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Export Barriers To Internationalization

An Investigation On Nepalese Handmade Paper Industries.

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Abstract

Nepalese handmade paper and paper products are popular in many countries in Asia, Europe and North America. The exported products are facing challenges and various market barriers. So, this study aims to identify the potential barriers that hinder the Nepalese handmade paper industries exporting operation in foreign market. The result from the study revealed that export barriers are lack of financial assistance, lack of design and technology, fragmented industries, lack of production capacity, limited monitoring and harvesting, lack of effective government policy, lack of marketing skills, skilled manpower, fragmented industries, lack of government policy, lack of knowledge of language & culture and lack of information of potential market.

Keywords: Internationalization, Export Barriers, Nepalese handmade paper

Table of content

Abstract	1
Chapter 1: Introduction	2
1. Background of the study	2
1.1 Overview of Global Market	3
1.2 Overview of Nepal	3
1.3 History of Handmade Paper Industry.....	3
1.3.1 Handmade Lokta Paper industry.....	4
1.4 Problem Statement	5
1.4.1 The purposes and significance of the study.....	5
1.5 Limitation of Study	6
Chapter 2: Literature Review	7
2.1 Internationalization and Nepalese Handmade Paper Industries.....	7
2.2 The role and structures of the international distribution channels	8
2.3 The power aspects and conflict in the distribution channel	13
2.4 The market requirements to “green production”	14
2.5 Critical issues of the internationalization process	16
2.6 The stages of the internationalization process.....	17
2.7 The notion of barriers.....	19
2.8 Conceptual Framework	23
2.8.1 Internal Barriers.....	24
2.8.2 External Barriers	26
Chapter 3: Methodology	29

3.1 Introduction	29
3.2 Research plan	29
3.3 Research design.....	29
3.5 Data collection.....	30
3.6 Sources of Secondary data	31
3.6 Sources Primary data.....	31
3.7 Data analysis	34
3.8 Validity, reliability and generalizability	34
3.9 Ethical issues.....	37
3.10 Empirical Findings.....	37
3.11 Handmade Paper Making Procedure.....	37
3.12 Overviews of Companies	38
3.12.1 Gate Paper industry	38
3.12.2 Bhaktapur Craft Paper Ltd.	39
3.12.3 Bagmati Paper Industry Pvt. Ltd.	39
3.12.4 Paperworld Nepal.....	40
3.12.5 Himalayancraafts.....	40
Chapter4: Data Analysis and Presentation	41
4.1 Introduction.....	41
Analysis of data.....	41
Chapater 5: Conclusion and recommendation	47
References	49
Appendix.....	51

Chapter 1

Introduction

1. Background of the study

In recent years there has been increasing trends in internationalization and expanding their business in global market. Globalization facilitates small companies to enter in the global market (Wright & Ricks, 1994). Internationalization affects all small and large firms, which can be in many ways like import, export, foreign direct investment(FDI) and international collaboration. Firms must have knowledge and technology to enter in foreign market with improving their performance and competitiveness. The dynamic business environment and trade liberalization creates new opportunities and incentives for firms to internationalize. However, internationalization may be essential for firm to grow and sustain but it is not clear that the firm will survive in long run or not. Different risk and cost involved in the process are substantial, where small firms facing challenges with their limited budget and amount of resources, international exposure but development of technology and innovation helps to minimize cost and risk in the internationalization process (Onkelink & Sleuwaegen, 2008).

Many scholars have drawn their attention to the research about international business, which has revealed that internationalization of a firm is a process in which firms gradually increase their international involvement. The characteristics of this process influence the pattern and pace of the internationalization of firms that focuses on the development of international operations and the necessary knowledge can be achieved through foreign operations (Johanson & Vahlne 1977).

In context of Nepalese firms, international business is considered as a focal point in order to explore and analyze Nepalese business environment with opportunities in handmade paper and its possibilities to increase business relations with different stakeholders of the international market by means of the internationalization process. Nepalese handmade paper industries have unique and high quality built on traditional skills. The paper making has been flourishing primarily due to the abundant supply of Lokta resources and mainly famous for its unique quality, strength, durability and insect resistance. The large amount of production is exported to United States, EU countries and Japan. The average annual growth rate is 60%, which includes wide range of handmade paper products providing in turn of its possibilities to increase their world market proportion with profit margins for all markets from Lokta producers and exporters. Nepalese handmade paper is made mostly from Lokta and Argeli plant fiber, which is planted in high altitude. The production process is done in traditional way by leaving it in the Sun to dry and wind naturally. Nepali handmade industries have opportunity to increase market share in United States and EU with its unique quality products, competitive advantage of cheap labor force (Export Potential in Nepal, 2007).

1. Overview of Global Market

The export of handmade paper products has increased uniformly over the last decade. According to the

FHAN, handmade paper products are the fifth largest export product in the handicraft category(after pashmina product,woolen products,silver jewellery and metals statues).

The top five export destinations for handmade paper are the USA(28%),UK(20.4%),France(16.2%),Japan(6.1%)and Switzerland(5.1%).According to FHAN(2006),these five countries constitutes almost 76% of total export. Sixty-Five percent of the handmade paper products go to EU countries, so the EU countries are the major market for Nepali handmade paper products.According CBI market research, the total market size for handmade paper products in the EU is estimated as 24.5 million Euros.

Export trend for Nepali handmade paper 1997-2003

Fiscal Year	Export value(million NPR)	% increase since previous year
1997/98	96	43.8
1998/99	138	32.6
1999/00	183	3.8
2000/01	190	27.9
2001/02	243	13.2
2002/03	275	9.5
2003/04	301	-12.6
2004/05	263	2.3
2005/06	269	-

Source: Federation of Handicraft Association of Nepal (FHAN, 2006)

1.2 Overview of Nepal

Nepal is divided into five development regions and 75 districts. Kathmandu is a capital city located in Kathmandu valley which encompasses two other districts Bhaktapur and Lalitpur situated inside the valley. Nepal is a landlocked country between India and China with 27.5 million population. Nepal ranks as one of the least developed countries in the world, with a gross domestic product (GDP) of \$19 billion and a gross national income per capita of \$700 (World Bank, 2012). The level of employment opportunities is increased but still the unemployment 252.8 thousand person aged 15years and above are currently unemployed in Nepal. There is 36.5 percent of all current non-agricultural employed,which indicates large number of population is engaged in agriculture and few are in industry and service (Central Bureau of Statistics, 2012).

1.3 History of Handmade Paper Industry

It is believed that China invented the paper 2000 years ago. Handmade paper making is perfectly a traditional craft of inhabitants of rural Nepal (Biggs & Messerschmidt, 2005). Since the 12th century handmade lokta paper has been used in Nepal for all governmental documents and religious text. Until

1959AD, it was compulsory for all government legal correspondence to be done on lokta paper. The biggest demand for handmade paper previously came from Buddhist monasteries as they printed, wrote and drew teachings of Buddha on lokta handmade paper. Additionally, the modern handmade paper industry in Nepal started in 1980AD with the establishment of Bhaktapur craft printers, supported by UNICEF to increase the employment opportunity in Baglung, Parbat and Gorkha districts. Since 1990AD some private companies started producing handmade paper and the products are export to create a demand in international market by offering wide variety of products including lamp shades, wallpapers, wrapping paper and stationery (Banjara, 2007).

1.3.1 Handmade Lokta Paper industry

Handmade paper is widely used for the artistic paper (*Thanka*), stationery and handicraft products, which is made of two types of handmade paper: lokta paper and argeli paper. Lokta is made from the inner bark of a wild shrub locally known as lokta (*Daphne papyracea* and *Daphne bhoola*), which grows in a slope of Himalayan forest altitude of 1600m to 4000m (Biggs & Messerschmidt, 2005). According to the Handmade Paper Association of Nepal (HANDPASS) 800 to 1000 metric ton of raw lokta barks are collected out of 110,481 tonnes each year. On the other hand, Argeli paper is made from the bark of the Argeli plant (*Edgeworthia Gardeneri*) a fast growing plant, which is mostly exported to Japan for printing Yen, the Japanese currency. Lokta fiber is stronger than argeli fibre though they are from *Daphne* family. Lokta plants take six to eight years to regenerate and it is naturally occurring plant, on the other hand, argeli can be cultivated and ready to use within 2-3 years. Since the handmade lokta paper has strong fiber in Nepal, which creates market in United States, EU and Japan (Banjara, 2007).

Historically the handcrafting of lokta paper occurred in Baglung District. Today raw lokta paper produced in more than 22 Districts of Nepal but finishing work is done in Kathmandu Valley and Jakanpur only. The production of handmade lokta paper is declining due to import from Tibet in 1930AD. Moreover, an effective conservation program for the development of national parks and wildlife reserves of Nepal in order to develop the forest based industry in 1970AD. Additionally, in 1980AD the United Nations Children's fund (UNICEF) and the Agricultural Development Bank (ADB), Small Farmer Development program launched the Community Development and Health Project to stimulate Nepal's indigenous paper making process (<http://www.ecomall.com>).

The lokta plant is found in 52 out of 75 districts but it is produced only in 32 districts. In 2002, about 313 handmade paper enterprises were registered in the department of Cottage and Small Industries (DCSI) about 170 enterprises are currently operating in different parts of Nepal in which 268 were registered as cottage industries, about 45 as small scale industries. The collector peels raw bark from lokta bush and dry in the sun to reduce the weight after they soak and boiled with water and caustic soda, after the lokta is beaten to make it into pulp. The lokta is produced manually in batches which contain 12.5kg of lokta raw material for processing, especially in Bajhang, Rukum, Dailek, Jajarkot and Solukhumbu. Then it is brought to Kathmandu Valley as final product to export (Banjara, 2007).

1.4 Problem Statement

Internationalization of organization opens the border to a new market place. Every business organization chooses different theories of internationalization to enter in the foreign market with different motives of their business. Meanwhile, they encounter with difficulties in legal, political and cultural structures, which creates challenges and problems in the process of international business. On the other hand, internationalization is a global concept, which creates many opportunities and possibilities to achieve the global attention and large monetary value for the product. In present context of globalization, every business industries tries to expand their business in foreign market but they seriously lack of sufficient knowledge and skills about internationalizing their product. However, various theories of internationalization explain different knowledge and resources for internationalization process, which also creates dilemma to choose for the new industries, those are entering into the international market recently. The growth of Nepalese handmade paper industries has declined in 1970AD. During 1998-2004 the average yearly increment was 22% this figure began to decline, however in 2003-2004 to 10% (Biggs & Messerschmidt, 2005). The increased demand of lokta attracts many local enterprises which creates loss in quality due to competition even the plant will be unsustainably harvested and risk of unhealthy business practice by some small companies. That will flood the market with cheap products in low prices where raw materials are smuggled across the open border to India and the products are sold in cheap prices (Nepalitimes.com, 2014). Additionally, the increasing demand of lokta and argeli for subsistence as well as commercial use requires careful assessment of resources with limited monitoring of harvesting, increases gap between demand and supply in absence of inventory (Poudyal, 2004). However, the Nepalese handmade paper industries are increasing in recent days. It is necessary that the industries must have a proper knowledge and ideas about the internationalization so that they can compete with other mature industries and sustain in foreign market. Nepalese handmade industries are facing barriers in various stages of international market. According to Leonidou, Leonidas C. (2004) there is a lack of knowledge about export and its challenges in developing countries. That is why it is necessary to make emphasis on research of the export barriers faced by Nepalese Paper firms in order to give comprehensive understanding about examined phenomenon.

1.4.1 The purposes and significance of the study

This research project tends to investigate the main barriers which have huge impacts on the Nepalese handmade paper industries and describe the major challenges and uncertainties encountered by the industries in the way of gaining international market proportion. The main research question is formulated and specified as follows:

What are the potential export barriers encountered by Nepalese handmade paper industries in international market?

Moreover, it is worth emphasizing that the research paper is expected to contribute some sort of knowledge about the internalization processes taking place in the developing countries. The theoretical

contribution is supposed to be done the elaboration frame of references for studying and discovering the major export barriers for the internationalization of the Nepalese handmade paper. The practical contribution is that empirical findings and evidences are expected to be valuable for scholars and practitioners. The study can be taken as a reference point for those handmade paper companies interested to commence their international operation.

1.5 Limitation of Study

Although there is more left to be done, the study focus on important findings in export barriers to internationalization. In other words, Knowledge gap and limitation of data processing. The main limitation of the research is the case selection of different companies, which are concentrated in Nepal mainly inside the Kathmandu valley. So, the result cannot be generalized for barriers to internationalization for handmade paper exporters because the case study is only focused on companies of Nepal with limited number of exporters and some location. On the other hand, time equired for conducting interview and interview conducted with only three companies could also consider as limitation regarding their experience and opinions.

Chapter 2

Literature Review

2.1 Internationalization and Nepalese Handmade Paper Industries

Internationalization is a phenomenon, which has been researched over decades from different aspects, small business management, international management, organizational theory, marketing and strategic management (Mitja, Ruzzier, Hisrich, 2006). Internationalization is a dynamic concept, as process increasing involvement in international operations i.e. inward activities (import) and outward activities (export), which help firm to gain relationship and knowledge for internationalization (Welch & Luostarinen, 1988). JOHANSON & MATTSSON (1993, p.306) defined internationalization as “the number and strength of the relationship between different parts of the global production network increase”. Furthermore, while Johanson and Vahlne (1977) imply that international involvement is demonstrate primarily in the markets entered and mechanisms used for market entry, Welch and Luostarinen (1988) stated that it is also reflected in the firm's organizational capacity, market offering, structure and personnel. Andersen (1997) defines internationalization is the process of adapting exchange transaction modality to international markets. Additionally, Johanson & Mattsson (1988, p.85) defined “internationalization is a cumulative process in which relationships are continuously established, developed, maintained and dissolved in order to achieve the objective of the firm”(Beamish, 1990, p. 73) defines internationalization as “the process by which firms both increase their awareness of the direct and indirect influence of international transactions on their future, and establish and conduct transactions with other countries.

