

Obstacles Perceived by Exporters in Saudi Arabia

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Abstract. This paper examines the managerial perceptions of 140 Saudi Arabian manufactured goods exporters regarding export obstacles. Executive responses on 24 possible obstacles are analyzed and reported at the individual-item level. Factor analysis uncovered eight dimensions of export obstacles: input cost, competitive rivalry, transportation, national export policy, export information and procedure, comparative competitiveness, foreign market risks, and operational constraint. According to the index of factor importance, the last three dimensions are perceived as less important export obstacles. ANOVA analysis was conducted to assess if these dimensions were affected by the technology of the industry (high-technology, low-technology), export attitude (active exporter, irregular exporter), export involvement (high-intensity, low-intensity). The findings showed very little differences and it could be concluded that no differences exist. Overall, the factors uncovered and their relative importance are different from the findings of previous studies in advanced countries and similar to a research conducted across GCC countries.

Introduction

A number of studies have addressed the issue of perceived obstacles (or barriers) to exporting. Most have dealt with exporters vs. non-exporters, but a few have dealt with other categorizations, including passive, aggressive, marginal, small, and medium-sized exporters. Bilkey [1] summarized the most frequently-mentioned obstacles to exporting. These include insufficient finances, foreign government restrictions, insufficient knowledge

in regard to foreign opportunities, absence of sufficient channels of distribution abroad, and lack of foreign market connections.

Most of the export literature has focused on the situation of firms based in rich, industrial countries, but relatively little work has been undertaken on the situation of exporters located in less developed countries (LDCs). Since the environmental context faced by LDC exporters such as insufficient export market information, weak currencies, and inadequate export promotion programs may likely differ sharply from that of firms in the developed world, the findings of much of the extant body of export research may have only limited validity in many developing nations. Dominguez and Sequeira [2] have identified only seven export performance studies concerning LDCs. The general conclusion was that little can be concluded due to many reasons such as no one study examined non-traditional exports, five of these were single country study, and presence of methodological problems. Thus, there is a need for more work that considers the particular circumstances faced by LDC exporters (e.g. Saudi Arabia).

Saudi Arabia has witnessed a tremendous non-petroleum export surge. In 1986, for example, non-petroleum exports amounted to Saudi Riyals 4.63 billion and rose to over SR 12.6 billion in 1993. Non-petroleum exports accounted for 17 per cent of total Saudi exports in 1991 but were less than 1 per cent in 1981 [3, 4]. Export diversification has become a top priority for policy makers in Saudi Arabia. The country's dependency on the export of crude oil has decreased. In 1991, crude oil accounted for 78 per cent of total Saudi exports [3] while in the near past it was almost entirely composed of crude oil. The drive to encourage the private sector to lead in the exportation of manufactured goods is being slowly realized. Non-petroleum exports grew by 22 per cent annually between 1986 and 1991. As for private sector exports, which is the total exports less Saudi Arabian Basic Industries Corporation (SABIC) company exports, rose from SR 3.7 billion in 1990 to over SR 6.4 billion in 1994. The largest private sector exports are metals (23.3%), chemicals (16.5=6%), and electric appliances (11.4%) [4].

Export policy makers and export-related agencies in Saudi Arabia are trying to formulate national export promotion programs. To this end, the policy makers need to know the problems faced by Saudi exporters. This study sets to explore these obstacles.

This study was an attempt to identify those export obstacles facing current exporters in Saudi Arabia, and to discuss their implications. The export obstacles examined were derived from the literature and have been subjected to factor analysis and analysis of variance (ANOVA). The research that has addressed export obstacles is summarized, in an effort to assemble these obstacles into logical categories. Then, research objectives and methodology are discussed. Finally, the findings are discussed and conclusions are drawn.

Literature Review

In their study of the global paper industry, Bauerschmidt, Sullivan and Gillespie [5] identified seventeen barriers. Factor analysis uncovered five dimensions: national export policy, comparative marketing distance, lack of export commitment, exogenous economic conditions, and competitive rivalry. In another study, Sullivan and Bauerschmidt [6] compared the 1985 study's U.S. sample to that of Europe. The authors found some dimensional similarities and dissimilarities between the U.S. and the European samples. Of the five factors uncovered in both samples, three were similar in terms of interpretation. These were lack of export commitment, exogenous economic constraints, and competitive rivalry. The three factors had a similarity index of .60 using Cattels' S technique. This technique allows for the elimination of element-to-element correlation and searches for the most statistically significant factor-to-factor relation. Two factors were dissimilar in the American and European samples.

Sharkey, Lim and Kim [7] have also factor analyzed export obstacles. The authors examined fifteen possible obstacles and found five factors: government policy, procedural and technical complexity, contextual differences, strategic limitations, and local competition. Gripsurd [8] examined ten obstacles in Norwegian fishery exports to Japan. Some differences were noted between exporters who had experience in exporting to Japan and those who did not. The researcher's factor analysis identified three dimensions: price/quality, culture, and competition.

