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**THE OBSTACLES PREVENTING THE SMALL FIRMS IN IRAQ TO
EXPORT**



MASTER OF SCIENCE MANAGEMENT

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**THE OBSTACLES PREVENTING THE SMALL FIRMS IN IRAQ TO
EXPORT**

By

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**Research Paper Submitted to the School of Business Management,
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In fulfilment of the Requirement for the
Master of Science Management**

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Abstrak

Prestasi eksport selalunya diambilkira sebagai salah satu faktor penting dalam memacu pertumbuhan ekonomi sesebuah negara. Eksport dapat meningkatkan keberkesanan pengeluaran kilang, mengatasi kekangan dagang yang lebih mencabar dan menangani keutamaan pasaran yang berbeza di pasaran antarabangsa yang kompetitif. Kajian ini menyelidik kekangan untuk mengeksport yang dihadapi oleh syarikat kecil di Iraq. Empat kekangan diambilkira dari perspektif teori sebagai pembolehubah yang memberi kesan kepada kejayaan syarikat-syarikat ini untuk mengeksport, iaitu (i) infrastuktur, (ii) polisi dagangan, (iii) rasuah, jenayah dan keselamatan, dan (iv) kewangan. Penyelidikan empirikal dijalankan dengan pengedaran borang soal selidik kepada sektor industri tekstil and makanan di Iraq. Kedua-dua sektor industry tekstil dan makanan adalah berpotensi tinggi untuk mengeksport tetapi didapati bergelut dengan pengiktirafan antarabangsa. Kekurangan atau kekangan dan insentif dilabelkan sebagai faktor asas. Keputusan analisis dari data terkumpul diperolehi dari responden menunjukkan kedua-dua sektor makanan dan tekstil menghasilkan keputusan yang sama di mana jawapan-jawapan adalah hampir sama. Kedua-dua sektor menghadapi isu dan masalah yang sama dalam mengutarakan jalan ke hadapan. Syarikat-syarikat kecil dari kedua-dua sektor, dengan produk yang cukup berbeza, memerlukan kepimpinan keusahawanan, strategi dan inovasi untuk mengambil peluang ke atas perubahan perundangan di peringkat antarabangsa, keadaan faktor dalam negara yang memberangsangkan dan bantuan kerajaan untuk berjaya bersaing di pasaran antarabangsa.

Kata kunci: prestasi eksport, syarikat kecil di Iraq, kekangan mengeksport, aktiviti mengeksport.

Abstract

Export performance is usually taken as one of the important factors in driving a country's economic growth. Exports can improve the firm's production efficiency, overcome higher trade barriers and address different market preferences in the competitive international markets. This study investigates the obstacles faced by the small Iraqi firms to export. Four obstacles are considered from a theoretical perspective, as variables that have affected the success of these firms to export, which are (i) the infrastructure, (ii) trade policies, (iii) corruption, crime and security and (iv) finance. The empirical research was conducted through a questionnaire distribution concerned with the textile and food industry sectors in Iraq. Both textile and food industry sectors are of high export potential, but are found to be struggling with international recognition. The impediments or barriers and also the incentives were labelled as the core factors. The results of data analysis obtained from data collected from respondents show that both food and textile sectors have produced similar outputs where their answers are nearly same. Both sectors face the same issues and problems in suggesting the way forward. The small firms in both sectors, with very different products and strategic advantages, require entrepreneurial leadership, strategy and innovation to take advantage of the changing international regulations, favourable domestic factor condition and government support to compete successfully in the international markets.

Keywords: export performance, Iraqi small firms, exporting obstacles, exporting activity.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter provides a brief idea of what this thesis is about by presenting the background of the study that focuses on the perspectives of small firms and their concepts in Iraq context to do exporting. The problem statement as the justification for this study is described, while the research questions that go in line with research objectives are provided.

Previous studies on the standardisation of small firms in Iraq and Arab nations have stressed that challenges of the effect of firm's size and international experience contribute to the conversion of small firms into international firms (Maqsoom & Charoenngam, 2014; Julian & Ahmed, 2012), but yet to be proven empirically. This shows that further studies are needed towards understanding the exact issues undermining the internalization of small firm, in particular the export of small firms in Iraq. This study intends to provide the solutions to the existing gaps in identifying the factors that hinder the exporting intention and activities of small firms in Iraq. The scope of the research which delimits the study is explained at the end of the chapter. Besides, the significant of the research to both academics and practitioners are suggested in this study.

1.2 Background of the Study

The establishment and operation of Small firms in different countries of the world could be linked to the local and international activities with different attributes (2014, Jormanainen & Koveshnikov, 2012; Mainela et al). A local firm is described as a business set up by a local citizen within the context of the country's origin (Mainela et al., 2014). The study of Shane (2012) stress that local firm performs business activities by bringing opportunities to the local citizens and envision to develop the respective communities. Previous study by Antras and Yeaple (2013) had earlier cleared the air that transformation of the community can be achieved by investing in local firms.

However, the total transformation of society can only be achieved through stepping up of revenue on the firm by going to international markets (Antras & Yeaple, 2013; Jormanainen & Koveshnikov, 2012). This implies that there is need to extend the tentacle of the firm in the local communities to the international level. One of the way is by exporting their products.

As export activities can be traced from local and international firms, there is a need to explain about both types of firms. The international firms are viewed as the offshore businesses that are incorporated under the law of some jurisdiction which may affect the tax neutrality with limited activities. In other words, firms export activities are posed with bringing the international opportunity and development to the immediate community (Jones et al., 2011). This grounded that international firms do conceptualise with issues of tax havens, international of opportunities and

revenue generation for the source-based of the business (Anokhin et al., 2011; Venkataraman et al., 2012). Besides, a study has stressed that existence of international firms sometimes assists modification of resource combination as a result of their experience in acquiring, interpreting and dispersion of market information (Anokhin et al., 2011; Jones et al., 2011; Antras & Yeaple, 2013). Furthermore, previous studies have emphasised that among the features of firms exporting is to achieve business expansion and multinational status (Welch et al., 2011; Lahiri, 2011; Zhao et al., 2010). These have impacted some business organisation like emerging market, digital market and textile industries to venture in the international of their respective firms (Anokhin et al., 2011).

In the meantime, an extension of the local firm into the international firms brings about innovation opportunity, opportunity discovery and creation (Chandra al., 2012; Ellis, 2011). Due to this, international of the local firm has been attracted researchers all over the world in maximising and achieving the objectives of going to international markets (Lahiri, 2011). This implies that international of local firms is called for towards achieving the objectives of establishing the business organisation.

In addition, the study of Blocker (2011) argued that business competitiveness and customers' demands necessitate internationalization of local firms. Studies have shown that current situation in the world markets encourages purchasing power of customers of local firms and competition (Gupta & Malhotra, 2013; Gupta et al., 2011). On the other hands, local firms have not been balanced the issues of business-to-business with the existing international firm. This is peculiar to some local firms

that do not operate in the third party countries, where they are referred to as multinational firms. This implies that there are many issues that local firms need to take into consideration while extending to the international areas. These actually trigger this research work.

1.3 Problem Statement

The wars and economic blockade, for the period 1980 -2003 which had impacted on the Iraqi economy, have been characterized by technological retardation and poor production (Musa, 2012). The military operations and robberies have followed the occupation of Iraq in 2003 both have destroyed most of the economic institutions and infrastructure. However after 2003, there was a great hope for most Iraqis about the possibility of achieving again the desired economic development, through the transition to a market economy and build up the economic base. This depends on the state, local private sector, and foreign direct investment, however, the country has faced a number of challenges that have impeded the process of growth and development and trading. Due to the wars since the last decades, the economy of Iraq has suffered a lot. Most of the micro, small and medium-sized national firms that number up to 33,000 have been closed due to many reasons, which are of them is the competition from cheap imports from abroad.

Although there is an increasing demand due to the increase in the annual population growth rate up to 3%, in the last few years the national private productive sector of the market shares remain slow discounted due to the high production costs caused by poor infrastructure, outdated technology and a shortage of skilled labours. All of

these have led the private sector to become weak, with the role and the presence of a weak and lack of incentives for expansion and development of the government, although the country's GDP quickly rebounded just after the post-war economic and financial recovery since 2003 (Minister & Commission, 2013).

The report from a survey by the Enterprise Surveys (2011), of Iraq Country Profile 2012 (The World Bank & International Finance Corporation, 2011) has identified a number of obstacles experienced by companies to growth domestically and internationally. These obstacles are the infrastructure, trade policies, corruption, crime and security and finance. In the absence of new survey on the economic situation, this study sheds light on these obstacles trying to find the reasons why the Iraqi small firms are still behind to do exporting activity, moreover, with the growing need in the global markets on halal food products as well as Islamic clothing (Accenture, 2014), which Iraq was formerly one of the major exporters in the region for these products, the potential to become the main exporter in the region is likely.

The Iraqi goods have already proved its worth when its products were exported to Gulf and European countries. Before the 1980-2013 wars. It has a great chance to regain its export potential through the open markets that allow the businesses to expand, exporter's efficiency to raise up to standards and low-cost supplies import to be enabled by the business firms (Development, 2014).

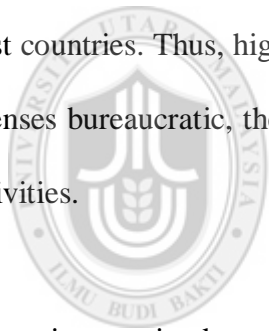
However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, firms also face additional costs, for example the additional foreign cost. Firms are forced to deal with trade regulations and custom services when they are involved in export activities.

Bank et al. (2016) say that economic competitiveness is enhanced by a strong infrastructure that produces a conducive business environment for the growth and expansion of firms and global market access. The connection between the customers and suppliers with the firms become efficient due to the strength of infrastructure and thus the use of modern production technologies are thus enabled.