A wide range of scholars describes internationalization in different ways. However, we can generalize the concept of internationalization from different magnitude, internationalization is a process of a firm includes incremental decision and strategies, engaged in outward and inward products, service or resource transferring across national boundaries and series of factors that come from the firms and environment.

As explained in the previous section, the firms first operate in the domestic market and gradually gain knowledge and resources and expand their business in the foreign market. In the context of Nepalese handmade paper industries they are registered as cottage and small industries, which contribute a large portion for economic development. Domestic market sold mainly to tourist and for official government documents and other international buyers who purchase a large portion from individual industries. On the other hand, handmade paper products are sold to customer abroad, through specialized stores and gift shops. Nepalese handmade paper industries are more attracted in the foreign market operation with its unique and high quality products. According to official statistics obtained from Handicraft Association of Nepal (FHAN), the export of handmade paper products was about US\$3.59 million from 2003 to 2009 and fifth largest export production in the handicraft category. Sixty five percent of handmade paper is export to EU countries as a large market for Nepalese handmade paper industries. With accordance to Center of the promotion of imports on behalf of developing countries (CPI) market research, the total market size for handmade paper in the EU is estimated at 24.5 million Euros (Banjara, 2007).

However, comparing to other large industries of Nepal, handmade paper industries have limited resources, which could create problem for internationalization, but at the same time, if paper industries will manage their scare resources and knowledge which focus on internationalization, so that they can sustain in foreign market. For SMEs, management is critical factor for when and how the firm involved in international activities (Bilkey & Tesar, 1977)

2.2 The role and structures of the international distribution channels

As many articles have explicitly articulated that the main issue concerning the internationalization processes of many export companies and industries to cover the aspects of making optimal choices in their way to enter the foreign market by employing their own salesforce, selecting and using different export distribution channels and structures as well as signing contracts with various intermediaries (Anderson & Coughlan, 1987; Klein & Roth, 1990; Lancaster & Reynolds, 2005; Hollesen, 2011). The idea expressed Anderson & Coughlan (1987) implies that “make-buy” alternatives and choices made by the export companies and industries provide various opportunities and challenges. This entails the exertion control of the export firms and industries entering the international market over the distribution channel, but on the other hand, this requires responsible behavior, involvement and commitment from the export firms and industries in all stages of the international process (Anderson & Coughlan, 1987:71; mentioned in Ahmed, (1977)).

In general, the distribution channel structures are implicated in establishing contractual forms of relationships with intermediaries which helps to distribute the products and services to final customers in the host country (Mehta *et al.*, 2006). Moreover, it may be mentioned that the distribution channels and networks provide for export companies and industries to establish value chain and deliver value to the customers. In this way, it facilitates achieving customer loyalty (Nevin, 1995:328). It is important to point out that mutual commitment, sharing responsibility as well as involvement into enhancing mutual benefit by delivering value to the customers assist Gateing access to market information by the export companies and industries, gaining competitive advantage or market. In addition, distributors may have Gate opportunities for competitive differentiation from other distribution firms or agents in the market. Consequently, such kind of cooperation and collaboration leads to much higher performance both for export companies and distributors during internationalization process rather than they operate independent from each other in the international market (Anderson & Weitz, 1992:18).

However, as Frazier (1999:227) has pointed out that the market fragmentation, barriers to entering the market and enhancing, industry consolidation as well as rapid technological progress. Furthermore, it provokes the changes in customer needs and demands entails the adoption of the strategy to export firms and industries according to the preference of the final customer. Besides, proactive ability of the firms and the managerial staff of members of the distribution channels may directly have impacts on the future of the distribution channels.

As Hollesen (2011:551) has expressed the idea of distribution channel may be considered as establishing links between export firms and final customer. Taking account of the final customers' needs and demands are regarded as integral part of the process of distribution channel setting.

If we look at distribution channel from marketing perspective, it may be viewed through four main variables such as price, product, promotion and place (host country) which are included into the export firms' strategies and choices under given conditions consisting of external and internal forces which have impact on the firms, during all the stages of the internationalization process. As for external forces, the examples may be considered as economy, technology, government and competition. The internal forces may be nonmarketing initiatives of the export firms and industries (Rosenbloom, 2011:12:13).

In addition, it is necessary to point out distribution channels and networks may be raised in the cumulative and communication nature of the creating and delivering value to the final customer through distribution channels. As Mohr & Nevin (1990:37) have advocated that distribution channel

design consists of two parts; organizational setting and communication process which lead to desired quantitative and qualitative outcomes taking into account export firms' strategy and given conditions of the host country.

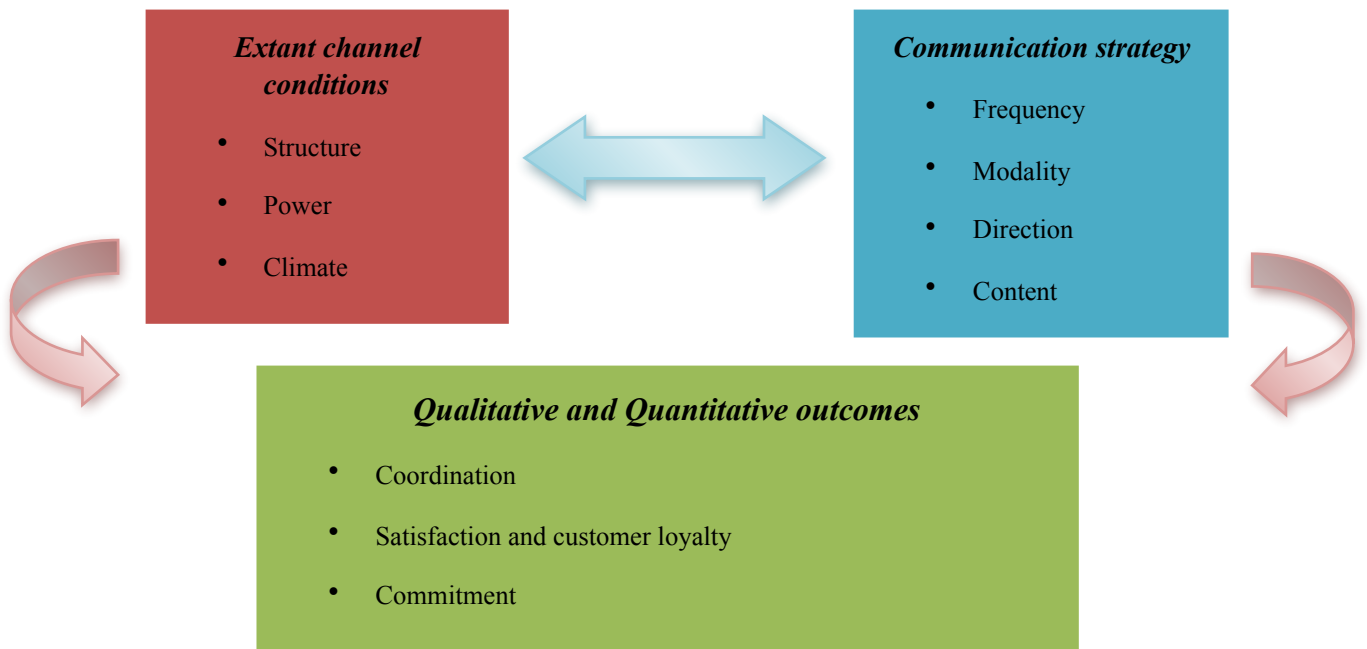


Figure: Model of communication in the distribution channel (adopted by Mohr & Nevin, (1990))

Another comment concerning marketing channel theory and its implications on the internationalization process may be said that possibilities of gaining benefits from collaboration with intermediaries for the export firms and industries. Firstly, this is related to aspects of providing help with realization of products and services with emphasis for development and production export firms products and services. Secondly, another issue is related to existence power of the host country intermediaries over customers. Finally, it deals with “physical distribution”, providing procurement and maintenance services for the end customer and export firms (Gadde, 2014:6). However, it is important to be stressed out that there is aspect of existence such phenomena like disintermediation or in other words provision

goods and services to the customer without help “middleman” through e-commerce direct to the consumer which in turn provokes the appearance conflict between the export firms, industries and other members of the distribution channel. The main argument against disintermediation is based on the fact that effective and efficient performance, division of labour as well as sharing transaction costs among all members of the distribution channel in the market are considered equally important and necessary to take into consideration during the internationalization process (Rosenbloom, 2007; Rosenbloom, 2011: 19).

In essence, there are external and internal determinants which imply the characteristics of the host country influencing on the export firm decisions about the distribution channels design. The former includes the following traits of the host country during the process of internationalization such as customer characteristics, nature of product, nature of demand, competition and regulations and local business practices. The later entails the decisions and choices with the emphasis on the external determinants mentioned above. On the basis of the external characteristics of the host country, the export firms make decisions and choice concerning the structure of the distribution channel, managing and exertion control within the distribution channel as well as managing issues concerning logistics of the goods and services (Holleesen, 2011:551:552).

According to Hollesen (2011:554:555) the following dimensions such as market coverage, channel length, control and costs as well as degree of integration directly define the future structure of the distribution channel. To be more specific, the market coverage deals with choice of the geographical location or place for goods and services distribution of number of the intermediary participating in the distribution channel. The scholar has distinguished three types of the market coverage such as intensive, selective and exclusive one. The former is related to collaboration with great number of various intermediaries. The second deals with selection intermediaries for every market where the export firms have intention to enter. The third type of market coverage strategy involves prioritization and selecting only one intermediary for collaboration.

It is necessary to say about control in the distribution channel. This aspect is considered as the critical point for the firms and industries in all the stages of the internationalization process. Using firm’s own sales forces entails tightening up control over the distribution channel. However, appearance of great number of intermediaries involves loosening of control and loss of power over flows of the firm’s products and services. It entails trade-off between firms’ endeavors to control the whole process of

creating and delivering value to the end customer and to reduce transaction costs (Lancaster & Reynolds, 2005; Hollesen, 2011).

As Klein & Roth (1990:28) have elucidated that optimal choices concerning collaboration with intermediaries in order to gain access to the foreign market by using vertical integration and establishing subsidiaries, branches or agencies in the international market. This means exporter companies and industries establish hierarchical relationship by using different level of control. Secondly, the performance of export companies and industries are carried out through local market distribution channels and networks. This type of using export structure is known as “a market mode”. Thirdly, export companies and industries have contractual relationship with other companies and commission agents in the market where the latter serve a role of intermediaries. Finally, two entry modes may be attributed to the nonintegrated structure of exchange and commitment.

However, it should pointed out that employment nonintegrated structures such as distribution channels networks and making contacts with commission agents allow for export, companies and industries to gain easy way to enter the foreign market. The intuition behind this argument is independent agents or middleman have in possession skills, competence as well as knowledge relating local market conditions, contacts with local buyers and suppliers which leads to provision of high level of goods and services (Bello & Lohtia, 1995).

Generally, the structure of the distribution channel reflects the manner and way how the firm makes and allocates its decision to the intermediaries who perform particular functions in order to achieve distribution channel objectives and tarGates. For example, these functions include carrying of inventory, demand generation or procurement and maintenance services (Rosenbloom, 2011:22:23)

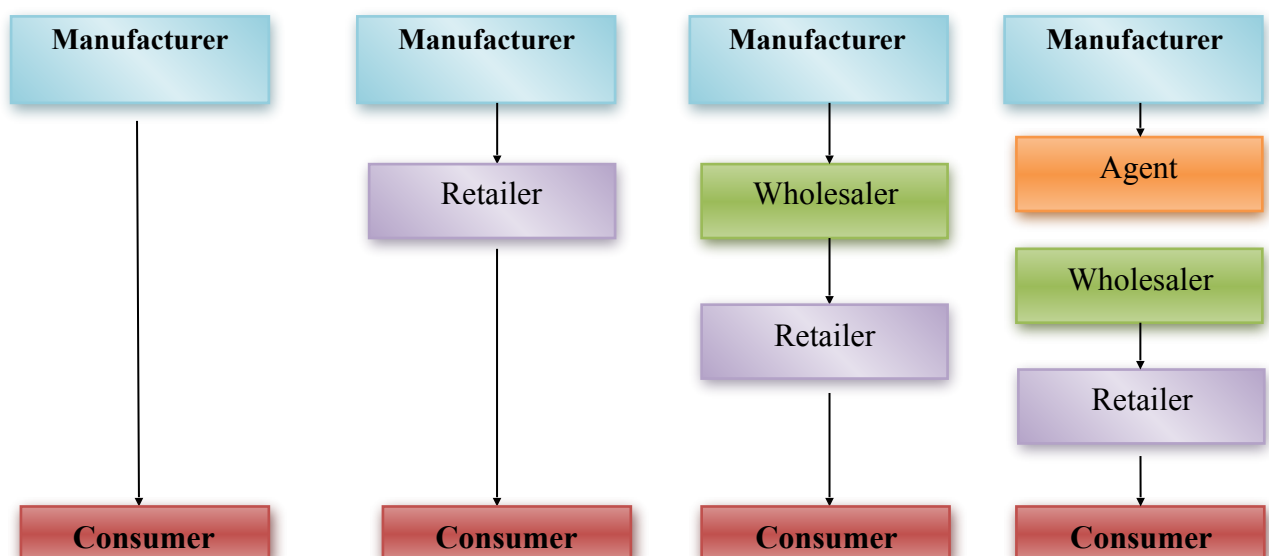


Figure: Typical Portrayal Channel Structure for Consumer Goods (adopted by Rosenbloom, (2011))

The exchange relationship in the distribution channel primarily depends on the context which refers to the relationship supplier-manufacturer, manufacturer-customer or even establishing strategic alliance. In essence, it deals with the issue that channel members are involved into exclusive relationship which indicates that the different suppliers and intermediaries take part in the products and services of marketing in order to meet needs and demands of different target groups (Nevin, 1995).

