPs are meant to assist managers in overcoming psychological barriers associated with foreign markets, and as a consequence, decrease their perception of uncertainty and risks associated with the international environment (Leonidou *et al.*, 2011). However, an explanation for this contradiction could be attributed to the context where this study has taken place. Algerian exporters often participate in trade shows in European

countries. Hence, being directly exposed to strong foreign competition and strict regulations may negatively affect the initial positive perception developed by managers.

Lastly, it is noteworthy to highlight that participation at export seminars did not have a significant impact on any of the three export barrier perceptions. Although not expected, there has been some evidence on the superiority of experiential EPPs (i.e. trade missions and shows) over informational programmes (namely, seminars and workshops) in enhancing firms' export behaviour (Singer and Czinkota, 1994; Haddoud *et al.*, 2017). Unlike informational programmes, experiential EPPs provide participating SMEs with an opportunity to meet their potential customers, gain reliable market knowledge and build successful relationships (Freixanet, 2012; Spence, 2003; Wilkinson and Brouthers, 2006). As a result, positive attitudes and perceptions would emerge and hence managers are more likely to overcome psychological barriers associated with export markets compared to informational EPPs (Lenidou *et al.*, 2011; Haddoud *et al.*, 2017).

Conclusion and Implications

To conclude, several important findings could be highlighted. First, it was established that the perception of internal barriers may have a greater negative influence on firms' export propensity compared to external ones. Contrastingly, in a developing context, some external barriers (i.e. environmental ones) could encourage firms to enter export markets. It could be argued that the context in which firms operate may affect the impact of export barrier perceptions on export behaviour. We therefore call for further qualitative evidence from developing countries to confirm and explain our findings.

Furthermore, confirming the applicability of the institutional perspective to explain firms' internationalisation, the present study sheds more light on the role of EPPs in mitigating the influence of export barriers on SMEs' international market entry, a role thus

far neglected by the extant empirical literature. Precisely, this study has empirically established that, when entering international markets, SMEs participating in trade shows are less likely to be affected by functional export barriers. Therefore, in addition to the ‘resource-enhancer’ role acknowledged thus far in the literature, the present approach could be seen as a valid way to assess the effectiveness of certain forms of EPPs in enhancing SMEs’ export behaviour. To this end, future work may consider this approach when assessing the effectiveness of public assistance.

However, the findings also confirm that not all programmes hold a similar influence on firms’ export propensity (Alvarez, 2004). This is important as the study reveals that certain trade shows and missions may also hold a negative influence on the influence of some types of barriers under certain conditions. This could be an indication that these events should be carefully planned and prepared for in order to avoid their reverse effect. Hence, more exploratory research should consider this avenue to enhance current understanding about the role of experiential EPPs.

Practically, our findings hold important implications for African EPOs. First, a key finding of this study is that the combination of internal barriers (informational and functional) is more critical to firm’s export propensity than external barriers (procedural and environmental). Boly *et al.* (2014:430) concur that the comparative advantage of diaspora firms over African EPOs is *‘better access to information as confirmed by the fact that they are more familiar with international and regional trade agreements than domestic firm’*. Correspondingly, current results show that there is a more urgent need for African EPOs to directly target their programmes at the mitigation of informational and functional barriers to effectively stimulate export propensity.

Concerning the role of EPPs, our findings posit that different forms of programmes produce different results in different conditions. On the one hand, trade shows were found to have positive influence on firms' functional impediments. Hence, African EPOs are encouraged to continue sponsoring/organising such events in order to overcome the negative influence of functional obstacles on firms' propensity to export. The latter was found to be amongst the main impediment preventing firms from entering export markets. On the other hand, trade shows had a negative influence on the influence of informational obstacles in preventing export activity, especially when such barriers are extreme. An explanation for such an expected result could be due to the direct exposure of communication and language problems in an international setting, which may become overwhelming to the participants and hence hinders firms' international activities. This implies that export promotion organisations should be careful when sponsoring trade show participation as participants must be trained to deal with such situations. For instance, we suggest that EPOs should consider the provision of workshops and language sessions prior to the trade shows. These workshops would prepare and train the participants on ways to communicate effectively at these events. Additionally, EPOs should also ensure that interpreters are available to accompany the participating SMEs. With respect to trade missions, a similar negative moderating impact on the influence of functional constraints in reducing export propensity was noted, especially when excessive levels of functional constraints are acknowledged. We therefore suggest that African EPOs should carefully select participants to such events. Only SMEs with the capacity (and willingness) to fulfil large and long-term foreign operations should be selected in order to avoid the reverse effect. Evidence seems to suggest that trade missions may be more relevant to larger enterprises with attraction to foreign investment (Wilkinson and Brouthers, 2000).

Finally, our findings revealed that export seminars and workshops did not have a significant influence on firms' export propensity. While it would not be wise to draw

conclusions on the marginal role of this form of programmes, we argue that such findings could be due to inefficiency of Algerian EPOs (Nancy *et al.*, 2009). Hence, we suggest that Algerian EPOs should re-consider their provision of informational programmes and ensure that they meet SMEs' needs in international markets.

To specify the limitations of this study we acknowledge the following. Firstly, while our sample included SMEs' from different sectors to enhance the generalisability of the findings, we recognise that export behaviour may differ across sectors, and therefore, future research could include a sectorial study. Secondly, the potential for export in this study is assessed on the basis of the firms' self-selection to undertake this study. We call future studies to develop more accurate diagnostic tools to assess export potential. Thirdly, the list of export barriers included in this study was comprehensive but by no means exhaustive. Some obstacles could have been overlooked. We therefore call for more studies to include additional obstacles that would be relevant to other particular contexts. Finally, due to the cross-sectional nature of the data, we acknowledge that alternative interpretations of the results are not excluded. A follow-up qualitative study could further verify our findings.

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