On the other hand, barriers to productive opportunities are created due to infrastructure deficiencies that affect all firms from micro to large multinational level at their costing. A strong infrastructure for electricity, water supply, telephone services etc. and the institutional development that provide and maintain the public and private sectors is needed. With a view to the creation of a favourable business environment for the trade policy, regulations and taxation are the fundamental pillars.

Market failures that interrupt productive investment are addressed by effective regulations and help to settle public-private interest. With a view to obtain approvals and permissions to operate business and the time duration for this purpose are quite time consuming and expensive as well (William et al., 2013).

As well as the common export difficulties faced by small businesses, there are also corruption and crime that do not help the export activities. It seems that there are major administrative and financial burdens unnecessarily taking place as consumptions are made by the public officials where they are supposed to be the guardians. By dejection of the operational efficiency and costs raising linked with dealing business in an unfavorable business environment is created by corruption, the firm's efficiency is constrained by the inefficient regulations. This allows public officials to ask for illegal payment or bribery for doing the duties (Department of State, 2013). Bribes become common and are among the highest in many Middle East countries. Thus, high cost incurs, for example, in obtaining required permits and licenses bureaucratic, the costs are added. These are seriously disordering for export activities.



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Crime is perceived as an indication of social instability both by the foreign and domestic investors and consequently. This makes the business cost goes up. Firms are forced to cover security costs by diverting resources from productive uses is imposed by crime. Regular disputes between the firms and their clients also take place while doing business. As the legal institutions are found weak or intangible, such disputes settlement seems challenging

Security is viewed as the primary problem. Until 2010, the peace environment required for good businesses is desperately required. The al Qaeda's insurgent groups attacked people and institutions on the regular basis. However, since the

elevation of sectarian fighting in 2006–2007, the violence incidence has radically decreased but the militia and insurgent groups were still allowed to assert themselves due to the shaky federal government with weak security services (Department of State, 2013).

With the chance of repeated violence and political instability, Iraq is still remaining as a high-risk place to invest. However, despite the continued threats in the Iraqi Kurdistan Region (IKR), including the provinces of Irbil, Sulaymaniyah and Dahuk, they are comparatively more stable in terms of security situation than the rest of Iraq in recent years.

United Nation (2013) has highlights that harmony between the economic growth and good financial systems is an important need. It is evident empirically that the goods and steady financial systems help a country grow faster. For boosting economic development, increasing productivity, enhancing opportunity options and reducing poverty the efficient and cautious resource allocations by the financial system is vital. In providing the full range of financial services, it is important to get the financial systems of developing countries functional and merge with economic growth.

In the case of Iraq, the overall financial system should be a forward looking and constructive United Nation (2013). Due to the underdeveloped financial system, its role in financial intermediation is quite limited in Iraq. Accounting for more than 75 percent of the assets and controlled by the state ownership, the banking system is the

most important portion of the Iraqi financial system. Although the non-banking financial institutions and markets are small and under-developed but they have the potential to access the small businesses and these allows for the problems regarding financing the export activities to emerge or happen.

In firms' survival, the role of innovation is quite significant. It is often described as the application of new knowledge and idea commercially. According to Ganotakis (2012) and Slaper et al. (2011), innovation is considered as the main element for the firm's growth and productivities, particularly for the international competition of the industrialized economies. Moreover, the capacity of the firm to innovate, evaluate and exploit internal and external knowledge denotes competitive advantage.

To this end, the models used in the export trade and business studies that have stressed on ownership, environmental factor and some of the firm's trade as termed hindrance factors for being exporting firms are being referred and used. As there is no study that has not been grounded empirical to establish the claim in the concept of Iraq's small firms, this study focuses on four dimensions to discuss about the factors that affecting the export activities by the small firms in Iraq. There are the infrastructure, trade policy, securities and corruption and finance.

1.4 Research Questions

This study attempts to answer the following questions:

- i. What are the actual problems faced by small firms in Iraq from doing export business after the wars?
 - a. With regard to infrastructure.
 - b. With regard to trade policy.
 - c. With regard to security and corruption.
 - d. With regard to finance.

- ii. What are the potential solution to enhance export activities once knowing the factors significantly affects the export intention and activities in Iraq, a country that suffers from wars.

1.5 Research Objectives

The primary research objective is to come up with the factors that significantly affecting small firms in Iraq to engage in export activities.

- i. To identify the significant factors influencing the firm to export within the context of infrastructure.
- ii. To identify the significant factors influencing the firm to export within the context of trade policy.
- iii. To identify the significant factors influencing the firm to export within the context of securities and corruption.

- iv. To identify the significant factors influencing the firm to export within the context of finance.

The objective is also extended to offer discussion on these factors as the enabling on/ and constructing factors to export activity after the past war in Iraq.

1.6 Scope of the Research

This study is concerned with the textile and food industries in Iraq. Both industries are found to be struggling with international recognition although they are well known exporter before war. Now these sectors are viewed as the sectors needed to serve the indigenous people. Export has become a less priority option.

In addition, the study focuses on the investigation of factors that prevent the textile and food industries in Iraq from becoming exporting firms after the 1980-2003 wars. The data collection is not so simple since meeting to collect data is required and as the time availability is not there, data collection is done in hurry. It is more on the safety issue. Actually, more firms can be interviewed and the data collection can be imported if the afraid feeling is not there doing data collection.

1.7 Significance of the Study

The export activities by local firms is viewed as one of the contributors to boost the revenue of the small and local firms (Antras & Yeaple, 2013; Anokhin et al., 2011). Most studies review exporting activities during peace time and the war situation in

Iraq provides a new scenario on the factors affecting the export intention and export barriers. This is the potential benefit and it should become a significant contribution in the context of both academics and practitioners.

The practical contribution of this research is towards the export activities by the small firms in Iraq. Identifying the hindrance factors would assist the firm's policy makers in moving to the exporting status. Thus, both the respective firms and government of Iraq would benefit from exporting activity of small firms through the increase revenue generation.

Besides that, the designing of an instrument for gathering data from the managerial staffs of textile and food industries in Iraqi would serve as another contribution to the academic. The study of Hair et al. (2011) stressed that there should be the development of new instrument in a situation where the research and model are advancing. Thus, the instrument for gathering data from respondents in this research would assist the future research in the domain of international business.

1.8 Chapterization of the Thesis

Chapter One of this study is the introduction part that gives clue to what the study is all about. It embedded background of the study, problem statement, research questions, research objectives, the significance of the research, scope of the research and an annotated research plan.

Chapter Two represents a review of related literature on the international firms and trade, small firms and trade and the related theories of international trade. Besides, chapter two will discuss the theoretical framework, formulation of conceptual research model and the research hypothesis.

Chapter Three depicts the quantitative research methodology for achieving objectives of this study. Chapter Four deals with data analysis.

Chapter Five is about the conclusions and recommendations.

1.9 Summary

The background of the study is presented in this chapter by giving highlights on exporting firms, local and small firms, and the perspective of Iraq's on the export of small firms. As the justification, the problem statement is clearly mentioned for this research. Besides that, objectives of the research along with the questions were illustrated. Both theoretical and practical contribution of this study are mentioned clearly along with the scope of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter contains review of previous works and sectioned into three main parts; part one the discussion of the provides theoretical literature review on exporting activities Besides that, part two will cover the empirical literature review on exporting behaviour and the current exporting activity in Iraq while the third part covers the model examining factors contributing to export activity by the small firm.

2.2 Theoretical Literature Review

With the growing globalization of the world economy, there has been increasing concern regarding export performance. Superior export performance is of importance to three major groups: public policy makers, business managers involved in export and finally export performance researchers (Dalsgaard, 2015). The focus of this review is to draw and consolidate knowledge from related literature to synthesize a model which examines the extent to which the variables identified in the literature influence the export performance of small exporting firms (Hind El Makrini, 2015). Therefore export promotion is a critical consideration for economic development of each country.

It is necessary to note that there is no special theory of export operations for small firms and it will be reviewing some of the literature that covers the side of the

external and internal environmental factors exporting firms, as well as some models to illustrate the problems that can be faced by small firms when doing an export.

2.3 Theories and Models Supporting the Research

2.3.1 Porter's Theory

In the continuing growth of global trade theories, Michael Porter of Harvard Business School developed a new model to describe national competitive advantage in 1990. Porter's theory stated that a nation's competitiveness in an industry depends on the capacity of the industry to innovate and upgrade. His theory focused on explaining why some nations are more competitive in certain industries (Gupta, 2009). To explain his theory, Porter identified four determinants that he linked together.

The four determinants are:

- i. Domestic market resources and capabilities.
- ii. Domestic market demand conditions.
- iii. Domestic suppliers and complementary industries.
- iv. Domestic firm characteristics.



Figure 2.1

Porter's four determinants

1- Domestic market resources and capabilities (factor conditions).

Porter recognized the value of the factor proportions theory, which considers a nation's resources (e.g., natural resources and available labour) as key factors in determining what products a country will import or export. Porter added to these basic factors a new list of advanced factors, which he defined as skilled labour, investments in education, technology, and infrastructure (Porter, 2015). He perceived these advanced factors as providing a country with a sustainable competitive advantage.

2- Domestic market demand conditions.

Porter believed that a sophisticated home market is critical to ensuring ongoing innovation, thereby creating a sustainable competitive advantage. Companies whose domestic markets are sophisticated, trendsetting, and demanding forces continuous

innovation and the development of new products and technologies (MD. MEZBA UDDIN, 2014). Many sources credit the demanding United States of America consumer with forcing United States of America software companies to continuously innovate, thus creating a sustainable competitive advantage in software products and services.

3- Domestic suppliers and complementary industries.

To remain competitive, large global firms benefit from having strong, efficient supporting and related industries to provide the inputs required by the industry. Certain industries cluster geographically, which provides efficiencies and productivity (Strategy & Management, 2014).

4- Domestic firm characteristics.