It reveals that multi - channel structure is widespread employed by the firms in their attempts to enter the international market. The multiple channel structure reflected the manner of using more than one channel structure in order to create value for the customer. Additionally, with rapid change and technological progress, many firms employ the multiple distribution channel structure with elements of online retailing (Lancaster & Reynolds, 2005; Rosenbloom, 2011:22:23:24)

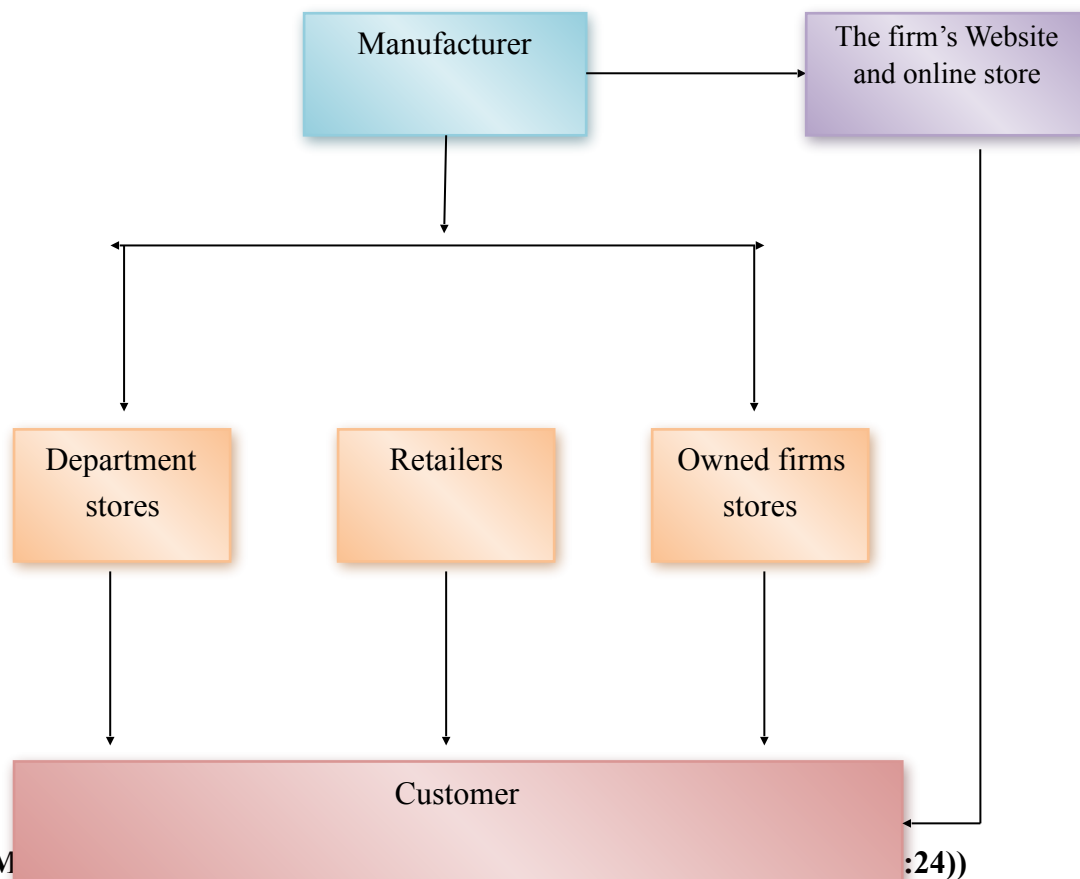


Figure: M (Boyle *et al.*, 1992:464:465)

Boyle *et al.*, (1992:464:465) have proposed that there are several archetypes of the structure in accordance to governance of the distribution channel. The scholars have differentiated corporate systems having primarily vertical nature of origin, contractual channels such as franchises or supply networks centers which are controlled by headquarters and arm's-length relationship. Choice of any of these types of the channel structure depends primarily on specification of goals and targets, focus on the decision centers, division of roles and labor as well as mechanisms of control.

The governance of the distribution has direct impact on the choice of the channel structure. It implies the determinant through which the behavior of the channel members are occurred and controlled through the distribution channel agreements. The firms establishing formal or semi-formal relations with the suppliers, wholesalers, agents or distributors so as to reduce uncertainties and eliminate risks. However, the limitations and challenges of governance such as exchange relationship, given conditions of the host country, requirements imposed on the firm and other intermediaries, benefits proposed by the export firms etc. (Heide, 1994:73).

The distribution channel is associated with specified promises and other “nonpromissionary-based” arrangements intended to establish and explain relationship between manufacturer and different intermediaries. The fundamental blocks of any exchange relationship encompass key points proposed

by Macheil (1974: 737:738) such as contractual solidarity, specialization and division of labor, expectations of all parties, personal relations and attitudes, desire for cooperation and collaboration, sharing benefits , risks and imposed burden, power and authority, duties and obligations, parties taking part in the distribution channel, measurement and so on. These overriding aspects of the distribution channel relationships underlie the complexity of the relationship nature which in turn may be taken into consideration during the whole internationalization process.

Additionally, many scholars and practitioners have elucidated that relationships between members of the distribution channel may be performed through different mechanisms of control, for example, exertion formal control such signing contracts and agreements or informal mechanism including self-control, trust and etc. (Bradach & Eccles, 1989).

As Gundach & Achrol (1993:142:143) have pointed out that formal mechanism of governance includes the price market regulations and legal ownerships (long-term contracts) through power and authority. The example of the legal ownership may be considered implementation of different levels of control by signing long-term contracts where the duties and obligations are prescribed. The authors have proposed other forms of governance including “hostages” giving credible commitment and involvement, some personal bonds, norms and rules which define the acceptable behavior and conduct for the members of the distribution channel and reputation.

2.3 The power aspects and conflict in the distribution channel

The power aspects of any distribution channel refers to existence of the channel members’ ability to exertion control over the making decisions and marketing strategies of other parties at different levels of the distribution channel (El-Ansary & Stern,1972; Coughlan, 2010). It indicates the relationship between parties are built around them through the signing contracts and present itself the perception about that the power and authority are held over in such relationship (Hunt & Nevin, 1974; Gaski, 1984). However, as Frazier (1983:158) has elucidated that exertion power and authority over other member in the distribution channel is not always associated with making success in achieving required result in accordance to situational factors, for example, market climate or context.

With respect to sources of power, there are explicitly coercive and noncoercive ones. The latter includes the legitimacy, reward, expertise as well as referent (French & Raven, 1959). The main difference between coercive and noncoercive sources is implicated in the likelihood of potential

punishment consequences for the distribution channel parties by using coercion (Hunt & Nevin, 1974:188). Many scholars and practitioners have concluded that the noncoercive sources of power entail the minimization risks and elimination opportunism, having positive impacts on the “power advantage” save time for implementation as well as enhancing other parties’ satisfaction, commitment and involvement (Benton & Maloni, 2005; Hopkinson & Blois, 2014).

However, inconsistency and incompatibility of goals and values of the distribution channel members entail the appearance of series of conflict episodes which leads dysfunctional consequences for the relationship (El-Ansary & Stern, 1977; Rosenbloom, 1973; Brown & Day, 1981; Hopkinson & Blois, 2014). Consistent with ideas expressed by Raven & Kruglansk (1969) and Gaski (1984), manifest and underlying conflicts have been illuminated. The former refers to all “overt behaviors”, for example, disagreements or violent actions taking place in spite of the other member of the distribution channel frustration (Brown & Day, 1981:264). The latter implies embedded interpersonal interests and desires of every member in the distribution channel (Gaski, 1984:11). Generally, coercive sources of power may provoke appearance conflicts in the distribution channel. As for vertical integration relationship, arising of conflicts occur because of willingness to exertion control over subordinates. Consequently, the increase of conflicts result in responsiveness of the distribution channel members to tension at different levels (Hopkinson & Blois, 2014)

2.4 The market requirements to “green production”

According to Gurau & Ranchhod (2005), the nature of international green marketing lies in the fact of the facing demand by the firms and industries for finding ways to produce environmental products and sustain their business activities. This indicates the rapid growth of environmental consumer awareness and implementation, diffusion and penetration, regulations concerning “green production” by the government especially in the developed countries. The green marketing involves many challenges and uncertainties primarily relating to bearing high transaction costs, differences in the consumer perceptions about products, facing consumer skepticism and so on. In the light of the short-term perspective, firms and industries initiating in internationalization process may have ability to adapt rapidly to the changing consumer’s demands, needs, new implemented regulations and standards. From the long-term point of view, there is need for shifting and structural changes in the management, marketing strategy of the firms and industries access to the international market (Peattie & Charter, 2003:727).

Due to the ideas expressed by Sharma & Vredenburg (1998), the environmental responsiveness of the firms and industries can ensure strategic capabilities namely stakeholder involvement, continuous learning and improvement. The former deals with development and establishment of long-term relationship with various groups of stakeholders; mass media, environmental organizations, nongovernmental organizations (NGO). The second strategic capability refers to the existence possibilities for learning and enhancing competency by introducing the environmental strategies and practices. Finally, the latter involves ability of development of new products, implementation changes, updates into the products and processes as whole.

Borregaard et al., (2003) have illuminated that many manufactures from the developed countries usually fail to meet demands and need for environmental products which entails the possibilities of the firms and industries from less developing and the transitional countries to enter the foreign market which allows initiating into the internationalization process. However, introducing norms, rules and standards relating environmental production compel many firms and industries to gain special ecological certificates which can prevent them entering to the international market.

Making steps towards corporate responsibility and sustainable development have great impacts on the competitiveness of the firms and industries. But, on the other hand, these changes in the management paradigm are associated with the economic timeframe, investments into pollution prevention concerning implementation changes and improvements into the process of production both throughout the process and into the final product, respectively. Investments into pollution control the emission reduction and its coordination; returning to cost-benefit concepts etc (Sharma & Vredenburg, 1998; Gavrovski *et al.*, 2008).

As per certificates and standards, firms and industries initiating in the internalization process may integrate the conceptual environmental framework into their business activities namely ISO 1400 issued by the International Organization for Standardization (ISO) which encompasses the aspects of best environmental practices to conduct business activities of establishment, implementation, improvement and maintenance in the environmental management systems (EMS), development and proactive strategies which induce the effectiveness and efficiency of the economic performance of the firms and industries (Yin & Schmeidler, 2009; Guoyou *et al.*, 2012). In addition, deployment of ISO 1400 may assure reduction of costs, consistency, coherence and compliance with regulation of firm's principles and rules, providing competitive advantage, elimination entry barrier certification and

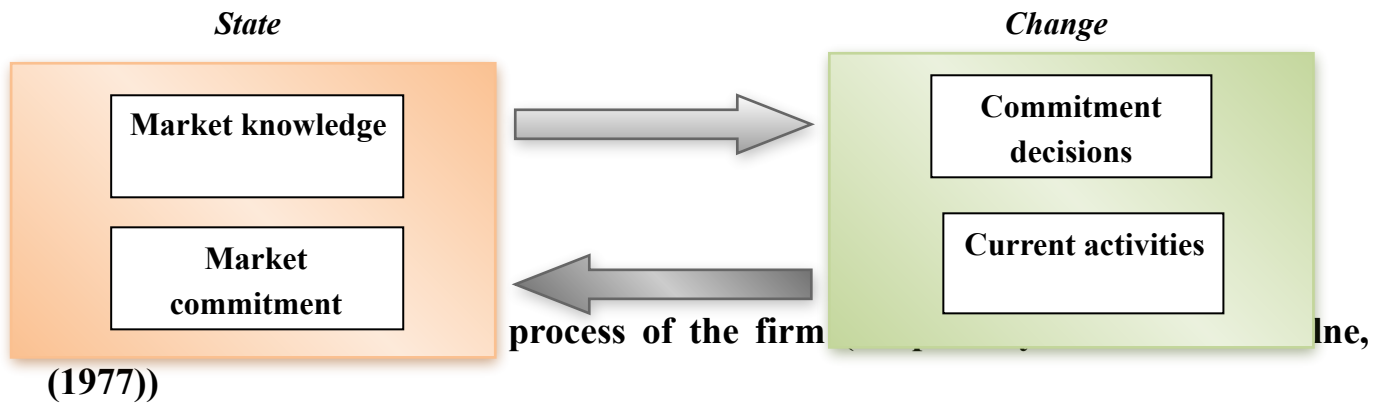
standardization as well as employee staff commitment and involvement (Gavronski *et al.*, 2008; mentioned in Andrews *et al.*, 1998:2001).

2.5 Critical issues of the internationalization process

Internationalization process is indicated as the engagement of the export firms and industries into inward and outward business activities as well as transferring goods and products across national borders. It is important to be raised that existence of many factors, governmental regulations and restrictions, market competition, the learning process, risks, uncertainties, commitment and involvement have critical influence on the time span and the character of strategies and decisions of the export firms and industries in their way to the international market expansion. All the situational factors may restrict process of the internationalization for the export firms and industries. The required time for building knowledge and competence in order to carry out business activities in the market and trying to understand critical issues gained from this experience. On other hand, the factors may be considered as the key drivers for the dynamic learning and changes for the export firms and industries to become international (Andersen, 1993; Welch & Welch, 1995:12).

From the firms' commitment and involvement to the international market expansion require general and specific knowledge concerning the market can be obtained through experience. Knowledge of business activities conduct have transferable of nature by assisting the growth of the firm in the market. Therefore, if the firm obtains the valuable knowledge, skills and knowledge about the market and the business activities. The commitment and involvement into the internalization process can be assumed as high and strong (Andersen, 1993:211).

