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# **The Impact of COVID-19 on Exporting Challenges of SMEs**

A Study of International New Ventures across Industries in India

School of Management  
School of Marketing and Communications  
Master's Thesis in Master's Degree Programme in  
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**ABSTRACT**

Resource-constrained SMEs as the backbone of economies, contribute heavily to employment, and drive innovation. However, it is estimated that 66% of SMEs fail within ten years from their establishment because of the adversities they face owing to their small size and limited resources. Despite their unparalleled growth and significance in the global economy, SMEs, especially those that have been international since their inception, have not been adequately researched. Therefore, using the Theory, Methods, and Context (TMC) framework suggested by Paul et al., (2017) for future research on exporting SMEs, this thesis incorporates (a) theories of International New Ventures (INVs), (b) exploratory research based on qualitative methods of case study, and (c) a country-of-origin context to study ten exporting INVs from four different industries in India.

There have been countless global crises in the past, but nothing could have prepared SMEs for the devastatingly disruptive impact that COVID-19 has had on occupational health and safety, labour, revenues, and business continuity itself. The purpose of the thesis is to explore the influence of COVID-19 on exporting challenges that INVs from different industries have been facing since the onset of the pandemic in India. The objectives of the study include exploring how the chosen industries have been affected, and uncovering the reforms that companies are planning to implement in the de-covidisation era. Understanding these aspects provides insight into how SMEs behave throughout all the three phases of global crisis management.

Using the qualitative research method, ten experts representing ten case companies were interviewed. Furthermore, two additional interviews were conducted to extract industry-level information from a regional Export Agent, and the Managing Director of one of the well-known EXIM logistics and ship building companies in East India.

The findings relate to how COVID-19 has exacerbated export challenges arising in the four main functional departments of business: human resource, production, logistics and supply chain, and finance. Being primarily a health crisis, the pandemic has severely affected labour-intensive manufacturing units. As subsets of the fashion sector, leather and cotton textiles industries struggled majorly with decline in demand. For INVs in the fruits and vegetables industry, transportation disruptions were most challenging because of the “perishable” nature of agricultural products - however, demand remained stable because “essential” products have a low elasticity of demand. Eyewear industry faced a major dip in sales, but a steep rise has been predicted in 2021, owing to the deterioration of eyesight because of increased screen-time during The Great Lockdown. All SME-INVs faced liquidity issues, although the degree of impact varied based on company profiles and industry. Through organisational learning in the post-crisis phase, INVs are planning to engage in strategic crisis management by re-evaluating their financial management, closing loopholes in contracts that stakeholders exploited during the pandemic, and looking into Business Interruption Insurance, among several other reforms.

The pandemic has exposed institutional loopholes by demonstrating the fragility of the global industry, which needs to be resilient with the help of resolve, re-imagination, and reform. Based on the findings of the study, this thesis provides several recommendations for interdependent systems to achieve resilience, allowing for the ability to anticipate, absorb, recover from, and adapt to the aftermath of disruptive shocks arising in the future - because crises are not a matter of “if”, but “when”.

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**KEYWORDS:** Export Challenges; SME; International New Ventures; India; Case Study; COVID-19; Crisis Management; Reforms; Resilience.

*Dedicated*

*to*

*the loving memory of my sister, Sadiqa*

*(1992 ~ 2020)*

*&*

*the words that were left unsaid*

## Contents

1	Introduction .....	1
1.1	Background	1
1.2	Justification	6
1.3	Research Questions & Objectives	8
1.4	Delimitations	9
1.5	Structure of the Thesis	10
2	Literature Review .....	11
2.1	Concept of Internationalisation	11
2.2	Internationalisation of SMEs	13
2.2.1	International New Ventures	13
2.2.2	Traditional Versus Born Global or International New Venture Approach	17
2.3	Foreign Entry and Operation Modes & Exporting	19
2.4	Overview of Exporting Challenges	22
2.4.1	Micro and Macro Challenges	24
2.4.2	Internal and External Challenges	25
2.5	Challenges Worsened by COVID-19	38
2.5.1	Financial Challenges	40
2.5.2	Logistics & Supply Chain Challenges	41
2.5.3	Human Resource & Production Challenges	41
2.5.4	Impact of Government Regulations	42
3	Research Methodology .....	44
3.1	Research Philosophy & Approach	44
3.2	Research Design, Purpose & Context of the Study	45
3.3	Execution of the Study	47
3.3.1	Data Collection	48
3.3.2	Analysing the Data	53
3.4	Validity, Reliability & Ethicalness	54
4	Findings.....	57

4.1	Impact of COVID-19 on Export Challenges - Functional Areas	58
4.1.1	Finance	59
4.1.2	Production	66
4.1.3	Human Resource	73
4.1.4	Logistics & Supply Chain	80
4.2	Reforms Planned	3
5	Discussion .....	90
5.1	Impact of COVID-19 on Export Challenges	90
5.1.1	Networks & Relationships	90
5.1.2	Export Marketing	92
5.1.3	Finance	94
5.1.4	Logistics & Supply Chain	96
5.1.5	Human Resource	97
5.1.6	Government Regulations & Impact	100
5.2	Industry Overview	101
5.2.1	Leather Industry	104
5.2.2	Cotton Textiles Industry	105
5.2.3	Eyewear Industry	106
5.2.4	Fruits and Vegetables Industry	107
5.3	Reforms & Innovation in the De-covidisation Era	108
6	Conclusion .....	113
6.1	Theoretical Contribution	113
6.1.1	Towards Systemic Resilience - Recommendations	115
6.2	Managerial Implications	121
6.3	Limitations of the Study	122
6.4	Suggestions for Future Research	124
	References.....	126
	Appendices.....	171
	Appendix 1. COVID-19 and its Perceived Impact on Export Challenges in Different Departments of Case Companies.	171

## Figures

Figure 1. Types of International New Ventures (Oviatt & McDougall, 2005).	20
Figure 2. Traditional Internationalisation compared to Born Global Internationalisation (Gabrielsson et al., 2012).	18
Figure 3. The Hierarchal Model of Choice of Entry Modes (Pan & Tse, 2000).	20
Figure 4. Perceived Impact of COVID-19 on Functional Departments Across Industries	103

## Tables

Table 1. Exhaustive List of Export Challenges	27
Table 2. Categories of Export Challenges Impact by COVID-19	39
Table 3. Information on the Case Companies and Interviewees	50
Table 4. Questionnaire	51
Table 5. Case Study Design Test and Definition (Yin, 1994)	55
Table 6. The New Classification of MSME - Gov. Of India	57
Table 7. Conversion Chart - Ranks converted to Scale of Impact for Graphical Representation	171
Table 8. Ranks converted to Scale for Graphical Representation by Inversion	171
Table 9. Average Impact of COVID-19 on Challenges arising in Functional Departments of Business in Each Industry - Data for Graphical Representation in Figure 4 (Page 103)	172

# **1 Introduction**

The topic of this master's thesis is export challenges for small and medium sized international new venture (INV) firms in India. The aim is to examine the impact of COVID-19 pandemic on the export operations of INVs across several industrial sectors, and to understand how these companies face different challenges when conducting business operations that have a direct impact on export performance. Despite the recent unparalleled growth of small and medium enterprises (SMEs) globally and in India, especially those SMEs that are international from their inception (INVs) through exports, not enough research has been done to study them. Moreover, the impact of COVID-19 on these INVs from different industries has not been explored yet, especially in the Indian context. Therefore, this thesis aims to explore how the pandemic has affected the business operations that are challenging for exporters, and compare the differences and similarities across the chosen industries. In addition to the background information and justification for the study, this chapter also includes the research questions and objectives, delimitations, and the structure of the thesis.

## **1.1 Background**

In the era of globalisation, international business and cross-border operations have become the norm, and SMEs play a crucial role in the development of economies through domestic and international trade. About 90% of the total business population in the world are SMEs, accounting for 70% of total employment and 50% of global GDP (World Trade Organization, 2019; International Labour Organization, 2020; United Nations, 2020). SMEs are major contributors to employment and innovation through entrepreneurship, and are considered the backbone of a country despite their small size and limited resources (Pavitt et al., 1987; Peters & Waterman, 1982; Amini, 2004). There are approximately 36 million SMEs in India, employing 150-180 million people, and 48% of all exports worth 306 billion USD are attributed to MSMEs (Ministry of Micro, Small

and Medium Enterprises, 2015; Financial Times, 2019). Therefore, the SME sector of India plays a huge role not only in the development of the economy but also in distribution of income and poverty alleviation in a country where the disparity in wealth distribution is significantly high (Pawar & Sangvikar, 2019). However, due to their limitations, SMEs face numerous challenges especially when competing internationally with large companies and experienced multinational enterprises (MNEs) that have strengths such as financial and technological resources, economies of scale and scope, human resources, among others (Mali, 1998; Lahiri, 2012). It is important to note that despite the negative impacts of the limitations that SMEs face, such as the flexibility due to their small-size, limited bureaucracy, and high motivation, there are several upsides of these limitations as well that enable their survival and growth, not only nationally but also in the international markets (Herbane, 2010, 2013; Hong et al., 2012; Irvine & Anderson, 2006; Paul et al., 2017; Alves et al., 2020).

The challenges that SMEs face can be grouped into categories such as micro and macro, internal and external, controllable and uncontrollable, home and host country factors, industry factors, and factors related to resources of functional areas such as human resources, marketing, finance, research and development, technology, and general management (Pan & Tse, 2000; Paul et al., 2017). Some challenges represent dimensions such as knowledge, resources, procedure, and exogenous factors (Arteaga-Ortiz & Fernández-Ortiz, 2010). Other challenges for small exporters are currency exchange, market entry barriers, trust, and quality control and safety standards, all of which compel exporters to customise products as per the requirements of target market(s) (Kedia & Chhokar, 1986; Ah Keng & Soo Jiuan, 1989; Duarte Alonso et al., 2014). Owing to these challenges, it is estimated that 66% of SMEs fail within 10 years from inception (U.S. Bureau of Labor Statistics, 2020). Furthermore, exporters' decisions about the development of company resources as well as their commitment to exporting is affected by different types of barriers and challenges (Shoham & Albaum, 1995; Katsikeas et al., 2000; Duarte Alonso et al., 2014; Kahiya et al., 2014; Kahiya & Dean, 2016). In other words, export challenges are negatively correlated to exporters' commitment to exporting, which when low contributes to problems associated with the SMEs' limited



resources. Limited resources make it more difficult for SMEs to cope with challenges, in comparison to large companies that have ample resources to strategically overcome these obstacles. This cycle is difficult to break, but it can be done by tackling various export challenges that SMEs face. In order to cope in the highly competitive and dynamic market, SMEs must improve in areas such as management, marketing, production, infrastructure, and technology (Mukherjee, 2018).

This thesis does not focus on export challenges that a new and/or domestic company faces when it first starts its international operations. This is because the objective of the study is to understand how COVID-19 has affected the challenges that International New Ventures face in their business operations in areas such as production management, logistics and supply chain management, financial management, and human resource management. Since case companies are from four different industries, understanding how the pandemic has impacted their business operations that directly influence export performance, can provide a basis for comparison of how exports from these industries have been affected by the ongoing COVID-19 pandemic.

In addition to focusing on various export challenges, resource-constrained SMEs must also focus on improving and maintaining their business operations to maintain competitive advantage in a volatile, uncertain, complex, and ambiguous world filled with numerous challenges of globalisation. This is important because it is the business operations that makes a company resilient and has a direct impact on the survival, growth, and success of an exporting company. Each functional department of the business has a critical role to play, and the success of one department is dependent on the others due to the interrelation of operations within a company. Therefore, emphasising on and prioritise different areas of their business operations equip SMEs to deal with challenges associated with exporting. Therefore, it is apparent why there has been plenty of research on success factors for each functional area of the business for SMEs, large multinational companies, projects, service and manufacturing industries, and in different parts of the world (eg. Nikolaeva & Pletney, 2015; Banadaki & Youngan, 2018; Mishra, 2016; Chamberlin et al., 2010; Pucihar, 2003; Rodríguez, 2003, Huang et al., 2011). Generally, success factors of business are categorised into different areas

such as leadership, management, intellectual capital, organisational innovation and competence, entrepreneurial characteristics, human resources, motivation, market orientation, firm characteristics, strategy, reputation of entrepreneur, and organisational culture (Ng & Kee, 2011). Although, SMEs tend to categorise their business success factors mainly as internal or external, and each internal or external success factor relates to areas such successful customer relationships, global competitiveness, government commitments, security and trust, cultural considerations, transparency of information, information systems and information technology infrastructure, top management support, and supply chain facilities (Chong et al., 2011). The success of business can be categorised into different functional areas of the company, but since the scope of the thesis is narrow, it focuses only on specific challenges arising in each functional department of the business that have been problematic for companies all over the world to manage during the pandemic.

There have been many global crises and pandemics in the past, but the ongoing COVID-19 pandemic is one of a kind in recent times, in terms of the severity of impact. The economic shock brought on by COVID-19 is extremely complex and severe, and it has affected both the demand and supply side of the global market. This is a complicated problem because changes in either the demand or the supply side impacts the other. Problems associated with the supply side of the market have been exacerbated due to disruptions in transport, protective measures such as social distancing, quarantines and “The Great Lockdown” affecting labour intensive productions (Ferraresi et al., 2020; Torero, 2020). Export-import restrictions have also had negative effects on the global economy as well as on the livelihood of millions of people worldwide. There has been a severe supply chain disruption globally, especially in the initial stages of the pandemic, and the most impact has been on air and water transports, although closure of country borders affected road transport as well (OECD, 2020; Aday & Aday, 2020; FAO, 2020). Moreover, the demand side has been affected because of the global recession projected by IMF and World Bank, entailing a contraction of global GDP by 4% coupled with a decline of world trade between 13-32% approximately, with major impacts on consumers’ spending patterns and purchasing power (International Monetary Fund,

2020; World Bank, 2020; United Nations Conference on Trade and Development, 2020; World Trade Organization, 2020; Torero, 2020). The decrease in demand for companies' output because of this pandemic has been the largest since the Great Depression, and therefore, profitability of SMEs has significantly dipped (Gourinchas et al., 2020). Needless to say, international trade has also been affected by the global foreign exchange rate volatility and border closures, and these have hit international SMEs the hardest (United Nations Conference on Trade and Development, 2020). This is understandable because even without a global crisis such as this pandemic, international SMEs face countless barriers and challenges in their day-to-day operations because of their size and limited resources. SMEs have been hit the hardest by the fallout of the COVID-19 pandemic, and they are struggling to survive the aftermath of this crisis and The Great Lockdown (International Labour Organization, 2020; United Nations, 2020). SMEs are the primary income provider for people at the "bottom of the pyramid", especially in developing nations; therefore, effective and efficient solutions are required to give them the support they need to survive and to continue contributing to the sustainable development and the global economy (International Labour Organization, 2020).

There have been numerous pandemics and global crises in the past, and we know they affect industry and trade; however, nothing could have prepared SMEs for the devastating impact that COVID-19 had, and continues to have, on business continuity, labour, revenues, and occupational health and safety (International Labour Organization, 2020). To alleviate the financial impact of the pandemic on SMEs, governments and banks have introduced several measures such as tax deferrals, interest-free loans, government-guaranteed bank loans, equity-like injections, and other relief packages. However, these blanket measures are not sufficient because there is a heterogeneity in the impact of COVID-19 in different sectors, and across countries based on the profitability and liquidity of companies, and on the demand and supply shocks. Therefore, accurately targeting these fiscal measures is critical to avoid misallocation of funds; in other words, companies that need help the most receive financial aid, instead of companies that do not need it (Gourinchas et al., 2020). Because

the pandemic has affected various industries in a different manner, this thesis seeks to explore that aspect for exporting companies of India.

In addition to financial assistance, SMEs need managerial guidance because the issues brought on by COVID-19 is multifaceted, and therefore, requires expertise and access to information that these small and medium sized companies usually lack. These companies must first understand how specific crises affects different areas of their business and their stakeholders, and then strategically target problem areas that require immediate attention, after which implementation of appropriate solutions to ensure the survival as well as their resilience in difficult times is required (Vargo & Seville, 2011). What makes it especially challenging for SMEs to deal with a crisis such as COVID-19, is not just their limited financial resources, but the fact that SMEs are much less likely to carry out strategic crisis management even before a crisis has risen. Additionally, it has been shown that crises inhibit strategic planning and decision-making due to several aspects such as the time pressure, restricted control over organisational processes and relationships, the magnitude and severity of the crisis overwhelming the management, and limited response-actions to choose from (Burnett, 1998; Vargo & Seville, 2011). This thesis will also explore how companies have learnt from the challenges that were thrown at them by the pandemic, and what measures or reforms they are going to implement in the post-pandemic era to strive for resilience. Understanding this will provide insight into how small sized INVs plan and/or act on their resolve, return, re-imagination, reform, and resilience (Sneader & Singhal, 2020).

## **1.2 Justification**

Majority of studies on internationalisation are generally focussed on large corporations, and do not cover the topic of SME internationalisation, especially in the context of exports from developing economies (Chowdhury et al., 2019; Chandra et al., 2020). Paul et al., (2017) make suggestions about the future research regarding the exporting

challenges of SMEs by using the Theory, Methods, and Context (TMC) framework. They suggest that (a) theories of international new ventures (INVs) be incorporated to exporting SMEs, (b) exploratory research based on qualitative methods of comparative case study be applied to different industrial sectors, and finally, (c) a country-of-origin context be applied. These suggestions are also supported by Chandra et al. (2020), and therefore, the topic of this thesis is justified because it aims to implement all these suggestions. Case companies are International New Ventures from different industries in India, and the topic of the thesis is explored by using the qualitative interview method.

India is among the top-5 largest economies, top-3 emerging markets, and the top-20 exporting countries in the world in 2019 (World Bank, 2020; Kwatra & Alexander, 2020; Statista, 2020). SMEs in India constitute 95% (or 64 million) of the total business units, employing about 40% of India's workforce, and have maintained an average growth rate of over 10% (KPMG, 2015; Ministry of Micro, Small, and Medium Enterprises, 2020; Confederation of Indian Industry, 2020). Furthermore, 48% of India's exports came from SMEs in 2019, jumping up from 7.5% of total exports in the previous year (Soni, 2019). This is a significant increase, but in the year 2020-2021, merchandise exports from India dropped about 11% which is being mainly attributed to the pandemic; therefore, a study focussed on Indian SMEs is not only justified but also required to understand the nature and operation of exporting SMEs based on the contexts of the Indian market and COVID-19 pandemic.

Primary theories of Born Global and International New Venture firms suggest that these companies are most likely technologically intensive as well as knowledge and service based (Evers, 2011). However, the literature has evolved, and there is evidence that this characteristic is not a requirement for companies to be considered an international new venture - this means that INVs can be from different industries and need not be technologically intensive (McAuley, 1999; Hallbäck, 2012). There is a vast research gap in studying Indian International New Ventures that are engaged in exports since their inception, especially those that are not technologically intensive or service based. Furthermore, the exporting challenges arising from business operations of INVs from different industries in India have not been studied in a comparative methodology.

Therefore, this study aims to occupy this apparent gap by focussing on these aspects in a meaningful way, and a study combining the following is justified: (a) the exporting challenges that Indian INVs have been facing because of the impact of the ongoing pandemic, (b) inter-industry comparison of the varying impact that the pandemic has had on export challenges, and (c) reforms and innovation that these SME-INVs plan in the post-pandemic era. COVID-19 is not just “a health crisis of immense proportion - it is also an imminent restructuring of the global economic order” (Sneader & Singhal, 2020). Therefore, the addition of the COVID-19 is interesting because it introduces a global crisis aspect which allows for the study of how INV-SMEs resolve, return, re-imagine, and reform, in such a crisis.

Crisis management has become imperative, and in order to survive any crisis, SMEs must change their attitudes towards crisis preparation, and equip themselves with a crisis management strategy (Global Alliance for Mass Entrepreneurship, 2020). This study shall also investigate aspects such as: (a) how INV-SMEs were able to survive during the initial shock of the pandemic, (b) how they are planning to revive their businesses in the post-pandemic era, (c) what they are planning to do to thrive in the long-term to become resilient. This information would be useful to other similar companies not only in India but in similar emerging economies, and would be a relevant addition to the existing but limited body of knowledge.

### **1.3 Research Question & Objectives**

The research question of the study is:

*“What is the impact of COVID-19 on the export challenges for International New Ventures operating in different industries in India?”*

This study aims to answer the research question by achieving the following objectives:

(i) Find out and analyse the export challenges faced in each industry since the onset of COVID-19 pandemic

(ii) Compare the differences in impact that COVID-19 had on export challenges faced by companies from various industries

(iii) Find out what kind of reforms companies are planning to implement in the post-crisis phase of COVID-19 pandemic to tackle the export challenges uncovered during this period

Hence, the aim of this study is to explore how these challenges were affected by the pandemic in different industries, the steps these SMEs took to deal with the crisis, and what the post-pandemic era entails in terms of innovation. This information is crucial in understanding the operations of these companies, the impact of a global pandemic on different types of exporting international new venture firms, their causation and effectuation logic, and how they adapt to such a global crisis. Furthermore, this study looks at the main themes of the research question (viz., export challenges), through all three phases of a global crisis (viz., pre-crisis, crisis, and post-crisis phases) that is the COVID-19 pandemic (Coombs & Laufer, 2018). These aspects would also help us understand how these companies could become more resilient against surprise elements, which will be there, and will continue to appear with a higher frequency (cf. Torero, 2020). It will also explore how companies similar in size, resources, and internationalisation strategy, can be affected differently depending upon their industry of operation within the same country-of-origin context.

#### **1.4 Delimitations**

The scope of this study is small and medium enterprises (SMEs), established and headquartered in India. The aim is to understand the various exporting challenges and business success factors of Indian SMEs, that were international through exports from their inception (viz., international new ventures). In this manner, the nature of the study

is international. Although the nature of study is international, companies that use only exporting entry and operation mode are taken into consideration. Additionally, one of the objectives of the study is to compare how COVID-19 impacted companies across industries; therefore, the study is not limited to a single industry because that would narrow the scope too much and not allow the objective to be achieved. Lastly, COVID-19 pandemic is a central theme of this study, and the exporting challenges and success factors are explored with reference to the pandemic.