Domestic firm characteristics include firm strategy, industry structure, and industry rivalry. Local strategy affects a firm's competitiveness. A healthy level of rivalry between local firms will spur innovation and competitiveness. In addition to the four determinants of the diamond, Porter also noted that government and chance play a part in the national competitiveness of industries. Governments can, by their actions and policies, increase the competitiveness of firms and occasionally entire industries (Porter, 2015).

2.3.2 Dunning Eclectic Model

In 1976, John H. Dunning introduced this concept. According to Dunning(1988), the eclectic paradigm of international production aims towards offering a holistic framework for identifying and evaluating the consequence of the factors that influence the production growth and firm's foreign production initial act. Different approaches from different theories are integrated into one single framework in The Dunning's Eclectic model. The model of Dunning's Eclectic explains that in terms of the ability to internalize markets foreign activities of enterprises to their returns. This model suggests that with a view to compensating for foreignness costs, local establishment requires some advantages. Besides, Dunning's model postulates that a combination of three advantages is the basis for entering into a foreign market (Antonio et al., 2014; Sanna et al., 2016). Indeed, Dunning's model and supported by some researchers have stressed that the conditions for entering the international market depend on three advantages as illustrated in the following figure 2.2.

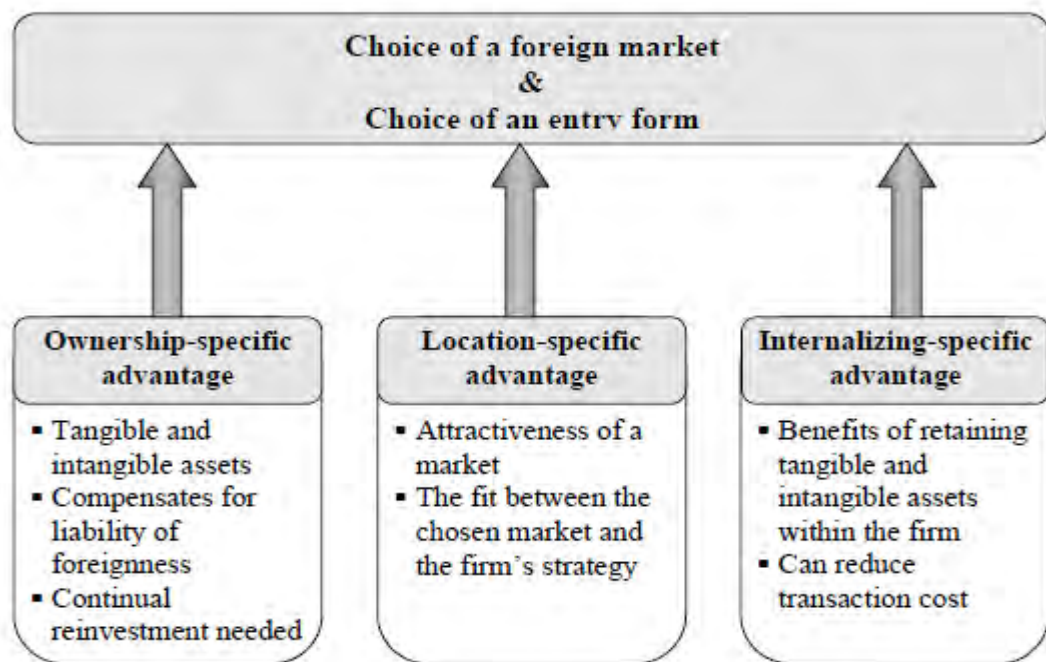


Figure 2.2
Theory of Dunning's Eclectic

Researchers have argued that a specific ownership advantage should be in possession of a firm that is the secret of their success in terms of tangible and intangible assets that is absent for the foreign competitors. This concept is supported by many studies that it is mandatory for the ownership to compensate “liability of foreignness” which originates from the competitive position of competitive domestic firms. In other words, advantages of ownership include skills and size of the firm, experience of multinational, and differentiated product development and promotion ability. Therefore, a foreign country’s increased knowledge does reduce operating cost and uncertainty in an international market. This shows that ownership advantages have an impact on the internationalization of small firms (Stefan et al., 2016; Xiaohua, 2015).

Furthermore, the location-specific advantage of a firm has to do with gains of a firm by its production location. This is similar to the firm's environment which should be evaluated on its marketing strategy with the target (Woerndl & Powell, 2013; Hofmann et al., 2012). Moreover, regulations or incentives of the government in different locations or environment together with the hope of reducing the business cost act as a strong incentive for relocating production (Stefan et al., 2016). This poses that environment of the firm affect the small firms to compete with foreign firms and become international.

In addition, retaining assets and skills within the firm denotes the term internalization advantages ensures that firm from its internal use of ownership other the external parties (Bernhard & Edith, 2013; Antonio et al., 2014). Meanwhile, internalization of a firm is an alternative organizational strategy towards minimizing the costs of transaction and transportation (Sanna et al. 2016). On the other hands, it is necessary for a firm to assess whether the internalisation can be achieved through the firm's characteristics (Itzhak, 2014). Besides, studies have stressed that capabilities and strategies of some firms specifically the small firms are affected by the world economy in last decades.

2.3.3 Contingency Theory

As a class of behavioural theory this theory proclaims no single way is the best for organizing corporation, leading firm or decision making. Rather, on the internal and external situation the course of action is dependent. In the late 1960, numerous approaches of contingency were introduced. According to their suggestion, bureaucracy of Max Weber and scientific management of had failed due to

neglecting various aspects of the environment that influence management. No single way of organizational leadership is the best. Formal structures linked with different technologies are formulated in this theory (Mullins, 2011).

With the argument of the span of control, authority centralization, and rules and procedures formalization by Joan Woodward in 1958, this perspective was originated. The basic principle ‘the best practices depend on the contingencies of the situation’ has driven scholars to the contingency perspective. Neither solely implemented standardization nor marketing program adaptation is effective in the international market to have been accepted by the researchers. In view point of this theory, comprising a number of antecedent factors are comprised in the standardization process (Virvilaite, Seinauskiene, & Sestokiene, 2011). According to the contingency theorists, Burns & Stalker (1967); Aldrich (1979); and Keats & Hitt (1988), the internal processes of the organizations including structure, strategy, external environment and resources are the basis for the corporate performance. Standardization or adaptation cannot be viewed in an isolated manner; for marketing strategy both should be considered as the two ends forming the same continuum (Meyer & Bernier, 2010). After a detailed exploration and evaluation of all the crucial contingency factors, a specific market at a specific time is crucial for the standardization or adaptation of the firm (Virvilaite et al., 2011).

Accordingly, the international firms are facing the challenges to identify right kind of strategic elements. Despite the difference in perception, there has been a consensus among the researchers about the level of standardization. On the basis of

internal costs, entry mode, product lifecycle stage, and breadth of product line, brand name, market size and interpenetration level it is possible for firms to regulate the standardization (Hise, 2010).

Different factors such as target market comprising economic factors and geographic area, market position, cultural distance; consumer behaviour and lifestyles, nature of product, competitive position, environmental factors, marketing infrastructure, law and regulation, political environment, delegation of authority factors, headquarters-sub subsidiary relationship, and corporate orientation affect the level of standardization of marketing program (Pablo, Supervisor, & Business, 2013).

2.4 Export Models

2.4.1 The Conceptual Model

Export Performance Literature With the growing globalization of the world economy, there has been increasing concern regarding export performance (Nations & Development, 2009). Superior export performance is of importance to three major groups: public policy makers, business managers involved in export and finally export performance researchers. The focus of this review is to draw and consolidate knowledge from related literature to synthesize a model which examines the extent to which the variables identified in the literature influence the export performance of SME exporting firms. The conceptual definition of export performance. Export performance has been conceptually defined as the outcome of a firm's activity in an export market (Jalali, 2012). There seems to be general agreement that export

performance is a multi-dimensional construct and comprises export effectiveness, export efficiency, and effectiveness (Mukherjee et al., 2012).

Effectiveness is defined in terms of a business's products and programs relative to competitors and can be measured by indicators such as growth in export sales. Secondly, efficiency is where profitability is considered to be the key measure and is reflected by the perceived profitability of the export activities, or the ratio of performance outcomes to the inputs required to achieve them (Abu-jarad, Yusof, & Nikbin, 2010). Finally, the third dimension, adaptability is how the business responds to changing conditions and opportunities in the marketplace and therefore more strategic in nature (Department for Business Innovation & Skills, 2013). For example, addictiveness measures a firm's responses to competitors and the degree to which the firm has exploited new product/market opportunities and thus is more difficult to operationalize than the first two dimensions (Cossio et al., 2012).

However for the reader's convenience, the conceptual model is produced here as Figure 2.3. Briefly, the model posits that there are four constructs impacting on a firm's export performance. Firstly, the model proposes that a firm's location will influence a firm's resources and therefore their ability to develop capabilities which in effect will impact export performance. This model looks at the direct association of firm resources and capabilities with export performance (Freeman, 2009). The model proposes multiple measures of the export market environment construct and indicates the export market environment has a direct impact on the ability of the firm to develop resources and capabilities (Chan, 2012). Finally, the model also suggests

that the export market environment has a direct association with a firm's export performance.