Admittedly, lack of skills, knowledge and competence impedes the firms and industries to initiate and involve into the internationalization process. On other hand, the knowledge, skills and competence facilitates high degree of the internationalization process of the export firm. Moreover, similar market conditions provide opportunities to gain experience in different ways. Consequently, the possibility of gaining experiential knowledge entails the uncertainties and risk reduction relating to firms' initiatives entering the international market. (Andersen, 1993; Johnson & Vahlne, 2006:2009).



With respect to the differences in the economic, cultural, political and geographical dimensions the firms and industries initiate to enter the international market of the countries having the similar traits of the economic development and mutual cultural peculiarities, respectively (Bell, 1995). Many export firms and industries do not participate in the whole process of the international involvement. This can be explained by the fact that they are intrinsic to opportunistic behavior especially by only fulfillment orders have been gained from their international customers, wholesalers or channel distributors (Cavusgil, 1984:196).

2.6 The stages of the internationalization process

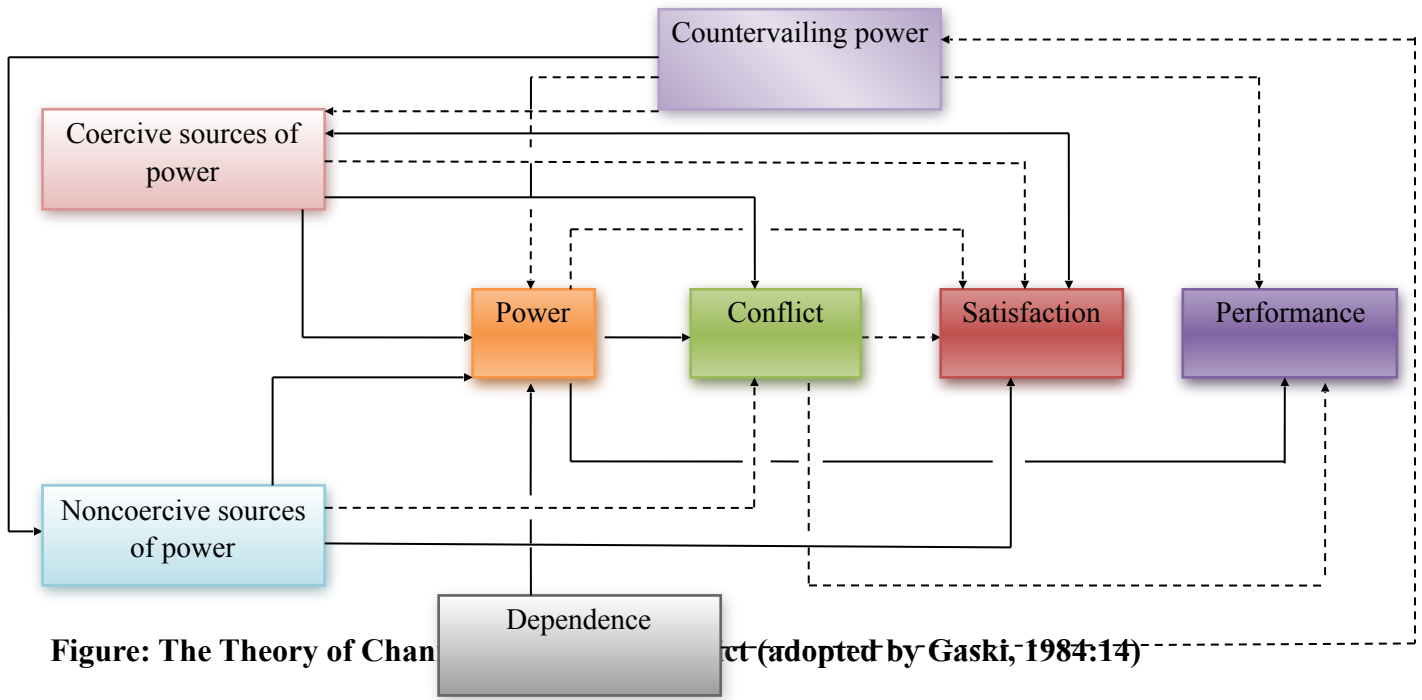
The internationalization process is assumed to have sequential in nature. Sequential process of the internationalization can be explained by the existence of risks relating to the marketing decisions and business operations as well as some expectations of the firms and industries (Cavusgil, 1984). In respect to this, four stages are identified by Johanson & Wiedersheim-Paul (1975) through which the export firms and industries may travel with their attempts to be initiated into the internationalization process. These four stages are as follows:

- I. No regular export activities
- II. Export through overseas agents
- III. Establishment of an overseas sales subsidiary
- IV. Overseas production and manufacturing

According to Leonidou (2004) the export firms and industries encounter one or another entry barrier due to the different characteristics which is relevant to each stage of the internationalization process.

For example, the export firms can face the challenges with proper identification opportunities proposed by the foreign market at the early stages of the internationalization process (Bilkey & Tesar, (1977)).

With rapid update of the modern world, the conceptual framework of the internationalization process developed by Cavusgil (1980) can be expected to be more relevant. The central point is that the model, in comparison to traditional internationalization (The Uppsala model) which are discussed can provide possibilities to explain the innovative nature of the export firms and industries, various strategic choices and organizational factors as well as different factors and environmental contexts in which the export firms and industries operate (Uner et al., 2013:803). Further, these stages of the international process encompass the following business operations; domestic marketing, pre-export, experimental involvement, active involvement and committed involvement. The first stage refers to provision and merchandize products and services across national market without export outside it. The second stage deals elementary internal and external attempts of the firm to start export of the products and services. The main issue concerning this stage is that there is lack of market information, knowledge, skills and competence of the management staff as well as information about the risks, uncertainties and costs associated with initial attempts of the international market expansion. The experimental involvement stage is relating to the engagement into the export process across borders of one or two countries which in turn have similar economic development and cultural characteristics. With expansion the international market by starting provision and merchandise products and services in different markets, the export firms and industries deal with the involvement stage. The intuition behind this is the firms and industries start to involve in the business activities exploration of the great number of the international markets, establishing distribution channels. The final stage of the internationalization process is associated with such activities concluding strategic alliance, licensing, establishing subsidiaries and branches in the foreign market (Cavusgil, 1980:1984).



The literature review reveals there is a distinction between problems encountered by the import and export firms in order to enter international market (Morgan & Katsikeas, 1997). Industries do not survive if they are not export-oriented (Tenbelian, 2003). Export barriers involves the “obstacles that firms facing at international market, which hinder or inhibit companies from taking the decision to start, develop or maintain international operation” (Leonidou, 1995:31). Additionally, understandings of the export barriers emerging in the market are quite in order to explain the depth of market barriers which are affecting on the performance and profitability of a firm which is considered as an export because of dearth of infrastructures on information technology platforms, data, financial assistance, qualified executives and administrative staffs, lack of transportation networks within industrial and business environment (Pinho, & Martins, 2010).

Transportation, communication and technological networks development prompt firms to involve in export with minimizing the uncertainty and risk. Despite of this fact, firms are going to encounter barriers in relation to cultural differences, consumer bargaining power and challenges with regards to its business activities in foreign market. While, the export performance of firms in developing countries faces various barriers result with lack of experienced administrative and management staffs fail to ensure and pursuit strategy directing on the internalization of the firm due to the geographical

distance (Freeman et al 2012). However, Nepal faces geographical barriers as a land locked country and inaccessible roads take time in delivery of products to the central market Kathmandu. In order to export products to overseas market, Nepalese paper firm use the border routes through India and China where they face difficulties of custom administration hazards (Bhattarai & Dhungana, 2008).

Export market attractiveness, as a barrier to export comprises problems as difficulty in financial transaction, service, cost exchange rate and transportation cost. However, financial transaction related to collecting from client creates negative effect on cash flow for export (Julian & Ahmed, 2005). Due to globalization firms are becoming more internationalized, problems relating to the export management, operational and functional areas of marketing, finance and operation tends to reduced. However, it is necessary to identify and understand the problem occurs in each stage of internationalization (Leonidou, 1995).

Additionally, Nepalese firm will face extra burden in international market due to globalization. The advancement of information and technology creates barriers for Nepalese firms to compete in the international market. Trade and foreign investments are crucial factors for economic development for the country while they encounter with problems in export competitiveness due to poor product quality and lack of export promotion strategy. Therefore, it is important to improve its production quality, capacity and supply chain process to add value of the products in the international market (Shrestha, 2003).

Export development is a crucial for a national economy involving in the international market and will benefit for foreign exchange reserves, employment opportunities, balance of payment and higher standard of living which ultimately initiate individual firms to carry out their business activities (Ahmed, Julian & Mahajar, 2008). Export is considered profitable for individual firms and its significance for the country's economic growth and revenue generation from export plays vital role to create a positive affect for developing countries and their domestic business (Barker & Kaynak, 1992).

As for new firm, which is entering to the international market, export is most common way of market entry, focusing on their market potential and exports their products (Johansson, 2000). Moreover, the easy way of involving in the foreign market through export which comprise low risk and resources with diversified market expansion. Export is known as process of doing business in the international market and less expensive than other mode of internationalization (Leonidou, 1995). However, in the era of globalization many firms are attracted in foreign market due to less effort of a firm and

resources while entry in an international market. The barriers of firms are facing organizational administrative and market structure, as well as tariff and non-tariff barriers (OECD, 2009). While some firms prefer to deliver their products through their own channel of distribution while other use agent in order to distribute their products depending upon the entry mode and capability of access to distribution channel (O’Cass & Julian, 2003). Distributor play a crucial role in the foreign market as explained by (Kim & Oh 2002, p.73) “Suppliers with committed distributor gain greater access to market information, gain more distributor assistance, and reduce distributors’ interest in promoting competitive brands” However, the problem is to find reliable distributor because they might concern with their own interest instead of exporters’ (Julian & Ahmed, 2005).

A firm may not be able to export its products due to relatively high cost of home country production and marketing. A huge investment may require in order compete in particular overseas market, which hinders small firms to enter in international market (Reynolds, 1997). The cultural and government policy impose major barriers for firms who tries to enter in foreign market even the products are highly demanded they are eliminated from market due to policy of foreign government like monetary barriers, tariff and non- tariffs barriers, quota, boycotts, restriction on custom procedures, prejudiced exchange rate policy, health and safety regulation and technical restriction in order to promote or protect the domestic industry (keegan, 1984).

A manufacturing firm often faced a series of barriers to export, stages of internationalization process from early to ultra stages (Johanson & Wiedersheim-Paul, 1975; Bilkey & Tesar, 1977; Bilkey, 1978). However, Leonidou (2004) mentioned that, barriers can occur in any stage of internationalization, and the barriers may vary in different stages. A firm must be able to perform in early stage of export the firm will out of the market so it is essential to figure out the major problems at each stage which possibly create barriers to follow the process from one stage to another stage. Furthermore, Bilkey & Tesar (1997) discussed the nature of barriers to export. Focusing on the export stage the firm encounter with difficulties in understanding foreign business practices, collecting money from foreign customers, lack of foreign market representatives, more specifically firm lack sufficient fund in the early stage of export, more advanced the export stage more barriers they have to face.

The barriers for non-export and export are different. Non-export faced with knowledge resources, foreign practices, management policy and export stages whereas, exports’ perception are dominated by marketing related factors and the export perception associated with export procedures (limited finance to export, product specification and intense foreign market competition) (Ahamed, Julian, Baalbaki,

Hadidian, 2004).

In addition, Shaw and Darroch (2004) identified that substantial difference in perceptions of barriers to internationalization of non-export and export. While the barriers faced by non-export were limited market knowledge, experience and firm size. Meanwhile, for export the main hindrances were limited finance and access to capital, lack of government support and limited market knowledge.

Various authors have been examined the barriers for export and classified these barriers to explain that the firm encounters. According to Rabino's (1980) investigation, five major problems were documented; selecting a reliable distributor, non-tariff barriers, letters of credit and communication with customers. Hook & Czinkota (1988) identified export problems in tariff and non-tariff barriers, lack of information about export and raising the initial investment, exporters were mainly concerned with operational issues like transport problems, unskilled personnel. However, Young et al. (1989) contended that the major barriers to export such as; market information, product quality delays in payment, export documentation problem, lack of foreign representatives and costs or profitability. Sharkey et al. (1989) classified export obstacles into five-category; government policy, procedural or technical complexity, perceived strategic limitations, contextual differences and competition from local firms. Additionally, Tesfom & Lutz (2006) classified export barriers into internal and external barriers where internal barriers related with company and product barriers. On the other hand, external barriers related with industry barriers, host based market barriers and home-country barriers.

However, it is focused on and explained in detail about classification of barriers by Banjara (2007) and Leonidou (2004) as a conceptual framework in order to answer the research question. According to (Banjara, 2007, p.18) a research conducted in Handmade Paper in Nepal sort barriers are as follows:

Fragmented Industry: Large number of small paper makers is engaged in collection of raw materials and production, which lack the economies of scale and affect the value to the final product. Many small entrepreneurs compete with each other, resulting low level of productivity and using unorganized channel, often reducing prices to gain profit for short run which creates imbalance to meet the export demand due to lack of coordination between small and large paper producers. However, HANDPASS initiate collaborative marketing to overcome this problem.

Over Exploitation of Lokta: Due to easy access to forest area, lokta resources are decreasing while lack of proper management of harvesting creates shortage of lokta. Moreover, lack of cutting and sorting knowledge results low quality and immature lokta is supplying in market which creates serious problem for other large firms who are involve in production and export in foreign markets.