In light of the export obstacles studies, the following twelve primary barriers to exporting were identified, all of which were considered in some detail. Barriers most applicable to LDCs, along with additional barriers that may be specific to Saudi Arabia, were then reviewed.

Developed Countries Studies

Risks in doing business overseas: The risks present in selling abroad are many and include those that are both commercial and political [5-7]. Political instability in the foreign markets [9] and inability to satisfy demands abroad, especially for small manufacturers, result in a focus on the domestic market [5-7, 10, 11].

High cost of doing business overseas: Some of the added costs of overseas business include high costs abroad [12], high costs of raw materials [13], and high foreign tariffs on imported goods [5, 6, 13].

Lack of government assistance and sometimes hindrance: Lack of the government assistance [5-7] or hindrances such as the U.S. Corrupt Practices Act or a lack of tax incentives [5-7, 9] are perceived as obstacles to potential or beginning exporters.

Lack of knowledge about foreign opportunities: One of the most mentioned obstacles reported in the literature is the lack of knowledge about foreign opportunities [7, 10, 14-18].

Competition: Competition for current or potential exporters comes from three sources: The first is from companies from the same country as the exporter. The second is from companies indigenous to the importing country. The third is from international competition. Competition is a fact of life and regarded by exporting firms as one of the obstacles to the export business [5-7, 17].

International marketing problems: Problems with international marketing decisions are reported to affect exporting. This is especially true for lack of foreign distribution knowledge [5-7, 9, 12, 19-21].

Differing product usage, safety, and quality standards: The existence of product usage differences between home market and foreign markets [5-7] and differing safety and quality standards [1, 11, 21, 22] are evident in the literature.

Financial obstacles and problems with collecting money: Some of the financial obstacles to exporting are high value of the home currency [5-7, 10], currency fluctuations [13], credit problems [13, 23], insurance problems [13], and general problems with collecting money [9, 24].

Complexity of export and import regulations and procedures: Export-import complexities surround such issues as red tape and regulatory and commercial documentation. Such complexities are not the sole domain of the exporting country, but also of the importing country [5-7, 11, 13, 17, 18, 20, 25-27]. Complexities specifically existing with shipping documentation were identified by [7]. High or uncertain shipping costs to overseas markets discussed by Barrett & Wilkinson [23], Bauerschmidt, Sullivan and Gillespie [5], Kaynak [13]; Sharkey, Lim & Kim [7], Sullivan & Bauerschmidt [6].

Lack of language and cultural knowledge or differences: The lack of knowledge of others' language and culture, or the lack of exposure, or the perceived presence of differences may affect a multitude of marketing decisions [5-7, 9, 11, 18, 27].

Strategic resource constraints: Lack of several strategic resources seems to affect export behavior. As identified in the literature, these resources include lack of productive capacity [5-7, 27], lack of capital [5-7, 10, 16, 17], lack of qualified staff [11, 27-29] and lack of management time [10, 30].

Miscellaneous obstacles: Other generic export obstacles include general difficulties in exporting [17, 20, 31] and governmental trade impediments [10, 11, 19, 32].

Developing countries studies

Potential barriers that may face other LDC exporters specially were suggested by Christensen Rocha, & Gertner [33] in their study of Brazilian successful and ex-exporters. In this study, four obstacles entered the stepwise discriminant function: inadequate financial incentives, strong international competition, obstacles internal to the firm, and the need to service the domestic market demand. Ex-exporters perceived these obstacles to be more serious than did successful exporters. Additional export obstacles that may pertain to the LDC case are: limited export experience, questionable motivation to go international, and insufficient commitment to the export market as a long-term investment.

In their factor analysis of export barriers, Bauerschmidt, Sullivan and Gillespie [5] remind us that their specific findings may be peculiar to the paper industry. In another study, Sullivan and Bauerschmidt [6] cautioned against unconditional generalization based on the specific results obtained in a given country. Given such caveats, therefore, this study intends to identify the obstacles perceived by a less developed country's (an LCD's) manufacturing exporters, to factor analyze these obstacles to get some insight as to the types or groups of obstacles perceived, and to compare the findings with those of Bauerschmidt, Sullivan and Gillespie [5, 7] and others.

Studies about Saudi Arabia

There were a few suggestions made in the media and popular press of the sort of obstacles confront Saudi exporters [34-36]. However, only two rigorous empirical academic studies examined obstacles facing exporters in Saudi Arabia [37, 38].

Dahlan [34], speaking to a marketing conference, suggested that Saudi exporters face the following obstacles: (1) lack of marketing and export expertise, (2) insufficient information about foreign markets and opportunities, (3) lack of coordination between domestic manufacturers, especially in export operation and raw material import, (4) financial and legal problems when dealing with importers, (5) insufficient use of available financing programs, (6) high local and international shipping costs, (7) and increased competition in foreign markets.

Azzam [35] reported a survey result of unknown sample size regarding constraints facing exporters in Saudi Arabia. The main constraints, ranked by frequency, were restrictive quotas and tariffs, marketing problems abroad, lack of export guarantees, and lack of export finance.