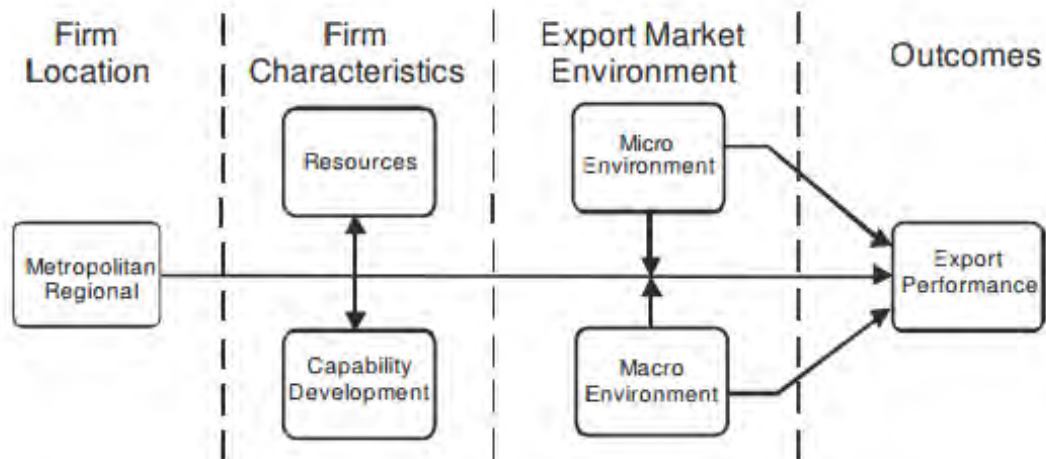


Figure 2.3
Reader's conceptual model

2.4.2 Firm Going Global Model

A company's main incentive is an opportunity for growth and profit. In addition, sales in foreign markets can contribute to stabilizing revenue/turnover fluctuations whether caused by seasonality, technology changes, saturated markets, or economic conditions (ECSIP Consortium, 2013). Therefore, it is desirable to assess which factors stimulate firms to seek markets to export their products. Government agencies may promote support and sustainability by providing the stimulus for diversification into global outlets.

The world offers a growing international market potential for companies that do not already operate in foreign markets (Roby, 2011). The challenge to firms is to identify and overcome the nature of barriers to these markets.

Selection within the market over time is based upon similarities between the national market structures of a political, social, economic, or cultural nature, so that the export marketers expand from one market to the next, introducing a minimum of further adaptation to the product as well as other export marketing parameters. This is a type of experience-based market selection (“AND ENTRY STRATEGY OF ENTERPRISES: A Case study of Chinese firm: Huawei Supervisor: Gabriel Awuah Author: Gao Dawei 820512,” 2008).

Therefore, through the analysis of the global markets by territories where these enterprises have undertaken activities, it will be possible to discover more characteristics of these selected markets. In addition, such analysis may help enterprises to gather knowledge currently lacking about the products and services required in these markets. This knowledge may prove useful to identify the enterprises' characteristics and potential success globally. Managerial attitudes play a critical if not the primary role in determining the exporting activities of the firm. Therefore, there is a distinct relationship between individual decision characteristics and export behavior. It will be interesting to know the critical success factors associated with the international activities within the economic sector of the industry and identify those that are more prevalent (Gates, 2010). Thus, favorable attitudes toward foreign activities have been considered an essential prerequisite before firms consider expanding into global markets. The stronger the firm's motivation for

growth, the greater will be the activities it generates including research activity for new opportunities (Wu, 2015).

This research may be useful in providing an outline for small business enterprises that supply manufacturing products in the economy. This information is also useful to government agencies in enhancing their role and support for these enterprises and encouraging their international activities and export performance. Figure 2.4 illustrates the idea of how a firm could go global or refrain.

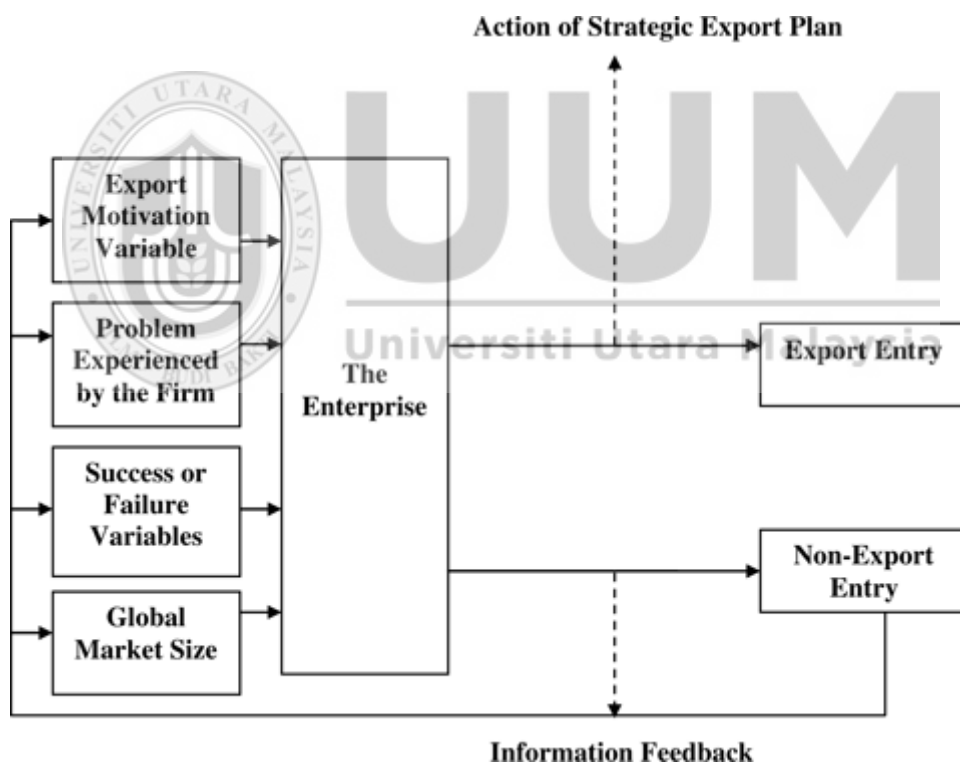


Figure 2.4
A model for a firm going global

2.5 Determinants of export behaviour

Since the pioneering work of Tookey (1964) who first attempted to identify export success factors, the interrelationship among export behaviour determinants and export outcomes has been the subject of analysis in over a hundred empirical studies (Katsikeas, Leonidou and Morgan, 2000). In an extensive literature review, Gemunden (1991) counted over 700 variables that were advanced and analyzed as determinants of export behaviour. In general, the export behaviour determinants are viewed as internal, firm-specific influences and external, environmental influences (Madsen, 1987; Aaby and Slater, 1989; Chetty and Hamilton, 1993; Zou and Stan, 1998; Katsikeas et al, 2000; Sousa et al., 2008).

The importance of the external determinants is supported by the contingency theory, rooted in the structure – conduct - behaviour framework of industrial organisation (Matyusz, 2012). This theory argues that a firm must adapt to the external environment pressures in order to survive and prosper. A superior export behaviour is a result of a firm's successful strategic response to the external factors (Spasova, 2014). The external influences are defined as environment-specific and hence managerially uncontrollable. The external determinants are generally categorised as industry specific and market specific. The industry specific factors refer to the industry's technological intensity and its level of instability.

Factors affecting export behaviour in domestic markets differ from those in the foreign markets (Monteiro, Moreira, & Sousa, 2013). The liability of foreignness increases the cost of doing business abroad due to legal, economic, and cultural differences. Legal and political factors and cultural similarity are factors that are

most cited as external determinants of export behaviour. The effects of the domestic market factors on the export behaviour are somewhat neglected in the export behaviour research. The very few studies that have investigated the domestic market characteristics as potential determinants of export behaviour identified two determinants: export assistance and domestic environmental hostility.

2.6 Small Firms Exporting Behaviour

The relevance of assessing the economic importance of a firm has been abnormally attributed to the firm's behaviour as a result of its size (Bernhard & Edith, 2013). On the other hand, there has been limited literature on the extent of the firm-size impact on performance. This has been stressed by some studies that incorporate firm-size as an explanatory variable, thus, negatively correlated with the extent of the irregularity (Antonio et al., 2014; Sanna et al., 2016). Hence, much is still expected to be done on the justification of impact of small firms on its performance. Previous studies have established the relationship between a small firm and the firm's information environment. Therefore, the factors argued to be attributed to information environment as information production, sophistication in processing the information, asymmetry of information and price efficiency.

However, previous studies have argued that larger and international firms operate in a much richer information environment than the smaller firms (Apulu et al., 2013; Henry et al., 2012). Indeed, earlier studies have shown that earnings announcements of large and international firms enjoy high publicity as a result of feedback from the market response than those from the smaller firms. Moreover, a similar result is

found when changes in the trading volume are used to assess the news in earnings announcements (Itzhak 2014). Therefore, it implies that production and dissemination of information are larger in international firms as compared to smaller firms. Hence, there is need to convert the local and small firms into the international recognition.

The present literature in international business comprises of small firms and it is stated that many small firms produce highly competitive products but do not export, and is being targeted by the government export stimulation programs, the reason for this is that they experience actual or anticipated balance-of-payments deficits and of course to attempt export. To which again the decision-maker has to choose whether he/she would export with his firm's highly competitive products. The term of decision-maker and his characteristics and perception. Characteristics and perceptions in this manner can be stated as the factors that affect the ability of the decision-maker to decide, or simply the influencing factor of in decision-making. One objective factor is that foreign travels, it is significant in such manner that travels to countries with the same economic bloc were more prevalent among exporters (Cossio et al., 2012).

An export usually starts with the psychologically nearest countries, because of marginal costs and marginal revenue. The smaller the firm, the more they export to protected markets. Current exporter's frequent travels to the export markets influence positively success in exporting (Mankiw, 2012). One thing about travels is that the exporter speaks more language than the non-exporters, another hindrance of

good business is language, and as stated, exporters would rather be available in speaking a lot of languages compared to non-exporters.

The exporters were found to have more positive attitude towards exporting. They think exporting to be more important in general and for the firm's future development and perceive higher export profits and fewer export risks, and of course, we can safely say that the exporters and decision-maker is one in nature when it comes to export business (UKTI, 2013). Hence the decision-maker and his characteristics and perception are the most important variable in the exporting process.