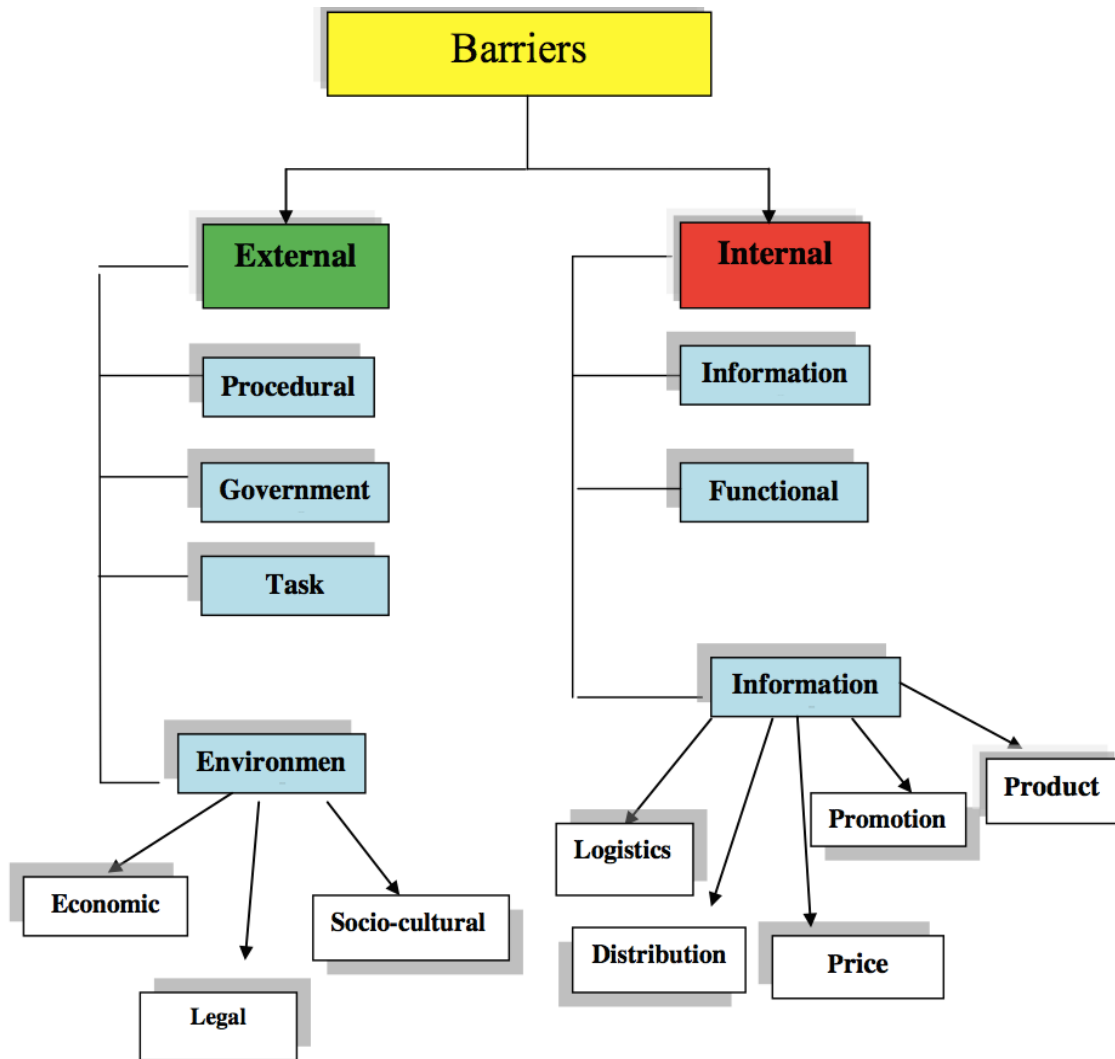
Paper Production Constraints: In this category Banjara (2007) has focused on nine items which constitutes of Lack of production capacity due to insufficient qualities of raw materials; the wage is given to worker with emphasis on basis of piece rate system; they focus on quantity rather than quality; lack of trained and high skilled manpower results inefficiencies and low quality in production; high rate of rejection by buyers due to untrained employee, combined with lack of quality control and processing in each stage; limited monitoring and harvesting because farmers do not involve in long-term production and inventory; lack of product diversification in paper making, many large firm collect from village illegally so that they can make paper in their own style; many firms face problem of large production due to lack of financial resources and facilities; the paper makers are mainly farmers from village who produce on seasonal basis and not effective system of business records, which shows the absence of managerial skills; lower level of skills in conducting business of the paper maker as well as lack of organized and diversified market which often provokes problems and challenges for the paper maker for negotiating processes with buyers because of lack of direct contact with manufacture which leads to hiring of middle men to sell their products (Banjara, 2007).

Design Skills and Technology: Small producers lack of design and dominated by firms who are good at design and they do not wish to share their skills. However, these big firms focus on design and product innovation as preferred by buyers. Moreover, due to lack of equipment and machinery paper makers are not able to produce as demanded by customers (Banjara, 2007).

Policy Level Constraints: Nepalese government has not established a systematic lokta harvesting management plan and resource inventories in districts. Delay in permit by District Forest Office (DFO) for collection of lokta and farmers have to pay fee in order to Gate permit for lokta collection indicating problem of multiple taxation which leads to unsystematic way of cutting and invasion of forest is increasing. The barriers as investigated by Banjara (2007) on the perspective of Nepalese handmade lokta paper shows that major barriers that hand-made paper producer are facing the fragmented industries, over exploitation of lokta, production constrains, lack of design skills and technology and policy level constraints which hinder the Nepalese entrepreneur to sell their product in both domestic and international market.

2.8 Conceptual Framework

This section helps to conduct further research of the paper, as we discussed about export barriers earlier. This research paper aims to depict and discuss the export barriers. In order to shed light on the examined research topic, the classification of barriers adopted by Leonidou (2004) is presented below.



2.8.1 Internal Barriers

Informational Barriers refer to the problem related with identifying, selecting information tools and techniques and contacting in international market. Limited information to analyze foreign markets and lack of information creates high level of uncertainty in foreign business environment. However, many firms deprive of essential information with respect to market entry and not aware of national and international sources of information which creates export business critical.

Problematic International Market Data: while operating a business in a foreign market, a firm must have information about demographic data, macro economic statistics and other market related informations. However, relatively explicit forms of market information can be difficult to obtain in host countries due to source of information, produced by public and private sources may not be available. Report published by country and market research statistics might be helpful but more knowledge and information is complex. It will difficult to transfer (Lord & Ranft, 2000) but, it cannot measure the complexities of culture, language, society and politics. Focusing this problem, it creates difficulties in Gating information on time, access to data and has to pay high prices, which hinders the effective performance of a firm.

Identifying Foreign Business Opportunities: firms' ability to grasp opportunity and market position depend upon its ability to manipulate their knowledge and resources (Conner, 1991) but it is not sufficient to sustain in the international market for the long run. So, a firm must focus on dynamic ability for organizational learning to maintain market position, which requires developing new resources, and it is challenging for a firm. (Ruzzier, Hisrich, & Antoncic, 2006). However, a firm faces obstacles from different factors (legal, political, social and cultural) while identifying new opportunities, which creates problems while conducting research in foreign market.

Inability to Contact Oversea Customers: the difficulty in contacting foreign customer partners because of different time- zones, geographical distance and poor research conducted by the firm for identifying customers and minimal exposure to listing potential customer such as online database (OECD, 2009; Kneller & Pisu, 2007).

As far as lokta paper production and export in the perspective of Nepal is concerned, it is obvious that the Nepalese entrepreneur are in great lack of right information regarding the tarGate market, customer preferences and proper distribution channels which hindrance to grasp fruitful foreign market opportunities (Shakya, 1999).

Functional Barriers refers to inefficiencies of various functional departments of a firm such as, human resource, finance, production and marketing with respect to export business.

Limited Managerial Time to Deal with Exports: managerial skills and experience are fundamental factors for internationalization (Ibeh, 2003). Management plays a crucial role in maintaining managerial resources, negotiate and establishing relationship with export market (Morgan et al. 2004). However, in Small firm manager's focus on decision making and not considering strategic objectives and activities which result difficulties in foreign market and monitoring their strength and weakness.

Inadequate/Untrained Export Personnel: many firms experience in difficulties while hiring specialized personnel (Ortiz et al. 2008). This situation exists often in firms that they do not have skilled personnel to deal with export. Personnel require various skills such as logistics arrangement, handling documents, communication and interpersonal skills in order to perform the export business operation.

Shortage of Working Capital: a large amount of financial resources are required in order to operate export business which lacks sufficient finance to conduct research and development in international market. It creates barriers with working capital and market research, as well as different currencies and collecting payments abroad (Ortiz et al, 2008).

Lack of Production Capacity: many firms lack of effective utilization of production resources in home market and they prefer to use insufficient production capacity as peripheral business activities, which initiate firm to export market.

In the context of Nepalese paper firms, potentiality of loka is high in many districts, but over exploitation causes to deplete the resource and lack of stock, harvesting management causes adverse effect in the production capacity. Moreover, entrepreneurs lack of limited financial resources and manpower due to lack of effective training and vocational practices (Poudyal; 2004; Acharya; 2003).

Marketing Barriers refers to the gap in the marketing perspective of company's product, pricing, distribution, logistic and promotional activities abroad (Moini 1977; Kedia and Chhokar 1986). Export barriers in Nepalese handmade paper industries occurs due to lack of quality standard in foreign market in order to meet various quality standard in abroad, which may ultimately increase the product price. Additionally, lack of after sale, warehousing and reliable distributors are barriers to marketing. In order to gain competitive advantage in foreign market a Nepalese Paper firms must use new product development referring to intensive competition in abroad, it needs to innovate with offering wide range of products (Acharya, 2003).

2.8.2 External Barriers

Procedural Barriers refers to operating transactions in international market which specifically focus on three factors (Kedia & Chhokar 1986; Moini, 1997). (1) Unfamiliar export procedures/documentation that small firms face problem like shipping arrangement and custom documents while exporting. (2) Slow collection of payment from abroad due to foreign customers prefers credit facilities while undeveloped countries encounters with central bank currency restriction. (3) Problematic communication with foreign customers due to geographical and psychological distance in international market, lacking of communication infrastructures, which creates possible problems in exporting. Additionally, the export procedure and regulation are different from country to country. Operating business in oversea market, a firm requires spending time in order to prepare documents required by host country (Tesfom & Lutz, 2006). In the context of Nepal, export paper products in foreign market have problems viz. long time in order to complete the process, lengthy custom procedures, certificate of origin, lack of service to exporters, customs and tax officers, custom clearing agents which leads to increase the cost of export and demotivate the exporters (Sharma et. al 2014). Additionally, (Handicraft Association of Nepal 1992) also mentioned that hurdles in export procedure are complicated indicating product that requires custom clearance and inspection during the custom.

Task Barriers deals with foreign customers and competitors in foreign market which affect on export operation. Specifically, (1) difference in customer attitudes due to different level of income and consumption pattern (2) keen competition in overseas markets with mature firms, where small firm entering in foreign market with limited resources and marketing tools (Leonidou 2004). Additionally, Documentation process is lengthy and time consuming which cause delay in shipping as well as delivery of products. At the same time, firms are not aware of changing environment due to lack of knowledge. Entrepreneurs failed to address the customer preferences due to Nepalese paper firms cannot compete in the international market (Shakya, 1999).

Governmental Barriers as a constraint on export activities occur due to lack of government assistance, seminars, workshops, commercial mission abroad, participation and foreign trade fairs (Kotable & Helsen, 2010). Unfavorable government rules and regulation which impose restriction on exports. Moreover, lack of government support and unfavourable export policy hindered the growth of small firms in foreign market (Karelakis et al. 1994). In the context of Nepal, the current trade policy does not have a clear direction for strategy.

Lack of support for promotion of export activities in order to make competitive in the foreign market and government has not paying attention for high value addition product for export. Handmade paper

firms are losing comparative advantage due to lack of comprehensive trade policy. Moreover, Shahi & Kachhipati (1997) stated that exporter in Nepal faces difficulties in order to Gate invoice certified, lack of policy of credit payment and export incentives, lack of standard and certification testing. Exporting in overseas market buyers are more concerned with packaging and labeling. Lack of strict government regulation cause corruption in custom duty, procedure of duty draw back system, bonded ware housing and bank guarantee facility, policy for quality control, standardization and political instability, the laws have not been revised since it was implemented where weakness for implementing plans and policies lack of sector development strategies cause weak institutional capacity for marketing and research development (Ulak, 2001).

Environmental Barriers comprise of economic political-legal and sociocultural environment of overseas market where firm intended to operate (Kedia & Chhokar 1986; Moini, 1997). It is difficult to predict or control due to poor economic conditions abroad, foreign currency exchange risk, strict foreign rules and regulations, political instability in foreign market, high tariffs and non-tariffs barriers, unfair business practices, different sociocultural traits and verbal/non-verbal language differences (Leonidou, 2004). In addition, the economic condition of host country determines the growth of a firm. However, uncertainty in foreign market caused by various micro-indicator, unfamiliar business practices and foreign exchange rate creates obstacle for growth of firms in developing countries (spiral, 2009). Nepalese exporters face non-tariff barriers such as quality requirements, environmental and socio-cultural issue. For instance, while exporting paper products to China, custom office at Tatopani border entrepreneurs lack knowledge about the Chinese legal system due to language barrier, causing problem in export (Acharya, 2003).

Chapter 3

Methodology

3.1 Introduction

This part of the master thesis describes how to make research in order to find answer to the research question of the conducted research. First of all, it elucidates the philosophical and methodological aspects concerning this research namely research plan, philosophical position, research design, sources and techniques of data collection. Secondly, the quality of the research including reliability, validity and generalizability are proposed and discussed in this chapter. Thirdly, the ethical issues and limitations of conducted research are presented as well. Finally, the last part consolidates and sums up the key points relating to the philosophical and methodological propositions presented in the chapter.