Quoting a report, Shakir [36] mentioned an obstacle that confronts Saudi exporters. The central idea is that there is no national Saudi export financing and insurance agency, even though a few multilateral programs are available to Saudi exporters, with certain conditions and limitations. Also, local commercial banks are reluctant to finance exports, even though they are highly liquid.

The first empirical examination of obstacles encountered by Saudi manufacturing exporters was reported by Al-Aali [37]. The researcher examined the export obstacles faced by two differing Saudi industries: food and beverage exporters (n=30) and chemical and petrochemical exporters (n=28). The MANOVA analysis showed that the two industries have dissimilar mean responses regarding these obstacles ($p = .035$) and ANOVA pinpointed those variables. Food exporters perceived 4 out of 5 variables more seriously than chemical exporters: risks involved in selling abroad (mean for food exporters is 3.47 vs. 2.71 for chemical exporters), language and cultural differences (2.23 vs. 1.57), lack of adequate export revenue insurance (3.40 vs. 2.61), and absence of an export management and consulting company (3.20 vs. 2.39). Complex export procedures on the other hand was viewed by the chemical exporters as more important than food exporters (2.27 vs. 3.21). The researcher attributed the differences to the specific situation of each industry and that during initial development, the chemical industry was more outward-oriented than the food industry, which was initially an import-substitution industry.

In a more comprehensive study, Al-Torkistani [38] analyzed responses from 156 non-oil GCC exporters (slightly less than half are from Saudi Arabia). The researcher identified those barriers with a mean response of 3.0 or higher as important barriers and ended up with 12 variables fitting this criterion, e.g., lack of adequate export promotion agencies, absence of export financing agencies, high cost of foreign transportation, lack of adequate export experience of GCC firms. Then, the researcher factor analyzed these barriers and extracted 5 factors. They were: lack of marketing experience, foreign competition, high product cost, absence of export institutions, and problems with export policies.

This paper addresses the important issue of barriers to export operations. Table 1 lists a number of major studies on export barriers, and it is evident that most of the work is concerned with barriers in developed countries. Although many of these may be relevant in LDCs, this is not necessarily the case, and in many LDCs, additional factors may need to be considered. Studies examined here showed the wide variety of possible obstacles to face exporters. In addition, little can be concluded regarding LDC exporters. This study intends to explore the magnitude of these export obstacles as perceived by exporters in a developing country: Saudi Arabia.

Research Methodology

Sample

The data for this study were collected in Saudi Arabia. The population of this study was the total number of manufacturing exporters (n=447) who obtained certificates of origin from the Ministry of Commerce in a two-year period preceding the study [40]. A random sample of 148 exporters (33%) was selected to participate in the study. One hundred-forty usable responses were obtained.

Table 1. Major export barrier studies

Author(s)	Industry/Region/ Country studied	Analysis/Obstacles
Al-Aali (1995)	30 food & 28 chemical exporters (Saudi Arabia)	MANOVA showed that out of 24 obstacles, the two industries are statistically different on 5 of them
Al-Torkistani (1995)	156 non-oil exporters GCC (including Saudi Arabia)	Factor analysis of 25 barriers (found 5 factors)
Bauerschmidt, Sullivan Gillespie (1985)	363 SBUs in paper industry (U.S.)	Factor analysis of 17 barriers (found 5 factors)
Gripsurd (1990)	114 Fishery exporters (Norway)	Factor analysis of 10 barriers (found 3 factors)
Kaynak (1992)	196 Manufacturers (2 regions in Canada)	Mean of 19 barriers
Kedia & Chhokar (1986)	96 Louisiana firms (U.S.)	Rank order 20 barriers in 5 categories
Korth (1991) [39]	77 Insurance companies (U.S.)	Frequency of 14 barriers in 5 categories
Rabino (1980)	46 Hi-tech Massachusetts firms	Rank order 5 barriers
Sharkey, Lim, and Kim (1989)	438 Non-electrical machinery firms (U.S.)	Factor analysis 15 barriers (found 5 factors)
Sullivan and Bauerschmidt (1989)	Paper industry (U.S. & Europe)	Factor analysis of 17 barriers (found 5 factors)

The sample manufacturing firms can be described as recent exporters since 76.4 per cent of them have been exporting 5 years or less, as shown in Table 2. This is in line with the recency of the growth of the manufacturing sector in Saudi Arabia. The average export/total sales ratio (export intensity) for the latest two years is 12.78 percent. The revenue of 45 per cent of the sample is SR 25 million or less. An additional 40 per cent of the firms have annual revenues over SR 25 million but less than SR 100 million. About two-fifths are in two industries, the food and beverage industry (30 exporters) and the chemical and petrochemical industry (28 exporters). The rest are in seven manufacturing industries.