## **1.5 Structure of the Thesis**

The general structure of the thesis is as follows: Chapter 1. Introduction highlights the background information and justifications for the study; chapter 2. Literature Review lays down the theoretical foundation of the study, and will form the basis of discussion of findings; chapter 3. Methods discusses the methodological choices concerning the nature and execution of the study; chapter 4. Findings presents all the relevant findings of the study; chapter 5. Discussion analyses the findings in references to the theoretical foundation laid down earlier; and finally, the study is concluded in chapter. 6. which includes theoretical contributions, managerial implications, limitations, and suggestion for future research.



## **2. Literature Review**

### **2.1. Concept of Internationalisation**

The term “international” either means the attitude of companies towards international activities, or the actual operations carried out abroad (Johanson & Wiedersheim-Paul, 1975). In international business (IB), internationalisation is a central theme wherein plenty of research has been done to understand the concept and how it relates to various other business concepts (Welch et al., 2007). Therefore, this paper focuses on internationalisation from the lens of a special category of SMEs known as international new ventures (Oviatt & McDougall, 1994), sometimes also known as entrepreneurial internationalisers (Schwens et al., 2017).

Johanson and Wiedersheim-Paul (1975) state that companies first develop in the home market, and internationalisation is the result of a sequence of incremental decisions. They mention the most important barrier to internationalisation to be the lack of knowledge and resources. These resources are explained as assets, capabilities, process, information, and knowledge that a company owns, and which can be used to improve competitive advantage in the international markets (Barney, 1991). Welch and Luostarinen (1988) add that internationalisation can be defined as the process of increasing engagement in international activities of a company. Furthermore, they clarify that there is no certainty about the continuance of the process, and that companies can de-internationalise at any stage. However, this de-internationalisation is more likely in the earlier stages of exporting. Furthermore, not all companies strive to progress to a higher level of foreign operation mode and are content with their current level of commitment to internationalisation.

In the initial internationalisation stage, companies target countries that are psychologically close to the home market, and use entry modes that require less commitment in terms

of resources and risks (Johanson & Vahlne, 1977). With the increase of international market knowledge, through networking and operational experience, companies tend to increase their foreign market commitments and expand to psychically distant markets. Therefore, the stages theory or Uppsala Model of internationalisation theory focuses on traditional cross-border behaviour, rather than theories of accelerated internationalisation or international entrepreneurship (Berisha & Lama, 2013).

There are many definitions of internationalisation, and most of them explain that companies increase their degree of international business activities by adapting their operations (strategy, structure, and resources) to international environments (Calof & Beamish, 1995; Roque et al., 2019). These adaptations are based on micro and macro aspects such as market, product, time, and performance (Welch & Luostarinen, 1988; Ruzzier et al., 2006). Internationalisation can take place through various non-equity and equity foreign entry modes (FOMs), such as exporting, contractual agreements, equity joint ventures, and wholly owned subsidiaries; each of which have pros and cons regarding investments, ownership, and control (Pan & Tse, 2000). These modes can be viewed as a toolbox, and one or more can be used to expand operations in the international market depending on various factors, internal and external to the company. These modes can be used in a similar manner by both SMEs and large MNEs, whether they are initial entrants or experienced in international operations. However, the access of knowledge, and the ability to use the modes of entry and operation varies significantly between SMEs and MNEs (Welch et al., 2007).

There are numerous theoretical approaches and frameworks on internationalisation, such as the transactional cost approach (Rugman, 1982; Hennart, 1982; Williamson, 1985; Hennart & Park, 1993), institutional theory (DiMaggio & Powell, 1983), contingency theory (Reid & Smith, 2000), and theory of networks (Johanson & Mattsson, 1988; Coviello & McAuley, 1999; Johanson & Vahlne, 2009). Other widely used internationalisation models (IMs) are (a) U-Model or Uppsala IM based on “gradual extension of operations and commitment” to FOMs (Johanson & Vahlne, 1977, 1990; Johanson & Wiedersheim-Paul, 1975); (b) I-Model or Innovation IM, wherein each stage is considered an innovation, and involves increased commitments to exports (Bilkey &

Teaser, 1977; Cavusgil, 1980; Andersen, 1993); (c) Born-Global Internationalisation, wherein small knowledge-intensive technological firms enter international markets soon after their inception, with accelerated expansion in the global market in the first three to five years (Knight & Cavusgil, 1996; Gabrielsson & Kirpalani, 2004; Chetty & Campbell-Hunt, 2004); (d) theory of International New Ventures (INVs), which are international from their inception (Oviatt & McDougall, 2005); (e) Non-Sequential Model (Clark et al., 1997; Cuervo-Cazurra, 2011), stating that, in addition to market specific knowledge, comprehensive experiential knowledge from operations in international markets is also a resource used in the internationalisation process. Therefore, the non-sequential model is a counterpart to the U-Model which dictates a hierarchical approach in foreign entry and expansion (Roque et al., 2019); (f) Eclectic (or OLI) paradigm, which focuses on dimensions such as ownership, location, and internalisation of MNEs for foreign direct investment (Dunning, 1977), and (g) Integrated Model which combines different models, and highlights different trajectories for internationalisation process (MacNaughton et al., 2003). This integrated model views the internationalisation process as neither linear nor unidirectional, but with progressions and regressions; hence, it focuses on “internationalisation” concept rather than “stage” concept of the internationalisation process (Bell et al., 2003).

## **2.2. Internationalisation of SMEs**

### **2.2.1. International New Ventures**

This paper focuses on internationalisation of international new ventures because all three case companies were international from their inception, without any domestic period. The application of stages theory of the MNE evolution to such international new ventures is inappropriate because of the emphasis of organisational scale as a competitive advantage which is something INVs lack (Oviatt & McDougall, 2005).

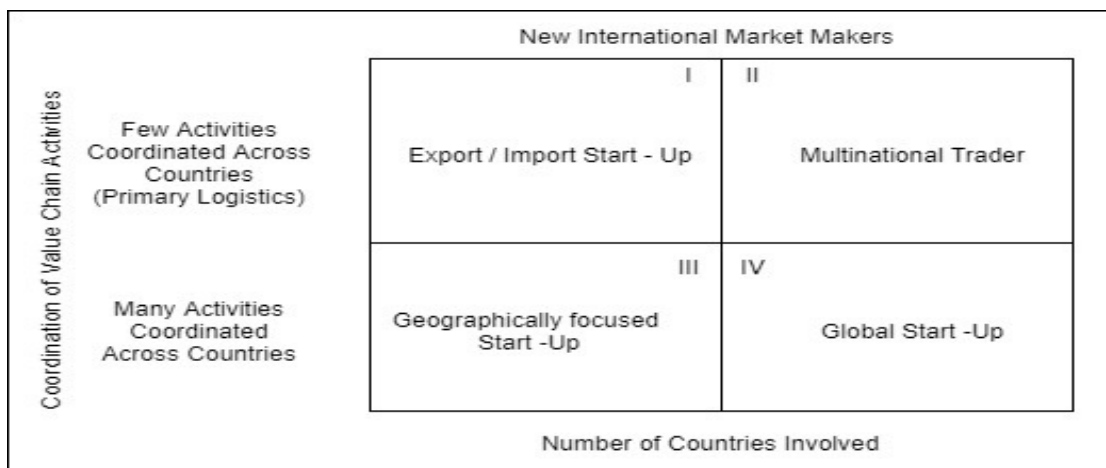
Furthermore, the traditional theories have made assumptions such as (a) companies with sufficient resources will take major incremental steps towards internationalisation; (b) foreign market conditions are static and homogeneous and therefore learning about them is easier; (c) previous experience in similar markets may be generalised to a newly targeted market. These assumptions do not apply to INVs because (i) INVs are young and small sized with limited resources and power (Stinchcombe, 1965; Vesper, 1960), and may not want to shift to a higher level of operation mode; (ii) their markets are among the most volatile; (iii) due to their young age, they have limited or no experience in any market (Oviatt & McDougall, 2005). Oviatt & McDougall's (2005) theory of sustainable international new ventures has traditional aspects such as reliance on transaction cost analysis, market imperfections, and the international internalisation of essential transactions that explain MNE existence. However, the theory has new additions from international entrepreneurship research about how ventures attain control over resources without owning them (Oviatt & McDougall, 2005; Casson, 1982), and some from strategic management research about how competitive advantage is developed and sustained. These aspects introduce SME-INVs as a special kind of MNE (Oviatt & McDougall, 2005). External factors that contribute to the rapid internationalisation of Born Global or International New Venture companies include the emergence and development of the global market, reduction in psychic distance due to increased globalisation, and rapid technological improvements in production, logistics, and ICT, among others. Internal factors are also major contributors, and include the international experience, entrepreneurial orientation, and access to environmental knowledge of the owner-managers of these rapidly internationalising companies (Andersson, 2000; Andersson & Wictor, 2003; Bloodgood et al., 1996; Ibeh & Young, 2001; Welch et al., 2007).

Born Globals and International New Venture firms have one of the two types of entrepreneurs: (a) younger and inexperienced, but creative and highly ambitious, so they strive to fulfil their ambitions in their own organisation; (b) older and experienced intrapreneur who was unable to pursue their ambitions in the large organisation in which they worked, so they set-up their own company to do it on their own or with

people who share the same background and ambitions as them (Andersson & Evangelista, 2012). This study, however, is from the perspective of the firm, and therefore, does not focus on the owner-managers.

### Types of International New Ventures:

Different types of international new ventures are categorised by the number of value chain activities that are coordinated, and by the number of countries they entered (Oviatt & McDougall, 2005). The figure below shows types of companies at the extremes of both the continua, and mixed types in between. However, with time, companies may change type by coordinating less or more activities and by operating in less or more countries.



**Figure 1:** Types of International New Ventures. (Adapted from: Oviatt & McDougall, 2005)

#### (a) New International Market Makers

In Figure 1, quadrants I and II represent New International Market Makers. Exporters and importers move goods from the countries where they are to countries where they are demanded. Their most important value chain activities that are most likely internalised are the systems and knowledge of incoming and outgoing logistics. Furthermore, direct investment in any country is minimum. Their competitive advantage depends on their ability to identify and capture emerging opportunities, knowledge

about markets and suppliers, and the ability to attract and maintain a loyal network of business associates. New International Market Makers can be either Export/Import (EXIM) Start-ups or Multinational Traders. While EXIM start-ups focus on operating in a handful of countries that the entrepreneur is familiar with, Multinational Traders are on the constant lookout for emerging opportunities in many countries where their networks are either established or can be easily established (Oviatt & McDougall, 2005).

### **(b) Geographically focussed Start-ups**

In Figure 1, quadrant III represents a type of INV that focuses on trading opportunities in a particular region using specialised resources. The difference between Multinational Traders and Geographically focussed start-ups is that the operations of the latter are limited to the area of the specialised need, and that the activities coordinated are more than just those of inbound and outbound logistics. However, they differ from EXIM start-ups only in the latter aspect. These companies' competitive advantage lies in the successful coordination of various value chain activities related to technology, human resources, and production. Such a successful coordination is strengthened since it is extremely difficult to imitate because of the specialised knowledge involved and the exclusivity of alliances in the geographical region served (Oviatt & McDougall, 2005).

### **(c) Global Start-ups**

In Figure 1, quadrant IV represents the most common type of INV, and whose competitive advantage stems from the extensive coordination of multiple value chain activities spread across the globe. These companies respond to globalising markets but also proactively look for opportunities to sell goods wherever they have the highest value. Global start-ups are the most difficult INV to setup because they require specialised skills at both geographic and activity coordination. However, after the successful establishment of such INVs, their competitive advantage is the most

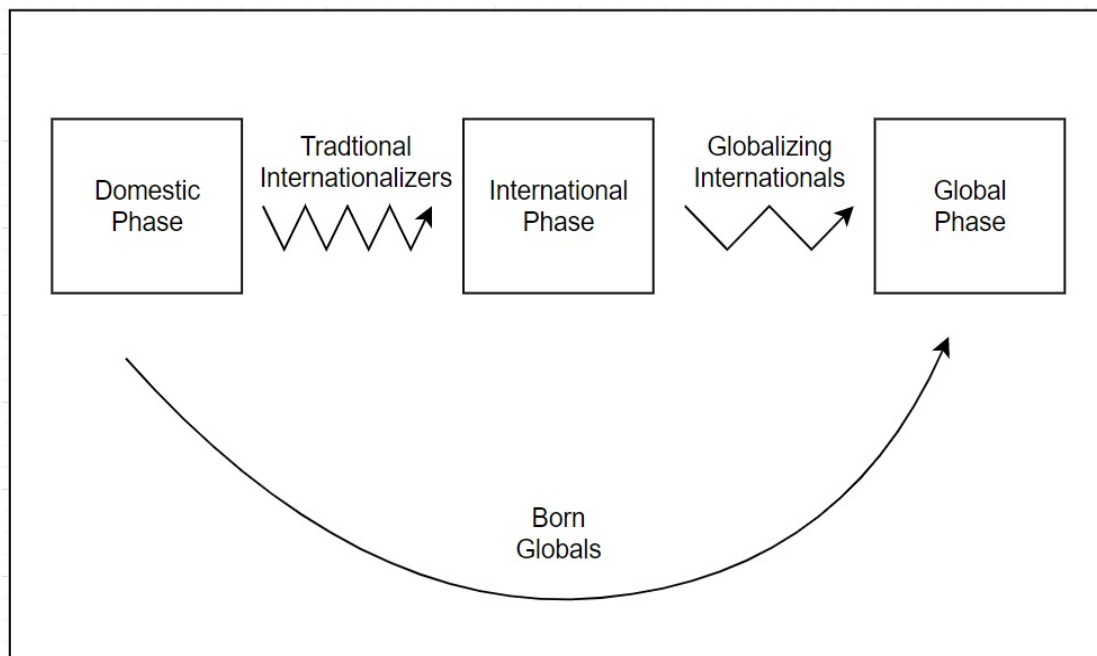
sustainable due to a mixture of unique, vague, and socially complex inimitability with close network collaborations in many countries (Oviatt & McDougall, 2005).

### **2.2.2. Traditional versus Born-Global or International New Venture Approach**

This thesis focuses on International New Venture firms only; therefore, it is important to understand the difference between the traditional BG/INV type of internationalisation approach. The traditional approach is based on two main models, the more commonly used Uppsala Internationalisation model (Johanson and Vahlne, 1977; Johanson et al., 1975), and the Innovation Model (Cavusgil, 1980). Both models represent the “evolutionary perspective” that is based on the Stages Theory of Internationalisation (Johanson & Vahlne, 1977) and on the Three Phases of Global Expansion (Craig and Douglas, 1996).

The Uppsala model states that as companies learn more about the target market to reduce psychic distance, they commit more resources to internationalisation by investing more in that market, and eventually these companies begin to increasingly use a wider product assortment/categories and services to take advantage of economies of scale (Gabrielsson & Gabrielsson, 2003). They start with indirect exports, direct exports, franchising & licensing, international sales subsidiary, and finally, international production (Johanson et al., 1975). Furthermore, choice of market entry is also based on incremental cultural and psychic distance, which relate to the difference between home country and target country in terms of language, culture, politics and legal systems, and economy (Johanson and Vahlne, 1977). The idea behind this incremental approach (Chetty & Campbell-hunt, 2004) to internationalisation is based on the lack of experiential knowledge of the target market, which increases the risks associated with internationalisation activities (Johanson and Vahlne, 1977). A loophole in this model is the assumption that firms desire equity modes of entry and operation all along. The theory of born-globals and International New Ventures provide insight into this exception (Knight & Cavusgil, 1996; Hennart, 2004).

In Figure 2, international expansion over a period is represented by arrows. Straighter lines represent quicker progress to the subsequent stage; whereas, the zigzag lines represent slower progress to the next stage. Figure 2 shows that born-global companies skip both the long international and domestic phases, and move to the global phase rapidly. It is important to note that similarly, international new ventures skip the domestic phase and are international from their inception. A company is either international or global depending upon the percentage of the company's sales and the target markets of sales (Gabrielsson et al., 2012).



**Figure 2:** Traditional Internationalisation compared to Born Global Internationalisation. (Adapted from: Gabrielsson et al., 2012)

The fundamental differences between traditional or Uppsala-type MNEs and born-global (BG) or international new venture firms (INV) (Chetty & Campbell-hunt, 2004; Gabrielsson & Kirpalani, 2012; Hennart, 2014) are as follows: (1) since internationalisation in BG/INVs is not in long stages, the entry and/or penetration is faster because BG/INVs tend to use non-equity entry modes. In addition to benefits from decreased transportation costs, BG/INVs are often knowledge intensive firms that sell



primarily through internet/hybrid sales channels that adds to the ease in internationalisation; (2) BG/INVs are smaller firms with lesser resources, as compared to traditional firms, but the products/services offered are scarce and extremely valuable with high-demand that increases the market-pull phenomenon from the dispersed target markets; (3) BG/INVs internationalise because the home market is small with not enough demand for their products/services, or they identify increased demand in the foreign markets; (4) Unlike traditional internationalisers, BG/INVs enter markets with existing opportunities rather than markets with lesser psychic distance.

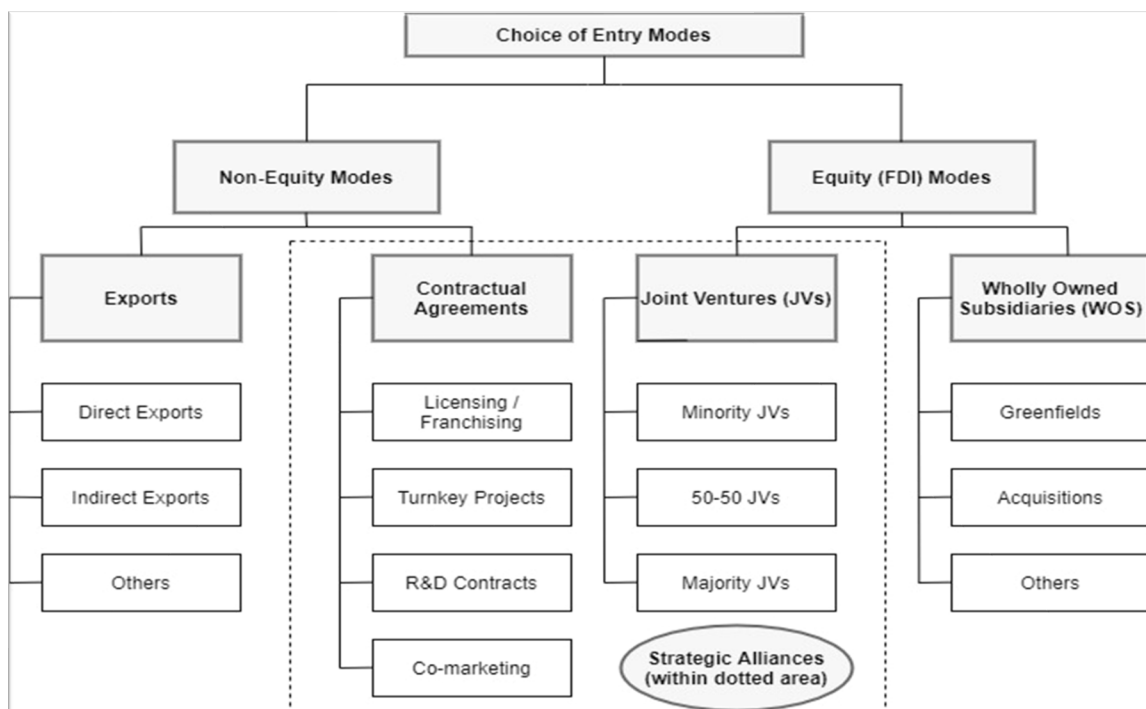
For multinational business enterprises (MBEs), Vahlne and Johanson (2017) emphasize that “what happens in firms, happens in relationships”. In both traditional and BG/INV internationalisation, the role of networking cannot be dismissed. However, compared to traditional internationalisers, BG/INVs rely more on networks than on equity investments (Oviatt & McDougall, 1995, 2005); this helps them internationalise faster (Hennart, 2004). In addition to the benefits of networking mentioned, it also helps increase “insidership”, thereby reducing the “liability of outsidership” (LoO) (Schweizer, 2003) and the “liability of foreignness” (LoF) (Zhou & Guillen, 2016). Overcoming the liability of outsidership is a “prerequisite to firm internationalization”, and understanding the significance of social network theory (SNT) in this process is required (Yamin & Kurt, 2018). Network relationships improve insidership which improves international performance (Almodóvar & Rugman, 2015) not just in MNEs but also in SMEs with newly opened business networks (Hilmersson, 2013). Interestingly, Hennart (2004) mentions a few studies which argue that networks do not necessarily make the internationalisation process faster.

### **2.3 Foreign Entry and Operation Modes & Exporting**

Foreign operation modes (FOM) – their choice, management, and change – represent the indispensable part of international trade (Welch et al., 2007). The interrelation and

interdependence between entry modes and foreign operations is extremely “tight”, and the choice of entry mode determines how foreign operations will be carried out (Reid & Rosson, 1987). Therefore, entry modes are institutional arrangements that allow companies to enter and operate in a foreign country (Rasheed, 2005).

A company’s competitive advantage relies on its tangible and intangible assets; therefore, the resource-based view (RBV) dictates that the choice of entry mode depends on these resources that are available to the company (Kamakura et al., 2012). According to RBV, smaller companies have limited resources which prevents them from investing in high-risk/high-reward entry modes. SMEs that enter the foreign market using scarce resources seek to increase available resources so they can progress their internationalisation stage (Kamakura et al., 2012). However, this is not the case for all the companies, and they do not plan to progress to the “next” stage with an increased commitment to internationalisation.