3.2 Research plan

Being inspired ideas expressed by Saunders *et.al* (2009), a decision was made up to work out a roadmap which embraces the key aspects of conducting research including the main stages of methodological way of the following. It represents as a multistage path which in turn helps step by step providing more accurate information about how the research is supposed to be managed. Moreover, what techniques and tools are to be utilized as well as how the collected information is to be analyzed and interpreted. The main stages of the conducted research are presented below:

- Formulating research questions
- Understanding the philosophy of the research
- Developing the research design
- Data collection
- Discussion validity, reliability and generalizability of the research

3.3 Research design

Before deciding about what kind of data collection can be adopted in the order to answer research questions and achieve the goals of the research. The research is qualitative type which is based on the philosophical position. Qualitative methods include in-depth and semi-structured interviews, document review and expert opinion.

Moreover, the research possesses the exploratory and descriptive analysis.

According to Stebbins (2001) it enables to discover and describe the research phenomenon through deeper understanding constructs, knowledge and experience posed upon by the people through in-depth interviews while the questionnaire or survey do not give a comprehensive understanding about the perceptions experience as well as way of conduct and practices in the examined companies. Additionally, employment of the exploratory with elements of descriptive analysis assists to describe and compare the companies, shed light on the main challenges and barriers encountered by the SMEs during the internationalization process, the holistic picture of the central phenomenon as well as underlie the similarities and differences in each company.

According to Yin, (2013) the case study research design is applicable in the situations prevailing with multiple situational factors, dimensions as well as boundaries within and outside the social phenomenon without existence of clear evidence about the research topic. Secondly, the scrutinized research design also underlies the exploratory and descriptive characters of conducted research. In addition, according to Easterby-Smith *et al.*, 2012 has mentioned in his book that multiple case analysis involves consolidation and generalization of all findings to the other situations and contexts. However, it should be pointed out that each individual case possesses its own particular features, competence, experience, commitment, involvement, tarGate groups, challenges and other dimensions on their way to become internationalized.

It is also worth to point out the reasons prompting to select this research design and central theme for investigation. The idea behind choice of case study research design is based on the ideas expressed by Stake (2013) that usage of this research design aims to present, analyze, interpret as well as compare findings have been gained from conducted investigation in three SMEs of the Nepali handmade paper industry where each company in turn presents itself as an individual case operating in one context or environment which implies the participation of the SMEs in the Global Value Chains (GVCs). Nepal has been chosen as a country context because of the growing level of integration of the country into

the trade economy and industry sector respectively at the national and international arena (Ministry of Commerce and Supplies & Government of Nepal, 2010).

3.4 Population and Sample

There are 377 handmade paper enterprises registered in SMEs of Nepal, of which currently 175 are on operation. Out of which five enterprises are selected conveniently for case study the research.

3.5 Data collection

In order to understand about the examined phenomenon, primary and secondary data are applied in the research so as to enhance the reliability and validity of the conducted research.

3.6 Sources of Secondary data

According to Easterby-Smith et al., (2012:140) that the secondary data collection sources are employed as an accompanying agenda for the primary data collection gained by the means of interviews, questionnaire or Internet surveys as well as a instrument to check the reliability and validity then illuminate the biases or inconsistencies as well in the findings. Secondary data sources consist of the reports, electronic databases such as Emerald Insight, Wiley Online Library, the official websites of the worldwide organizations and associations, for example; The World Trade Organization or American Marketing Association search in archives, the UN library sources and etc.

Further, there is need to raise the question whether the secondary data sources is reliable and relevant to the sake of the conducted research. It seems to confirm the idea expressed by Saunders *et al.*, (2000) is that it is quite important to select and work carefully on the data sources especially in terms of the secondary data collection. The secondary data collection sources is expected to be selected based on the several criteria including the reliability, relevance to the research questions and the sake of the project as a whole as well as practical notion of the obtained information. Therefore this entails all secondary data collection sources are selected during the research project mainly with respect to the formulated research questions and elaborated frame of references.

In the thesis, the investigation is started from thorough review and collecting agenda, publications, newsletters, government reports and statistics issued by such organizations like South Asia Watch On Trade, Economics and Environment (SAWTEE) (see on <http://www.sawtee.org/>), The World Fair Trade

Organization (WFTO), The World Bank, Nepal Mountain News, Government of Nepal (see on <http://www.nepal.gov.np/>), Ministry of Commerce and Supplies (see <http://www.mocs.gov.np/>), Nepal Handmade Paper Association (HANDPASS), official website of the European Commission's SWITCH-Asia Programme (see on <http://www.switch-asia.eu/programme/>), the Organization for Economic Cooperation and Development (OECD) (see on <http://www.oecd-ilibrary.org/>), Federation of Handicraft Association of Nepal (FHN) (see on <http://nepalhandicraft.org.np/>) and etc. The list of the secondary data collection sources is respectively presented in the Bibliography part of the thesis.

3.6 Sources Primary data

As it is stated above, the primary source of data collection in the thesis is application in-depth and semi-structured interview with representatives of three SMEs from the Nepali handmade paper industry. According to Easterby-Smith *et al.*, (2012:126), the in-depth and semi-structured interview allows the researcher to elucidate and cover the main aspects of the scrutinized phenomenon, to understand and clarify the perceptions, knowledge and experience posed by the employees as well as to enable examining the central topic in more accurate and precise way.

It is important to stress out that each selected and examined company in the thesis is represents itself as one particular case with similarities and differences in order to gain diversified responses and generalize the findings about the observed phenomenon in the thesis. The rationale of these companies choice relies on the specific characteristics and attributes namely size, business activities, distribution area and the stage of the internalization process.

Case study organizations

<i>Name of SMEs</i>	<i>Size</i>	<i>Business activities</i>	<i>Stage of the internationalization process</i>	<i>Distribution area</i>

Bagmati Paper Industry Pvt. Ltd.	Medium	Manufacturer, wholesaler and exporter	Active involvement stage	Nepal, Japan; China; India Europe (such as Denmark, Italy, Germany, Netherlands and other countries); USA; and etc.
Bhaktapur Craft Paper Industry Pvt.Ltd.	Small	Manufacturer and supplier handmade paper and products	Between business operations domestic marketing and pre-export activities	N e p a l , India,China
G a t e P a p e r Industry Pvt.Ltd.	Medium	Manufacturer, exporter and wholesaler	B e t w e e n experimental and involvement stage	Nepal, India, P a k i s t a n , Bangladesh, China, UK and etc.
P a p e r W o r l d Industry Pvt.Ltd.	Small	Manufacturer, exporter and wholesaler	Experimental stage	USA,UK,Japan
Himalayancraafts Pvt.Ltd.	Medium	Manufacturer, exporter and wholesaler	Involvement stage	USA,EU,Middle East

In order to Gate deeper and comprehensive understanding about the central topic the thesis, such technique like laddering up-down is implemented. The idea behind this is that to gain detailed and valued insight into particular perceptions and constructs of the employees as well as to Gate possibilities of obtaining some illustrations, various standpoints or examples of practices conduct concerning the scrutinized theme of the research project (Easterby-Smith *et al.*, 2012:129). An example of the employment laddering technique in the thesis during interview with respondents can be as follows: *Do you have other examples of dimensions or criteria for choosing distribution area of business activities in addition to those you have already discussed before?*”

Another issue concerning the conducting interview is supposed to be geographical distance and lack of funding for investigation particular topic. This can be viewed as one of the limitations of this research. Due to this fact, the majority of interviews with representatives like managers from marketing and phone and Skype taking into consideration the distance, transactions costs and the limited time conduct production departments of the SMEs. Since the in-depth and semi-structured interview is applied in the thesis, the interview guide is prepared in advance and it contains the content mapping and mining questions. The former implies the open questions in order to define and underpin the main issues or aspects being inherent to the scrutinized topic and interviewee. The latter involves the asking questions which are more detailed and deeper ones in order to examine and understand the constructs posed by the interviewee within the main issues, aspects, point of views or clues stated earlier (Ritchie & Lewis, 2004:148).

It is important to state that 3-4 interviews are conducted with managers from the sale, marketing and production department in each case and 3-4 interviews are held with other employees of selected SMEs. It has taken approximately 35-40 minutes per each interview. The conducted interviews are recorded and transcribed fully, accurately and faithfully. Additionally, the interview guide is elaborated beforehand and the questions are made up taking into account specific of the topic and concepts as well as the experience of the respondents. It also includes the semi-structured and non-structured questions in order to Gate more comprehensive background and information posed by the respondents upon their experience. The transcriptions of interviews are sent to respondents in order to Gate feedbacks, remarks, comments as well as to obtain required and additional agenda. It is worth to say that the empirical data analysis chapters of the thesis include the quotations from the respondents without providing any statistical evidences in accordance to the fact that the scrutinized topic is based on the investigation of the international process within implementation of different models such as the Uppsala model. This implies that the statistical test of the primary data sources will not be used as a tool for interpretation of obtained data.

3.7 Data analysis

The aspects of proper and correct understanding, examination and interpretation of the data are the next phase after the collecting data during the research project. The main challenge of this stage is how to process a large volume of the collected data in order to tell a story in fully meaningful manner for the readers. As Yin (2014:133) has described that the analysis of the case study implies the clear

understanding by the research about what domain may be looked for or what techniques are expected to be implemented in order to Gate meaningful outcomes from the conducted research project. The author has also highlighted that the researcher should elaborate “the analytic strategy” which can assist in “playing with the collected data”. For example, looking at the scrutinized topic from different perspectives or creating matrix of categories. Another way is to create draft or notes in order to systematize all collected data which involves the main aspects, clues and suggestions about the particular empirical evidences. Due to aforesaid, all information for analysis and interpretation are obtained from notes made during the interview and transcriptions of them. There is need to mention that one of challenge during data analysis is believed to availability a bulk of the unstructured data in accordance to Easterby-Smith *et al.*, (2012). In order to handle this amount of unstructured data, the creation of draft as a tool for analysis is implemented in the project. In addition, all information is interpreted with emphasis the main research question and using different perspectives of reaching to the clue of the topic (Johannessen *et al.*, 2004).

3.8 Validity, reliability and generalizability

However, as Stake (2013) has stressed out, issue of validity during making multiple case analysis may not be drawn too much attention. The intuition behind multiple case analysis means the investigation of the general aspects of the central phenomenon with distinguishing features in the thesis can be applicable to the universal conditions or contexts. In this case, the issue particularly against generalizability can be raised. The multiple case analysis being implemented in the thesis can be considered as a particular case in accordance to the specific traits of the country, but on the other hand , results of the analysis can be applied to the general context and situations being inherent to the countries with the similar economic development like Nepal.

Further, the issue of biases and misinterpretations may be also raised in this subsection of the thesis. As Maxwell (2013:124:125) has elucidated, that the one of the threats for conducting qualitative research is subjectivity inherent to the researcher which implies the existence researcher’s own understanding and perceptions about the main issues, values and aspects related to the examined topic having positive and negative impacts on the way of conduct the research and the final outcomes. Consequently, there is need to testing your own conclusions by means of various tools and techniques in order to enhance the reliability and credibility of the conducted research.

According to Yin (2014:45), the quality level of the chosen research design and the research project as well can be assessed by various types of “tests” which involve the methods used through all phases of the research. These methods include the following:

- ✓ checking the construct validity by incorporating various types of data collection, making drafts and notes;
- ✓ Building the causal relationship during data analysis with help of logical constructs and explanations for the empirical findings ;
- ✓ Establishing the links research topic and research design by enhancing external validity and achieving the generalizability of findings in terms of multiple cases;
- ✓ Providing reliable and accurate evidences and eliminating errors and biases in the research project.

The chosen multiple case study research design and employment mixed methods of data collection in terms of qualitative research have directly significant impact on the level of quality of the scrutinized research project. In this case, the validity of the conducted research is achieved through both types of data collection such as secondary and primary whereas the secondary data including reports, statistics, publications, news etc. are used as supplement elements for the primary data collection sources (i.e. conducted interviews). Secondly, the comparison of three SMEs based on the different dimensions enables to increase the quality of the research. Thirdly, the mixed method is also implemented in the thesis which involves using statistics and numbers in order to make research in more accurate, faithful, reliable and precise way. Finally, preparation of interview guide also enables to Gate rid of biases and unpredictable situations as well as to obtain accurate and reliable information from the respondents. As noted earlier, all interviews are recorded, re-texted, coded and transcribed with help of NVivo in order to provide more reliable and faithful agenda in order to prove more accurate and precise information in the empirical part which leads to the high quality of conducted research.

As Lacey & Luff (2009) has noticed the reliability of each research project may be achieved by incorporation the following tactics such as:

- ✓ Elaboration the strategy plan, research design as well as choose list of approaches and tactics with respect to the research design which are expected to implement during the conducting investigation;

- ✓ Validation of the appropriateness of the chosen research design and list of tactics to the central theme;
- ✓ Writing the draft report about each stages of the investigation of the research domain including the elaboration of the theoretical framework, data collection (thorough secondary sources review, conducting interviews or surveys), data analysis and interpretation etc.
- ✓ Using the evidences from previous research and validate the conclusions and findings.

Based on the mentioned above, some of the tactics are implemented during the conducting research project and writing thesis. As for interview questionnaire and the choosing the topics for asking questions are primarily based on the elaborated frame of references. Second, previous qualitative research projects, master and PhD theses are used as the source for data collection during the research study. Moreover, it is attempted to achieve the congruence and consolidation between the central theme, research questions, theoretical framework, data collection and analysis of the evidences during the research. By following all recommendations and feedbacks from the supervisor, it may be said that the reliability of empirical findings and analysis is expected fully to be achieved during the conducted investigation and presented in the thesis.

Next, it is important to mention that technique like “triangulation” is implemented and employed during the particular research study. As Easterby-Smith *et al.*, (2012) has explained, the usage of triangulation during the conducting research project implies to look at the central theme from different perspectives or point of views in order to achieve the reliability and accuracy in the findings. In the thesis, the help of different opinions and perceptions of the respondents about the scrutinized topic from different levels of management in the organizations are as well as gathering data from secondary data collection such as reports, websites, documents, articles, newsletters etc.