Measure of export obstacles

Using previous research as a guide, a detailed questionnaire was designed that included perceived export obstacles. Twenty-four obstacles were included in the questionnaire. Some of the obstacles mentioned in the literature were dropped, however, because they were not relevant. In Saudi Arabia, for example, corporate income tax does not exist for national companies at all or for foreign investors during their first five to ten years of

Table 2. Profile of sample manufacturing exporters (n=140)

Group	Characteristic	# of firms	Pct
Ownership structure	100% Saudi owned	87	62.1
	Joint venture with foreign partners	53	37.9
Firm size (Revenue in SR million)	Up to 10	19	13.6
	10 up to 25	44	31.4
	25 up to 50	25	17.9
	50 up to 100	31	22.1
	100 up to 200	8	5.7
	over 200	13	9.3
Export experience	1-5 years	107	76.4
	6-10 years	28	20.0
	11-15 years	4	2.9
	16-20 years	1	0.7
Industry	Food & Beverage	30	21.4
	Textile and Leather	6	4.3
	Paper and Printing	10	7.1
	Chemicals and Petrochemicals	28	20.0
	Plastics	18	12.9
	Building materials	9	6.4
	Metal products	24	17.1
	Electrical products	9	6.4
Miscellaneous	6	4.3	

operation in Saudi Arabia. For export obstacles, a five-point scale was used, with responses ranging from “not important” (coded 1) to “extremely important” (coded 5). Structured, nationwide, personal interviews were conducted by the author and trained senior class students utilizing this instrument. One-hundred-forty usable responses were obtained.

Analysis

Top ten export obstacles

Frequencies of the importance of export obstacles are presented in Table 3. The manufacturing exporters perceive competition in foreign markets ($x=4.12$) as the single most important obstacle they face. Forty-six per cent of the respondents indicated that it was an extremely important obstacle. Table 3 further shows that absence of information about foreign markets ($x=3.97$) was perceived third in importance

The second and fourth significant obstacles are somewhat related: A high cost of imported raw materials ($x=3.97$) and wide fluctuations in the foreign exchange rate ($x=3.81$) were perceived as important obstacles, might signify the notion that Saudi manufacturers depend in large part upon imported raw materials and components. Fluctuations in foreign exchange rates are very likely to affect the price of Saudi exports

Table 3. Responses to export obstacle importance (frequencies and response mean)

V#	Obstacles	Not at all important			Extremely important		Mean
		[1] %	[2] %	[3] %	[4] %	[5] %	
4	Fierce competition in the foreign markets	3.6	9.3	4.3	37.1	45.7	4.12
22	High cost of imported raw materials	7.1	11.4	3.6	32.9	45.0	3.97
1	Absence of information about foreign markets	5.7	10.7	5.0	46.4	32.1	3.89
23	Wide fluctuations in the foreign exchange	7.1	12.9	8.6	35.0	36.4	3.81
6	High overseas transportation cost	8.6	15.0	12.1	37.1	27.1	3.59
24	High foreign tariffs on imported products	16.4	8.6	12.1	37.9	25.0	3.46
9	Low profitability of foreign markets	7.9	22.1	12.1	36.4	21.4	3.41
19	High cost of production	11.4	17.9	10.7	40.0	20.0	3.39
17	Not enough export financing programs	12.1	15.7	17.1	31.4	23.6	3.39
8	Lack of government export promotion program	12.9	16.4	19.3	22.1	29.3	3.39
2	Risks involved in selling abroad	12.9	21.4	10.0	33.6	22.1	3.31
21	Presence of international economic integrations	17.1	20.7	15.7	22.1	24.3	3.16
18	Lack of adequate export revenue insurance	14.3	20.7	16.4	32.9	15.7	3.15
5	High cost of domestic transportation	10.7	25.0	5.7	39.3	19.3	3.13
16	Management emphasis on developing domestic market	19.3	25.7	10.0	27.9	17.1	2.98
15	Confusing foreign import regulations & procedures	18.6	22.1	20.7	24.3	14.3	2.94
20	Absence of export management & consulting company	8.6	28.0	12.1	29.3	11.4	2.86
10	Differences of product specifications in foreign markets	19.3	31.4	9.3	28.6	11.4	2.81
13	Complex export procedures	27.9	22.9	9.3	26.4	13.6	2.75
11	High storage/warehousing costs	25.0	35.0	15.0	17.1	7.9	2.48
14	Domestic sea ports problems	31.4	28.6	17.9	13.6	8.6	2.39
7	Lack of productive capacity to sustain foreign demand	40.0	24.3	14.3	10.0	11.4	2.29
12	Internal operational/technical problems	41.4	33.6	5.7	13.6	5.7	2.09
3	Language and cultural differences	46.4	42.1	2.9	6.4	2.2	1.76

also. Other top-ten-rated obstacles in this study include: High foreign tariffs on imported products, low profitability of foreign markets, high cost of production, not enough export financing programs, and lack of government export promotion programs.

Factor analysis of export obstacles

Cronbach's alpha was calculated for the 24-item scale, resulting in an internal reliability coefficient of (.8565). Responses to the export obstacle items were factor-analyzed using a principal component factor analysis and a minimum eigenvalue of "1". The factors were varimax rotated. Results of the factor analysis are shown in Table 4.