**Figure 3:** The Hierarchical Model of Choice of Entry Modes. (Adapted from: Pan & Tse, 2000)

Foreign entry and operation mode choices include two main categories (a) Equity Modes (FDI/ownership), and (b) Non-equity Modes (Exports and Contractual agreements). This study focuses on case companies engaging in international business only through exports, and therefore, this section includes discussions only on the non-equity mode of exporting. Both SMEs and large companies from every sector may engage in exports, either as an entry mode to a new market or as a method of mode-stretching or mode-switching in existing or new markets (Welch et al., 2007). Mode-stretching is when a company is already international through one or multiple modes of foreign operation, and decides to engage in additional mode(s) of operation. Mode-switching, on the other hand, is when an international company decides to discontinue one or multiple mode(s) of foreign operation, and decides to continue being international through different mode(s) of operation. The commonality in mode-stretching and mode-switching is that the company is already international; however, the difference is that the former involves the addition of new mode(s) of operation, and the latter involves a replacement in the mode of operation that the company is engaging in currently (Welch et al., 2007).

Another notable aspect is the usage of terms “entry modes” and “operation modes”; while both have been interchangeably used in literature, there is a minor difference in the meanings. The former refers to the mode that a company uses to enter a new market, but the latter refers to the mode that the company is already using in the international market(s). Therefore, a domestic company may first choose to become international through exports, and after gaining experience and knowledge in the host market(s), may decide to continue being international through: (a) exports, (b) exports and other operation mode(s), or (c) other operation mode(s) but not exports. In this example, exports are the entry mode in all three cases. However, (a) represents both the entry and operation mode; (b) represents exports and the new addition(s) as the operation modes, and implements mode-stretching; and (c) represents the new addition(s) as the operation mode(s) which replaced exports, and implements mode-switching.

Depending upon the company’s resources, they may choose different approaches to exporting such as (a) direct exporting from home to host country without involving

middlemen or agents, (b) indirect exporting through local or international middlemen or agents. Agents and distributors help early stage internationalisers access on-site representation without these SMEs having to invest in establishing subsidiaries. This access includes contextual knowledge of the host market(s), networks and relationships, culture, local demand, allowing companies to enter and penetrate the new market with decreased risks (Welch et al., 2007). The use of intermediaries helps resource-constrained SMEs to export heavily, but once companies build their resources and knowledge-base, they may move to direct exporting to increase profits. However, as indicated above, this is not a necessity for all companies.

The use of intermediaries in exporting has significant advantages, especially for inexperienced companies with limited resources, but there can be several disadvantages as well. Since this approach involves a third party, that the companies may not always be able to control fully, there is a potential risk that these intermediaries may indulge in inappropriate activities that may be harmful to the company. For instance, intermediaries may indulge in parallel exports from the company's direct competitors, opportunistic behaviours, disputes leading to poor relationships, inability or unwillingness to continue adhering to the exporter's marketing strategy. These problems may push the exporter to replace its current intermediaries, engage in mode-switching, or taking a different approach by exporting directly. Compared to indirect exporting, direct exporting involves increased risk and commitment, but also has a higher payoff if the exporter is able to justify using this approach through (a) the optimal use of available technical and sales staff in the host market(s), and (b) building and maintaining networks and relationships (Welch et al., 2007).

## **2.4 Overview of Exporting Challenges**

Despite their small size and limited resources, small and medium enterprises (SMEs) play a major role in the development of the national economy by contributing to employment growth and innovation, and are therefore considered the backbone of the

economy (Peters & Waterman, 1982; Pavitt et al., 1987; Amini, 2004). Compared to large multinational enterprises (MNEs), SMEs lack economies of scale and scope, financial and technological resources, and a deep understanding of international markets based on extensive networking; however, SMEs have strengths such as quick decision-making, entrepreneurial dynamism, motivation, flexibility, among others (Paul et al., 2017). Large companies respond better to trade barriers and other restrictions because they have developed their resources and competencies over time to become more resilient; hence, it is easier for large companies to successfully enter foreign markets and achieve competitive advantage, and the impact of these barriers and challenges is stronger on SMEs (Beamish, 1990; Piercy et al., 1999; Wolff & Pett, 2000; Griffith et al., 2008; Paul & Gupta, 2014). Furthermore, the size of the company affects the way trade barriers and challenges are perceived, which impacts the way companies tackle these problems (Kahiya et al., 2014; Kahiya & Dean, 2016).

Exporting is regarded as the most widely recognised and used form of foreign entry and operation, especially for SMEs. However, up until a few decades ago, mostly large exporting companies and international entrepreneurship were studied in detail, but not exporting SMEs (Paul et al., 2017). Owing to these facts, there has been an increase in extensive research to identify and explore the trade barriers and challenges that exporting SMEs face in general and in specific contexts such as products, industry, and country of operations (eg. Paul et al., 2017; Kahiya & Dean, 2016; Kahiya, 2013; Chaudhari et al., 2012; Lee et al., 2014; Amjad et al., 2013). It is important to understand that there is a difference between trade barriers and challenges. For example, the former refers to factors that deter mostly non-exporters from exporting, whereas the latter refers to obstacles that existing exporters face while conducting business (Leonidou, 2000; Morgan & Katsikeas, 1997; Paul et al., 2017). However, trade barriers also affect the operations of existing exporters, and unforeseen drastic changes can even threaten profitability and survival of small exporting business, especially in times of global crises such as the COVID-19 pandemic (cf. United Nations Conference on Trade and Development, 2020; ASEAN-India Centre, 2020; Dubey, 2020). Furthermore, both trade barriers and challenges cause increased uncertainty in the management of SMEs,

thereby contributing to an apprehensive attitude that negatively impacts performance and decisions taken about international operations (Ghouse, 2017). Therefore, while researching existing exporters, this paper will analyse both trade barriers and challenges collectively as “export challenges”. Export challenges stunt the ability of companies to enter, grow, and survive in new or existing markets (Ghouse, 2017). These export challenges may be classified in different ways, some of the major ones being micro and macro, internal and external, and functional area specific such as finance, human and social capital, logistics, marketing, and general management (Tesfom et al., 2006; Kahiya & Dean, 2014; Paul et al., 2017).

#### **2.4.1 Micro and Macro Challenges**

Problems that a company cannot control are often called exogenous problems, and they represent macro challenges. Some macro challenges are unsuitable institutional environment, poor economic condition and unfavourable exchange rates, inadequate national policies to stimulate international trade, foreign currency restrictions, and trade restrictive international agreements (eg. Ogram, 1982; Brooks & Frances, 1991; Kaleka & Katsikeas, 1995; Ghauri & Holstius, 1996; Cardoza et al., 2015). Problems that a company can influence and control are known as micro challenges, which usually relate to actors in the company’s immediate environment. For example, issues finding a reliable distributor, customer engagement, and problems related to functional areas of the business are internal issues that a company can control to some extent (Kaynak et al., 1987; Paul et al., 2017). However, micro issues can also arise within the company, and are also known as internal challenges.

#### **2.4.2 Internal and External Challenges**

Problems that lie within the organisation are internal challenges, whereas those outside the organisation are external challenges and can be categorised as either micro or macro. Furthermore, all entrepreneur-managers of SMEs are confronted with several internal and external problems, and SMEs go through a learning cycle to position themselves strategically in a way to overcome the challenges (Bagchi-Sen, 1999; Julien et al., 1997; Arranz & De Arroyabe, 2009). Internal and external barriers can be present in both the domestic and international markets (Leonidou, 1995; Morgan, 1997). These challenges can be further grouped into categories such as knowledge, resources, procedure, and exogenous factors (Arteaga-Ortiz & Fernández-Ortiz, 2010). External challenges may relate to micro factors pertaining to the various actors in the environment, or macro factors such as the international economy and global issues. Internal challenges can relate to export marketing, internal financing, management of quality and certifications, economies of scale, sustainable strategies for logistics, restructuring the export department, hiring competent employees, financial management, creation and maintenance of international networks, access to knowledge, and perception of the owner-managers towards these problems (Rabino, 1980; Kaynak & Kothari, 1984; Czinkota & Ricks, 1983; Madsen, 1989; Yang et al., 1992; Baykal & Gunes, 2004; Kahiya & Dean, 2014; Paul et al., 2017). Internal and external factors are interrelated and therefore, act and react upon one another in a never-ending cycle.

The table below shows a compilation of all exporting challenges that companies face (Amjad et al., 2012; Kahiya, 2013; Kahiya & Dean, 2014; Gebrewahid & Wald, 2017; Ghouse et al., 2017; Paul et al., 2017). In this section, various exporting challenges faced by companies are discussed, and an overview is provided. Micro challenges can be divided into internal and external factors, whereas macro challenges are only external

in nature. Companies are directly affected by both internal and external factors, and can control mostly the internal factors because those lie within the company. Macro challenges impact companies to a great extent but are difficult, if not impossible, to control; however, it is possible for companies to manage macro challenges to mitigate the risks associated with them.



Export Challenges		
Internal Factors	Micro	Macro
Internal Factors		External Factors
Difficulty in selecting reliable distributors	Availability of reliable distributors	Lack of proper trade institutions and institutional rigidities
Lack of negotiating power	Lack of relative power in negotiation	Lack of incentives and protectionism from the government
Inability to access information & Low understanding of target market, its challenges and business opportunity	Foreign competition	Political instability
Poor organisation of exports department	Competition	Legal and political problems
Low international experience	Customer barriers	Demand insufficiency
Inability to achieve competitive advantage in foreign markets	Inter-firm relationships	Adaptation problem of market entry
Lack of capital and other insufficient resources leading to financial issues along with low production capacity		Home market barriers
Managerial related barriers		Host market barriers
Networks		Industry level barriers
Locating overseas distributors		Corruption
Managerial connections		Free Trade

Export Challenges		
Internal Factors	External Factors	Macro
Logistical issues		Psychic / cultural distance
Human Resource issues		Technical standard and health regulation
Logistical issues		Foreign exchange/currency
Improper communication/liaison		Industry structure
Ineffective representation in foreign market		Governmental barriers
Technical issues causing delays leading to customer discontent		<i>Exogenous Barriers :</i> ● Foreign Exchange
<i>Infrastructure , technology &amp; tools :</i> ● Factory set-up ● Capacity ● Remoteness to ports ● Accessibility to host markets ● Lack of warehouses in host markets		<i>Procedural Barriers :</i> ● Bureaucratic Hurdles ● Sanitary measures and Certification issues ● Industrial property rights and copyrights ● Customs procedure and licensing
<i>Product Characteristics :</i> ● Quality ● Product Adaptation		
<i>Marketing Barriers :</i> ● Pricing ● Promotion ● Product ● After sale service and support		

Export Challenges		
Internal Factors	Micro	Macro
Internal Factors	External Factors	
<p><i>Firm Factors :</i></p> <ul style="list-style-type: none"> <li>● Ownership</li> <li>● Age</li> <li>● Size</li> <li>● Export experience</li> <li>● Export intensity</li> <li>● Adoption of ICT</li> <li>● Entry mode</li> <li>● Experience</li> <li>● Capacity of the firm</li> <li>● Insufficient Production Capacity</li> </ul>		
<p><i>Managerial Factors :</i></p> <ul style="list-style-type: none"> <li>● Age</li> <li>● Skill</li> <li>● Experience</li> <li>● Orientation</li> <li>● Mindset</li> <li>● Locus of control</li> <li>● Rationalisation</li> <li>● Risk aversion</li> <li>● Passiveness</li> </ul>		

Table 1: Exhaustive List of Export Challenges. (Sources: Amjad et al., 2012; Kahiya, 2013; Kahiya & Dean, 2014; Gebrewahid & Waid, 2017; Ghouse et al., 2017; Paul et al., 2017)

Micro-internal challenges:

- i. Difficulty in Selecting Reliable Distributors – The selection process for choosing an international distributor is extensive and challenging because it has long term implications for the company. Therefore, companies must evaluate the distributors' potential of becoming a reliable business partner and not just a regular vendor. There are many options available to companies, ranging from full-scale authorised distributors to small-scale marketers, making the decision-making process for the company more complex. While large companies have the resources to tackle this challenge, SMEs usually struggle because they have limited resources. Moreover, the impact of making the wrong decision is more serious for SMEs in terms of resources and their ability to bounce back.
- ii. Lack of Negotiating Power – The relative power of SMEs tends to be lower than that of its potential strategic partners, because of which the negotiating power of SMEs is low. Furthermore, the perception of relative power in negotiations plays a major role in the distribution of resources and the integrativeness of outcomes (Wolfe & McGinn, 2005). Resource-constrained SMEs often struggle with maintaining their negotiating power, which can result in unfavourable outcomes from a negotiation process. When the relative power is low due to issues residing within the company, then it is easier for them to control these issues and to increase the relative power. However, this may not always be the case when the issues leading to low relative power are uncontrollable and reside in the company's external environment. In this case, the challenge becomes a micro-external in nature, and is harder for the company to control and manage.
- iii. Inability to Access Information & Low Understanding of Target Market – Successful internationalisation and international operations depend on the company's ability to access relevant information about the target market(s), challenges and business opportunities, stakeholders, and the micro and macro environments. This is important because it helps companies navigate through obstacles and establish its position in markets. Large companies have resources to access information that is not openly available or easily accessible, but for

SMEs this is a major barrier, especially in the earlier stages of internationalisation when they do not have established networks or the resources to develop networks.

- iv. **Low International Experience** – Companies with international experience have access to different types of information that helps them successfully maintain and expand operations by committing more resources to their internationalisation process and foreign operations. When companies do not have this experiential knowledge, the risk of failure in the international market(s) increases. This is the case for companies that are just starting their international operations, but it is much more difficult for SMEs with limited resources to successfully internationalise and continue foreign operations.
- v. **Inability to Achieve Competitive Advantage in Foreign Market** – Gaining a competitive advantage in the domestic market can be difficult, but it is more so in the international market where there are many local players with established networks and market access. Companies must ensure that their product offering is competitive in terms of quality, price, branding, and logistics, to compete in the international market(s). This is a major challenge that SMEs face when engaging in international operations because they lack the resources to compete with the competition in the foreign market(s).
- vi. **Lack of Capital and Other Insufficient Resources** – This challenge is primarily faced by SMEs that by definition have access to limited resources, both financial and know-how. Limited capital resources deter SMEs from achieving economies of scale by increasing their production capacity. Other resources also impact the way companies operate, and how they manage international operations. Financial issues related to working capital is also a major challenge that SMEs struggle with to ensure the survival of their business.
- vii. **Managerial Factors** – A company's managerial capabilities, skills, and know-how are an important asset that determine not only the success of the business, but also the survival and growth in international market(s). Large companies with sufficient resources have access to skilled employees and can afford managerial

training and development. SMEs struggle with managing their limited resources, and the managerial factors such as age, skill, experience, orientation, mindset, locus of control, rationalisation, risk aversion, and passiveness of the entrepreneur-manager determine the direction the SME will take, and the nature and extent of the SME's commitment to internationalisation.

- viii. Networks and Relationship Management Issues – A company's networks and relationships affect the way the company interacts with its stakeholders. Since "no business is an island", companies must develop an effective network management strategy to ensure that they have the right connections to access relevant information that will help them identify and tap into business opportunities in the home market and abroad. SMEs struggle with making the right connections, and maintaining them; therefore, networking is an important challenge for them especially when entering a new market.
- ix. Technical Issues – Technical issues can be extremely challenging to handle because they lead to problems such as wastage of limited financial resources, delays resulting to customer dissatisfaction and damage to the company's goodwill. Large companies have the upper hand because they have the resources to take preventive actions and to bounce back from such unforeseen technical issues by relying on their highly skilled technical staff. On the other hand, SMEs struggle with such issues because they have limited financial, managerial, and technical resources. Such limitations prevent them from taking precautionary measures, which increases the chances of technical issues arising. When these issues arise, SMEs struggle to overcome and recover from them without losing their standing in the market.
- x. Human Resources Issues - Understanding the importance of people management is necessary to prevent failure in SMEs, but HR related issues such as planning, training and development, performance management, compensation, and counselling, for sustainable competitive advantage are often overlooked in SMEs (Baron, 2003; Paul et al., 2017). When key employees have access to trade secrets and other confidential information of the business, it

becomes even more crucial to ensure that HR issues are given adequate attention so that the incentive to leak company's knowledge is neutralised when they leave the company (Venkataraman et al., 1990). Human resource competencies are essential for the successful internationalisation of SMEs, and therefore, creating the best working environment to achieve the maximum productivity has gained popularity in the 21st century (Senyucel, 2009). Ganotakis and Love (2012) explain that the human capital skills required for entering export markets are different from those required to achieve and maintain success in foreign markets, and that it is uncommon for SMEs to have a full range of such diverse skills, but that these SMEs need to possess such skills for survival and growth. Notably, the managerial capabilities possessed by family-owned SMEs are less developed as compared to non-family-owned SMEs; however, most rapidly internationalising SMEs face trouble developing the company culture, training and development programmes, and awareness within the company.

- xi. Logistical Issues – Exporting companies, especially SMEs face numerous challenges related to logistics, transport, and supply chain management. These relate to costs, modes, and processes of transport, in addition to issues with meeting customer expectations, use of the right technology, inventory management, sustainability, finding and choosing the appropriate logistics partner, and other such distribution issues are challenging to SMEs.
- xii. Improper communication– Both internal and external communication are important for the successful operations of the business. Internal communication happens among the employees of the company and between the different levels of the management. In large companies, this is especially complex due to the scale of operations and large number of employees. However, international communication is important for SMEs as well to ensure that the strategy, goals, and objectives, are understood by the employees. Furthermore, external communication forms a part of stakeholder management, and maintaining a strategic relationship is desirable for all companies. Improper communication

leads to countless problems that cause wastage of limited resources, especially for SMEs that cannot easily bounce back from such a setback.

- xiii. Infrastructure, Technology & Tools – SMEs that internationalise and expand their operations abroad through exports must ensure that they have a suitable infrastructure, both hard and soft. Hard infrastructures relate to factory and office set-up, whereas soft infrastructures relate to technological interfaces and systems that are necessary for effective and efficient operations. Other aspects such as production and storage capacity, closeness to ports, access to appropriate transport, accessibility to host market(s), supply chain management, and use of ICT can be challenging for resource-constrained SMEs to develop and maintain.
- xiv. Export Marketing Challenges – The nature and intensity of export marketing activities vary significantly across industries, and these export marketing challenges of SMEs are related to its market(s), industry, and the macro environment (Porter, 1980; Ramaseshan & Soutar, 1996). A major challenge for SMEs is the adaptation problem of market entry which is when the product(s) must be adapted to the needs and expectations of the new market. The firm's tangible assets play a major role in determining the competitive advantage; however, intangible assets have the most impact on the development of the competitive advantage because these assets are rare and difficult for other competitors to imitate (Miller & Shamsie, 1996; Armstrong & Shimizu, 2007; Lockett et al., 2009; Paul et al., 2017). Export marketing issues arise primarily due to limited funds and lack of access to information, and pose a major threat to the survival and growth of the exporting company (Ghouse, 2017). Other marketing issues relate to the pricing, promotion, logistics, after-sale service, and product specific factors, that SMEs tend to struggle with more than large companies that engage in international business through exports.
- xv. Product Related Issues – Issues related to marketing are a major challenge for SMEs, but issues related to the product offering of the company are the most serious challenge that exporting SMEs face throughout the internationalisation



process. These may be related to the quality of the product, and adapting the product to the demand of the foreign market(s). Large companies have the resources, both financial and managerial; therefore, large companies can navigate through these hurdles in order to succeed in the international market(s).

- xvi. **Specific Factors related to the Firm** – Companies may experience different types of challenges based on the firm-specific factors such as ownership, age, size, export and international business experience, export intensity, adoption of ICT, type of foreign entry and operation mode being used, production capacity of the company, managerial and technical capabilities of the company, nature, and extent of networks in the domestic and international market(s), among other such factors. Large companies usually have favourable firm-specific factors, but SMEs usually have unfavourable firm-specific factors that deter them from achieving success in the international market(s).

Micro-external Challenges:

- xvii. **Availability of Reliable Distributors** – Reliable distributors are important because they serve not as a regular vendor, but as strategic business partners that help companies achieve their goals. Difficulty in selecting a reliable distributor is a micro-internal factor because it is a lengthy process which involves analysing various traits of the potential distributors to ensure that there is a strategic fit between them and the company partaking in international business. However, if the availability of reliable distributors is not sufficient, companies do not have the flexibility to choose from a variety of potential distributors. This can be problematic because the chances of finding a distributor with a strategic fit with the company goes down, leading to increased risks of conflicts, wastages, opportunistic behaviours, and various other challenging obstacles. These are especially hard for SMEs to manage and overcome, and therefore, availability of reliable distributors is extremely important for such companies.
- xviii. **Competition** – Companies do not operate in a vacuum, and there is competition in the domestic as well as international market(s). Companies affect and are

affected by competition; therefore, companies can to some extent control how their competition impacts them. However, since competition lies outside the company's internal environment, it is harder to predict, control, or manage. Competition encourages companies to innovate and attain a competitive advantage over them, but this process can be challenging, especially for resource-constrained SMEs that struggle to survive. Furthermore, knowing the competition helps companies understand the resources being invested by the competition, and the scope of their market share. Therefore, this gives the company insight about the competition's product offering, characteristics, price, target audience, and other details which can be used to gain competitive advantage in the local as well as international market(s). Additionally, knowing the competition helps companies identify and minimise risks associated with entering and operating in new market. This is difficult for all companies but not as much for large companies that have sufficient resources at their disposal for in depth market research and networking.

- xix. Inter-firm Relationships – These relationships are critical in the value chain approach, and help all companies create and maintain sustainable supply chain networks that are a prerequisite for long-term success of the company. Inter-firm relationships come under networks and stakeholder management. However, the company's internal resources are not the only aspect affecting such relationships. There are several uncontrollable factors that affect organisational relationships and networks. The external business environment, and macro environmental factors impact the relationship between companies. Moreover, business partners may reorient themselves and this can harm the strategic fit of companies, or they may exhibit opportunistic behaviour and take their business to the company's competitors. These are the challenges that companies face when interacting with business partners and other stakeholders. Not all of these risks can be avoided; however, investing in mutually beneficial relationships helps companies reduce the risks involved. Large companies have the resources and know-how required to build, sustain, and develop such

relationships, but SMEs struggle to do so with their limited resources and managerial capabilities.