3.9 Ethical issues

During the conducting any research project, the ethical issues and aspects are indisputably drawn attention by the researcher. According to Johannessen *et al.*, (2004), the researcher may follow some ethical principles and guidelines during the research. They involve the issues of confidentiality, privacy, anonymity, the conflicts of interests, misleading and ambiguous etc., which may be taken into

account during the process of investigation, analysis and description of the topic and agreed with the respondents before the beginning of interview and during the sending transcriptions and gaining comment and feedback from them as well (Easterby-Smith et al., 2012:95).

At practical level, it is discussed the main purpose of the study with all respondents before gaining agreement from them about the interviews. Secondly, all the transcriptions of the interviews are sent to the respondents in order to obtain comment and feedback as well as permission for using the information in the form of quotations during writing empirical part of the project. It is quite important for the notion of the project from the ethical, practical and reliability perspectives. In addition to this, the obtained information during the interview is supposed not to be confidential by consent of respondents.

3.10 Empirical Findings

This section of paper will represent empirical findings and data collected from five companies using semi-structured interview. The chapter is divided into mainly two sections and its subsection starting as internal barriers and external barriers. The reason behind it is to identify possible barriers related to export barriers to internationalization. The data used in this section are generating by author's comment and description in order to further process of data analysis. In this chapter the data will present as to the interview guide, which is discussed in previous section of methodology for the procedure of data collection and research question. The main idea of conducting interview and presenting findings is to give clear picture that have been influencing Nepalese firms in various export barriers to internationalization and explaining these barriers in detail how they are affecting Nepalese handmade industries to be successful in the international market.

This chapter will divide into two sections. First, general background information on the case firms and the second based on the conceptual framework, which is explained in the pervious section of theoretical framework of this paper.

3.11 Handmade Paper Making Procedure

Paper making is a manual process. Paper is produced in batches, each batch consisting of 12.5 kg of lokta raw material for processing.

The collectors peel the raw bark from the lokta bush in the forest and dry in the sun to reduce the weight. The dried bark is carried to the village by porters where paper is produced. The lokta is immersed in water to soften and it is cleaned to remove the black spots and impurities. Lokta soaking operation is usually done at night to save the time. The cleaned lokta is cooked in a 100 litre drum in a mixture of water and caustic soda. The cooked lokta is washed with clean water to remove the caustic soda. The clean lokta is then beaten with a wooden mallet to make it into pulp. In some villages where electricity is available they are using mechanical beater now a days. The soften pulp is then moulded in 20 inch x 30 inch wooden frame by spreading thin pulp(with the proper mix-of water and pulp) to make a flat sheet of paper .The frames are dried in the Sun after which the paper is taken out of the frame.

The paper once produced is brought to Kathmandu valley where they are made into different products for export.

3.12 Overviews of Companies

Five handmade paper enterprises are selected for case study and their overviews are explained one by one. In the selected enterprises, two are small size and other are medium size.All the enterprises are located within Kathmandu Valley.

3.12.1 Gate Paper industry

The company Gate Paper Industry is located in Kathmandu, established in 1985 as a private company as General Paper Industry later in 2005 it has changed its organizational structure into cooperative in 2005. However, the company structure represent as cooperative and a private company. For the purpose of data collection, while conducting interview with Dr. Milan Dev Bhattarai. “The company operates as cooperative at operational level at the same time its assets, liabilities and financial transaction as a private company.” Dr. Bhattarai and his family solely own the assets of the company. In 1990 the company produces wide range of quality paper products like, paper bags, gift items, greeting cards, boxes, notebooks etc. In 1989 while increasing sales mission the company started supplying its products for Body Shop’s community trade and became a participant of Fair Trade Market and member of World Fair Trade Organization (WFTO) in 2002. The company is adopting a fair wage payment policy and employment opportunity to women. At present, the company has 87 permanent workers including more than 350 seasonal or temporary worker depending upon the demand of their products. The company is ISO 9001:2008 certified, along with quality standard and

environmental responsibilities as ISO 14001:2004 certified. The company has transferred into order based due to high demand of foreign buyers who would like to design products themselves.

3.12.2 Bhaktapur Craft Paper Ltd.

Bhaktapur Craft Paper Ltd. was established in 1981, located in Bhaktapur, a small district in Kathmandu valley. The company was established by UNICEF-Nepal in collaboration with government of Nepal with objective of socio-economic development of community. The company is working in collaboration with Agricultural Development Bank, Department of Forest and Department of cottage and small industries. In 2005 UNICEF-Nepal handed over all the assets and capital to 125 employee and its shareholders. So, it has been transformed into public limited company for its independent and legal entity. Since, then the company operates independently but still the major portion of its products supplies to UNICEF-Nepal. An interview was conducted with one of the board member Kamala Giri. She mentioned that the products don't mix any other plants with lokta and stressed on quality which leads to demand of the products in international market. The company is also focused on process of recycling while producing new products from used ones resulting to conserve natural resources, to maintain ecosystem which ultimately help to save money as well".

3.12.3 Bagmati Paper Industry Pvt. Ltd.

Bagmati Paper Industry Pvt. Ltd. is dedicated to genuine handicraft business of paper and paper products in Nepal. The company is one of the pioneer in handmade paper business established in 1988 on the ownership of four brothers as a family business, the share of the company is equally divided. The jointly held company is located in Kathmandu valley where, its production unit is situated in Kausaltar and its operating office is in Bhimsengola. The company sells 95% of its products to foreign market like United States, United Kingdom, Japan, Germany and many other European countries. Since, 1996 the company has been extending its operation in production capacity, widened factory and workshop building. The company usually buys lokta, the raw material to produce paper from local buyers from remote area of the nation. The company has annual sales about 30 million Nepalese Rupee. At present, company is hiring 150 employee and 80% are women, in which many are from local people who are Gateting job opportunity in different sector of production, trading and exporting.

As in the interview, it is mentioned that the production capacity is about 5000 paper sheet per day each of them are approximately 51x76 cm in dimension and 15gm in weight.

3.12.4 Paperworld Nepal

Paperworld Nepal is a private limited company, a member of Federation of Handicraft Association of Nepal. Marie Jeanne and Nagendra Bhandari have found the company in 1997, an unique among other handmade paper manufacturers. The company is using different combination of pulp, natural fibers and art material to produce paper and producing various products as notebooks, greeting card, craft paper and curtain for home decoration to fine art piece for handmade paper and fibers which are exporting 100% in international market. The company employs 90% of skilled, semi skilled and unskilled workers. In order to collect data, an interview was conducted with Executive Director Nagendra Bhandarai. He told, "we are determined to develop new technology on recycling paper preventing pollution, excess solid waste, reduction of fresh water consumption and saving energy. We are also emphasizing to produce diversifying new paper products through available raw material found in Nepal and giving priority to promote environment friendly business and job opportunities."

3.12.5 Himalayancrafts

Himalayancrafts is a private company. It produces handmade paper products such as wall paper, paper products, wrapping paper etc. It is located at Kupandol, Lalitpur, Nepal. Around thirteen employees are currently working over there. The company sells 90% of its products to foreign market in United States, EU countries, Middle East. Most of the workers are skilled and the quality of paper produced are excellent as told by Neeraj Madan, the CEO of the company.

The company is planning to extend its products into Japan, South Korea, China in the near future.

Currently around fifty percent of the employees are female but in the coming days it is planning to give more working opportunity to the female, since the company found female workers are more sincere and reliable to the work.

Chapter 4

Data Analysis and Presentation

4.1 Introduction

Questionnaires are developed and asked with the proprietors of the selected companies located at various places of Kathmandu Valley. Their views and opinions are transcribed. The questionnaire consists of 22 sets of qualitative questions; some of them are open ended whereas others are closed ended. As the questionnaire is qualitative, so thematic analysis is performed in the research.

2. Analysis of data

What is the mission and vision of your company?

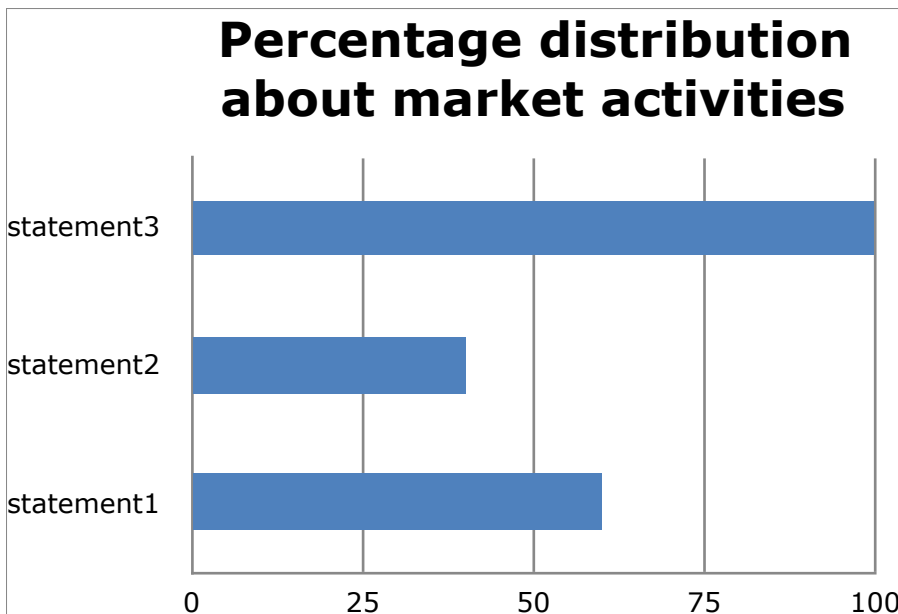
Regarding to this question, some proprietors opined that they wanted to make their company as a leading handmade paper enterprise in Nepal. Whereas some planned to utilize local resources properly. Besides these to decrease unemployment rate and engaging semi-skilled women in the enterprises are also their prime concern.

What are the main business activities of your company, for example, manufacturing, wholesaler, export and etc.?

Almost all enterprises are manufacturing the products. The products are mainly used in government offices which includes diaries, decorative items such as paper bag, sovenair, wall paper, flag etc. Some are whole sellers only whereas others are wholesalers as well as exporters.

How can you describe your business activities by the choosing one of the following statements?

- The company export products to the markets which are similar to the Nepalese markets;
- The company promotes products only to the international market;
- The company promotes products to the national and international markets



Among the three statements mentioned above, about 60% respondents agreed with first statement, 40% agreed with second and all the respondents agreed with last one.

What is the main strategy of company? For example, to concentrate on the few international or expand your business activities to the markets as much as possible.

Most of the enterprises determined to maintain the quality of the product whereas some of them confined in the domestic market and other planned to expand in abroad as more as possible. At the same time some are making strategy to go parallel in both markets. Moreover all are agreed to expand their company by hiring skilled manpower.

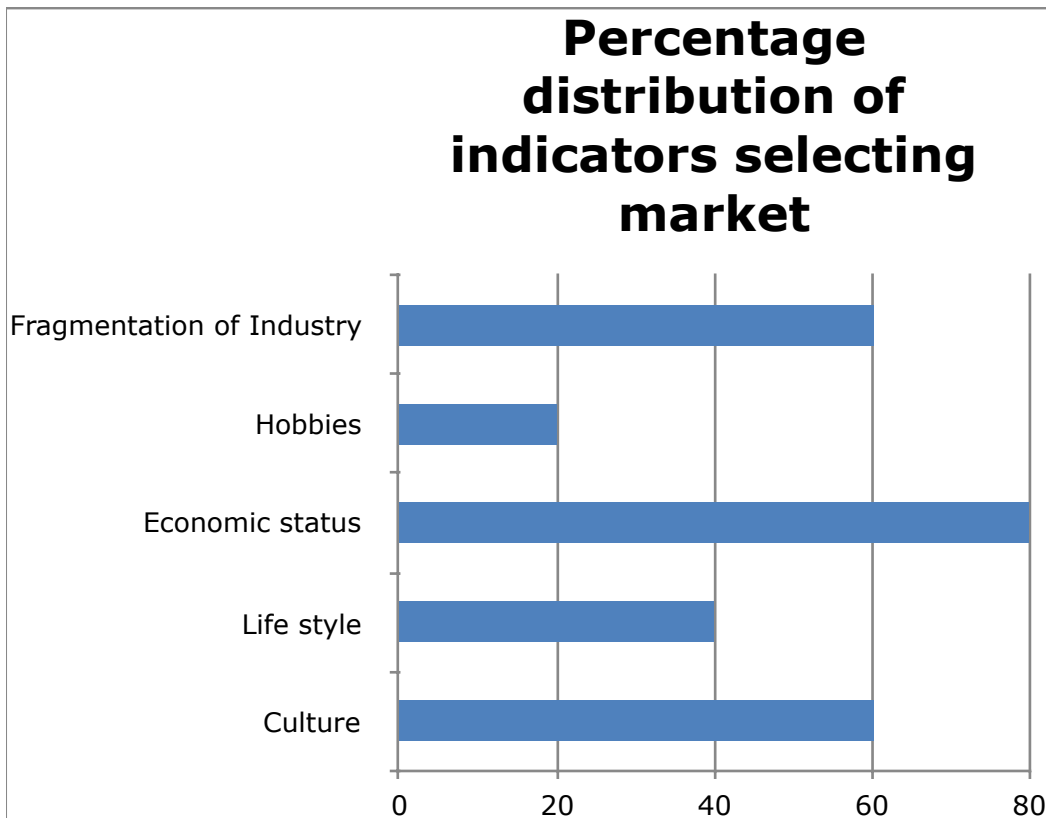
Why did you decide to enter the international market? What is influence on your decision? What are your main motives and reasons to enter the different markets?

All enterprises are successful in the local market so they are confident to go into the international market. Due to the quality of the product, uniqueness as well as traditional type of the product there is high demand in the international market.

How do you select the market where the company is going to operate? For example market access, level of competition or target customer.

All enterprises are conducting market research, the target markets are identified and then coordinate with market agents viz. tourists, business delegates etc. to operate their business in the abroad.