The factor loadings on each of the eight factors indicated that all of the variables representing the obstacles had the highest loading on a single factor. Also, these loadings were of sufficient magnitude to preclude any misinterpretation about importance of the

factors on the variables. Cronbach's alpha was also calculated for each of the factors resulting in coefficients of at least .7000 for factors 1, 2, 3, 5, and 6, respectively. The rest of the factors were moderately reliable. Cronbach's alpha was .6558, .5330, and .3967, for factors 4, 7, and 8, respectively. Since this study was an exploratory one, these moderate alphas are accepted. The original variables were numbered and rearranged to reflect the order of the factor structure. The factors are each discussed below.

The six items that loaded highly on the first factor were: confusing foreign import regulations and procedures, domestic seaport problems, high foreign tariffs on imports,

Table 4. Factor loadings of perceived export obstacles item

Var#	F-1	F-2	F-3	F-4	F-5	F-6	F-7	F-8	Communality
15	.71761	.04203	.03232	.05990	.17933	.04729	.21416	.16666	.62941
14	.68541	.02068	.36580	-.00352	.02922	.21911	-.21519	-.06224	.70309
24	.67605	.13847	.11762	-.00991	.24013	.14529	.16216	.03749	.59662
13	.66451	-.08103	.31699	.23793	.01786	.21616	-.16371	-.01321	.67926
01	.40130	.20827	-.18923	.01756	.22248	-.00632	.22916	.32110	.44569
20	.39581	.38591	-.17981	.32603	-.13534	.03585	.27682	-.08238	.54724
17	.09802	.80743	.11549	.16631	-.00289	.09912	.07564	-.00087	.71811
18	-.09484	.77862	.10451	.00273	-.02703	.08780	.03997	.34510	.75531
08	.11777	.70142	.14418	.00152	.16100	.09086	.07404	-.05765	.56963
06	.15199	.18348	.81692	.06319	.11558	-.12225	.16299	.12542	.79871
05	.18690	.15156	.79793	.07489	-.00077	.18317	.04748	.05520	.73905
10	.05442	.09025	.00447	.71422	.22794	-.01002	.28596	.05591	.65819
11	.13090	.27088	.25342	.65860	-.12551	.08306	-.07694	.07294	.62239
16	-.04119	-.07307	-.03085	.60345	.39764	.18444	-.06554	.13573	.58700
19	.05225	.01495	.42799	.44053	.24039	.37425	.26801	-.17980	.68221
07	.19726	-.00400	-.01220	.02715	.83590	.00849	.06705	.11005	.75522
12	.19754	.14699	.20463	.27451	.78757	.07275	.02668	-.00370	.80415
22	.14764	.05397	.07174	.09679	.05028	.83255	.18747	.07599	.77576
23	.25911	.21732	.00016	.05031	.00739	.79581	.07965	.02934	.75748
04	.06287	.02830	.11892	.09907	-.03518	.12739	.80541	.07649	.70072
21	.41578	.28453	-.09872	-.04783	.15298	.09453	.51384	-.23512	.61752
09	-.04007	.12730	.26515	.09403	.14934	.35042	.49341	.00521	.48553
02	.01660	.18942	.12705	.06937	.14513	.11695	-.02335	.82494	.77293
03	.37318	-.24316	.04370	.42206	-.08916	-.09519	.03861	.52209	.66951
[a]	5.724	2.039	1.713	1.656	1.505	1.295	1.117	1.023	
[b]	23.8%	8.5%	7.1%	6.9%	6.3%	5.4%	4.7%	4.3%	67.0%

Note: Var# is the variable sequence in Table (3), [a] is the eigenvalue and [b] is the variance.

complex export procedures, absence of information about foreign markets, and absence of export management or consulting companies. This was the richest factor, since it contained six items and explained the largest amount of variance. The first and fourth items relate to export and import procedures. The fifth and sixth items have to do with export information and guidance. The second item, domestic seaport problems, deals with seaport procedures and handling obstacles. The third item relates to high tariffs on imports in foreign markets. This factor seems difficult to interpret, however. It is referred to as "export information and procedure."

The second factor linked the responses to three items: inadequate export financing programs, inadequate export insurance programs, and absence of government export promotion programs. These three items are clearly related to "national export policy".

Saudi Arabia is larger than the portion of the U.S. that is east of the Mississippi River. Manufacturing exports from, for example Riyadh, in the middle of the country, need to be transported to either the East or the West coast, depending on the destination. International transportation costs seem high in light of the previously mentioned shipping conditions. This may explain how high cost of domestic transportation and high cost to transport to foreign markets load highly on the third factor — "transportation factor".

The fourth factor, to a certain degree, was a measure of "comparative competitiveness". The items that loaded heavily on this factor were different foreign product specifications, high warehousing costs, high production costs, and management emphasis on developing the domestic market. The factor was labeled so because for firms to be competitive and to serve foreign (and domestic) markets effectively this may involve certain requisite measures. Streamlining operations, containing costs, and knowing the requirements of foreign markets become essential ingredients.