#### Macro (external) Challenges

- xx. Political Instability – Political instability (PI) is one of the major deterrents of economic development, and countries that are politically unstable usually grow slower than those that are stable (Kapri, 1995). PI can be measured by looking at the political safety, revolutionary wars, and adverse regime changes, all of which impact exporting companies, especially SMEs (Kaynak et al., 1987; Mohammed et al., 2011; Bashir et al., 2013).
- xxi. Lack of Incentives & Protectionism from the Government – These are also known as trade barriers which exist to limit trade between countries or prevent companies from entering a new market by decreasing the incentive to partake in international trade. Customs barriers are rules and regulations which can be in the form of implementation of tariffs, quotas, duties, subsidies, levies, trade embargoes, or in some cases, currency manipulation. Governments introduce such customs barriers either to give the domestic companies an edge over international competition or as a response to undesirable actions by other countries. However, these are usually implemented in full-swing as a last resort because they create hostile industry environment. These deter companies from engaging in international trade beyond a certain limit, but smaller companies may find it difficult to even enter the market. SMEs tend to struggle with customs barriers the most because their small size and insufficient resources limit their production capacity that disables them from achieving economies of scale needed to shield companies from the impact of such barriers.
- xxii. Procedural Barriers – These barriers impact all companies and the way they operate, but the impact is felt mostly by SMEs that are small, usually inexperienced, and have limited resources at their disposal. Such barriers are related to procedures and processes of engaging in international business through exports. For example, bureaucratic hurdles of the home and host

markets, various sanitary and certification requirements for specific products, technical standards and health regulations, intellectual property rights (IPR) and copyrights issues, customs clearance, licensing, and other such hurdles that companies must cross in order to sell goods abroad. These barriers take up resources, both time and money, and require the companies to be well-versed with all the procedures and other such formalities. SMEs often struggle with getting the certifications, licenses, and managing IPR issues because these require expertise, among other resources that not available in abundance.

- xxiii. Exogenous Barriers – These include all the other barriers such as those related to foreign exchange, high interest rates of banks, high cost of international communications including international travel, phone calls, high freight costs. These barriers are beyond the control of the company but impacts the company's operations and profitability. Large companies are equipped to overcome such barriers because they have enough resources at their disposal. Whereas SMEs struggle to cover high costs associated with such barriers so that their international operations can be profitable and sustainable in the long-term.

## **2.5 Challenges Worsened by COVID-19**

Export challenges are difficult to manage and overcome even for large companies, but for SMEs it is harder due to their limited financial and intellectual resources. A central theme of this thesis is the COVID-19 pandemic; therefore, analysing the specific exporting challenges that the pandemic seems to have impacted the most allows the research to be focussed. Furthermore, for companies to be resilient in the future, studying the business challenges uncovered by coronavirus is the first step. These challenges are a wide variety of interrelated problems that can be categorised into financial, production, operations, supply chain, human resources, and governmental issues (KPMG, 2020). Altogether, these challenges have had serious consequences on business continuity, especially for SMEs. 70% of companies have had to shut down

operations either temporarily or permanently (International Labour Organisation, 2020).

Table 2 below, groups the export challenges from Table 1 into categories that have been impacted by COVID-19 pandemic. These categories are networks and relationships, marketing, finance, operations and supply chain, human resource, and government related challenges.

Export Challenges			
	Micro		Macro
	Internal Factors	External Factors	
<i>Networks &amp; Relationships</i>	Difficulty in locating and selecting reliable distributors	Availability of reliable distributors	
	Improper communication	Lack of relative power in negotiation due to uncontrollable factors	
		Inter-firm relationships	
<i>Marketing</i>	Inability to access information and Low understanding of target market, its challenges and business opportunity	Competition	
	Low international experience		
	Inability to achieve competitive advantage in foreign markets		
	<i>Export Marketing Barriers :</i>		
	<ul style="list-style-type: none"> <li>●Pricing</li> <li>●Promotion</li> <li>●Product</li> <li>●After sale service and support</li> </ul>		
<i>Product related Issues :</i>			
	<ul style="list-style-type: none"> <li>●Quality</li> <li>●Product Adaptation</li> </ul>		
<i>Finance</i>	Lack of capital and other insufficient resources leading to financial issues along with low production capacity		Foreign exchange
<i>Operations &amp; Supply Chain</i>	Technical & internal logistical issues causing delays and customer discontent	Transportation Issues	
	<i>Infrastructure , technology &amp; tools :</i> <ul style="list-style-type: none"> <li>●Factory set-up</li> <li>●Capacity</li> <li>●Remoteness to ports</li> <li>●Accessibility to host markets</li> <li>●Lack of warehouses in host markets</li> </ul>	<i>Exogenous Barriers :</i> <ul style="list-style-type: none"> <li>●High Freight</li> <li>●High cost of international communication (international travel, international calls)</li> <li>●High bank interest rates</li> <li>●Logistical issues</li> </ul>	
	<i>Firm Factors :</i> <ul style="list-style-type: none"> <li>●Ownership</li> <li>●Age</li> <li>●Size</li> <li>●Export experience</li> <li>●Export intensity</li> <li>●Adoption of ICT</li> <li>●Entry mode</li> <li>●Experience</li> <li>●Capacity of the firm</li> <li>●Insufficient Production Capacity</li> </ul>		

Export Challenges			
	Micro		Macro
	Internal Factors	External Factors	
<i>Operations &amp; Supply Chain</i>	<i>Managerial Factors :</i> <ul style="list-style-type: none"> <li>●Age</li> <li>●Skill</li> <li>●Experience</li> <li>●Orientation</li> <li>●Mindset</li> <li>●Locus of control</li> <li>●Rationalisation</li> <li>●Risk aversion</li> <li>●Passiveness</li> </ul>		
<i>Human Resource</i>	Managing white-collar and blue-collar employees	Unavailability of labour & labour mobility issues	
<i>Government</i>			Trade restrictions and protectionism <hr/> Technical standard and health regulation <hr/> <i>Procedural Barriers :</i> <ul style="list-style-type: none"> <li>●Bureaucratic Hurdles</li> <li>●Sanitary measures and Certification issues</li> <li>●Industrial property rights and copyrights</li> <li>●Customs procedure and licensing</li> </ul>

**Table 2:** Categories of Export Challenges Impacted by COVID-19 (Sources: Amjad et al., 2012; Kahiya, 2013; Kahiya & Dean, 2014; Gebrewahid & Wald, 2017; Ghouse et al., 2017; Paul et al., 2017)

### 2.5.1 Financial Challenges

The pandemic has affected several financial aspects of companies, especially those of SMEs because the impact. These problem areas relate to the working capital and cash management of the company, and include issues such as unclear cash position and cash forecasts, low understanding foreign exchange risks and uncertainty, weak contingency plans, cash flows and liquidity issues, strained relationships with suppliers and customers facing similar liquidity issues, faulty prioritisation of suppliers critical for continued operations (PwC, 2020). Other financial issues relate to under or over estimation of demand in the host market(s) leading to inaccurate sales, production, and cost planning. Moreover, decline in sales and revenues lead to additional cash flow problems that have had serious consequences for more than 75% of SMEs, and about

90% of businesses have experienced a shortage in cash flow because of the pandemic (International Labour Organisation, 2020). Financial challenges also include foreign exchange and currency related issues for exporting firms.

### **2.5.2 Logistics & Supply Chain Challenges**

The common challenges associated with logistics and supply chain that were exacerbated by the pandemic include unavailability of labour along the supply chain, volatile demand leading to over- and under- production, difficulty in understanding the availability of suppliers and the challenges they face, capability of platforms to maintain a satisfactory level of operation, problems in procuring raw materials required for continued production, inventory management and warehousing problems leading to delays in supply, difficulty in quick decision-making and identification of cost alternative supply chains, problems in using ICT to digitise operations, and poor communication management (PwC, 2020). The pandemic uncovered the lack of resilience of companies in terms of core functions, infrastructure, and services. These challenges include factors such as managerial issues, technical issues, logistical and transportation issues, procedural barriers that act as bureaucratic hurdles, and problems in sourcing raw materials.

### **2.5.3 Human Resource & Production Challenges**

For SMEs, protecting the welfare and health of employees, especially those in seriously affected areas, has been a difficult challenge to overcome while ensuring the survival of businesses (International Labour Organisation, 2020). Issues related to workforce were made worse by the pandemic, and companies with limited financial resources and managerial capabilities struggled to manage these human resource problems. These

relate to the company's limited insight into who drives the profits and losses, limited understanding of changing laws and regulations around COVID-19 pandemic, difficulty in predicting where and to which degree current and future disruptions will impact business operations, lack of remote working infrastructure, inability to implement policy changes in response to government measures, difficulty in balancing employee wellbeing and business needs, and problems in upskilling to cover skill gaps in the different areas of the business (PwC, 2020). Moreover, production is closely related with personnel, and since COVID-19 is primarily a health crisis, about 70% of SMEs have reduced their production capacity due to lockdowns, decreased availability of temporary workers, decreased working hours, or employees taking paid leave, in addition to labour mobility issues.

#### **2.5.4 Impact of Government Regulations**

In response to the global pandemic, governments introduced several measures to protect the people; some of these measures being nation-wide lockdowns, social distancing, national and state border closures, and restriction on international trade and travel. In the same way, the Government of India introduced and implemented these measures that had a major impact on all businesses, especially SMEs. Lockdowns and social distancing measures affected how companies handled their blue- and white-collar employees; factory shutdowns impacted the production capacity of companies, and continuing operations was challenging. Inter-state travel restrictions affected the mobility of labour and domestic sales, and many companies had to lay-off workers. Furthermore, national border closures negatively impacted the international supply chain and introduced several logistical issues resulting in delays, order cancellation, and credit defaults; all of which affected sales, cash flows, and profitability. Lockdowns and safety measures were introduced in all countries, and many ports and shipping companies used the "Force Majeure" clause in contracts to cancel ship calls and/or scheduled sailings (Swift, 2020). Because of all these issues, companies faced problems



with liquidity, working capital, cash flows, and some industries faced a decrease in demand due to the pandemic having a negative impact on the disposable incomes of people worldwide.

### **3. Research Methodology**

Research methodology includes the theory of how research is carried out, and explains the underlying theoretical and philosophical assumptions (Saunders et al., 2016: 720). Decisions regarding the methodology are of utmost importance because they determine the way in which the research is executed. The methodological structure of the study, and methods of data collection and analysis are discussed in this chapter.

#### **3.1. Research Philosophy & Approach**

In the successful conduction of scientific research, the methodological choices, research philosophy, and assumptions should be acknowledged and aligned with the objective(s) of the study. Research philosophy is the “system of beliefs and assumptions about the development of knowledge” (Saunders et al., 2016: 124). The research philosophy of the study is positivism, which is one of the frequently used philosophies in business study, prioritising facts over impressions. Positivism seeks to identify patterns and causalities, extending across sectors, companies, cultures, and nations (Eriksson & Kovalainen, 2016: 19). This philosophy highlights the role of factual observation and analysis done by the researcher; therefore, positivism is free of the researchers’ bias, judgements, and personal values (Eriksson & Kovalainen, 2016:19; Saunders et al., 2016: 134). Despite the prevalent use of positivism philosophy primarily in quantitative research, it is also used in qualitative research to produce fact-based information (Eriksson & Kovalainen 2016: 19). In this study, positivism is applied to observe and explore the impact of COVID-19 pandemic on export challenges. The data collection is through interviews, and the collected data is taken at face-value and therefore, treated as facts based on which conclusions are made. Hence, the role of the researcher is to observe and analyse these facts in an objective manner, without letting personal values and interpretations dilute

the quality of the findings. Positivism is an appropriate research philosophy for a researcher conducting such a study for the first time because there is no overly complex raw data analysis involved and this allows the researcher to make logical inferences and deductions based on factual data collected.

Research approach explains the link between theory and data in a study, and the approach used in this study is induction. The induction process in research involves the collection of data, and then analysing the collected data by applying theory in order to support the conclusions (Kontkanen, 2015). The purpose of this study is exploration of the impact of the pandemic on export challenges of Indian SMEs that fall under the category of International New Ventures; therefore, using an induction approach is justified because it allows to get an understanding of “what is going on”, and the researcher strives to come up with theories based on the factual data collected (Saunders et al., 2016: 147). Furthermore, induction allows the researcher to discover and apply appropriate theories in the analysis section of the study, and hence, alternative theories and perspectives can be applied in the analysis of the data. In this way, induction is not as limiting as the deduction approach in which theory comes first (Saunders et al., 2016: 147). There is plenty of literature on export challenges in general; therefore, the analysis of the collected data is straightforward when the literature is used as reference. The execution of the study is done in stages (a) conduction of literature review, (b) formation of the research question(s) and objectives, (c) creation of the questionnaire to get the desired information, (d) conduction of interviews, (e) analysis of collected data, and lastly, (f) making inferences and drawing conclusions.

### **3.2. Research Design, Purpose & Context of the Study**

The research design is the plan used for the execution of the study, and explains the collection and analysis of the data. Research designs can be qualitative, quantitative, or mixed method (Saunders et al., 2016). Quantitative research focuses on quantity and its

measurability, and the sample size is large. Objects of the research are attached numerical values and statistical testing is done to support the conclusion. On the other hand, qualitative research is used to explore and understand the objects of research (Anttila, 1998: 176-180; Eriksson & Kovalainen, 2016: 4-5). Interviewing is the most common method of collecting primary data, and it has been used in this cross-sectional study along with collection of secondary data; in other words, any qualitative data that can be used for analysis, such as interviews, literature, and other texts (Koivunen, 2015; Alasuutari, 2015; Kontkanen, 2015).

Interviewing, as a qualitative data collection, is necessary in this case because the objective is to understand the impact of the pandemic on export challenges that these small and medium international new ventures face – since there are not a lot of existing literature on how the pandemic affects export companies' operations especially in the Indian context, a qualitative interview study provides the opportunity to collect data about real-world. Hence, this method of study helps in the exploration of a new phenomenon, which is the global pandemic that has not been studied enough, in the context of export challenges of SMEs of different industries in India (Kontkanen, 2015). To ensure that the findings of the study are consistent and of a high quality, ten small and medium enterprises that have been exporting since their inception have been studied, and ten interviews of managers and directors have been conducted. An additional interview of an Export Agent heavily involved with exporting companies in East India has been conducted to gather industry level information, and to use this information to back the statements of Experts 1-10. Expert 12, the managing director of an EXIM logistics handling company, was interviewed to understand the disruptions in logistics that Indian companies faced during the pandemic. Furthermore, companies operating in 4 different industries have been researched to get an understanding of the impact of COVID-19 on the major exporting challenges in each industry. Since more than one industry has been studied, this thesis is not too narrow; however, since only four industries are studied, the thesis is not too broad either. Semi-structured interviews will be conducted, and the main benefit of this style of interview is flexibility which allows

the researcher to adapt and improvise on certain aspects of the planned questionnaire, in case the researcher detects a new viewpoint or a path to gather additional insightful information from the interviewee (Saunders, Lewis, & Thornhill, 2009).

In order to get a better understanding of the impact of COVID-19 pandemic on the major export challenges faced by small and medium INVs operating in different industries, it is necessary to understand the role SMEs play in the Indian economy. India is an emerging economy with the post potential, and majority of businesses in the country are SMEs operating in a diverse range of industries, and employ the majority of the population (Agility, 2020). Furthermore, SME sector in India contributes 45% of industrial output and 40% of exports (KPMG, 2020). This study focuses on companies operating in textile (223 billion USD), food and agriculture (240 billion USD), and retail (49.6 billion USD) sectors, which fall under leather (5 billion USD), cotton textiles (85.8 billion USD), fruits and vegetables (1.3 billion USD), and eyewear (63 billion USD) industries (KPMG, 2020; Deloitte, 2020; Invest India, 2020; APEDA, 2020; IndianCompanies.in, 2021; IBEF, 2021). Therefore, the purpose to explore the export challenges uncovered and made worse by the pandemic in these industries is well justified due to the significance.

### **3.3. Execution of the Study**

The study is based on interviews, and seeks to answer the research question “What is the impact of COVID-19 on the export challenges for international new venture firms operating in different industries in India?”. In total, twelve experts were interviewed from twelve different companies, with ten of them operating in the four industries mentioned above; whereas the additional two interviews were conducted to get the general information about the export industry and the global logistics situation. After the collection of primary data from these interviews, this raw data is analysed, and this chapter explains the data collection and analysis techniques to be used.

### 3.3.1. Data Collection

The data collection method used is interviewing, and the study is cross-sectional in nature, which means that the data was collected in the same time-period from all the companies (Kontkanen, 2015). This data collected is primary data because it is collected directly from the companies, and the researcher collects it themselves (Koivunen, 2015). The focus group of this study consists of managing directors, general managers, and managers in the areas of production, operations, administration, sales managers, and human resource. Since the study focuses on SMEs, especially those that are international since the inception or from a few years since the inception (international new ventures), only those companies that met these criteria were approached. Having friends and family who own established exporting companies in Kolkata, India, made it simpler to get into contact with other exporting companies of the same size. Furthermore, several export agents were contacted out of which one agreed to share contact details of the owner-managers of such companies. Altogether, 19 experts from 17 companies were contacted via phone or WhatsApp, out of which 10 experts from 9 companies agreed for the interview. One company (Taj Leather Works) is represented by 2 interviews from two different managers in different posts; however, since their area of expertise is different (production and operations, and human resources), the researcher was able to discover information related to all those areas. Similarly, Expert 9 is the Director of three companies (Danmac PolyPacks Private Limited, Gautam Optics, and Ashok Optics), but he talks about Danmac PolyPacks Private Limited mostly. However, he also shares information about the industry in general, and what the major challenges are being faced in all his companies. Furthermore, Expert 10 represents Gautam Optics and only talks about this company. Even though both Experts 9 and 10 are involved with Gautam Optics, they provided different information, and their area of expertise also varies so the interviews were not redundant. Additionally, just like Expert 1 and 2, Experts 9 and 10 did not get a chance to discuss the questionnaires so the

answers were accurate. When gathering data and interviewing experts, the idea is to focus on uncovering information from their area of expertise, and this is what was done with company with 2 interviews (Anttila, 1998: 233). Moreover, an additional interview was conducted with an Export Agent (Expert 11) in East India, who is involved with many exporting companies, both MSMEs and large companies. Furthermore, Expert 11 closely works with several state level government agencies, such as West Bengal State Export Promotion Society (WBSEPS) under the Department of Micro, Small, & Medium Enterprises & Textiles (MSME & T), and the Directorate General of Foreign Trade (DGFT) under the Ministry of Commerce and Industry of the Government of India. However, he did not want the name of his company to be shared so it has not been disclosed in this thesis. Finally, Expert 12 is the managing director of one of the most established and successful shipping and logistics company that diversified from a domestic transport company to an export-import logistics handler and ship builder. The reason behind interviewing Expert 12 was that he would be able to provide accurate information about the logistical issues faced by most exporting companies in East India, and especially West Bengal. However, he would also be able to provide information about the global logistics situation. These experts have a deep understanding and knowledge about certain phenomena, which enables them to view the “bigger-picture”. Additionally, since they have access to company information, and are involved with operations in their area, they are able to share the same with the researcher (Anttila, 1998: 233).

The table below shows the name of the companies, and the positions of the experts interviewed, to ensure that the study is reliable, and the quality of findings is high. The interviewees’ names are redacted, and they remain anonymous because the idea is to analyse the insights of these experts and not the opinions of the individuals themselves. When data is presented, these experts will be referred to as “Expert (1-12)”.

<i>Pseudonym</i>	<i>Company</i>	<i>Industry</i>	<i>Position</i>	<i>Interview duration</i>
Expert 1	Taj Leather Works	Leather	Production and Operations Manager	45 minutes
Expert 2	Taj Leather Works	Leather	Sales and Human Resource Manager	37 minutes
Expert 3	Ahmed Tannery	Leather	Managing Director	51 minutes
Expert 4	HM Enterprises	Leather	General Manager	43 minutes
Expert 5	JBL Enterprise	Food & Agriculture – Fruits and Vegetables	Administration and Operations Manager	39 minutes
Expert 6	M/S Balaji Exports	Food & Agriculture – Fruits and Vegetables	General Manager	31 minutes
Expert 7	Devi Export	Cotton Textiles	Production Manager	34 minutes
Expert 8	JuCoFabs	Cotton Textiles	Production and Operations Manager	37 minutes
Expert 9	Danmac PolyPacks Private Limited	Retail – Eyewear	Director	48 minutes
	Gautam Optics	Retail – Eyewear		
	Ashok Optics	Retail – Eyewear		
Expert 10	Gautam Optics	Retail – Eyewear	Operations and Human Resource Manager	26 minutes
Expert 11	<i>(Redacted)</i>	Export-Import Agency	Export Agent – East Zone (India)	28 minutes
Expert 12	Phonex Traders Private Limited	EXIM Logistics & Ship Building	Managing Director	21 minutes

**Table 3:** Information on the Case Companies and Interviewees

Since the researcher is in Finland and all the case companies are Indian, all the interviews were conducted virtually. Interviewees were contact by phone and WhatsApp, and then interviewed virtually through WhatsApp voice/video call, Skype, or Zoom, depending on the interviewees' preferences. Each interviewee had been informed about the four main areas of the questionnaire (production, supply chain and logistics, human resources, and finance); therefore, they had ample time to reflect and prepare their answers. The



interview format was semi-structured, which means that the researcher had open-ended questions prepared and the general area of the questions marked out – this allowed some structure, but was flexible enough for free discussion within the boundary (Koivunen, 2015: 18). The advantage of using a semi-structured interview format is that it lays down the boundary within which the discussion needs to happen, and allows the researcher to maintain an informal tone that allows interviewees to feel comfortable and express their thoughts, observations, and experiences more freely (Eriksson & Kovalainen, 2016: 94). The structure of the interview is highlighted in the table below.