2.7 Exporting Activity by Iraq: Small Firms

After more than a decade of new political transition, Iraqi economy failed to increase its non-oil export activity compared with the region countries. Strong export performance is usually known as one of the important factors in driving a country's economic growth since exports can improve a firm's production efficiency to overcome higher trade barriers and address different market tastes in competitive international markets. Iraqi small firms are still not fully competitive, especially in foreign markets (Central statistical organization, 2015). Small industries firms in Iraq Play a very important role in the Iraqi economy through the space occupied by the industrial enterprises as a whole. Small companies with a total amount (21 809) industrial firms in 2014 which is a gain of (96.7%) of the total industrial companies (Trade et al., 2016).

There is no precise count for the overall for small Iraqi firms exports, therefore below is a review of the overall exports for all Iraqi companies as a whole, where the figure 2.5 indicates the value of exports commodity amounted (230.5) billion ID for 2015 equal to (191.2) million USD Decrease to (4.6 %) with 2014 amounted (241.5) billion ID equal to (202.7) million USD. It may be noted the increase in the volume of exports for 2013 from the rest of the years, due to the relative safety that prevailed at the time (Central statistical organization, 2015).

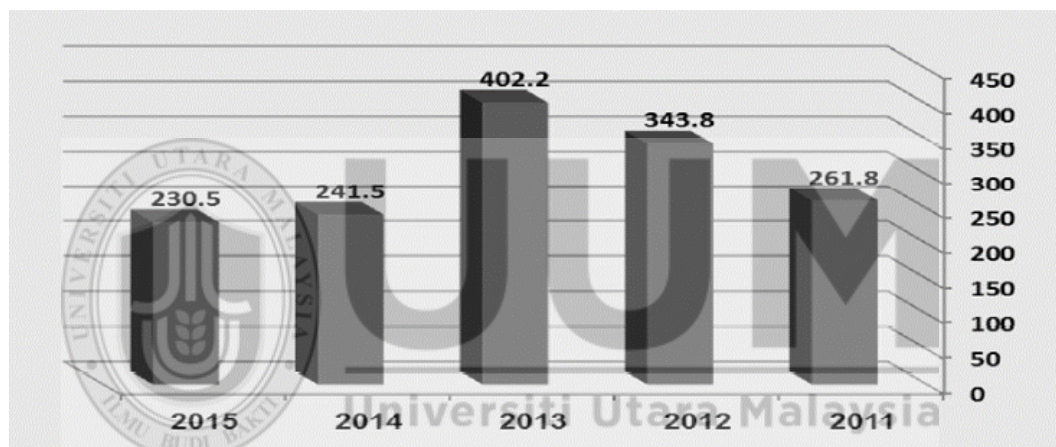


Figure 2.5

The value of exports commodity

(Source: Trade statistics Department-Central Statistical Organization – Iraq)

The major types of commodities exports for the year 2015 are Soap, organic surface-active agents, washing preparations as highest ratio (47.6%) for 2015 of total other export commodities then Mineral fuels, mineral oils and products of their distillation as ratio (44.9 %) then skins (other than fur skins) and leathers ratio (4.6 %) for important export goods Figure 2.6. The Arab countries as a ratio (53.7 %) and foreign countries as a ratio (1.34 %) of total other commodity exports for

2015. United Arab Emirates has the highest ratio of (47.6 %), then Singapore as a ratio (44.9 %), then Jordan as a ratio (2.9%) (Central statistical organization, 2015).

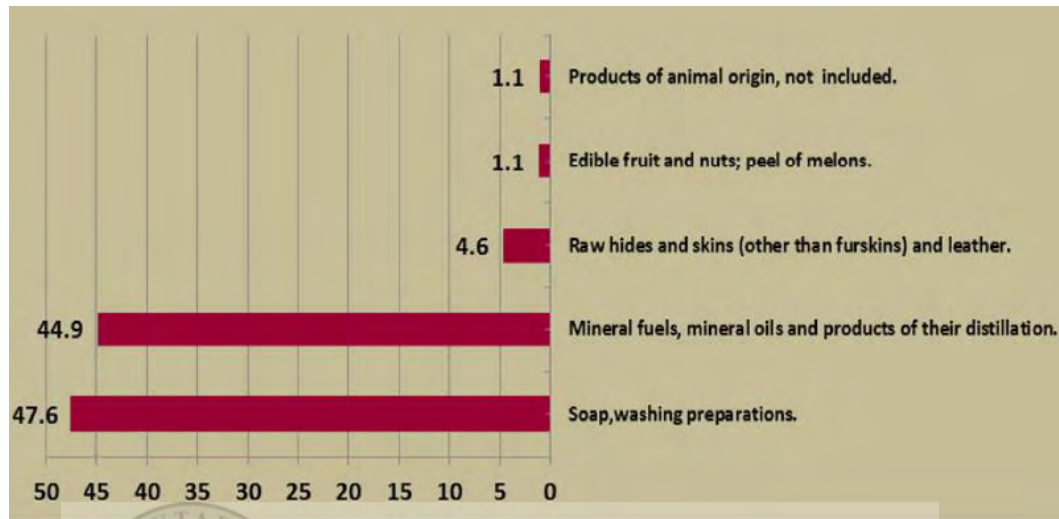


Figure 2.6

Types of commodities exports for the year 2015

(Source: Trade statistics Department-Central Statistical Organization – Iraq)

Due to the adoption of Iraq to export oil, The Iraqi economy is facing severe and pressing challenges. The decline in oil prices and the financing needs associated with the ISIS insurgency have contributed to a sharp deterioration of economic activity, public finances and the balance of payments. Macroeconomic risks remain elevated due to Iraq's continued exposure to a volatile oil market. The government is facing the challenge of maintaining macroeconomic stability, undertaking structural reforms to improve the delivery of public services, and reconstructing core physical infrastructure in the areas liberated from the Islamic State of Iraq and Syria (ISIS)(Iraq Overview WB, 2016).

2.8 Factors Affecting Small Firm to Export

The kind of ways in which small export firms can be realized in terms of factors affecting small business, or not exporting. Considerable research has been devoted to factors affecting the initiation stage and expansion of exploring export. Carneiro et al. (2008) he has confirmed there is a long list of factors that affect the small firm internationally. It can be distributed to the external business environment and conditions for internal farm environment. They are usually assessed in the context of how these factors affect the manager choose to exploit a chance to export (Perks & Hughes, 2008).

2.8.1 Internal Factors

Reduction in market education is the important barrier to the growth of foreign trade (He, 2011). He, (2011) define the reduction in market education is “information about markets, and operations in those markets, which is somehow stored and reasonably retrievable – in the mind of individuals, in computer memories, and in written reports” while Arbaugh al . (2008) refer more particularly to the skills, technical standards, availability of qualified international personnel, general information, language, and regulations to enter new global markets. This suggests that average knowledge of the export market; Reduction in market education may be the responsibility of the manager or usually stored in the management team.

A reduction of market education is produced from a reduction of skills and absence of financial means. Especially, that the manager's ability and lack of financial

support and reduction of knowledge of international markets are the foremost reason that many small companies settle focused their national markets (European Commission report (2010)).

Human resources can become an important resource for the small firm exporter. Called human resources as "human capital". Benzazoua, Bouazza, Ardjouman, & Abada, (2015) suggest human resources in terms of special, as a factor that can overcome the resource, firm size and firm age constraints faced by small companies to export. For example, environmental attention, management skills (Benzazoua Bouazza, Ardjouman, & Abada, 2015), professional, ability and personal experience (European Commission, 2010) are located to be necessary dimensions to become a company engaged internationally. Managers who have positive perceptions and comparable experience in respect of export tend to pursue an international strategy (Benzazoua Bouazza et al., 2015). In addition, professional experience and personal of the manager and the evolution and "attitude" in small companies are reasons for small businesses to move abroad. We can say that the experience of the manager can help create global bearings and skills to deal with exports.

It's obvious that the management team or management and their characteristics are treated by many studies as perform the dominant position for exporting compared to internal factors. Zeng et al. (2008), described this rule. They stressed that the characteristics, international networks, knowledge and culture of the management team; environmental perceptions and skills of decision makers; and global experience of the superior management team were the factors that influence small

businesses firm to export, as well as other internal factors such as the need of resources and organizational knowledge.

According to Zeng (2008) a major obstacle to the expansion of SMEs compared to large companies, is the shortage of resources. This concerns the size of companies. Large companies have more resources for the development of their global activities and therefore will be able to devote more resources to export activities. Thus, was more seen as a barrier to the export of small businesses firms (Karadeniz & Göçer, 2007; Zeng et al., 2008).

2.8.2 External Factors

External factors can be sued in a country or foreign conditions in the country. The condition in foreign countries that attract export and those of the country by promoting exports is a long list. However, can be divided into three : economic conditions in a foreign language and / or home a country such as economic extension, labour prices and competition (Zeng et al., 2008). Custom and non - custom barriers of trade (Bilkey, 1982 ; Cavusgil, 1983 ; Kaynak et al., 1987 ; Gomez - Mejia & McCann, 1989) full up the home markets. political status in the foreign nation of origin, such as political jeopardy in a foreign nation (Baek & Qian, 2011), and national regulations in the foreign and / or the domestic country. Baek & Qian, 2011 also, suggest that social gap among domestic and foreign country is different factor stimulate small firms to export.

Social background is one phase in the concept of intellectual way present by Nizielska, 2013. intellectual way is “the sum of factors preventing the flow of information from and to the market” (Nizielska, 2013). The language, education, business practices, industrial development, and culture is the factors are differences in among host and origin countries. The more distant the psychological factors of a foreign market in their country of origin, the speed of the export business. Psychic distance is a factor define the rate of the export company and a manager will choose a foreign market that is psychologically close to their domestic market. The idea of intellectual range can be deduced from a description integral to the conditions of the foreign country that affect the export of small business firms. We can say that the language, education, business practices, industrial development, and culture in a foreign nation are the factors that affect the export business firms.