The fifth factor contains two items related to "operational constraints". These two items were: lack of capacity to sustain foreign demand and firm-level operational/technical problems. Exporters in this sample operated at 72.2 per cent of their capacity, hence the firms were not in a production squeeze; this was reflected in their response ($x=2.29$). Further, they reported few operational problems, such as those regarding technology or equipment. This is reasonable to expect, since the manufacturing sector in Saudi Arabia is young and usually employs the latest technology.

The two items that load heavily on the sixth factor, high cost of imported raw materials and wide fluctuations in the foreign exchange, represent "input cost". The items seem related as discussed earlier. The seventh factor has three items expressing "competitive rivalry". The items are fierce competition in foreign markets, presence of international economic groupings and alliances (e.g., the European Community, which, in their opinion, leads to stiff requirements and standards), and declining foreign market profitability. The

eighth factor is a two-item factor. The items are risks involved in selling abroad and language and cultural differences. This dimension represents “foreign market risks.”

Factor importance

The next step in the analysis was to assess the importance of each one of these eight factors as export obstacles. The Factor Appreciation Index is the mean of the items that compose the factor across the observations. Table 5 reports the factor means and the associated standard deviations arranged from the most important to the least obstacle.

Table 5. Factor labels and importance index (ranked according to importance)

Fac#	Factor	Mean	Std dev.
Factor - 6	Input cost (imported)	3.89	1.13
Factor - 7	Competitive rivalry	3.56	.92
Factor - 3	Transportation	3.45	1.17
Factor - 2	National export policy	3.31	1.09
Factor - 1	Export information and procedure	3.05	.88
Factor - 4	Comparative competitiveness	2.92	.93
Factor - 8	Foreign market risks	2.53	.93
Factor - 5	Operational constraint	2.19	1.18

The sixth factor, which was termed “input cost”, was perceived by sample firms as the most important obstacle ($x = 3.89$). It was followed by competitive rivalry ($x = 3.56$), transportation ($x = 3.45$), and national export policy ($x=3.31$). Export information and procedure, firm commitment, and foreign market risks are moderate in magnitude (mean ranges from 2.53 to 3.05). Operational constraints registered a low reading ($x=2.19$) as an obstacle to exporting.

Export obstacles differences for selected sub-exporters

Further examining the differences, if any, between selected firm characteristics may yield insight regarding the prevalence of export obstacles importance.

The characteristics examined here to assess the prevalence of export obstacles importance were: industry technology (high or low), export attitude (active or irregular), and export involvement (high or low). High-involvement exporters are those with export to total sales ratio (i.e., export intensity) over 13% and low-involvement exporters’ export intensity is 13% or less.

The rationale for using this ratio is debatable since the literature does not agree on a cut-off point, however. Export intensity of 5% to 50% is observed in the literature [16, 41], but, commonly cited ratio is between 10% and 20% [42-44]. Observation of the data suggested that a threshold close to 13% exists.

Table 6. Differences in export obstacles factor means based on firm's industry technology, regularity of exporting, and export involvement

Fac#	Export obstacle factor	Technology		Export attitude		Export involvement	
		High- [a]	Low- [a]	Active [b]	Irregular [b]	High- [c]	Low- [c]
F-1	Export info & procedure	3.04	3.06	3.03	3.07	3.07	3.00
F-2	National export policy	3.40	3.16	3.04	3.59*	3.26	3.40
F-3	Transportation	3.53	3.34	3.36	3.55	3.46	3.44
F-4	Comparative competitiveness	2.96	2.85	2.85	2.99	2.93	2.90
F-5	Operational constraint	2.23	2.19	2.09	2.29	2.04	2.49*
F-6	Input cost (imported)	3.97	3.77	3.81	3.95	3.91	3.78
F-7	Competitive rivalry	3.67	3.41	3.46	3.67	3.54	3.61
F-8	Foreign market risks	2.66	2.34*	2.47	2.60	2.46	2.67

Key: [a] Industry technology: high-technology (n=55), low-technology (n=85)

[b] Active exporters (n=69), irregular exporters (n=71)

[c] High-involvement exporters whose export-to-total sales - export intensity- is over 13% (n=46) and low-involvement exporters whose export-to-total sales is 13% or less (n=94).

* t-test differences significant at $p=0.05$

Table 6 contrasts export obstacles across these three firm characteristics. Low- technology industry exporters assess the importance of foreign market risks less than high technology exporters. A possible explanation is that high technology industries have different channel requirements than low technology firms.

As for national export policy obstacle, irregular exporters indicated the need for a more cohesive and comprehensive policy than active exporters. Operational constraints seemed to be more of an obstacle for low involvement exporters than high involvement exporters. The reason may be due to the latter groups' experience in dealing with exports. Overall, these eight export obstacle factors did not differ between high and low- technology exporters, between active and irregular exporters, and between high and low-involvement exporters. This attests to the prevalence and consistency of export obstacles importance across sub-groups of exporters.