<i>Theme</i>	<i>Questions</i>
Opening questions	When was the company formed? How long has the company been exporting? What are the products exported? Which countries you export to? Percentage of sales that are international?
Related to COVID-19 and general export challenges	Did the company anticipate such a major crisis? If yes, then what kind of preparations were in place? What was the first impact of the pandemic on company operations? What has been the biggest challenge for the company during the pandemic?
Challenges related to finance	What has been the impact of COVID-19 on the working capital and foreign exchange? How is the company managing financial challenges?
Challenges related to production	How has the pandemic affected your production capacity? How is the company managing these production issues?
Challenges related to personnel & human resources	How has the pandemic impacted the company's blue- and white-collar employees? How is the company managing the employees now?
Challenges related to logistics & supply chain	What were the effects of the pandemic on the transportation of goods? Could you talk about the company's suppliers of raw materials and buyers? How has the company been accommodating these issues?

<i>Theme</i>	<i>Questions</i>
Related to Government directives	What have been the governmental directives regarding exporting and operations? Have trade restrictions been imposed? What are the safety measures to be followed?
Wrap up questions	How would you describe the current situation compared to the initial impact of COVID-19 on your business and industry? Have you introduced any new ways of doing business which could become the norm in the post-pandemic era? Are you planning to implement any other reforms to deal with the export challenges uncovered by the pandemic? Could you rank the most challenging area of operation from highest to lowest (finance, production, human resources, logistics)? Would you like to add anything else that could help me understand the impact of COVID-19 on export challenges?

**Table 4:** Questionnaire

There is a wide variety of literature available on export challenges faced by both SMEs and large companies. On reviewing the literature on exporting challenges by Amjad et al. (2012), Kahiya (2013), Kahiya and Dean (2014), Gebrewahid and Wald (2017), Ghouse et al. (2017), and Paul et al. (2017), all the major challenges that companies face before and after becoming international were categorised under internal, external, micro, and macro challenges in Table 1. However, since this thesis focuses on export challenges only through the lens of the COVID-19 pandemic, additional research was done about its impact in the global as well as Indian market to find out the areas of business most affected by the pandemic. Therefore, the contents of Table 1 were compressed into categories such as networks and relationships, marketing, finance, operations and supply chain, human resources, and government related export challenges in Table 2. Finally, the questionnaire was created based on the contents of Table 2, keeping the context of the study in mind.

In order to build trust, and to gain the confidence of the interviewees, the context of the study was explained. This information included questions such as “what is the purpose

of the study”, “who will read the answers, and to whom the findings will be presented”, and “why”. Eliminating uncertainties and doubts allowed the interviewees to give authentic responses and in a candid manner. These steps were taken because when the interviewees understand the motive, purpose, and similar contexts of the study, they can be open and trust the authenticity and intent of the researcher (Saunders et al., 2016: 391). Interviewees were also given the opportunity to ask questions and talk about relevant topics that were not discussed already in the interview. Furthermore, the virtual interviews were convenient for the interviewees, and some of them could even have the call from the comfort of their homes in the evening. This is helpful not only in making the interviewees comfortable, but also the interviewer who is not a “guest” in an unfamiliar territory. The languages used for interviews are English, Hindi, Urdu, and Bengali, whichever the interviewees were most comfortable with. Therefore, all possible efforts were taken to create a comfortable and friendly environment for the interviewees throughout the interview. Since different languages were used in the interviews, when the data is presented and analysed in this study, quotes from the interviews will either be verbatim (English), or translated from Hindi, Urdu or Bengali.

### **3.3.2. Analysing the Data**

With the permission of the interviewees, some of the interviewees were recorded for the researcher to be able to transcribe the interviewees accurately and not lose any information. After the interviews, the recordings were used to manually transcribe (word-by-word) and/or translate from Hindi, Urdu, or Bengali to English. Some of the interviewees were not comfortable with being recorded, in which case, the researcher made short notes by first transliterating Hindi/Urdu/Bengali to English (writing Hindi/Urdu/Bengali using English alphabets) during the interview, and immediately after each interview, these short transliterations were used to elaborate the interviewees’ answers by translating to English so that no information would be forgotten or left out.

The method of data analysis used is content analysis, which is when data is analysed based on themes (finance, production, human resources, logistics), and then the content related to each theme is categorised under that topic (Koivunen, 2015: 52). Content analysis involves classifications and categorisations and allows the raw data to be broken down into sub-topics so that they can be analysed in light of not only that theme, but also in relation to other themes (Koivunen, 2015: 52). Each quote was categorised under its respective theme, and then analysed so the data that does not align with the researcher's opinion would not be ignored (Anttila, 1998: 256). The analysed data is backed by theory to ensure that the conclusions are justified and not baseless.

### **3.4. Validity, Reliability, & Ethicalness**

In order to contribute to the existing body of literature, a research study must not only be valid and reliable, but also follow ethical guidelines of the research community. Validity is "the extent to which data collection method accurately measures what it was intended to measure" (Saunders et al. 2016: 730). The questionnaire was created carefully after analysing the objectives and the theoretical background of the study. Additionally, all the interviews had a similar structure, and the questions were the same although the case companies were from different industries and the interviewees had different positions in the company. Moreover, the answers of the interviewees were also alike, which proves that there was no ambiguity in the questionnaire, and the questions were comprehended in a similar manner; therefore, the validity of the study is improved.

Validity also involves credibility of the research work and is related to high-quality execution of the study (Saunders et al. 2016: 450) – these are ensured because the literature review is solid and extensive because plenty of references are used throughout the study, and the decisions regarding the research methodologies are

justified in this chapter. Proper referencing has been used to ensure there are no confusions about what the researcher's contribution is, and what is not. Raw data was presented in the next chapter, and then analysed with the help of the literature reviewed in the study. In the case of Taj Leather Works, it was ensured that both interviewees were not in contact with each other; therefore, the second expert did not have any idea about what questions the first expert had been asked or what he answered. This also improves the validity of the study because both interviewees presented their own answers, and were not influenced by the answers of the other.

Reliability is the measure of the degree to which data collection techniques produce consistent findings if the interviews are carried out again by other researchers (Saunders et al., 2016: 726). However, this is difficult to achieve in qualitative studies since the research situation is dependent on the researcher, the interviewees, and numerous other factors, which make the situation highly unique (Alasuutari 2014: 84-85). To combat this to the maximum extent, it is imperative that the researcher is extremely transparent about the research (Eriksson & Kovalainen, 2016: 303). Therefore, details pertaining to the methodological choices, research design, and data collection and analysis have been described in detail in this chapter. Furthermore, the reliability of the study was improved by using quotes (verbatim in English / translation to English from Hindi/Urdu/Bengali) from the interviews to support the findings and lay the foundation for the discussion.

<i>Test</i>	<i>Definition</i>
Construct Validity	Building up the right operational measures for the idea being examined
Internal Validity	Establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships
External Validity	Establishing the domain to which a study's findings can be generalized
Reliability	Demonstrating that the operations of a study such as the data collection procedures can be repeated with the same results

**Table 5:** Case study design test and definition. (Source: Yin, 1994)

To uphold ethicalness in this research, consent was taken before recording interviews, all relevant information about the purpose and context of the study was shared with interviewees and all their questions were answered. Quotes from the interviews have been used with the permission of the interviewees, and they had been informed that this information will be published. Furthermore, the names of the interviewees have been redacted - only the company name, and interviewees' positions have been mentioned.

## 4. Findings

The purpose of this thesis is to analyse the impact of COVID-19 pandemic on small and medium International New Venture firms operating in different industries in India -this is what the focus of the research question was. During the literature review, the researcher was able to find an abundance of literature on types of export challenges that both SMEs and large companies face. However, many of these challenges were not applicable for companies that had already established their businesses in the host markets, and had no plans to change their mode of operation to one at the higher levels of the hierarchy of internationalisation (Pan & Tse, 2000; see Table 1). Furthermore, since this thesis focusses only on those areas of businesses that were affected by the COVID-19 pandemic, the export challenges from Table 1 was narrowed down and compiled in Table 2. Therefore, the findings chapter of this thesis only discusses those four areas of business operations that were affected by the pandemic, and these areas of operation are directly involved with the success of the export business. In this chapter, the findings from the ten interviews are presented, and provide the basis of discussions and analysis in the next chapter.

<i>Classification</i>	<i>Micro Enterprise</i>	<i>Small Enterprise</i>	<i>Medium Enterprise</i>
Manufacturing and Service Enterprises in India	Investment in Plant and Machinery/Equipment is not over INR 1 Crore (115 000 EUR approx.) & Annual Turnover not exceeding INR 5 Crores (575 000 EUR approx.)	Investment in Plant and Machinery/Equipment is not over INR 10 Crore (1.15 Million EUR approx.) & Annual Turnover not exceeding INR 50 Crores (5.75 Million EUR approx.)	Investment in Plant and Machinery/Equipment is not over INR 50 Crore (5.75 Million EUR approx.) & Annual Turnover not exceeding INR 250 Crores (28.75 Million EUR approx.)

**Table 6:** The new classification of MSMEs effective from July 1, 2020 – Government of India. (Adapted from Mondaq.com, 2020)

Based on the categorisation in the table above, all the case companies are either micro or small enterprises, that have been international through direct exports from their inception. However, throughout the study, both micro and small case companies have been referred to as SMEs because that is how the literature categorises them. Furthermore, all the case companies, and companies of Experts 11-12 mentioned, are head-quartered in Kolkata, West Bengal, but many of them have operations and sales all over India. There is a risk of selection bias in a study such as this one, because companies are informed about the topic of the study (impact of the pandemic on export challenges) and in such a scenario it is possible that experts only agreed for the interviewees because they thought their industries were hit hard; however, some of the responses recorded by the researcher suggests that even those companies whose operations were not much affected by COVID-19 had agreed to participate in the study, which ensures that the sample represented the population as much as possible.

#### **4.1 Impact of COVID-19 on Export Challenges - Functional Areas**

This thesis focusses on four industries; leather, cotton textiles, eyewear, and fruits and vegetables. The findings of the study suggest that International New Ventures operating in all these industries were impacted. However, the degree of impact varied due to several factors discussed in this chapter. This thesis explores the export challenges and trends in each of these industries by interviewing experts and by analysing the impact of COVID-19 on different areas of business such as (a) finance, (b) production & sales, (c) personnel and human resource, (d) logistics and supply chain, and (e) general operations. None of the companies were anticipating such a major crisis, but all of them had a percentage of their earnings kept aside as emergency funds. However, most experts agreed that despite having emergency funds aside, this amount was not nearly enough and their businesses were not able to navigate through the global pandemic unscathed.



#### **4.1.1 Finance**

To understand the impact of the pandemic on the financial aspect of their businesses, companies were asked to explain how the working capital was affected. In general, all the companies faced financial issues, especially a shortage in working capital and delays in cashflows. The reasons for these were: (a) factory closures and production halts leading to delay in shipment, (b) cancellation of orders and decline in orders placed, (c) freight and cargo charges sky-rocketing, (d) additional expenses involved in implementing safety guidelines at the factory, (e) procuring raw materials at a higher price, (f) selling the products with a lower profit margin and/or larger discounts, and (f) providing relief payments to factory workers. Therefore, various problems arising in other areas of the business had a direct impact on the companies' finances. For some companies, these financial issues were extremely hard to manage, whereas others were able to manage better. This disparity was primarily because of two reasons: (i) some industries were impacted more than others, and/or (ii) some case companies were larger and more established than other case companies, and therefore, were able to navigate through these financial challenges better because of their larger financial resources. Foreign exchange can be a challenge in international trade, but a depreciation of home currency is beneficial for exporters (Paul et al., 2017). All interviewees agreed that although there was a depreciation of Indian Rupee value against dollar due to the economic impact of the pandemic, its positive effect was negligible on finances for the case companies.

##### **(I) Financial Challenges in The Leather Industry**

Although all companies faced financial challenges, those operating in the leather industry felt that liquidity and cash flow issues were not their biggest challenge. All the three case companies were formed in the 1970s, 1980s, and 1990s, respectively; therefore, they have established operations, productions, networks, and loyal customer

base. One of the three companies, Taj Leather Works, exports industrial grade leather gloves to Europe and North America; whereas the other two companies export leather wallets, briefcases, handbags, laptop bags, gloves, belts, and other such accessories, to Europe, North and South America, Australia, and UAE. All the three companies sell to large companies, some of them being Nike, Levi Strauss & Co., Puma, Zara, and H&M. Given the nature and size of their operations, and their long-term relationship with large companies, these INVs managed financial problems quite well.

*Since we deal in industry grade leather gloves, the demand for them was not impacted as much as that of other fashion products. After the initial lockdown and factory shutdowns, we were able to continue selling to our oldest customers in Europe – this is something that really helped us deal with the shortage of cash. (Expert 2 - Taj Leather Works; translated from Hindi).*

The fashion and retail industries were highly impacted by COVID-19 pandemic. Therefore, companies selling leather-fashion products were more impacted than those selling industry grade products, as confirmed by Expert 2. However, the impact of this was reduced when companies were supplying products to large MNCs.

*Our company has contracts with several clothing brands like H&M, Zara, Nike, Puma, all over Europe and North America. Because these brands are huge, not many of our orders were cancelled, but only put on hold. When the government mandated factory closure, our production was completely discontinued - a vast majority of our shipments were delayed, so were the payments. We were able to manage such issues because of our substantial emergency funds that provided a safety net for the first 2-3 months. (Expert 3 – Ahmed Tannery)*

HM Enterprises sells to several fashion and retail businesses, but these brands are not as large and well-known as those that do business with Ahmed Tannery. Expert 3 indicated that being involved with global fashion brands is the reason why majority of their orders were not cancelled, but many companies doing business with smaller

fashion brands suffered greatly because most of their orders were cancelled - which is what happened with HM Enterprises.

*Managing the finances was extremely difficult in the first phase of the pandemic with many order cancellations, but once we started shipping orders, we received payments, and that helped us cope with other challenges in our business operations. (Expert 4 – HM Enterprises; translated from Hindi)*

It was confirmed by all the experts from the leather industry that shipment delays due to factory closures from the end of March 2020 till the beginning of May 2020, resulted in delay in payments. However, once the government initiated “Unlock 1.0” from June, and companies were able to resume production, it possible to start shipping orders and receiving payments for the same.

## **(II) Financial Challenges in The Cotton Textiles Industry**

As indicated by Expert 2, the fashion and retail industries were hit extremely hard because of COVID-19. Companies from both leather and cotton textiles industries, selling fashion products to fashion houses and retail businesses confirmed that many of their orders were cancelled, and the orders that the companies were expecting to be placed did not materialise.

*We faced a lot of liquidity issues; some of the reasons being low sales due to very low demand -- some shipments were cancelled, many were delayed -- sea freight charges were through the roof -- we provided relief to our workers too. (Expert 7 – Devi Export; translated from Hindi)*

The same issues were also mentioned by the Expert 8, who also highlighted some other issues relating to buyers stopping payments and having to comply with their demands for discounted rates in order to keep up sales.

*Our American and European buyers were cancelling orders, and using the “Force Majeure” clause in the contract to stop payments – on top of that, cotton yarn and jute buyers were asking for large discounts of 15-25% -- we had to accommodate many of these requests; otherwise, we would make no sales.*  
(Expert 8 – JuCoFabs; translated from Bengali)

Both Expert 7 and 8 explained that because of these issues, and other issues relating to production, supply chain, and personnel, they suffered from severe liquidity issues, and in order to continue selling they had to compromise on their profit margin. Challenges relating to those areas of business have been discussed in detail in their respective sections in this chapter. The interviewees said that the case companies are doing better now financially because the factories and retail shops of their buyers have re-opened and overall sales are climbing up. They also reconfirmed what experts from the leather and eyewear industry said about how shipping containers were not easily available last year, but now this is not much of an issue – rates for hiring these containers for sea transport have dropped this year, but they are still higher than what it was before the onset of COVID-19.

### **(III) Financial Challenges in The Eyewear Industry**

Both case companies in the eyewear industry faced financial issues with working capital and liquidity. Expert 9 who is the director of three companies in the same industry explained that during the lockdown, production had to be stopped completely, and they were unable to ship consignments because of problems at the shipping docks. Furthermore, domestic operations and sales were also affected because these companies could not transport the goods to distributors in several different states in India. For these reasons, and because of logistical and personnel management issues, most SMEs in this industry had to deal with severe financial challenges. Expert 10 also explained that the retail shop for Gautam Optics is located in a shopping district in Kolkata (“Bara Bazaar” – meaning “Large Market” in Hindi), where there are at least 15-

20 retail outlets for similar companies selling the same eyewear products. Therefore, both Experts 9 and 10 had a detailed understanding of the industry and shared this information in the interviews.

*We reduced salaries, and tried to increase domestic sales, but that did not work out because interstate road transport was badly impacted -- people were preoccupied with managing the health and economic impact of COVID-19 - no one really wanted to buy spectacle frames even after the Lockdown was lifted - we had to shut down our shops. (Expert 9 – Danmac PolyPacks Private Limited)*

Expert 9 added that the same had to be done for all the three companies of which he is the director, and Expert 10 confirmed that 70-80% of the retail shops in Bara Bazaar shopping district remained closed even after the Lockdown was lifted because the demand was at an all time low. Both of them shared that there were a lot of monetary issues in their companies, and managing them was extremely challenging compared to other areas of the business that had a direct impact on the finances, such as personnel and human resources, and production and sales.

*If you went to Bara Bazaar after the Lockdown was lifted, you could see how badly retail and optics industry was affected – majority of shops selling optical frames remained closed, while restaurants, pharmacies, and hardware shops were open. (Expert 10 – Gautam Optics; translated from Bengali)*

An interesting thing uncovered by Experts 9 and 10 was that in the Bara Bazaar shopping district (which was primarily a textile and yarn market), many wholesalers from different industries have their outlets. These experts shared that along with retailers, wholesalers, exporters from the optics industry, those from cotton and leather textiles industries dealing in fashion products were also closed. On the other hand, wholesalers and exporters dealing in agricultural products were “open for business” – indicating that

retail and fashion industry have been severely affected, but the agriculture industry bounced back because of the “essential” nature of the products.

#### **(IV) Financial Challenges in The Fruits and Vegetables Industry**

Fruits and vegetables industry is a subset of the agriculture industry, and the impact of COVID-19 on the agriculture industry has been studied extensively by many international organisations. Both the case companies from this industry rated financial issues as the third most challenging area of business – this has been explored in this subsection of the chapter.

*We had a lot of financial issues last year: air cargo rates increased by 5 times -- the price rise of products made them less competitive and neighbouring countries took our market shares. From 100-150 tonnes monthly, sales went down to 40-50 tonnes. Most fruit and vegetable exporters suffered the same fate. (Expert 5 – JBL Enterprise; translated from Hindi)*

Agricultural and Processed Food Products Export Development Authority (APEDA), which is a government organisation, has published several reports about neighbouring countries such as Bangladesh, Nepal, Vietnam, Myanmar, Pakistan, Malaysia, and Bangkok taking up some sections of the market share of Indian exporters; however, APEDA also highlighted the areas in which Indian exporters of fruits and vegetables were able to occupy the demand (APEDA, 2020 a,b,c). APEDA also reported that several regions such as the European Union relaxed fruit import rules which increased exports from India.

*To prevent spoilage of products already bought from our suppliers, we ended up selling them in the domestic markets at low price -- we made a profit, but it was far less than what we usually make from exports. (Expert 6 – M/S Balaji Exports; translated from Hindi)*

Both case companies faced these problems, and Experts 5 and 6 explained that since West Bengal is number 1 producer of vegetables in India, a vast majority of the domestic sales are to other states. During the lockdown, and immediately after the lockdown was lifted, not only air transportation was the issue but also road transport. This was the main reason why most fruits and vegetables exporters and wholesalers were left with no choice but to sell high-quality export-grade products at local market rates to prevent the produce from going bad. Expert 5 also explained that the agriculture industry was hit the hardest but has been able to recover faster than other industries given the nature of the products. Expert 6 also agreed with this statement, but added that after the first 3-4 months, the situation was improving because many commercial flights had started flying again. It is important to understand that unlike all the other industries studied in this thesis, only the companies in the agriculture sector used air transport as their primary mode of transportation of goods. This is especially because sea transport can take up to 45 days to reach the destination, but perishable goods cannot be stored for so long without losing its freshness and its quality. Most of these goods are transported from in the bellies of commercial flights, so when these were cancelled due to the lockdown, there was hardly any way for these companies to send their consignments to the buyers. This is explained in detail in the section on logistics, where interviewees explain their experience on the subject.

*Prices of fruits and vegetables had gone up by 50% in the domestic market due to Super Cyclone 'Amphan' - this provided exporters and wholesalers the opportunity to recover losses made due to the pandemic -- many of us already had a large stock bought from our suppliers since before the Lockdown. (Expert 6 – M/S Balaji Exports; translated from Hindi)*

Both the interviewees are associated with several government agencies and organisations, such as West Bengal Fresh Fruits and Vegetables Exporters' Welfare Association, and were able to share the experience of their direct competitors. In May 2020, there was a Super Cyclone that affected crops in East India (West Bengal and Odisha) as well as in Bangladesh. Furthermore, this heavy and continuous rainfall

continued till August 2020, and the prices of fruits and vegetables went up by 50% for the retail and wholesale market due to the shortage and widespread damage of crops throughout several states in India.

#### **4.1.2 Production**

The general findings of the study suggests that every manufacturing company's production was severely affected regardless of the industry in which it operates. During the lockdown, the Government of India mandated factory closures along with quarantining, and therefore, production was completely stopped for the protection of both blue- and white- collar employees. Such is the case with all the case companies, except those in the agriculture sector who sourced fresh produce from farmers within the state of West Bengal. However, in the companies from the agriculture sector exporting fruits and vegetables, the lockdown impacted their businesses in that they had to shut down their warehouses. Furthermore, Experts 5 and 6 shared that most exporting companies from the agriculture sector dealing in fresh fruits, vegetables, pulses, and spices, did not face production issues because they source the produce from local farms. However, many farmers had to face severe challenges with harvesting, storing, and transporting the produce from remote villages to the warehouses of the exporting companies. In the textiles sector, companies from both leather and cotton textiles industries faced production related challenges not only when all production had to be discontinued, but also when the Lockdown was lifted, and the government initiated "Unlock". COVID-19 pandemic has been much more severe and easily contractable, and therefore, no one was fully prepared to continue business operations while ensuring the safety of their employees, as well as following all the guidelines issued by the government – which many of the interviewees explained. The IMF and World Bank projected a recession of 3% and 5% respectively, due to COVID-19, and this affected the disposable incomes of people worldwide (Torero, 2020). Lasting effects



were felt in the fashion and retail industries due to low demand for such products which Experts 2, 3, 4, 7, 8, 9, 10 confirmed.