What are the main indicators for selection and making choice about market and tarGate groups? For example market potential, network quality.



Some enterprises opined that the culture, lifestyle, economic status and hobbies of buying antique and traditional products are the major indicators of selection while other prefers the past usage of the products and fragmentation of the industries.

What are sources of information to help for selecting the new market? For example, statistics of other companies or reports.

Most enterprises (80%) thoroughly go through periodic reports of FNCCI, HANDPASS, FHAN, MOISC etc. which helps them to Gate information about the market whereas others opined that they need to Gate knowledge about international language, culture to go to new market. Most of the enterprises opined that there is very good customer satisfaction which leads to the new potitential market.

What market is your enterprise operating in? If so, can you name some of them? (European, Asian, American market)

All of the enterprises have been operating in the local market whereas some are already operated in USA, EU, Japan, China, India, etc.

How do you enter the market or in other words do you sell the products or enter the market with help of your own forces or other companies, partners or agents during your first export activities?

Some of the enterprises (40%) are capable of selling their product by themselves while others are seeking partner or agent to enter in the market.

If your company is entering the new market with the help of other companies, what does this process involve?

Those enterprises who planned to seek for partners would like to sign MOU before operating process.

Can you describe the main distribution structure of the organization during the business activities in the international process? For example, wholesaler to retailer or retailer to consumers or direct to the end consumers.

Some enterprises (60%) supply directly from wholesalers to customers while others supply from wholesalers to retailers then to the end customers.

How do you control your sales and distribution activities in the new market? (reward , coercion, etc.) any specific ways.

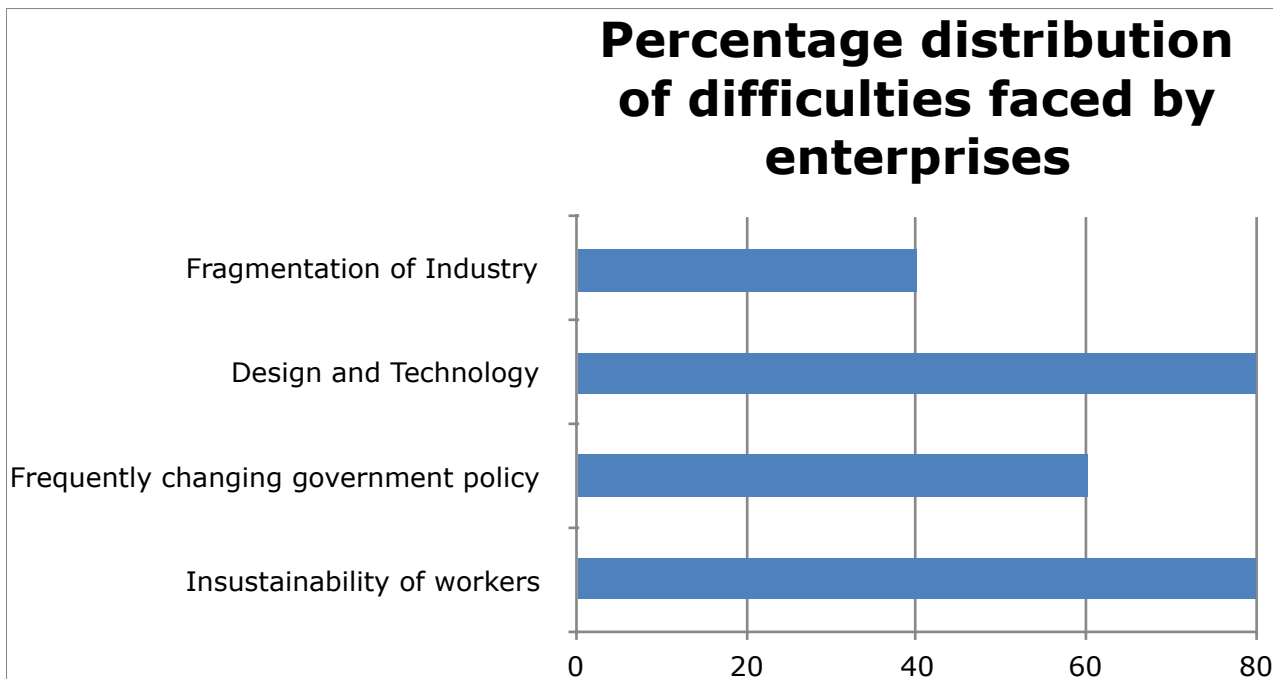
Some of the enterprises (80%) give the certain tarGate to meet in the specified time to distribute bonus whereas other give 25 to 35 percent of profit margin to retailers.

Do you meet barriers during the entering new markets? If so, can you give some examples?

The barriers mentioned by all of the selected enterprises are government policy: custom duty,raw materials,pay scale of employees,etc.,topographic condition:transportation problem,regular power cuts,labour strikes,instabilty of workers and distribution channels,economic barriers:due to inflation the labour cost and material cost may increase which results increment in the final price of the product.There is a social barrier too,which causes dispute in the society due immense use of native plants;argeli and danphe.

Furthermore, most of the selected enterprises seek for finanacial assistance from government level as grant or soft loan at nominal interest rate to meet their financial barrier.

What are the main difficulties occurs during operation in the new market?



Most of the selected enterprises (80%) feel that the workers are not sustainable for long period in their company due to hardness of work at low cost. So they prefer to switch their job within a year. Moreover, majority of the enterprises opined that the government is monitoring all industries by same rules and regulations but they demand to fragment the industries for better operation. Due to monotonous policy they are unable to enhance the quality of the product which lacks design and technology and finally drops their production capacity.

What are the main advantages and disadvantages experienced by the organization during the entering the new market and export activities?

Most of the enterprises (80%) opined that providing jobs, not to pay tax for the paper product, earning foreign currency are the major advantages whereas frequent change in government policy, shortage of labour and raw material, transportation hurdle, problems in shipment and cargo, unhealthy market are disadvantages.

Have you ever heard about the responsible or environmental production? What is the responsible or environmental production for you? For example green production and sustainable.

Most of them (80%) are confident that their products are environment friendly and free from child labour. Moreover, plantation of agrelia and danphe in large bare areas which balances environment.

Does your company have national or international standards or certificates? Can you give examples (International Organization for Standards ISO)

All the enterprises have got national standard certificate NSC whereas handful enterprises (40%) are able to Gate ISO certificate.

How do you think the standards and certificates are one of the main barriers for your company in the way of entering the new market?

Most of them (80%) opined that ISO certificate is necessary for International market whereas NSC is not mandatory for local market.

How do you think what is important during the going abroad?

All of them opined the following criteria are required.

- Certificate from Nepal chamber of commerce
- Letter of credit
- Quality approved certificate issued by government of Nepal.
- Modern technology and design in order to increase production capacity

Do you suggest expanding your business activities to the new markets? Why or why not? Which countries are they?

All of them wanted to expand their business in the abroad viz. USA, UK, EU, Japan, China etc.to increase their profit.

What can you suggest about your future prospects and plans concerning the expansion distribution era of business activities? In other words, the future of your company?

All the selected enterprises opined that there is good attention for their product due to environment friendly, traditionally produced, artistic in nature and of good quality. All of them are committed to produce environment friendly, quality enhanced paper product in the near future so that they could easily draw attention of the international market. Almost all of the selected enterprises anticipating government financial assistance to increase their productivity and quality. In the future, most of the enterprises are planning harvest argeli and danphe in their own farm.

Chapater 5

Conclusion and recommendation

Due to quality, durability and environment friendly product of handmade paper have bright future for the internalization. Moreover, the production of the paper is tax free, national identity and source of generating foreign currency. On the other hand, shortage of quality labor, regular strike, not available of raw material, change of government policies and ill competition among enterprises there is threat in this industry.

As there are very small paper makers involving in the raw material collection and production of paper which results no economies of scale. Their contribution is nominal to the final product. These small, fragmented micro-entrepreneurs usually compete with each other price cutting which ultimately makes everybody poorer. So there is huge inefficiencies and low level of productivity, basically in the unorganized channel.

There is very low level of coordination between micro-entrepreneurs and large paper product makers. If any paper product can not meet large export, they usually drop the order rather than coordinate with small manufacturers. Under the supervision of HANDPASS the situation seems to be improving gradually.

In most of the areas where lokta is easily available, lokta resources are continuously being depleted. Lokta has been uninterruptedly harvested in several districts with out rotational management for many years, which results shortage of lokta. Moreover, poor quality and immature or under sized lokta has started to coming in the market due to lack of knowledge of cutting and sorting.

Some constraints on the production of paper are as follows:

- Insufficient quantity of raw materials for paper production to run at optimum capacity.
- While producing paper, priority is given to quantity rather than quality.
- Quality is dropped due to lack of trained and highly skilled manpower.

- High rate of rejection by buyers in Kathmandu is resulted due to untrained workers, lack of quality control (grading knowledge at each stage of processing).
- Lack of sufficient clean water in Kathmandu also reduces the quality of paper.
- Generally the farmers who involved in paper production process do not have long term production and inventory planning mechanism.
- Lack of financial resources for high quantity production.
- As the farmers are involving in paper production process so they lack basic managerial skills which results inability to maintain business records and documentation about the production.
- Lack of marketing skills results no negotiating capacity with buyers in Kathmandu. Very limited numbers of paper makers have direct contact with buyers, most of them contracted with middle men to negotiate with buyers due to lack of organized and diversified market.

Design and product innovation are prime pillars of the manufacturer where the potential buyers stand on. Some of the big manufacturers have employed foreign designers to work with them sent by buyers. However, for most of the manufacturers' lack of design skills which is a big constraint. The local designers are incompetent whereas the few manufactures who are good at design do not want to share the skills with others. Most of enterprises are using the modest equipments, as the lack of modern machinery they are unable to produce as per specification of an order. All the enterprises are focused are focused serial production and export USA and EU.

Till date the government of Nepal is unable to introduce systematic lokta harvesting management plan and resource inventory in lokta harvesting district whereas it is regulated by giving permission in many DFO. However, it is also illegally collected by cutters from neighbouring districts. Because of lack of clear boundary lines for lokta collection, there is haphazard cutting and encroachment on forests. Sometimes forest officials may give more licenses to more number of factories than lokta resources can sustain. Moreover, there is also problem of multiple taxation viz. farmers have to pay a fees at stages of the process.

Even though the government has waived the tax for final handmade paper product, unable to assist the enterprises financially by providing soft loans or grants. Due to lack of indepth knowledge of various international languages, culture and lifestyles the entrepreneurs could not penetrate the potential market. Moreover, lack of proper information of potential market of Nepali Handmade Paper Product, the enterprises is unable to internationalize their products.

The research is based on only five enterprises located in Kathmandu valley out of 175 handmade paper firms through out the nation, so the result of this study may not be relevant to entire nation. Therefore it is recommended to future researcher to include as more as possible firms outside the valley.

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APPENDIX

Interview guide

General background questions

1. What is the mission and vision of your company?

2. What are the main business activities of your company, for example, manufacturing, wholesaler, export and etc.?

3. How can you describe your business activities by the choosing one of the following statement:
 - The company export products to the markets which are similar to the Nepalese markets;
 - The company promotes products only to the international market;
 - The company promotes products to the national and international markets

4. What is the main strategy of company? For example, to concentrate on the few international or expand your business activities to the markets as much as possible.
5. Why did you decide to enter the international market? What is influence on your decision? What are your main motives and reasons to enter the different markets?
6. How do you select the market where the company is going to operate? For example market access, level of competition or target customer.
7. What are the main indicators for selection and making choice about market and target groups? For example market potential, network quality
8. What are sources of information to help for selecting the new market? For example, statics of other companies or reports
9. What markets is your enterprise operating in? If so, can you name some of them? (European, Asian, American market)
10. How do you enter the market or in other words do you sell the products or enter the market with help of your own forces or other companies, partners or agents during your first export activities?
11. If your company is entering the new market with the help of other companies, what does this process involve?
12. Can you describe the main distribution structure of the organization during the business activities in the international process? For example wholesaler to retailer or retailer to consumers or direct to the end consumers.
13. How do you control your sales and distribution activities in the new market? (reward , coercion, etc) any specific ways.
14. Do you meet barriers during the entering new markets? If so, can you give some examples?

15. What are the main difficulties occurs during operation in the new market?
16. What are the main advantages and disadvantages experienced by the organization during the entering the new market and export activities?
17. Have you ever heard about the responsible or environmental production? What is the responsible or environmental production for you? For example green production and sustainable
18. Does your company have national or international standards or certificates? Can you give examples (International Organization for Standards ISO)
19. How do you think the standards and certificates are one of the main barriers for your company in the way of entering the new market?
20. How do you think what is important during the going abroad?
21. Do you suggest expanding your business activities to the new markets? Why or why not? Which countries are they?
22. What can you suggest about your future prospects and plans concerning the expansion distribution era of business activities? In other words, the future of your company?

Interview guide

Internal Barriers Related Question

- 1) INFORMATIONAL INTERNAL BARRIERS:
 - How you acquire the information about raw materials, market, choice of customer etc.
 - What are the major problems related with acquiring right information and how you deal with them?
- 2) FUNCTIONAL BARRIERS:
 - What criteria you choose while hiring specialized personnel and how they deal with exporting?
 - How do you respond to excess demand of your product?

- How often you make investment in research and development activities in foreign market?

3) **MARKETING BARRIERS:**

- What are the major marketing barriers you face in international market? How you deal with it?

External Barriers Related Question

1) **PROCEDURAL AND TASK BARRIERS:**

- What are the factors that affect operating transaction in abroad?
- How you deal with foreign customers and competitors?

2) **GOVERNMENTAL BARRIERS:**

- How government is assisting exporting activities?

3) **ENVIRONMENTAL BARRIERS:**

- What sort of environmental barriers you face while exporting and how you respond to it?