Discussion

More export obstacle dimensions were uncovered in this research than in previous studies by Bauerschmidt, Sullivan and Gillespie [5], Sharkey, Lim and Kim [7], Sullivan and Bauerschmidt [6], and Gripsurd [8]. The larger number of export obstacles reported here may be due to two reasons. First, the current study examined a larger number of obstacles. Second, the partial uniqueness of export obstacles among and across nations may have produced additional obstacles. Also, the differing importance of export obstacles may be attributed to differing export needs, motivations, stages of country and industry development, and environments. In addition, it seems that external economic and marketing issues are more pressing obstacles than internal firm-level obstacles or issues.

The first of the eight factors was labeled “Export Information and Procedure,” and it is probably the most difficult dimension to analyze. It encompasses variables related to export and import procedures and export information and assistance. It tends to reflect items indicative of the special situation of Saudi manufactured-goods exporters, who tend to be small, have limited export experience and knowledge, and are unknown outside their immediate markets.

The second factor encompassed three items that are definitely the heart of any national export policy. At present, Saudi Arabia does not have government-run export finance or export revenue insurance schemes. It does offer several programs, some of which are new, through multi-lateral cooperation such as the Islamic Development Bank (the members are all Islamic countries) and the Arab Monetary Fund. These programs have certain conditions and limitations, however. Therefore, the Gulf Cooperation Council (GCC) countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates) are exploring some sort of GCC-wide export finance and insurance scheme [45]. During the last several years, an export center was created in the Council of Saudi Chambers of Commerce and Industry to help the government formulate and lead a national program. It is a seriously under-funded effort and operates as a forum for the private sector. National export policy remains fragmented. Recently, the president of the largest export company in Saudi Arabia declared “The success of an export policy, for any country, depends upon the comprehensiveness and integration of the policy, procedures, and incentives that take into account all elements and factors that affect production and marketing” [46].

The third factor was the transportation dimension, both domestic and foreign. It is not surprising that it appears as an important obstacle. The data in the analysis demonstrated the rationale for its importance. Saudia Airlines, the national air carrier, provides special, reduced rates for Saudi exports from national companies. National companies are defined as being at least 50 percent owned by Saudi or other GCC investors and as having a minimum of 40 percent domestic content. Despite these facts, the majority of goods are not shipped by air.

The high overseas transportation cost obstacle is particularly noteworthy in the Saudi case. One should understand, for example, goods being shipped to East African ports that are just across from Saudi Arabia (from Jeddah, a major seaport on the west coast on the Red Sea, for example) are likely to go through European or North African ports first. Few regular shipping lines exist between Saudi Arabia and, for example, the lower Arabian Peninsula and Africa. Even land transportation to other Arabian Gulf countries is not inexpensive. Foreign shipping cost mean response in this study ($x=3.6$) is the same as in the study by Bauerschmidt, Sullivan and Gillespie [5].

The fourth factor is a measure of comparative competitiveness. Transferring strategy to operational measures requires changing a firm’s outlook from being a pure domestic marketer

to being a more international one. The fifth factor addresses operational constraints. On the average, Saudi manufacturers regard this factor as an unimportant obstacle. It received the lowest importance rating. Input cost is the sixth, and the most important, obstacle factor. No statistics exist on how much raw material or intermediate components are imported, but it is generally thought that the food and beverage industry imports some ingredients, such as unrefined corn and palm oil, starch, and some paper packaging, and that electrical appliance manufacturers import critical components and parts.

The seventh factor is clearly an expression of the competitive rivalry dimension. Competition in foreign markets is seen as hampering the exporters' efforts. Saudi manufacturers interviewed do believe in the quality of their products and packaging, however. Competition may account, partially, for the perception that export profitability is declining. Objective measures of the decline of export profitability do not exist. Exports to regional economic blocks are perceived as a relatively important obstacle, probably for two reasons: first, the existence of different specifications and standards, second, the much publicized European Community's surcharge on imported petrochemicals from Saudi Arabia.

Bauerschmidt, Sullivan and Gillespie [5] found that the paper industry did not perceive competitive rivalry as a serious obstacle; in fact it was ranked the lowest in importance. In this study, the factor ranked second. The importance of the other four export barriers in Bauerschmidt, Sullivan and Gillespie's study showed that exogenous economic constraints were number one, followed by comparative marketing distance, lack of export commitment, and national export policy. These differing results might have to do with the type of industry and the relatively new export experience of Saudi manufacturers.

The eighth factor represents foreign market risks. While Saudi exporters do acknowledge the risks involved in selling to foreign markets, they do not view this factor as important. They do not see themselves as apathetic or insensitive about others' languages and cultures. This could be explained by examining Saudi management practices and their background. One of the unique aspects of business in Saudi Arabia is that it has a history of being comprised of multicultural and multilingual organizations. According to a recent census, about 27 percent of the Saudi population is non-Saudi [47], many of whom are within the Saudi workforce. In addition, many young Saudis are educated abroad, and probably half of the Saudi business people know English or other foreign languages.

This study uncovered 8 dimensions while Al-Torkistani [38] found 5 dimensions which all are encompassed in this study. Both studies point to the existence of real obstacles to effective exporting.