Experts in all the manufacturing companies agreed that it was especially hard to manage production because it is related closely with managing factory workers. The government had set strict guidelines about how companies can resume production, only if they implement those guidelines about worker safety. COVID-19 pandemic has been much more severe and easily contractable, and therefore, no one was fully prepared to continue business operations while ensuring the safety of their employees, as well as following all the guidelines issued by the government. Therefore, experts first had to learn about these guidelines and safety standards themselves, and then train the factory workers and educate them on the topic of COVID-19, which was a long and arduous process because factory workers are from the lower strata of the society and have very little understanding of biology and medicine – so it was difficult to make them understand the gravity of the pandemic and the health impact. A vast majority of the experts shared how the government organised several online webinars and distributed information on how to resume production once the Lockdown is lifted. Several experts talked about having created a secure “bio-bubble” to combat the COVID-19. This concept was discussed in some of the webinars and internal circulars from the government, and was completely new to the companies. The experts shared that it was made famous during the pandemic by its widespread use in Sports (IPL, NBA, US Open).

*“Creation of bio-bubbles in factories and warehouses became the norm within the industry in order to resume production.”* (Expert 1 – Taj Leather Works; translated from Urdu)

Living arrangements were made for these factory workers inside the factory premises, and they were provided with groceries so no one would have to leave the bio-bubble. For most of them, this was doable, but several of the experts who did not want to be named or have their company name associated with this information shared how many of the workers did not understand nor believe that the COVID-19 virus was real, so it

was extremely difficult to manage them. One of the experts shared that a factory worker in the bio-bubble breached the secure area to go to a tea-shop in the nearby market area which was densely populated and nobody in sight would wear face masks. Another expert explained how two of the factory workers contracted the virus, and production had to be stopped again to secure the area. However, these issues were during the first few months from “Unlock”, and after this incident, temperature checks were made twice daily at the factory.

### **(I) Production Challenges in The Leather Industry**

In the leather industry, Experts 1-4 rated production and sales as the second most challenging area during the pandemic. As explained above, challenges related to production does not only relate to the issues that companies had to face when their factories were completely shut-down, but also when the “Unlock” was initiated. While some companies struggled with implementing and maintaining all the safety measures, others found it simpler because their factory layout was such that it aligned with the safety distance to be maintained.

*During the Lockdown, our production was at 0% of the capacity. After we were given the go-ahead to start production, maintaining a safe distance of the suggested 1 meter was easy because our workers' work-stations are about the same distance away. (Expert 3 – Ahmed Tannery)*

Experts 1 and 2 from Taj Leather Works explained that creating a bio-bubble for factory workers was easy because majority of the workers are permanent employees who live in Kolkata; therefore, it was easy for them focus on other aspects of production challenges. Compliance and cooperation is needed for the bio-bubble to remain safe, and if the factory workers do not trust the management and do not believe in the virus, then it becomes difficult to maintain the safety of other workers while production continues.

*Most of our workers are permanent and we were able to create a bio-bubble for them – majority of the workers have been with us for 5+ years and they all trust the management, so everyone was compliant and cooperative. (Expert 2 – Taj Leather Works)*

Companies that have many outstation workers found it more difficult to manage production challenges because when the Lockdown was initiated, many of them panicked and went back to their hometowns outside of Kolkata, but within the state. On the other hand, companies that had outstation workers from other states faced a different problem: once these workers left, they could not come back because interstate public transport was affected severely. These companies had to continue production with only a small percentage of workers.

Expert 1 explained that they outsource a percentage of leather tanning operation, but due to liquidity issues, the company had to discontinue buying these processed materials from the other company. However, he mentioned that now the situation has normalised and production and sales are back to normal.

Experts 1, 2, and 4 from the leather industry all stated that production capacity is almost back to the “usual capacity” and they think that the situation will be back to “normal” by the end of 2021. However, Expert 3 from Ahmed Tannery stated that:

*Now production is back to the usual capacity, and the situation with other departments is slowly normalising -- our association with global brands that have been our loyal customers has helped us immensely -- some of my peers from the same industry and with similar products have not been as lucky as us.*

Expert 1 from Taj Leather Works, and Expert 4 from HM Enterprises reconfirmed the statement of Expert 3 that a vast majority of exporting houses from the same clusters in Kolkata (Topsia, Tangra, and Tiljala – localities) have not been able to increase their production capacity to normal because they have not been receiving as many orders as

they used to before the pandemic. Such information about the industry is credible because all these Experts are members of several organisations such as “Calcutta Leather Complex” (CLC) and “West Bengal State Export Promotion Society” (WBSEPS). Although HM Enterprises is not supplying goods to major fashion brands, Expert 4 explained that they have a sizeable percentage of their customers in Europe that sell fashion products on ecommerce websites, and that ecommerce businesses were not as affected as other medium-sized fashion houses that have retail outlets only.

## **(II) Production Challenges in The Cotton Textiles Industry**

Both the Experts shared that production and sales were the second and third most challenging areas of business because of which exports were affected negatively. These companies also supply products to other manufacturing companies and fashion houses abroad – therefore, production was affected not just due to factory shutdowns but also decreased demand for fashion products worldwide because of which many orders were cancelled instead of delayed.

*Even after the lockdown, our production capacity was close to 50% --buyers' factories and shops were closed – now the global demand is increasing, and sea transport issues are normalising, so we are also increasing production. (Expert 7 – Devi Export; translated from Hindi)*

JuCoFabs, which is older and more established than Devi Export, has been managing to increase production and sales faster than Devi Export. This could be due to JuCoFabs having a stronger and older customer base. This is what Expert 8 had to say:

*Factories and many retail shops have opened abroad -- some of our buyers also sell products using online marketplace -- end users have now been social distancing for over a year so they have been shopping online -- even if business is slower than pre-COVID19 phase, we can now manufacture and ship products*

*-- are increasing our production capacity to match new orders. (Translated from Bengali)*

Both Experts 7 and 8, agree that even through business is slower than it was in the pre-COVID-19 phase, it is still a better situation compared to the first four phases of the COVID-19 lockdown (25<sup>th</sup> March to 31<sup>st</sup> May, 2020), when production has halted, shipping ports were in chaos and declared “Force Majeure”, and shipping operations went awry. Furthermore, the demand for fashion and retail items decreased because of the economic impact of COVID-19 pandemic on citizens worldwide. There were many similarities between these two case companies from the cotton textile industry and the case companies from leather industry, especially Ahmed Tannery and HM Enterprise that operate in the fashion industry also.

### **(III) Production Challenges in The Eyewear Industry**

Both Experts 9 and 10 talked about several challenges related to production, sales, and how logistics and the safety of workers had a role to play in production operations of companies. Expert 9 was able to provide information about three companies that he owns and of which he is the director. Moreover, Experts 9 and 10 work closely with other eyewear exporting companies of the same size, those that manufacture products, and have retail outlets in the same cluster in Bara Bazaar shopping district. Expert 9 shared that during the Lockdown, all the factories were shut down – so production was completely discontinued for all manufacturing companies in all industries. He added that this was the state of every manufacturing company, not just in West Bengal but also in other states of the country because the lockdown was nationwide. Danmac PolyPacks Private Limited has a factory in the state Gujarat (West India) from where the goods are shipped, and the headquarter is in Kolkata, West Bengal (East India). Expert 10 added that even after the Lockdown was lifted, their retail shops had to remain closed due to low demand for eyewear during that time. Expert 9 explained that it was not only his

companies that were affected, but also at least a dozen others from the Bara Bazaar district – these companies’ international and domestic sales were severely hit.

*“We have resumed both international and domestic operations – our sales are climbing up and market experts believe that due to people increasing their screen-time during the pandemic, many will develop or worsen their eyesight problems – this means more sale in 2021.”* (Expert 9 – Danmac PolyPacks Private Limited)

On researching what both Experts 9 and 10 about the pandemic worsening eyesight problems, it was found that this issue will be on a global level – this is the reason why many experts predict the eyewear industry to benefit in 2021 (Schraer, 2020; Lai, 2020; Fortune Business Insights, 2020; Peyser, 2021; McBain, 2021).

#### **(IV) Production Challenges in The Fruits and Vegetables Industry**

Fruits and vegetable industry is a subset of the Agriculture sector, and the impact of COVID-19 on the business operations of companies operating in the fruits and vegetable industry have been similar worldwide. This is because (a) the nature of these perishable goods are “essential”, and generally, the demand for “essential” foods remain constant, (b) these are transported using air transport – in the bellies of commercial flights that were cancelled in every country, (c) the production of agriculture goods was not affected but only the harvesting and supply chain was disrupted, (d) most exporting companies source fresh produce from local farms, so unlike the retail, fashion, and textile sector, which are heavily dependent on manufacturing, companies in the agriculture sector were not affected in their production operations. Furthermore, since production of agriculture products takes a few months before it can be harvested and stored for the off-seasons, the COVID-19 lockdown did not impact the production – only harvesting operations and issues with transportation was heavily impacted. For this reason, Both Experts 5 and 6 rated production as the least challenging area of business operations. They shared this information in their interviews when asked about production – they

also shared information about how their suppliers (farmers) faced many challenges because of COVID-19 lockdown and safety measures.

*Our farming partners, like others, had difficulty in harvesting crops due to social distancing – it was even on National News Channels. In June, Super Cyclone - Amphan damaged crops and destroyed a lot of land. Some farmers were affected more than others – not our suppliers, though. (Expert 5 – JBL Enterprise; translated from Hindi)*

Expert 6 from also explained another aspect of COVID-19 and the Super Cyclone Amphan:

*Due to interstate transport issues, non-availability of truck drivers, farmers already had a huge stock stored in their warehouses – because of Amphan farmers could not harvest crops, and those who did, were unable to safely store the stock from the heavy rains. (Translated from Hindi and Bengali)*

Therefore, companies did not face issues due to decreased production of fruits and vegetables, but because farmers were unable to get the produce transported from remote villages in West Bengal to the companies' warehouses. Furthermore, a lot of the farmers had to suffer losses because the heavy rains and cyclone destroyed crops both in the fields and the storage units. Both experts agreed that due to the products being "essential" the demand for them remained the same, throughout the Lockdown and after it was lifted.

#### **4.1.3 Human Resource**

Covid-19 pandemic is primarily a health concern, and therefore, personnel and human resource issues were rated the most challenging area of business by labour intensive businesses such as those involved in manufacturing goods - all case companies from

leather and cotton textiles industries with a heavy reliance on production operations requiring labour. On the other hand, case companies from eyewear industry explained that their machineries do the most work, and not labours. For this reason, eyewear companies relied less on manual labour as compared to companies from the leather and cotton textiles industries because they have their own tanneries, designers, and tailors. Although the agriculture sector is labour intensive, companies from the fruits and vegetables industry rated personnel and human resource issues as one of the least challenging areas of business operations because most exporting SMEs do not have their own farms, but source the produce from local farmers – in this sense, case companies from this industry did not face severe challenges related to the management of employees; these companies have warehouses where they stock the produce until they are shipped through air transport, but not many employees are required in the warehouses. The common aspect in all the case companies from every industry is that they have only a handful of office staff or white-collar employees – managing them was not challenging. These white-collar employees were asked to work from home on alternate days or 2-3 days a week – only those employees who could not do their work from home were asked to come down to the offices. Furthermore, many of these companies are family owned so the top management are also family, in which case it was easier to work from home or even the office because these people had been quarantining together. Case companies from leather, eyewear, and cotton textiles industries have factories, and several safety measures were taken such as training the staff, sanitising the premises daily, creating a bio-bubble if necessary, conducting temperature checks up to three times daily, provisions for essential blue-collar workers to live on the factory premises even if a bio-bubble was not created, and maintenance of the recommended 1-1.5 meter distance between workstations. Expert 11 shared that most of the exporting companies in contact with him have been increasing the volume of their exports this year - this implies that these companies have been managing the health aspect of their workers well during the ongoing pandemic, while also increasing their production capacities toward the pre-pandemic levels. However, India is currently



undergoing a second wave of COVID-19 in 2021, and the cases are rising and there another lockdown.

**(I) Human Resource Challenges in The Leather Industry**

During the initial phase of the COVID-19 when there was widespread panic, and when the factories were to remain shut, many blue-collar workers who were from outside of Kolkata went back to their hometowns. Those that were from outside of Kolkata but within the state found it easier to come back to the factory once the lockdown was lifted; however, those workers who were from other states, could not easily come back to Kolkata when factory operations and production resumed. This was because many states had closed off their borders, and overall, public transport was severely affected, with many trains, buses, trucks discontinuing their services.

*Some of our blue-collar workers are from outside the city or the state, -- they went back to their hometowns in March, and could not travel back due to stoppage of public transport like trains and buses-- there was a severe labour mobility issue initially. (Expert 3 – Ahmed Tannery)*

Expert 1-10 confirmed that interstate border closure along with public transport issues within the country had severely impacted the mobility of labour, and the situation was so grave that it was covered by the national news channels – many migrant blue-collar workers were left homeless, starving, and were attempting to walk to their hometowns that were hundreds of kilometres away with bleeding feet, and this led to serious discussions on human rights issues (Rajan et al., 2020; Ranjan, 2020; Khanna, 2020; Kumar & Choudhury, 2021). However, Experts 1-10 stated that this labour mobility issue was not as severe for the workers in their companies because most of them were from within West Bengal, and a vast majority of them are in the payroll of the company, which means that they are permanent workers and thus, receive several benefits.

*Unlike many of our competitors, we did not layoff any of our workers (either temporarily or permanently) even though we were facing liquidity. -- our factory workers have a Union, and it would not be easy for us to layoff any workers. -- It was also an ethical issue, and the directors/top management would not betray our loyal employees. (Expert 2 - Taj Leather Works; translated from Hindi)*

Other experts from this industry and some of the other industries agreed that,

*Things are going back to normal now after a year, and with mass vaccination starting, we hope that our production capacity can go back to normal within the next few months. (Expert 2 – Taj Leather Works; translated from Hindi)*

All the experts confirmed that they are continuing all safety measures in the factory and will continue to do so till they get further information from the Government. All three case companies had created a bio-bubble for the essential factory workers; the Experts agreed that this was beneficial, and production could continue without workers' safety being risked. However, training the staff and making the workers understand why this step was necessary was challenging. Additionally, they were looking forward to mass vaccinations that have already begun in 2021. Experts 1-11 agreed that this step will make the situation better especially for factory workers and manual labours in other companies and industries because these workers do not have any other means to earn a living; therefore, "they are risking their lives because it is much better than starving in the streets", said Expert 11.

## **(II) Human Resource Challenges in The Cotton Textiles Industry**

Issues related to employees were extremely similar in case companies from the cotton textiles industry. There was a severe labour mobility issue in the industry, however, this was not felt by the case companies - the reason being the same as those case companies from the leather industry: most factory workers were from Kolkata, and others were from within the same state, West Bengal. Since inter-state travel was not involved,

workers were able to come back to Kolkata. Once the Lockdown was lifted, and production started, a bio-bubble was created in one of the case companies (JuCoFabs), and Expert 8 also confirmed the statements of Experts 1-4 that the Government organised many webinars and circulated information on how to safely re-start production in factories.

*We are still maintaining all safety precautions– social distancing, masks, face shields, sanitisation, daily temperature checks, and bio-bubble in the factory as suggested by the government. Managing office staff is not complicated because they are very less in numbers.* (Expert 8 - JuCoFabs; translated from Bengali)

Both Experts 7 and 8 agreed that it was difficult to train the blue-collar workers to follow all the safety guidelines, and that it was easier to manage the white-collar workers because they were fewer in number and already understood the gravity of the pandemic. Moreover, most of the top management are family who live together and can work remotely.

### **(III) Human Resource Challenges in The Eyewear Industry**

As per Expert 9's statement, there are three main categories of companies in the eyewear industry based on their operations: (a) ones that manufacture and sell products in the domestic market only, (b) ones that manufacture and sell products in both the domestic and international market, (c) ones that do not manufacture products and sell only in the domestic market through retail outlets. According to Expert 9, most companies fall under the second category; however, many companies fall under the third category. He adds that out of all three companies of which he is the director, only Danmac PolyPacks Private Limited is involved in manufacturing. Whereas Gautam Optics and Ashok Optics are only involved in retail selling. Even though, Expert 9 stated that production of eyewear is not labour intensive when compared to those of other

industries, the fact that Gautam Optics does not manufacture at all is the reason why Expert 10 rated personnel and human resource issues as the least challenging.

Expert 9 focussed his answers from the perspective of the manufacturing company, and explained that their factory workers were affected the most. Most workers are on the permanent payroll of the company, so there was no question of laying off any of them even for short period. However, when production was completely stopped during the lockdown, the management had decided to reduce a percentage of their monthly salaries. Expert 9 explained that although workers were panicking, they were satisfied with this decision because the company would provide them with living arrangement and food.

Both Experts 9 and 10 stated that the whole industry was struggling with decreased demand and low sales. Expert 9 added that because of this reason, they did not face many difficulties in managing both blue- and white- collar employees. Expert 10 shared that because they only have a handful of employees in the retail outlets, it was easy to manage them - more so because even after the lockdown, their retail shops had to remain closed due to no sales being made - this was the case with majority of the companies that have shops in the Bara Bazaar shopping district. Both Experts had the same views and expectations about the future of the industry's exports - increase in global demand for eyewear due to deterioration of eyesight for most people spending increased hours on looking at screens during the pandemic. This would mean increased sales in the second half of 2021, which requires an increased production. Expert 9 was confident that they would be able to manage the health and safety of the factory workers because they have already had some training and practice since the onset of COVID-19 pandemic.

#### (IV) Human Resource Challenges in The Fruits and Vegetables Industry

As explained by Experts 5 and 6, most SMEs that export agriculture products do not own the farms - they act as the middle-men between farmers and the international market. This is the reason why neither of the case companies faced issues with production - the problem in this industry was not related to scarcity of produce nor related to decreased demand because the global demand for essential food products remains constant. However, there was a paradox in the demand for essential foods - people wanted to consume these high nutrient foods to increase their immunity to fight the coronavirus – but at the same time, many people were unable to afford these foods due to increase in prices (Torero, 2020). According to Experts 5 and 6, the problem in this industry was about logistics and global supply chain disruptions (Ferraresi et al., 2020; Torero, 2020; OECD, 2020; Aday & Aday, 2020; FAO, 2020).

*We do not have many employees – this was not a major problem for us. Key workers in warehouse. Few white-collar workers – work from home during lockdown – now they work alternate days from office. (Expert 5 - JBL Enterprise; translated from Hindi)*

*Situation is back to normal -- employees work at the office 3-4 days a week – but since there has been a recent spike in COVID-19 cases we are again shifting to work-from-home. (Expert 6 - M/S Balaji Exports; translated from Hindi).*

Both the experts expressed concerns over the rising COVID-19 cases, but they were confident in their ability to manage their white-collar staff in the Second Wave of Coronavirus, which is underway and has also been referred to as “Coronavirus Tsunami” India (BBC, 2021). This was because these companies have very less white-collar employees, and their blue-collar employees work only in the warehouses where produce is stored and there is no labour-intensive manufacturing operations involved.

#### 4.1.4 Logistics & Supply Chain

COVID-19 pandemic is primarily a health issue, but it has had a heavy impact on economies and how business is done. This pandemic has disrupted supply chains worldwide, and affected international trade as well. COVID-19 has also been called “the black swan of 2020” which is forcing companies from different industries and nations to rethink and re-imagine the business models (Kilpatrick & Barter, 2020; Accenture, n.d., PwC, n.d., Shih, 2020). Companies of all sizes were caught off guard when logistical vulnerabilities were uncovered by COVID-19 pandemic. SMEs have also faced numerous difficulties on a different level than large companies. Expert 11 shared that although large companies had a larger expanse of operations with a complex array of logistical and supply chain challenges, SMEs were left feeling like a deer in headlights because not only did they lack managerial capabilities that larger companies possessed, but they also lacked the financial resources to not let the sky-high rates of hiring shipping containers negatively impact their liquidity and working capital - these in turn impacted other areas of their export operations. Expert 11 also shared that some SMEs that export in large volumes sometimes have their own private shipping containers because it saves them the time but also money because the price per unit or volume is lower when they do not have to hire containers every time they have to ship consignments.

Expert 12 shared several insights about the maritime transport and how it is crucial in international trade and exports. Upon further research about Expert 12’s statements, it was found that global supply chain linkage is crucial, and shipping and ports handle approximately 70% and 80% of the global merchandise trade by value and volume respectively (Pallis, 2020). Therefore, when there is a global supply chain disruption due to pandemics, the impacts is felt globally through shockwaves, and affects many industries and nations due to the globalised world economy. UNCTAD estimated the global merchandise trade to have contracted by about 30% in the first half of 2020, and

World Bank reported a 20% Year-on-Year drop in April 2020 (Pallis, 2020). Expert 12 shared that due to the nature of products, some industries were impacted more than others. For instance, textiles and apparel industry declined in 2020, compared to the agri-food industry which had felt a strong impact at first but was quick to bounce back and even grow marginally (Pallis, 2020). Expert 12 also shared that as most countries went into lockdown, many ports worldwide had declared Force Majeure, and decline ship/port calls. He explained that due to strict lockdowns, most manufacturers and other buyers were unable to receive shipments. Moreover, the rate for demurrage is approximately 80,000-90,000 USD per day, which is a huge amount - for this reason, not only ports, but also many shipping companies also declared Force Majeure. When asked about the human aspect of operations, Expert 12 shared that ports that remained open were operating with minimal staff, and there were many restrictions and terms and conditions implemented that shipping companies and seafarers had to be aware of - most of these terms and conditions were similar and related to the health and safety of seafarers. This information was also validated by several reports by UNCTAD (Pallis, 2020), several maritime networks (eg. Wilhelmson, 2020) and port trusts in India. Case companies using sea transport talked about these issues as well. Case companies from the fruits and vegetables industry were caught off guard at the beginning of the COVID-19 lockdown when majority of commercial flights were cancelled; however, now they are not facing issues with transportation even though the air-fare is also increased.