Perks and Hughes (2008) noted that a major question of external forces refers to the fact that not all companies export industry, even if the external environmental conditions are favourable. They suggest that other factors must be involved, it may be due to internal constraints of the company.

2.9 Research Model

The Figure 2.7 represents the factors that affect small firms from export in Iraq. The model is derived from the concept of previous theoretical and exporting models as discussed in a theoretical framework with respect to the concept of this study.

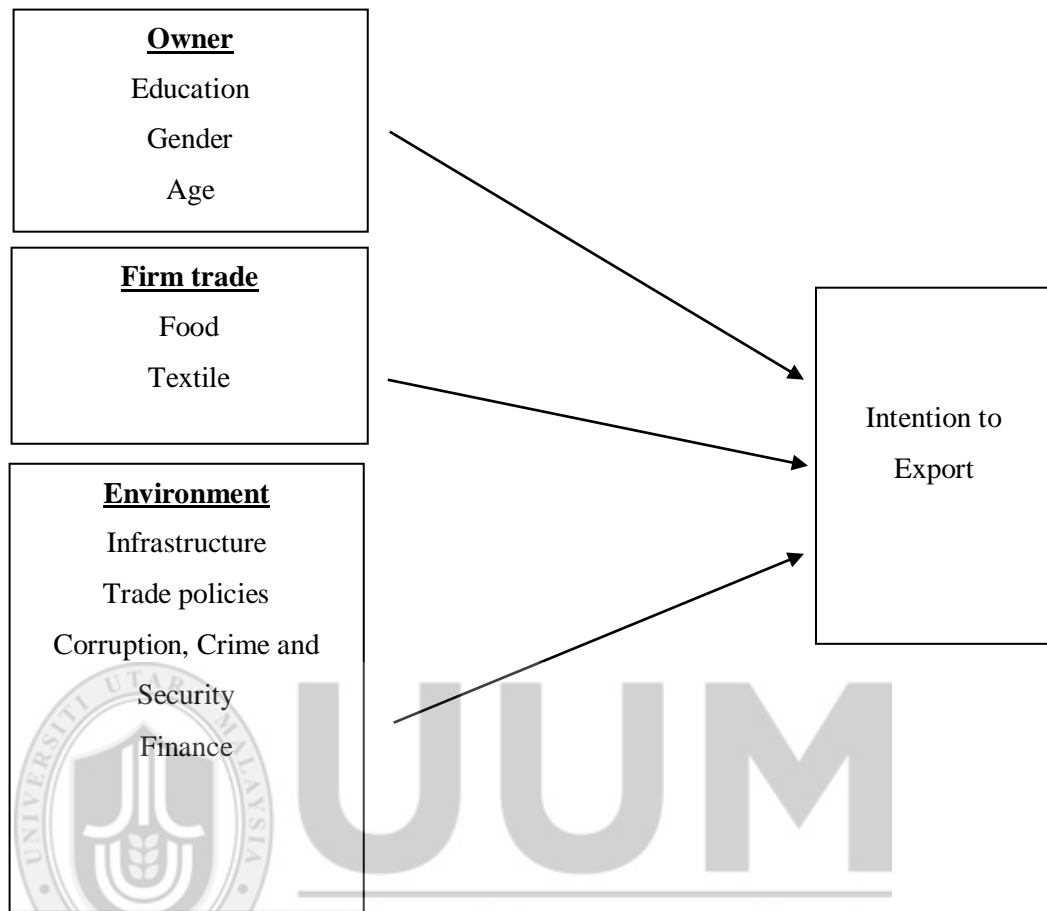


Figure 2.7
Conceptual Research Model

2.10 Summary

This chapter has provided the detailed discussion about the previous works on international exporting firms. Indeed, the chapter covers issues on the general overview of international firms exporting and its conceptual definition. Besides that, the chapter discusses the issues of small firms with respect to the export of their products. However, the chapter shows that the review of previous works lacks studies on the factors that prevent small firms from being internalised in Iraqi context. This shows that present work on the on small firms in Iraq has not ventured

into the factors that can affect exporting of small firms in Iraq. In conclusion, this research adopts Dunning's Eclectic, Porter's and Contingency theories as based model towards achieving factors that can assist in exporting activities of small firms in Iraq.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter examines the detailed research methods that was used to achieve the set objectives. It includes the research process, research approach, research design, and sampling methods, this is covered in section 3.2. The sampling method deals with sampling technique, sampling location, population and sample size, this is covered in section 3.3. The chapter also focuses on the development of the survey design as research instrument. Besides, the data collection approach with process of data analysis using standardized package SPSS version 20.

3.2 Research Process

Sekaran and Roger (2011) describe the research process as the phases that represent the entire activities in a study. This study contains three phases of the main activities and therefore gives rise to the expected results at the end of the activities as depicted in Figure 3.1. Phase one of the study deals with the extensive analysis of the literature which leads to the formulation of the research problem statements.

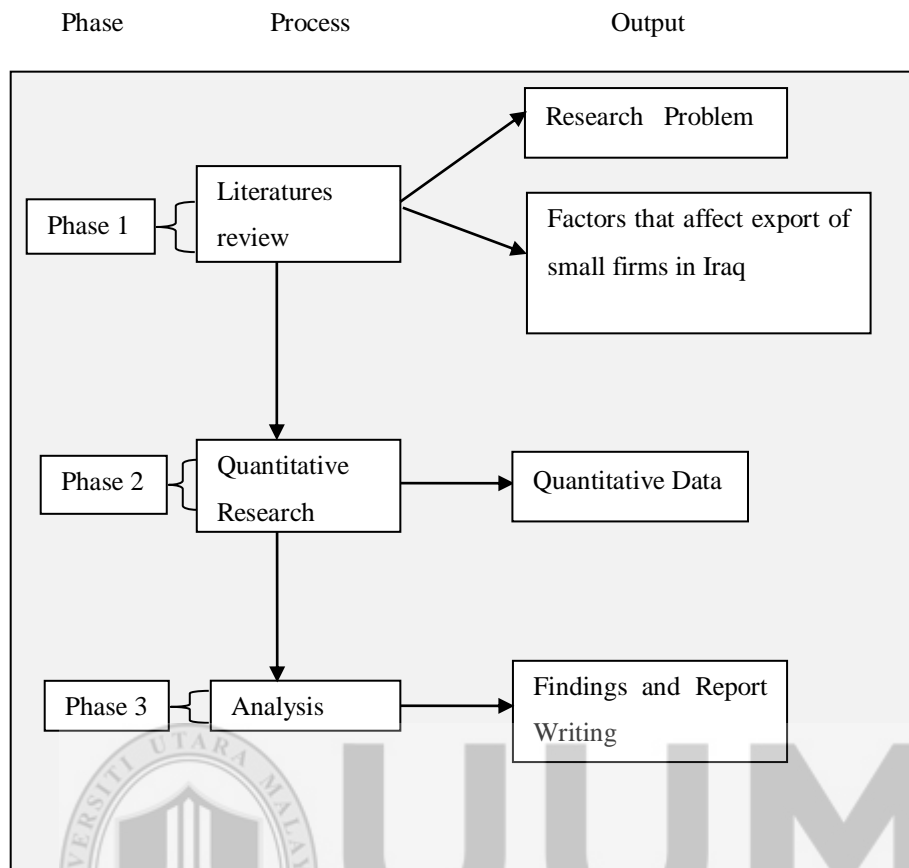


Figure 3.1
Research Process

Phase two of the study focuses on the quantitative research activities with the aim to validating the model explaining the factors affecting the export activity that form the constraining and enabling factors of small firms in Iraq. This also involves designing and development of survey instrument and validation of the instrument. The last phase, phase three is the analysis stage that produces findings which would explain the research findings to complete the research report writing.

3.2.1 Research Plan

According to Kothari (2009), Jan and Colin (2009), a research plan is the orderly arrangement of ideas in an organised way that serves as an inventory of what

researcher intends to do. Thus, the research plan in this study is pictorially shown in Figure 3.2 with the techniques to be used in order to achieve the set objectives. This study is planned in orderly ways as shown in Figure 3.2 with three major steps; literature review, research model with hypothesis formulation and the report writing.