Conclusion

This research provided three contributions to the literature. First, it introduced additional export obstacles which were not reported in previous studies. Second, this research examined the perceptions of manufactured-goods exporters of a developing country who as a group, received very little attention in the past. Third, this research showed the possibility of obtaining differing results if various cultural and environmental factors that may impact different exporting industries are integrated in the study.

Important obstacles identified in this research included competition in foreign markets, high cost of imported raw materials, absence of information about foreign markets, high overseas transportation costs, high foreign tariffs on imported products, insufficient export financing programs, and lack of a government programs of export promotion. On the aggregate level (from factor analysis), the most important obstacles were related to imported input cost, competitive rivalry, transportation (both domestic and international), national export policy, and export information and procedures.

Table 7. Recommendations for exporters in dealing with top obstacles

Obstacle	Recommendation
⇒ Fierce competition in the foreign market	<ul style="list-style-type: none"> * Re-evaluate current markets * Commit to export as a long-term investment * Concentrate on markets that are well-selected * Reduce production and marketing costs * Use more promotion tools
⇒ High cost of imported raw materials	<ul style="list-style-type: none"> * Search for local substitutes * Try collective sourcing to increase negotiation positions * Explore the possibility of long-term commitment in order to stabilize prices
⇒ Absence of information about foreign markets	<ul style="list-style-type: none"> * Subscribe to trade journals/reports * Contact foreign embassies locally * Ask proper agencies to provide needed information routinely and periodically * Consult experts
⇒ Wide fluctuations in the foreign exchange	<ul style="list-style-type: none"> * Explore the possibility of long-term commitment in order to stabilize prices * Price using less volatile currencies * Use foreign exchange markets to hedge
⇒ High overseas transportation cost	<ul style="list-style-type: none"> * Use break bulk forwarders * Explore the idea of establishing a private sector regional land/sea shipping company * Ask for government assistance when transporting on national carriers

Source: Al-Aali, Abdulrahman. "Obstacles Facing Saudi Arabian Food and Chemical Exporters." *International Journal of Commerce and Management*, 5, No. 3 (1995), Table 4.

The results imply that both government-level and private sector-level export promotion programs need to address exporters' and potential exporters' concerns about export obstacles. There are certain foreign-country-related obstacles that are difficult for national governments to address, however. There are many obstacles that can be overcome by exporters, if government programs are created or modified and coordinated. Such measures could reduce the burden and encourage more potential exporters to do exporting. In addition, Al-Aali's [37] recommendations to deal with top export obstacles are also relevant here (see Table 7).

Since the majority of manufactured-goods exporters in Saudi Arabia are new to the export business, one logical government support is to provide information such as foreign market profiles, foreign import contacts, and importing country regulations and requirements related to importation. Current and potential exporters need foreign macro- and market-specific information, as well as practical leads. At present, no government or quasi-government agency is providing such a service in a systematic fashion. Another possible government program could tackle the issue of high domestic transportation and international shipping costs. Regional shipping lines could augment large shipping companies that may not be able to serve small shipments to nearby areas efficiently. In addition, some exporters need financing and insurance. At present, no such scheme is provided by the Saudi government. While regional and multilateral programs are available to Saudi exporters, they are not always tailored to the Saudi exporters' needs.

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العوائق التي تواجه المصدرين بالمملكة العربية السعودية

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ملخص البحث. تبحث هذه الدراسة العوائق التي تواجه المصدرين بالقطاع الصناعي في المملكة العربية السعودية (١٤٠ منشأة) عن طريق سؤال مديري هذه المنشآت عن ٢٤ عائقاً محتملاً عند التصدير. وتم إجراء التحليلات الإحصائية على هذه المتغيرات الأساسية وكذلك تم تعريضها للتحليل العاملي الذي بين وجود ٨ أبعاد لهذه المتغيرات وهي: عوائق متعلقة بتكلفة مدخلات الإنتاج، المنافسة، الشحن، السياسة الوطنية للتصدير، معلومات وإجراءات التصدير، الميزة التنافسية، مخاطر البيع في الأسواق الأجنبية، ومحددات تشغيلية داخل المنشأة. وحسب مؤشر قوة العائق تبين أن العوائق الثلاثة الأخيرة هي من النوع الأقل أهمية وتم إجراء تحليل التباين على هذه الأبعاد الثمانية لمعرفة ما إذا كانت النظرة نحو الأبعاد تختلف بحسب تقنية القطاع الصناعي الذي تنتمي إليه المنشأة (تقنية عالية، منخفضة)، واستمرارية التصدير، (مصدر نشيط، انتهازى)، قوة التصدير (تصدير عال، منخفض) وظهور وجود اختلاف طفيف جداً، ويمكن القول إجمالاً إنه لا يوجد اختلاف. والأبعاد التي تم استخلاصها في هذه الدراسة تختلف عن الدراسات السابقة التي أجريت في العالم المتقدم وتشبه نتائج دراسة أخرى أجريت على مستوى دول مجلس التعاون الخليجي.