#### **(I) Logistics & Supply Chain Challenges in The Leather Industry**

From the leather industry, 75% of the experts rated issues related to logistics and supply chain as the least challenging area of operations - their justification for this rating was that although these issues were serious and delayed the shipment of consignments, other three areas of business were more challenging for them to handle because management decisions needed to be made and would have a more severe consequence on their business if something went wrong. All experts agreed that there was not much they could do about logistics issues because it was an industry and system level problem.

Furthermore, Experts 1-3 agreed that since their companies were more established than other SMEs in the industry, they could still afford to pay 4-5 times the usual rate for hiring shipping containers once these were made available. Expert 11 had mentioned that those SMEs that were older, had more established networks and a loyal customer base, so they were able to manage the financial aspect of issues related to transportation.

*Partial border closures were an issue, but the biggest challenge was the unavailability of shipping containers. We had some owned containers, but those were not enough to transport all our products. -- we had to 4-5 times the normal amount for hiring containers. (Expert 3 - Ahmed Tannery)*

Expert 3 explained that due to international border closures or restrictive entries, there was plenty of problems with ports, increased paperwork, and shipping companies along with ports were using the “Force Majeure” clause and cancelling shipments - there was chaos in the beginning, and non-availability of shipping containers was one of the reasons why the prices for the remaining containers had been increased 4-5 times the usual rate. Therefore, micro companies were unable to afford these prices, unlike the case companies. This is also what Expert 11 explained - further adding that the hardest blow that COVID-19 pandemic had had on international trade was the supply chain disruptions, and while it affected exporting companies from the majority of industries, there was not much SMEs could do even if they could afford to pay for increased rates for hiring shipping containers. Since many shipping companies stopped their operations, only a small percentage of shipping containers was for hire - but hiring these containers simple because even if SMEs could pay for the high rates, there was not even containers for every company, and since large companies tend to have connections with the top management of the shipping companies, it was easier for them to hire the containers. This information was also validated by Expert 2, 3, 4, and Expert 8 from JuCoFabs, which is also an old and established company founded in 1991.



*Animal Hides' suppliers sell to exporters like us -- the pandemic has also affected their sales -- those who sold to tanneries that are involved in leather fashion goods were impacted the most. (Expert 4 - HM Enterprises; translated from Hindi)*

Expert 4 explained that most tanners also engage in direct exports, and animal skin suppliers sell to these tanners. In general, the leather fashion goods industry was hit hard, but companies that were engaged with small fashion brands abroad were hit the hardest. Therefore, animal skin suppliers who sell to these exports who are associated primarily with smaller fashion brands were also hit the hardest compared to those suppliers who were supplying partners of established exporters who are associated with large fashion houses or ecommerce sellers in the international market.

## **(II) Logistics & Supply Chain Challenges in The Cotton Textiles Industry**

The impact was similar for case companies in this industry, and all experts agreed that they rated logistical and supply chain issues as the least challenging area not because it was not extremely difficult, but because there was not much they could do about it - these issues were external challenges, and they could only react to the changes happening in the environment in the maritime transport industry. Both the experts talked about domestic transport also, which was also a problem in the initial phase of the COVID-19 pandemic last year. Both case companies, like several others of the same type, size, and industry, sell a percentage of the products in the domestic market, so they use road transport. During the lockdown, interstate travels were affected and many transport companies that had their own trucks/lorries were unable to get their drivers to work because many of them had also returned to their hometowns across India. Expert 8 mentioned that their company only uses road transport for interstate travel because they sell about 30% of their products in the domestic market and in different states. On the other hand, Expert 9 mentioned that his company uses road transport, both interstate (sales) and international (exports to Bangladesh). However, only the case

company represented by Expert 9 used interstate road transport to source some raw materials - because of this reason, their company faced several transport related issues while procuring raw materials, which Expert 8's company did not because their suppliers are within West Bengal. But he explained that their company faced a different problem with procurement:

*We buy ginned cotton, and raw jute from local wholesalers, and then process these in our factory. Overall sales of cotton and textiles had declined in the first half of 2020 -- many ginning mills that process raw cotton and jute shut down productions. (Expert 8 - JuCoFabs; translated from Bengali)*

*Raw cotton, even when stored in good conditions can start turning yellow within 5-7 weeks – so it was difficult for them. However, around October 2020, the global price for cotton had risen so that was a relief for our suppliers -- but it meant we had to pay more for the same items. (Expert 7 - Devi Export; translated from Hindi)*

Both experts agreed that interstate travel is back to normal, and they can easily transport goods to the domestic buyers, and even to those in the neighbouring countries, Nepal and Bangladesh. They also stated that the overall demand/sales has/have increased this year compared to last year when the state was extremely distressing for small companies. When asked to elaborate on the topic of increased demand and sales, they brought up COVID-19 related topics such as disposable incomes, global supply chain, and how the manufacturing houses they sell to have opened their shops and restarted their production - all of which has had a positive impact on the case companies, and others similar to the case companies. Expert 11 also talked about demand-side issues of the global industry and explained that the fashion, textile, and retail industries were hit extremely hard. Experts 1-12 agreed that the shipping container prices had decreased compared to last year, but they were still high. Case companies were able to afford the high prices, but Expert 11 and 12 explained how several micro companies with even lesser resources had to completely shut down

operations because they were unable to manage operations and sky-high rates for shipping was the last straw for a lot of them.

Although the issues related to transportation of the products and procurement of raw materials have improved, there is a lot of uncertainty within the industry, and at the national and global levels. This is what Expert 8 had to say about it:

*We are grateful that we have been increasing exports, and our production capacity is also rising slowly –we still have a long way to go – and we don't know what will happen: next lockdown, covid-19 cases rising, mass vaccinations, plus the status of the economies of countries we export to – things are uncertain for small companies in this industry. (Expert 8 - JuCoFabs; translated from Bengali)*

### **(III) Logistics & Supply Chain Challenges in The Eyewear Industry**

In general, issues related to sea transport and road transport impacted exports as well as domestic sales. Apart from the challenges highlighted by other experts, Expert 9 talked about how having suppliers all over the country, and a manufacturing unit that was on the other side of the country from the head quarter affected their business.

*Our factory is in Gujarat – goods are exported directly from ports there -- our retail shops are in Kolkata, so the rest of the goods are sent from Gujarat to Kolkata via road transport –interstate travel was problematic last year. It is better now. (Expert 9 - Danmac PolyPacks Private Limited)*

Expert 9 also explained how the challenges faced by one company, impacted the other companies. Expert 10 supported Expert 9's statement about how having the factory or supplies all across the country was the reason why their business faced additional challenges that many other eyewear companies from the Bura Bazaar shopping district did not. However, as mentioned by both the experts, even after the lockdown was lifted and the government allowed the factories to be re-opened, about 80-90% of the eyewear retail shops remained closed in the Bara Bazaar shopping district - this was due

to the decrease in demand for eyewear products during the first half year of the ongoing pandemic. Both experts explained they are now increasing international and domestic sales, and are hoping that the industry experts are right about global demand for eyewear increasing due to eyesight deterioration because of increased screen-time during the pandemic.

#### **(IV) Logistics & Supply Chain Challenges in The Fruits and Vegetables Industry**

The food supply chain is divided into five stages: agricultural production, post-harvest handling, processing, distribution/retail, and consumption/demand (Aday & Aday, 2020), and the pandemic has had an impact on each of these stages, some more than others (Deloitte, 2020). However, since all the stages are connected, each affected stage also impacts the other stages; thus, a catastrophic snowball effect can be observed (Keogh & Hand, 2020). Unlike foot and mouth diseases, Covid-19 does not directly affect production as the virus cannot spread through livestock or agricultural products (FAO, 2020). However, production has been affected indirectly due to the protective measures taken, such as social distancing affecting labour intensive productions, and “The Great Lockdown” (Ferraresi et al., 2020) that has affected mobility of labour (Torero, 2020).

Generally, agriculture and food products are transported using three main modes of transport: bulk (ships); containers (boat, rail, or trucks) and other road transports; and air freight (OECD, 2020). Perishable foods are transported through faster modes, unlike non-perishable foods (OECD). Transport and logistics bottlenecks in different modes disrupted global food supply chains overall by delaying forward distribution and resulting in loss and wastage (OCED, 2020; Aday & Aday, 2020). Most impact has been on air and water transports, although closed country borders affected road transport also (OECD, 2020; Aday & Aday, 2020; FAO, 2020).

For the case companies, both experts agreed that logistics was the most challenging area of business operations during the first few months of the pandemic. Given the perishable

nature of the fruits and vegetables, air transport is used, and commercial flights carry the consignment in the bellies of the airplanes. When commercial flights were cancelled, exports were completely at halt - the experts both shared that because of this reason they tried to sell most of their stock in the domestic market at a reduced price. Furthermore, both Experts 5 and 6 shared that similar exporting companies faced the same fate - all exporters turned to the domestic market when they were cut off from the global market.

*Transportation was a major export barrier. Our products are perishable, and sea transport can take up to 45 days to reach the destination -- we rely on air transport. The bellies of passenger flights carry cargo, and since majority of these flights were cancelled, it was a major disruption for us. (Expert 6 - M/S Balaji Exports; translated from Hindi)*

Both Experts 5 and 6 are members of West Bengal Fresh Fruits and Vegetables Exporters' Welfare Association, just like all the exporters from West Bengal. Furthermore, this government organisation works closely with other state and central associations, so the interviewees shared accurate information about the industry. Expert 5 explained the reason why exports from India in totality suffered, and exporters from other countries benefitted:

*The limited flights that were available cost us 4-6 times the regular rates resulting in a price hike for our products and making them less competitive in the global market -- we believe our market share was captured by exporters from Pakistan, Bangladesh, Myanmar, Malaysia and Bangkok, who sold the same quality of products cheaper than exporters from India. (Expert 5 - JBL Enterprise; translated from Hindi)*

To prevent spoilage of the stock that these companies had, they ended up selling it in the domestic market with a narrow profit margin. However, interstate transportation was severely disrupted as well, complicating domestic transportation. Expert 6 from M/S

Balaji Exports shared that their company usually sells 40% of the produce in the domestic market, and now they had to sell about 80% locally - Expert 5 also agreed that there was an increased supply in the local market and since exporters were selling export-grade products at discounted prices, many local sellers had to drop the prices of their products to retain their sales percentage. Expert 5 explained that many companies tied up with online grocery shops to boost their sales, but during the initial phase of the pandemic, nothing could be done because the lockdown had also impacted the warehouses of those online grocery websites and they were unable to take orders. Both Experts briefly explained that Super Cyclone Amphan had had a major impact on many farmers, but their farming partners were not affected that much. Expert 6 shared that the central government allocated 10-15 Lakh Crore INR (110-225 Billion EUR approximately) to West Bengal's agriculture sector after Phase 3 lockdown. Finally, both experts agreed that the situation has normalised in 2021.

## 4.2 Reforms Planned

*We overestimated the strength of the company, industry, and the government -- the government failed us miserably. (Expert 4 - HM Enterprises; translated from Hindi)*

It is evident that the ongoing pandemic has brought forward several issues associated with business operations for companies of all sizes and from all industries. In addition to challenges arising within the company, several experts brought up the need for "rebuilding the system" (Expert 9 - Danmac PolyPacks Private Limited).

*We had no real preparation in place -- when the first COVID-19 case surfaced in India in January 2020, we had no idea that this problem would or could escalate the way it did. (Expert 8 - JuCoFabs; translated from Bengali)*

Therefore, SMEs were in denial of the gravity of the situation when it surfaced. Experts confessed that this was a reality check for them, and taking steps to prevent future crises from having such a strong impact is necessary to ensure the survival and growth of their businesses.

*“Proaction must be the norm in the post-pandemic era”. (Expert 11 - company name redacted, Regional Export Agent)*

When asked about introducing reforms in the post-pandemic phase, experts shared concern for different areas of business, and explained that they were planning to introduce some reforms accordingly. While the smaller companies expressed their intention to re-evaluate the management of finance, larger companies were preparing to improve their overall risk and crisis management. The topic of business insurance came up, and experts agreed that it was something that SMEs should have to protect themselves from unforeseen circumstances. Not all companies had insurance for their factory workers before the onset of the pandemic, but now these companies understood the importance of such insurance and why the Insurance Regulatory and Development Authority of India mandated insuring employees. The smaller agri-export company shared that they would be investing in appropriate storage space for their produce because this is something they struggled with during the lockdown, when the warehouses were shutdown, commercial flights were cancelled, and small percentage of freighter aircrafts operating were not enough to cater to all exporters, especially those from the SME sector of India. Based on the findings from interviewees about reforms to be implemented, section 5.3 of the Discussion chapter explains why reforms are necessary and how companies are planning to introduce them.

## **5. Discussion**

### **5.1 Impact of COVID-19 on Export Challenges**

Based on the literature review of export challenges, there were five main categories in which all the export challenges could be grouped - networks and relationship, marketing, finance, logistics and supply chain, human resource, and government related challenges. In this study, only those categories of challenges have been explored, and the findings were focussed on the problem areas that businesses felt were most challenging to manage because of COVID.19 pandemic. For instance, some export challenges affect companies that have no international experience, or when they are struggling to enter a new market and capture a market share. However, this thesis only focusses on International New Ventures that have been international since before the onset of the ongoing coronavirus pandemic - for this reason, only those challenges that affect the operations of an international company have been studied. Seamless functional operations in a business decide the export performance in terms of sales and profitability of the company. Therefore, studying how the pandemic has been impacting the functional operations of case companies is the focus of this thesis, and so the findings revolve around them.

#### **5.1.1 Networks & Relationships**

- (i) Interfirm relationship - Companies rely on their suppliers for sourcing raw materials and/or the final goods in the case of agri-exports. Case companies struggled with not just their suppliers but also with their buyers, because COVID-19 impacted the operations and sales of most businesses in every



level of the supply chain. Companies with established relationships did not struggle as much, and those with a loyal customer base were able to continue selling and to increase sales after the first few months of the lockdown. Those SMEs who had close ties with large business were able to go back to “normal” faster than those who were associated with smaller businesses. On the flipside, case companies that had close ties with small suppliers were more willing to compromise to help these small businesses. It was observed that players in the business ecosystem were understanding about the challenges that their partnering companies were facing and therefore, showed the willingness to be accommodative of their requests. Furthermore, it was also seen that the type of business also played a role in determining how its relationship was with its partnering companies. More established SMEs in the textile sector were able to use their connections at the ports, and export associations, to have easy access to shipping containers - this is something smaller and/or newer companies found to be challenging because there were limited number of shipping containers for hire, and although these smaller companies could pay for the sky-high rates, they were unable to hire the containers because the established companies were using their personal and professional connections for this purpose.

- (ii) Lack of relative bargaining power - It was observed that some SMEs despite their established hold in the market had to compromise on many areas while dealing with partnering firms. For instance, experts representing industries such as fruits and vegetables, cotton textiles, and eyewear, faced major challenges with payments delays, order cancellations, giving large discounts, and other terms of sale, due to the SMEs small size, and decreased competitive advantage in the time of the crisis. Companies in the cotton textiles industry, cotton yarn and jute buyers were asking for large discounts, and the case companies had to accommodate these demands otherwise buyers would take their business to the competitors of the case companies.

The relative bargaining power of case companies in negotiations was lower than that of the buyers because while the buyers had other options to choose from, the case companies feared for the survival of their business if they continued making no sales (cf. Wolfe & McGinn, 2005).

- (iii) Location and availability of distributors - if case companies were starting out, this aspect would be an issue for them, but it is not relevant here because case companies have been engaging in direct exports for a long time. However, Expert 4 and 7 from the leather and cotton textile industries from the fashion sector mentioned that because of the pandemic affecting fashion houses and retail shops from every country, it was not feasible for case companies to locate new distributors abroad since the fashion industry had crashed severely. However, companies that were associated with global brands were able to perform better in exports compared to those companies that were associated with smaller distributors.

### **5.1.2 Export Marketing**

- (i) Product and promotion - During the pandemic, companies did not face challenges related to the product itself or promoting it, because the problem was not related to the characteristics of the product or how to adapt the product to meet the tastes and preferences of the host market. The COVID-19 pandemic uncovered institutional loopholes, weaknesses in the global supply chain, and caused several problems in carrying out seamless operations of the businesses. These challenges were felt the most by resource-constrained SMEs, and challenges in the functional operations in general worsened the financial situation of the companies. Case companies have established themselves sufficiently in the international markets, however, the pandemic indirectly affected the demand for many products from different industries by having a direct impact on the disposable incomes

of people worldwide. Furthermore, many companies had to shut down their retail stores to follow the strict safety guidelines issued by the governments. These problems led to a decrease in sales of products from some industries that were considered “non-essential”, such as the fashion industry, and eyewear industry, which were hit the hardest. Whereas the agriculture industry, although hit hard at the beginning of the pandemic, was able to recover the fastest in terms of sales, profitability, and general business operations due to the products being “essential”.

- (ii) **Place or Logistics** - As mentioned above, COVID-19 is primarily a health crisis, but has had a severely disruptive impact on distribution globally. Out of the four Ps of marketing, “place” has been affected the most for majority of the industries, as the experts confirmed. The first impact felt by businesses due to COVID-19 was the implementation of lockdown - this resulted in shipping companies and ports using the “Force Majeure” clause and cancelling ship/port calls. These issues related to logistics have been discussed in greater detail under “Logistics and Supply Chain” subsection of this chapter.
  
- (iii) **Pricing** - Due to an increase of freight costs, an increase in the price of raw materials, and overhead costs, companies faced issues with pricing and maintaining the same profit margin. Many companies also had to give large discounts to buyers, and this also had a negative impact on the profits made. Moreover, when all flights were cancelled during the first phase of the lockdown, companies from the agriculture sector had to turn to the domestic market in order to make up for lost sales through exports and also to prevent the produce in their warehouses from perishing. Selling export grade products in the domestic market means lowering the prices, so companies had to settle for decreased profits. However, it was found that many “micro” exporting companies from this industry were not able to make as much profits as the bigger companies because “micro” companies were not able to

remain competitive in the domestic market. These challenges are a threat to business continuity, and several business had to shut down completely, as explained by Expert 11. Increased costs of cotton resulted in companies losing their competitive edge in the international market. Similarly, freight costs were up by 5-6 times the usual rate, and this was one of the major reasons why companies from the agriculture sector found it difficult to remain competitive internationally, and neighbouring countries were able to occupy the market share lost by Indian companies.

### **5.1.3 Finance**

- (i) Working Capital & Liquidity - Under financial challenges, this study focuses only on working capital and liquidity challenges that SMEs faced because of COVID-19, and not on other challenges related to capital investments because that would be beyond the scope of this study. Resource-constrained SMEs struggle with their working capital even when there is not a global pandemic going on. Therefore, it is evident why SMEs struggled with their finances when the COVID-19 pandemic hit and disrupted the world economy. The pandemic caused several major issues in different functional areas of the business, which indirectly impacted the financial situation of companies. All case companies mentioned finance being a major concern during the ongoing pandemic and they highlighted several reasons that led to a Liquidity Crisis, and brought forward several threats to the continuity of their businesses. For instance, companies had to incur additional expenses in the management of personnel. Several companies provided relief to the blue-collar workers, implemented various costly but necessary safety measures in the factory and warehouses as well as the offices, the Insurance Regulatory and Development Authority of India mandated employee insurance in order to be allowed to resume factory operations after the lockdown was lifted.

Additionally, some of the companies even set up a bio-bubble for factory workers, and others had to make appropriate living arrangements for them in the factory, all of which resulted in increased spending. In terms of logistics, companies had to pay 5-6 times the usual rate for sea and air transport, which was a substantial expense for SMEs that already do not have significant financial resources available at their disposal. Many of the companies' buyers cancelled orders, delayed payments, or asked for large discounts, while the suppliers demanded increased prices for the raw materials on which the case companies relied. Several experts explained that they had massive debt burden which also proved to be challenging to deal with. In addition to these problems, companies in the fashion sector (leather and cotton textiles), faced a major dip in sales due to decreased demand for their products worldwide. Due to shortage of cash, several companies faced challenges in continuing production as well. All these financial issues together made companies less competitive in the international market, but for some smaller companies it was much more serious than a decrease in competitive edge: the continuity of their business was threatened and some of the experts confirmed that many "micro" companies engaging in exports had to shut down. However, companies that were more established than others, had emergency funds that they could rely on for the first 2-3 months of operations right after the lockdown was lifted. All the Experts confirmed that although there was a depreciation of the value of Indian Rupees against the dollar, it was not substantial enough to help the exporting companies. This impact on foreign exchange is profitable for exporters, while it is harmful for importers. However, companies were not concerned about the impact that COVID-19 had on foreign exchange.

#### 5.1.4 Logistics & Supply Chain

Governments announced national lockdowns and safety measurements as a response to the pandemic, and as a result, shipping companies cancelled a vast majority of their sailings, and fewer ships were available with the least number of seafarers. Additionally, ports in majority of the countries cancelled ship calls and therefore, many shipments were delayed indefinitely. Both shipping companies as well as ports used the “Force Majeure” clause to cancel sailings or port calls, as an emergency response to the crisis. COVID-19 pandemic had a severe impact on maritime transport because of health concerns for the seafarers, and fear of spreading the virus to other countries. Therefore, exports and imports were heavily impacted because about 80% of the global trade by volume are carried by sea (Pallis, 2020). Companies dealing in “essential” and “perishable” goods heavily rely on air transport because it is faster than sea transport. About 35% of the global trade by volume are transported by air cargo (International Air Transport Association, 2016). During the first phase of the lockdown, more than 20 major airlines cancelled 100% of their flights, but frequency of flights have been on the lower side even in 2021 (Statista, 2020, 2021; Mazareanu, 2020). Because of these reasons, exports and imports were heavily impacted, especially during the first lockdown.