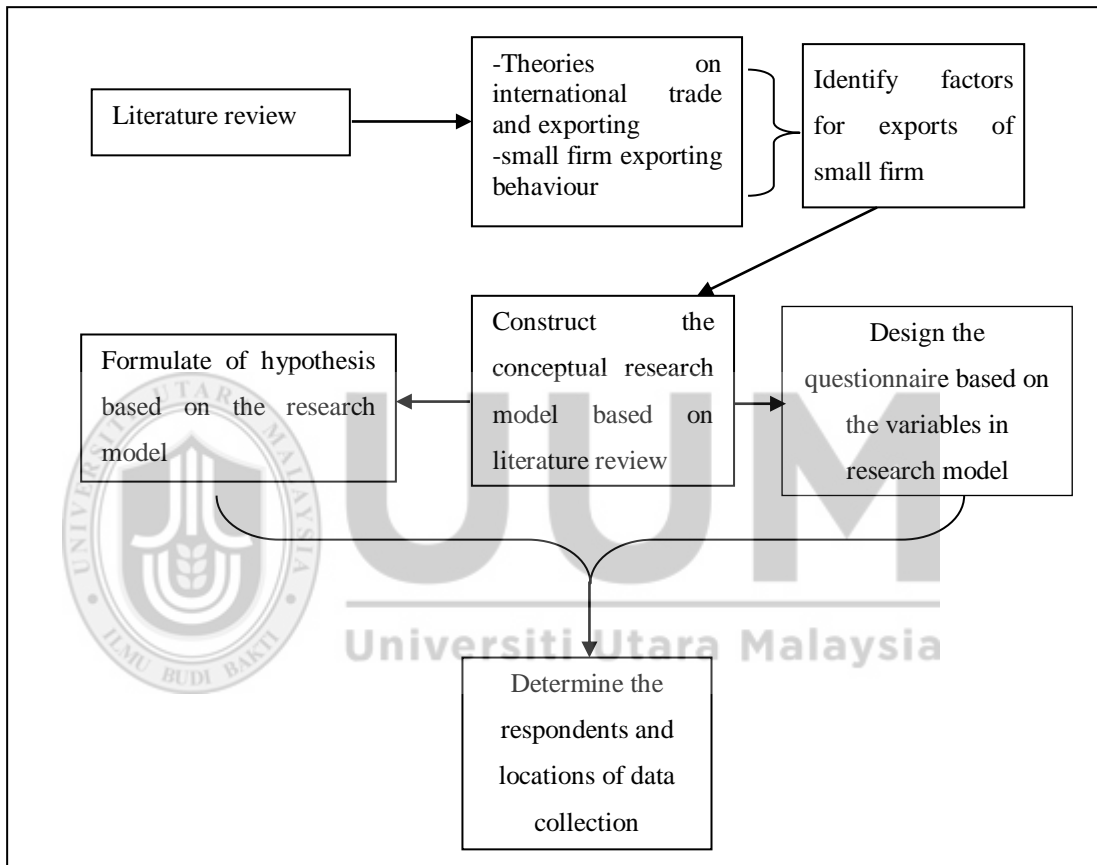


Figure 3.2
The Research Plan

3.2.2 Research Approach

Research approach presents the strategic assumptions, ideas, and techniques that explain the research of study under observation (Bryman & Bell, 2007). Lancaster (2005) stressed that research approach can be grouped into two; deductive and inductive. Sekaran (2003) emphasised that deductive reasoning as the form of

research approach applying a testable theory in the real environment in order to evaluate their validity, while inductive reasoning is a method of reasoning in which the assumption of a contention is believed to support the conclusion, but, its assurance isn't certain.

In different words, inductive logic focuses on the observation of certain phenomena, thus, arrive at the logical conclusion for proposing an observed (Sekaran, 2003). Moreover, Sekaran and Roger (2011) argue that deductive reasoning starts with a general theory which can be applied to a specific case under study. Therefore, this research uses the deductive approach since it intends to use and work on the theories of Dunning's Eclectic, Porter's Theory and Contingency Theory which would help to obtain the factors that effect on exporting activities of small firms in Iraq.

3.2.3 Research Design

Studies have shown that research design guides and provides a framework for the collection and analysis of data and reflects decisions about the priority given to a range of dimensions of the research process (Churchill et al., 2010; Bryman & Bell, 2007). Churchill et al. (2010) argued that research design could be regarded as the framework or study plan that guide in collecting and analysing data. In other words, the research design is considered as the techniques for collecting data which involves specific instruments, such as self-completed questionnaires, structured interviews and experimental way of gathering data.

De Vaus (2001) had earlier argued that the prime function of a research design is to ensure that the obtained evidence enable the researcher to answer the research question. Indeed, Sekaran and Roger (2011) emphasise that research design involves a series of rational decision-making choices on the purpose of the study (descriptive, exploratory), its location (the study setting), the type of investigation, the extent of researcher interference, time horizon and the level to which the data would be analysed (unit of analysis).

Further argument by Sekaran (2003) reiterated that methods are part of the design which is in accordance with the stand of Bryman and Bell (2007), stressed that methods are responsible for describing data collection.

So the existing knowledge is required to explain the current situation, the cross-sectional study approach is more relevant for this study. A cross-sectional study is popularly known as the one - shot study done when data is collect just once over a period of time (Sekaran & Roger, 2011; Rangit, 2011).

3.3 Sampling Method

Sampling in research method is the process of selecting a few elements or units that form as a sample from a large group, referred to as the population, to become the source of information for estimating and predicting the prevalence of an unknown piece of information, situation or outcome regarding the larger group (Ranjit, 2011). In other words, Sherill (2011), Lynn and Ronald (2010) emphasised that sampling in research is the selection of units from the total population to be studied.

Christine (2010) categorised sampling method into probability and non-probability. The probability sampling method gives an equal chances of being selected to every member of the population, while the non-probability allows the researcher to exercise non-equal chance in forming the sample, for sample to hand-pick the suitable respondents based on the nature of problem under study. This study uses the probability sampling approach in selecting the sample while collecting the data, since this research intends to examine the factors affecting the international trading of small firms from the identified respondents that can be identified and each of the respondents can be given equal chance to be in the sample. This implies that participants that are working in the subsector understudied, the food and textile industries would have an equal chances of being selected into the study sample.

3.3.1 Sampling Technique

This research use simple random sampling in choosing the participants from food and textile industries in Iraq. Simple random sampling gives every element of the population an equal and independent chance of selection (Sekaran & Roger, 2011; Ranjit, 2011). Thus, it is chosen in this research for selecting the participant in the survey for determine the factors for affecting small firms from being internalised in Iraq, as the equal chance gives everybody the opportunity to be in the sample and make the sample representative of the population.

Moreover, simple random sampling is preferred to be used in this research since many experts such as Ranjit (2011); Creswell (2009) suggest that it allows the population sample to represent their entire population. Besides that, simple random

sampling is freed from classification error, easy to obtain a representative group and does not require detail knowledge of the population (Emily & Roger, 2011), which makes it suitable for gathering data in this research.

3.3.2 Sampling

The participants in this research are sampled at their respective place of work in food and textile industries in Iraq, especially in Baghdad where most of the factories being established. The food and textile industries are chosen for collecting data in this research due to their potential to export and before the war, they are many experts from both subsectors.

Moreover, both food and textile industries in Iraq are the main industries and both provide basic and required needs to the people of Iraq, specifically grassroots people. Their database is available and based on this databases, the population can be identified and simple random sampling can be performed.

Besides that, permission of the authority of chosen food and textile industries for the data collection would be sought prior to the data collection period. Such permission can be obtained by the researcher due to the current connection and network

3.3.3 Population and Sample Size

The population is defined as the individuals or objects that meet certain requirements for membership in the overall group (Churchill et al., 2010). Keller and Joseph (2009) emphasised that population is regarded as the entire set of observations under

study. Besides, population is also described as the group of people or events in a geographical boundary and time that are interested to researcher for investigation (Sekaran & Rogger, 2011). In other words, research population is simply the set of units to be under study (Robert et al., 2011). Therefore, this research refer to each company in the food and textile industries in Iraq as the elements or units of the population to form the sample.

Choosing of the owner-managers in the food and textile industries as the unit of analysis in this research is due to the expectation of getting the feedback (Yang, 2005; Lightner et al., 2002) from the samples since the objective of the study is basically on the factors affecting the export of small firms. The study of Komerik (2005) stressed that obtaining the information from the right source is important to strengthen the learning processes and encourages academic activities.

Based on the formula given by Sekeran (2010), the number of respondents required for a study with infinite number in population is during the data collection process. The selection of the participant is done through the simple random sampling using fish bowl technique. A total of questionnaires was distributed to the identified respondents. Using personal connection and frequent reminder the response rate is quite good for this study. It is calculated at 98% where the total questionnaire collected is 220 participants.

Pursuing this further, many researchers have stressed that the minimum sample size for the multivariate data analysis should be ten times of the largest number of

structural paths directed to a particular latent construct (Hair et al., 2011; Dwivedi et al., 2010). Thus, the sample size in this study satisfies the suggestions of previous researchers.

3.4 Research Instrument and Data Analysis

Previous studies have stressed the needs for designing the research instrument in order to understand some underlying assumptions which help in formulating good questions that need to be answered by the participants (Daniel, 2012; David & Robert, 2007). Redesigning of research instrument for data collection is necessary in some cases that the previous and existing instruments are to be used in a scope that different from previous research (Leiyu, 2008). Indeed, Leiyu (2008) argued that the objective of study, research concept and dimensions require proper understanding before designing of the research instrument.

Thus, the researcher bears the objectives of research together with their dimensions and the participants in mind while designing the research instrument for this study. Hence, the instrumental approach follow same of the instrument available from the literature and the set of questions used in the survey is as in appendix A. The questionnaire is categorized in three phase; demographic questions of participants, experience of participants on their chosen work and their perception on the extent of identified factors to influence exporting activity of small firms.

3.4.1 Survey Design

As mentioned earlier, the major data collection instrument is a structured questionnaire. A structured questionnaire is the list of questions to be presented to the respondents in a predetermined order which adds value to the reliability of the study by ensuring that every respondent is asked the same question (Sharma, 2007; Rajendra, 2003; Venkatesh et al., 2003). Moreover, Amin (2005) and Mugenda (2008) argued that structured questionnaire can be administered simultaneously by a large number of individual respondents and less expensive, less time consuming and required lesser skills. As their result requires question results and the structured questionnaire is available, the survey design is preferred in the study.

In summary, this research use a structured questionnaire that contains pre-formulated written set of questions. It uses a design questionnaire that meets the stated research objectives and guided by the adapted theories and models. Indeed, the designed questionnaire is used to evaluate the identified factors affecting export activities of small firms in Iraq.

3.4.2 Data Analysis

The data analysis method is performed to analyse the collected data from the participants during the data collection process. The first stage of the data analysis focuses on the data screening and data preparation in order to identifying the potential non-compliance of the dataset before embarking on the main evaluation of the factors that affect the export of firms in Iraq. The data screening and preparation

involves assessment of missing data, outlier treatment and tests of normality through the use of SPSS version 20.

Stage two of the analysis uses partial least square form of structural equation modelling (PLS-SEM). The PLS-SEM involves measurement model for assessing the reliability, convergent validity and discriminant validity so as to eliminate casual relationships in the gathered dataset (Gefen & Straub, 2005; Fornell & Larcker, 1981). The second stage of the analysis examines the structural model of each of the identified factors together with their effect size, through the use of Smart PLS 2.0 software packages.

3.5 Summary

This chapter discusses the methodologies that are used for achieving the objectives of this research. The methods include research process, research approach, research design, sampling method and instrument for collecting and analyzing the data.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

Chapter four illustrates the result from analysis the obtained data from the respondents. The foremost goal of this research is examining the effect among the infrastructure, trade policies, corruption, crime and security and finance on the intention to export and exporting activity of the Iraqi small firms. Obtaining the study objectives along with answering the study questions as mentioned in chapter one is the goal of this analysis section.

4.2 Response Rate

For this research, all data was collected from the owner-manager of the textile and food industries in Iraq. The total 220 questionnaires were distributed among them in Baghdad and the provinces close by. 198 questionnaires were returned and examined. This indicates a 90% response rate. This is a high response rate as suggested by Njoroge (2013). According to him, such high response rate is very good for research. The response rate is shown in the following table.

Table 4.1
Response Rate

	Total	Percentage
Distributed Questionnaire	220	100.0
Questionnaire Collected	198	198/220
Questionnaire Examined	198	198/220
Questionnaire Uncollected	22	22/220

4.3 The Respondent's Profile

The demographic profile of the respondent's are shown in the following table.

Table 4.2
Demographic Profile of Respondents

Demographic	Categories	Frequency	%
Education	College	56	28.3
	Secondary School	71	35.9
	Primary	66	33.3
	Illiterate	5	2.5
	Total	198	100.0
Gender	Male	109	55.1
	Female	89	44.9
	Total	198	100.0
Age (in year)	21-25	20	10.1
	26-30	25	12.6
	31-35	49	24.7
	36-40	32	16.2
	41-45	44	22.2
	46-50	20	10.1
	51 and above	8	4.0
Total	198	100.0	
Job Sector	Food industry worker	100	50.5
	Textile industry worker	98	49.5
	Total	100	100.0

Work Years	0-5 years	55	27.8
	6-10 years	77	38.9
	More of 11 years	66	33.3
Total		198	100.0

The purpose of the demographic data collection was to determine if there were any significant differences between the various class sections in terms of demographics, and to identify any possible extraneous variables that might threaten the validity of the study.

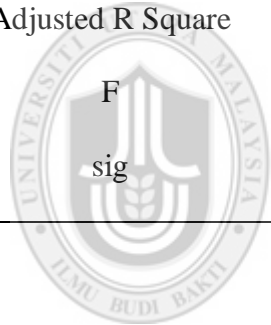
4.4 The Result of the Analysis

In Table 4.3, the Multiple R shows a substantial correlation between the four independent or predictor variables and the dependent variables which are Attention to Export ($R= 0.394$). The R-square value identifies the portion of the variance accounted for by the independent variable that is approximately 39.4% of the variance in the Attention to Export is accounted for by Infrastructure, Trade Policies, Safety, and Financial. The other 60.6% are explaining by other factors.

The results also show that the significant value for Infrastructure ($p: .265$), Trade Policies ($p: .259$), Safety ($p: .001$) and Financial ($p: .004$), explain the significance of the two independent variables, Safety and financial independent variables to attention to export. The model summary also shows that the F change value of 8.853 was significant at 0.000 levels.

Table 4.3
Results of Hierarchical Multiple Regression

Model	Standardized Coefficients (Beta)	t	Sig.
Infrastructure	.006	1.117	.265
Trade Policies	.064	1.131	.259
Safety	.208	3.496	.001
Financial	.145	2.905	.004
R			0.394
Adjusted R Square			0.155
F			8.853
sig			0.000



4.5 Summary

This chapter incorporates the analyses of the data collected via the questionnaire. These included profiles of firms, the normality of data distribution, factor analysis by the substantial correlation between the four independent and the dependent variable and their significance.

CHAPTER FIVE

DISCUSSION AND CONCLUSION

5.1 Introduction

Chapter five is the concluding section of this study and it focuses the achievement of the study objectives. It highlights again the limitations of the research and how the limitations were overcome. Finally, this chapter discusses some possible recommendations for future work and conclusion for this study.

5.2 Discussion

The objective of this research was to examine whether there was obstacles faced by Iraqi small farms to engage in exporting activities. The results for each objective are reviewed and compared with previous literature in the subsequent discussion.

Prior to the discussion on the possible constraints, the discussion on the current activities is provided. The wars and economic blockade, for the period 1980 -2003 had impacted on the Iraqi economy, were characterized by technological retardation and poor production. Sadly, the military operations and robberies followed the occupation of Iraq in 2003. It has destroyed most of the economic institutions and infrastructure. As mentioned earlier, after 2003, there was a great hope for most Iraqis about the possibility of achieving better economic development, through the transition to a market economy and build up the economic base. This depends on the state, local private sector, and foreign direct investment, however the country has

faced a number of challenges that have impeded the process of growth and development and trading.

Since last three decades, the economy of Iraq suffered from overpriced militarization, three big wars, and over a decade of international sanctions with pervasive state intervention. As a result, most of the micro, small and medium-sized national firms have been closed. All these facts are supported in this findings and it is similar to the findings by Musa (2012).

Objective: What are the problems faced by the small firms in Iraq from engaging in export activities?

These are the key objectives of the study. From the form dimensions tested for the significance, two out of the four dimensions are found significant, which are:

- i. The finance and,
- ii. The security.

The other two, (i) infrastructure and (ii) trade policies are found otherwise. These are interesting results as these two factors are related and the significant contributes to export activities in most result regarding exports in the usual environment.

It seems that the Iraqi environment in both textile and food industries sectors have different opinion and priority when aims to export engagement. For them, in order to

engage in exporting, only two dimensions need to be considered, or to be solved first, before other take place.

In general, the small businesses in Iraq are struggling to enter the export market. At the same time, the government is struggling and facing a list of challenges in maintaining the country stability, the political and microeconomic stability, that open up to the export engagement activity by the small firms.

The significant dimensions of (i) finance and (ii) safety explain the following.

For the financial perspective, the potential exporters believe that the banks and financial institutions in Iraq are not ready to provide fund for export activity and the government is also do not provide financial assistance or grants to support export activities.

This actually indicates that export activities cannot take place with the unavailability of financial constraints. The financial system in Iraq needs serious attention and unique improvement in order to allow export activities to take place. Both government and the financial institutions needs to look back at the financial issue to support the export activities. In fact, such financial system is not systematically available to support the businesses in Iraq.

Whilst not much can be said to the dimension of infrastructure and trade policy, the financial issue could be of lesser attention from the government and these two issues

are more important. This means direct financial assistance is not available, however, the assistance could be channelled to the development of the infrastructure and the empower in regulating the trade policy.

Thus, the proposed condition and situation regarding the financial availability for export activity can be as follows:

1. The time for such financial assistance by bank and financial institution and government is yet to come as the country is recovering from war.
2. The potential exports are desperately need for financial assistance in engage in export activities.
3. The financial support is the importance concern among essential exporters.

For the corruption, crime and security perspective the second dimension that significantly affects the export intention and export activities, the following conclusion is made. Generally, it is a prime issue that need emergent attention. Such situation if can improved can lead to the better political and safety scenarios, and can assist in the development of the export activities. It also helps in the positive development of the financial sector, the other concern for export activity in this study.

The business men believe that at the moment, export activities do not make their businesses more safe or stable as suggested by many literatures. It seems that they are more confident with dealing with the local market. This is in line with the

suggestion that these businesses are up again to serve the local market and this is the immediate concern.

In term of the level of corruption between export and non-export business, it seems that there is higher level or more consumption in the export activities compared to the internal business activities. This is understandable as they have to deal directly with another officers that ask for unnecessary payments. This solution needs to be improved and the government has to control such behaviour so that when less corruption happens, more businesses are helping to engage in export activities.

For the other objectives, which were found insignificant, although concrete statement cannot be made, as the evidence is not there to prove significance, still there are things that can be mentioned here. The results are with the average of 'neutral', which indicates the respondents are rather agree or disagree.

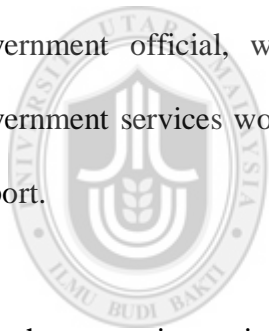
5.3 Recommendations

It is evident from this study that addressing four areas an initiative can be adopted to improve the incentives of all firms to export, specifically the small firms. In brief these are pointed below:

Firstly, by improving the access to government financing would help promotion the firm export. Specifically, the smaller firms that have less access would be benefitted with a greater escalation in work.

Secondly, the distortions affecting the choices of technology and capital intensity could be reduced by addressing infrastructure weaknesses, mostly transportation and reliable electricity which should lead to the most efficient resources utilization and higher productivity.

Thirdly, improving government services would significantly lower incentives to remain in domestic business so as to avoid costly burdens of compliance and increase the benefits of public services (property rights, access to credit etc.). In Iraq, where there is less evidence of the beneficial effects of interactions with the government official, work to reduce red-tape and to improve the quality of government services would do a great deal to help firms grow and to encourage to export.



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Fourth, corruption, crime, security is a corollary to government efficiency and is associated with the extent of discretion exercised by officials. Lowering discretion has a large payoff but currently in Iraq, it is only shared by the largest firms. Again, this is a disincentive for the small firms to export. While a weak business environment is associated with lower growth, this effect is more muted in Iraq. Underlying this are incentives that encourage the expansion of small firms. While greater employment is surely desirable, reforms that would improve the incentives and opportunities for firms to grow into exporter firms would have even greater payoffs for employment and the productive use of resources.

5.4 Conclusions

This study contributes to the existing body of knowledge of export performance by providing further empirical evidence of the obstacles influence of export performance of manufacturers in the Iraqi context. Furthermore, this study helps both the policy-makers and manufacturers to formulate appropriate policies, allocate sufficient resources and develop value-added competencies to further enhance the international competitiveness of Iraqi small firm manufacturers.



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