Once the lockdown was lifted by the governments, and shipping companies and airlines had had the time to prepare for the recommencement of operations while following the safety guidelines, companies were relieved because this meant they could start shipping again. However, there was a decreased availability of shipping containers and commercial flights, and the charges for hiring the same had sky-rocketed, further impacting the liquidity of companies. On the one hand, established SMEs were able to use their networks and relationships with shipping companies, port authorities, and local politicians, to have easy access to containers for hire and in some cases, prove that the “first come first served” rule was not necessarily applicable to every company. On

the other hand, despite being ready to pay the sky-high prices, smaller companies found it difficult to find available shipping containers because larger companies were able to hire them faster. In addition, implementation of safety measures affected the availability of seafarers, port employees, and warehousing staff, and determined how they worked. These regulations and measures resulting in increased paperwork, and made the problem of bureaucracy worse. Expert 11 and 12 explained these challenges in detail and how it was a major barrier that could have been avoided if there were an increased reliance on digitalisation and technology - something that could be introduced in the post-pandemic era to increase the resilience of the industry.

Furthermore, some Indian companies that export to neighbouring countries such as Bangladesh and Nepal, rely on both road and sea transport. Since countries closed their borders, and there was a lack of availability of truck drivers, road transport was not an option for several companies any longer. Almost all the case companies also sell in the domestic market, and majority of these companies ship consignments to different states in India. Because of the maritime transport disruptions, companies also looked at the domestic market as an opportunity to make sales even if profits were lower. However, interstate travel was also a problem due to some states closing off their borders and truck drivers not being readily available.

#### **5.1.5 Human Resource**

COVID-19 pandemic is primarily a health crisis, and therefore, governments and companies have been concerned with managing the safety and wellbeing of citizens and employees. For companies, personnel management has been one of the most challenging areas of business to deal with during the ongoing pandemic. Human resource challenges directly impact other functional areas of the business, and threatens business continuity. For instance, in most factories, production operations are labour-intensive, and therefore, ensuring that employees and workers are safe is of

utmost importance for companies. However, experts agreed that it has been easier to handle in 2021 because they had the whole of 2020 to adjust their operations to align with the safety guidelines set by the government. Case companies are small International New Ventures that are family-owned, and there are not many office staff or white-collar workers. Moreover, experts agreed that most of the management are from the same family and live together, so their ensuring their safety was not problematic and they could work from home or alternative days from the office. However, most of the case companies have their factories and production operations are labour-intensive - for this reason managing the health and safety of the blue-collar workers has been their primary concern. Experts shared that managing and training the factory workers during the first phase of the pandemic was extremely challenging, and that in order to resume operations after the lockdown, they had to provide insurance cover to all the employees earning less than 21000 INR per month. Another challenge was the labour mobility issue due to the disruptions in public transport and interstate border closures. When the government of India announced the lockdown, many outstation labours working in these companies panicked and went back to their hometowns in other states, but they were not able to come back to the factories once production operations resumed after the lockdown. Experts from case companies mentioned that although they did not have many outstation workers, many of their competitors and/or suppliers had a larger percentage of outstation workers in comparison to workers from within the city or state. This labour mobility problem in India caused a major Human Rights concern by uncovering several systemic issues and institutional loopholes. Once production operations resumed, companies had to train the factory workers to make sure that they were following all the safety guidelines such as social distancing, wearing masks and face shields, continuously sanitising themselves and the surroundings, checking temperatures multiple times a day, among other precautionary measures. Some experts shared that this was challenging to do because most of the factory workers were not able to grasp the gravity of the situation and it was difficult to make them understand how and why safety measures are necessary. While some experts explained that their factory layout of workstations was such that it



was not difficult to resume production while following the safety guidelines, some companies expressed how the workstations were less than a meter away and so they had to take additional measures for social distancing inside the factory. With the information from the government and help from state level export associations, several companies were able to successfully create a bio-bubble for some of the factory workers. It was also difficult for companies to ensure that there was no breach of the bio-bubble, and in case of a breach, the people involved would be isolated and would have to test negative before being allowed to enter the bubble again. Although this was rare, it still happened and the expert who had this experience shared that it was due to the worker not taking the situation seriously enough, but when this happened, necessary measures were taken and none of the workers repeated this behaviour again. Experts also mentioned that even when production was not at full capacity, a percentage of salary was still paid to the workers. It was observed that majority of the factory workers were on the permanent payroll of the company, and many of the experts mentioned how the workers were also a part of a labour union, and therefore, the management would not even consider laying off any of the workers because that would result in the loss of trust of the workers on the company. Moreover, experts agreed that although companies faced serious liquidity issues, the management was critically aware that these blue-collar workers had no other source of income, and would not be able to sustain themselves if the companies were to lay them off or delay salary payments during this crisis. However, some smaller companies had to temporarily lay off some of the workers for a few months but during this time, a relief fund was provided to these workers to ensure that they could at least afford shelter and food. This lay off was necessary for the companies because right after the lockdown was lifted, they struggled with order cancellations leading to a steep decline in production.

### **5.1.6 Government Regulations & Impact**

In response to the COVID-19 pandemic, governments of each country introduced several safety measures. Similarly, the government of India introduced the national lockdown, travel restrictions, bans on mass gatherings, implementation of social distancing, and encouraging the promotion of remote working (IMF, 2020). Lockdowns were introduced in phases, and factories and warehouses had to be shut down for the safety of the employees. This was the major reason why companies had to stop their production and operation. Moreover, the government suspended interstate travels also, which affected not just the mobility of labour, but also the domestic sales which all the case companies make. It was observed that when companies from the agriculture industry were not able to export, they turned to the domestic market because it was the only way to recover from lost international sales and to prevent making additional losses. However, this proved to be difficult in the first phase since the onset of the pandemic because interstate travel was challenging. Experts 5-6 and 11 agreed that border closure and non-availability of truck drivers caused many smaller exporting companies to suffer losses and wastages since the produce was “essential”. Although the majority of sales of all companies was international, the Insurance Regulatory and Development Authority of India announced that providing medical insurance to employees would be mandatory for companies, and without meeting this criterion they would not be allowed to operate post-lockdown (Dubey, 2020).

There were no trade restrictions imposed by the government for the eyewear or leather and cotton textiles industries, but in September 2020, the Directorate General of Foreign Trade (DGFT) of India, imposed an export prohibition on all varieties of onions except those that were cut, sliced or in a powder form, to avoid shortage in the country during the COVID-19 pandemic. In October 2020, the DGFT announced that there would be an export ban on onion seeds as well. Both of these trade restrictions are still active in April 2021, and the end date for the restrictions are not yet known (International Trade

Center, 2021). In addition to the above, there has been another restrictive trade measure observed in the agriculture sector in India. Although there has been no government ban on the exports of rice, Indian rice traders have stopped signing new export contracts since April 2020. The restrictions for both onions, onion seeds, and rice, are ongoing and applicable to exports to all countries (International Trade Center, 2021). These restrictions have impacted SMEs that export these agriculture products, and Experts 5-6 mentioned they have been focussing on exporting other grains and vegetables, along with fruits, pulses, and spices.

## 5.2 Industry Overview

Experts from all the case companies were asked to rank the least to most challenging area of business since the onset of the COVID-19 pandemic. These areas were: human resource, finance, production and sales, and logistics. Ranking is in an ascending order (1<sup>st</sup> to 4<sup>th</sup>) but to represent the impact graphically, ranks were converted into a scale of 1 to 4, where 1 represented the lowest impact and 4 represented the highest impact. So, the department which was ranked the most challenging in terms of impact, was marked 4 on the scale:

*1<sup>st</sup> rank = 4 on the scale; 2<sup>nd</sup> rank = 3 on the scale; 3<sup>rd</sup> rank = 2 on the scale; 4<sup>th</sup> rank = 1 on the scale*

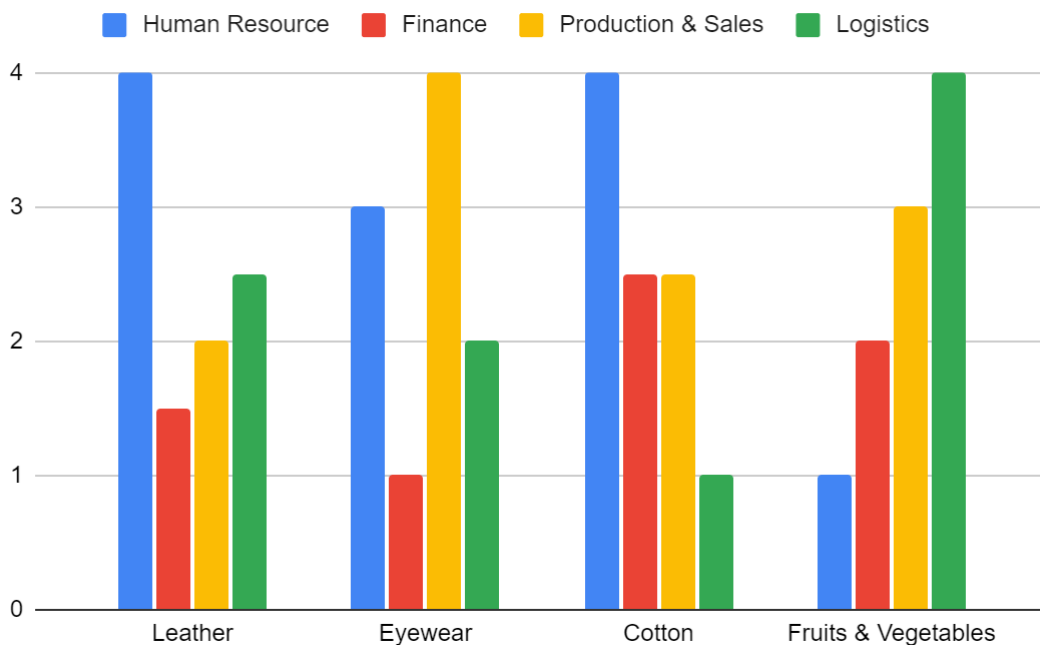
Some observations based on Figure 4 below:

- Human Resource was most impacted in leather and cotton textiles industries because they are labour intensive; moderately affected in the eyewear industry because production is not as labour intensive as in the fashion sector (cf. McKibben & Fernando, 2020); and least affected in fruits and vegetables industry because the case companies act as middlemen between farmers and

international buyers, and therefore, are not involved in production (cf. FAO, 2020).

- In all the industries, issues related to finance were low to moderately challenging to manage. Compared to other industries, finance was the most impacted in the cotton textiles industry - on the one hand, global demand and sales in fashion sector were at an all-time low because of closure of retail shops worldwide during The Great Lockdown, and due to decrease in disposable incomes of people because of the recession caused by the pandemic (cf. Barua, 2020; Fernandes, 2020; McKibben & Fernando, 2020); on the other hand, buyers were demanding large discounts, and suppliers of cotton were charging increased prices because the global price increase since 2020 (cf. Panigrahi et al., 2020; Bhosale, 2021). Because of these facts, in the cotton textiles industry, production, sales, and finances, were equally challenging.
- Although case companies from both leather and cotton industries come under the fashion sector that has been heavily impacted by COVID-19 (Balram, 2020), experts from these companies explained that finance was not the hardest challenge to tackle because case companies are established, and had enough financial reserves to rely on - however, Expert 3 and 11 mentioned most small companies exporting textiles had a major shortage of cash because those companies were not as established or financially stable as the case companies.
- In the eyewear industry, experts explained that the most difficult challenge was sales, which had flatlined - Expert 9 mentioned that “during the pandemic, eyewear is the last thing people want to buy” - because of which production has at a complete halt and retail shops for eyewear were shut-down even after the lockdown had been lifted in 2020. However, experts worldwide predict a steep rise in global demand and sales for eyewear because of the deterioration of eyesight caused by increased screen-time during the pandemic (Schraer, 2020; Lai, 2020; Fortune Business Insights, 2020; Peyser, 2021; McBain, 2021).
- Logistics and transportation (both air and maritime) were severely disrupted by the pandemic; however, experts from the fruits and vegetables industry

explained that it was the biggest challenge for them. “Essential” and “perishable” goods in the agriculture sector are transported via air: (a) bellies of commercial-passenger flights, and (b) freighter aircrafts. During the lockdown, all commercial flights were cancelled, and the availability of a small percentage of freighter aircraft was not enough - as explained by experts (cf. Mishra, 2020). The only Indian Airline with freighter aircrafts in their fleet is Spice Jet (“SpicExpress”) - this was not enough, and the rates had climbed up by 600-700% of the usual rate, making it extremely difficult for resource-constrained SMEs to afford (cf. Mishra, 2020). After the lockdown was lifted, the rates remained high, and Experts explained that this made them less competitive in the international markets. Case companies in this industry also struggled with sales - not because of demand, since it remains stable for essential goods (low elasticity of demand) - but because interstate/road transport was also disrupted. Several competitors of case companies struggled to source produce from farmers whose harvests in 8500 hectares of land were damaged by Super Cyclone Amphan in West Bengal (cf. SourceTrace, 2020).



**Figure 4:** Perceived impact of COVID-19 on functional departments across industries (Appendix 1 - Raw data and calculation)

**Note:** The graph in Figure 4 shows Experts' perception of the pandemic's impact on their business operations; therefore, the company's profile in terms of experience, networks, resources, played a role in which area of business was most (or least) challenging for experts to manage. Moreover, a low ranking does not signify the absolute degree of impact, but rather the ability of the company to effectively manage the challenges arising in that area of business. However, these responses are used to represent the export challenges faced by similar companies in the four chosen industries in India.

### 5.2.1 Leather Industry

There were four interviews conducted from three case companies, all of which are operating in the leather industry and are small but established International New Ventures that have been international from the beginning. The percentage of international sales for these companies range from 85-95%, with a small percentage of sales in the domestic market. All the companies are labour intensive because they manufacture leather and leather products in their tanneries and factories. Owing to this fact, all the interviewees stated that the most challenging area has been personnel and human resource management during the COVID-19 pandemic. Furthermore, 50% of the interviewees rated production and sales as the second most challenging aspect because of three main reasons: (a) production is labour intensive, and managing the safety and wellbeing of these factory workers, while ensuring that they followed the safety guidelines that the government had issued, was extremely difficult; (b) production was completely discontinued during the four phases of the lockdown from March 25<sup>th</sup> to 31<sup>st</sup> May 2020, which lead to delays in production of ongoing orders; and (c) many orders were cancelled during the lockdown and therefore, the sales went down substantially. Although many SMEs in India and worldwide had severe financial challenges during the lockdown, the case companies managed these challenges quite well because they are

30-50 years old established companies with a loyal customer base, and one case company supplies products to global corporations such as H&M, Zara, Levi Strauss & Co., Nike, Puma, and several other large companies throughout Europe and North America. Therefore, 50% of the interviewees rated financial issues as the least challenges, and the remaining 50% rated it as the third most challenging aspect to manage. Finally, logistics and supply chain issues were rated third most challenging aspect by 50% of the interviewees - the reason for this is that these established companies could afford to pay 4-5 times the usual rate for sea freight, and had strong formal and informal relationships with the owners of several container freight station (CFS) operating companies, sea transport companies, EXIM logistics companies, several government authorities at the Kolkata Port Trust as well as political connections. Moreover, 50% of the interviewees had their own shipping containers at the Port, therefore, the non-availability of shipping containers, and the skyrocketed rates did not affect them as much as they affected other “micro” companies operating in the same industry. The remaining 50% of the interviewees rated logistics and supply chain issues as the second most challenging even though it was not because they could not afford to pay the sky-high prices once the lockdown had been lifted. These experts explained the reason behind their rating - they believed that the port shut-downs and cancellations of sailings lead to delay in order shipments, and even some order cancellations, which made it more difficult for them to manage financial challenges.

### **5.2.2 Cotton Textiles Industry**

There were two interviews conducted from two case companies, one of them being an established company with thirty years of experience, and the other one being a “micro” company with five years of experience. Both companies are International New ventures, exporting to Europe, North America, and Asia. Their exports range from 70-85% of their total sales. Being a labour-intensive business, personnel and human resource issues were rated the most challenging by all the interviewees. Both companies’ product

offerings include cotton fabrics, dyed fabrics, other cotton products such as bags, yarn, handicraft items, and jute products. These products are sold to other manufacturing business operating in the fashion and retail industry, which was hit hard by the COVID-19 pandemic, globally (Retail-Economic Times, 2020; Thacker, 2020). Due to these factors, production and sales was rated the second most challenging aspect by 50% of the interviewees. Whereas the management of finance was considered the second most challenging factor by the “micro” company that was only five years old, with very limited resources and small scale of production capacity. However, all the interviewees agreed that logistical issues, although problematic, were the least challenging area affecting their business. The decreased demand in the international fashion retail market indirectly affected sales in the cotton textiles industry.

### **5.2.3 Eyewear Industry**

Two interviews were conducted from two companies, with international sales ranging between 50-60% of total sales. Both companies have been international since their inception, and export to regions in North America and Europe, and several countries in Asia like Nepal and Bangladesh. Case companies sell a large percentage of their products in the domestic markets, but only half of them (Danmac PolyPacks Private Limited) manufacture optical frames in their own factory. However, Expert 9 also talked about a third company (Ashok Optics) that also manufactures optical frames. In the domestic market, sales are made from the retail shops of the case company in West Bengal, or sold to other retailers throughout the country. Raw materials are sourced through China mostly, and therefore, case companies are not only importers of plastic and exporter of finished goods, but are also retailers and wholesalers in the domestic market. Their international sales range from 45-60% of their total sales. Although only two interviewees from two case companies were conducted, Expert 9 was able to provide information about challenges faced by two additional companies of which he is a Director/Proprietor, and he also shared some industry information about companies



that are similar to the case companies. Most exporters of optical frames sell a large percentage of their products in the domestic market, as explained by Expert 9. He explained that wholesalers in West Bengal transport their products through road transport throughout the nation, and even to neighbouring countries such as Nepal and Bangladesh. The general chain of events triggered by the pandemic was also highlighted by the interviewees. During the initial lockdown in India, all the manufacturing activities were stopped, and the retail shops selling eyewear and other optical frames were closed as well. Furthermore, ports and shipping companies also had to shut down their activities, and the interstate borders also remained closed. Because of these issues, companies had to stop production, exports, and even local sales. After the lockdown was lifted by the government, companies were able to start operations again, and although their sales were slashed down to half, given the small size of these companies, they were relieved once they started receiving payments again. Expert 10 explained that the industry expects to increase sales and profits because during the COVID-19 lockdown, people have substantially increased their screen-time which will affect their eyesight - this has been confirmed by "Sahyogi" a B2B e-commerce platform (Sahyogi – Your Business Mate; 2020)

#### **5.2.4 Fruits and Vegetables Industry**

Two interviews from two case companies were conducted to understand the export challenges faced by exporting companies in the agriculture sector, dealing in fruits and vegetables. Both the companies have been international since their inception in 2007 and 2010, and are established in the local market as one of the largest exporting SMEs from East India. Percentage of sales that are international for these case companies are 60-90%, with 110-120 tonnes of fruits and vegetables exported per month, and the rest of the products are sold in the domestic market – something that is common with most SMEs that export agriculture products including fruits, vegetables, pulses, grains, and spices. Experts 5 and 6 have deep insights not only about the case companies, but also

share information about their competitors who are also SMEs that have been international from the beginning – this is because such companies work closely with several government agencies and are a part of the West Bengal Fresh Fruits and Vegetables Exporters' Welfare Association. Therefore, a general idea about the industry is also highlighted in this thesis. Even though these food products are categorised as “essential”, exports from this industry had gone down by 90% during the lockdown primarily due to logistical issues. Another common aspect was that most of these exporters had to sell their export-grade high quality products in the local markets to domestic dealers at a discounted price. Due to these products' perishable nature, many exporters had to take quick action to sell to local buyers, and many companies incurred losses just to ensure that the produce would not go to waste. Therefore this industry was hit the hardest, according to several experts and the Food and Agriculture Organisation of the United Nations (FAO, 2020 a,b,c; Gustavsson et al., 2011; Torero, 2020). Furthermore, the interesting trend about this industry was that due to these products being “essential” and “perishable”, the industry was hit the hardest, but also recovered the fastest as compared to other industries with products that are not “essential”. However, there was a paradox that industry experts talked about: because of the pandemic, there was a rise in the demand for these high-nutrient food products to increase the immunity against coronavirus, but at the same time, since the prices of these products had increased, it somewhat decreased the demand. However, this decrease was not much because the elasticity of demand for essential goods is low - but this was also impacted by the fact that the pandemic had a negative effect on the disposable incomes of people worldwide.

### **5.3 Reforms and Innovation in the De-covidisation Era**

The impact of COVID-19 pandemic on businesses is unparalleled as far as complexity and scale go, and the pandemic has uncovered many different problem areas of business

and industry that experts had not foreseen. While questioning the interviewees about the reforms and innovation that they are planning or have already planned for their companies in the post-pandemic era, several issues came up, and they have been discussed in this section. Many discussions about crisis management and resilience have come up for companies, industries, and even economies, because of the COVID-19 pandemic which is a low-probability but high-risk event. Large companies have the resources to be able to navigate through the challenges that a crisis such as the ongoing pandemic brings forward, but it is not so simple for SMEs that lack both knowledge-based resources and financial resources. Furthermore, SMEs are much less likely to be involved in systematic crisis management, but the bright side is that once these companies carry out a structured planning process, it adds to the resilience of the business (Cragg & King, 1988). Therefore, this discussion is relevant in the context of exporting SMEs that have been hit extremely hard by COVID-19. Moreover, exporting SMEs must compete with the local players in the host countries, which is a daunting task even without a global crisis. For these companies, it is essential to understand that in order to secure their business continuity in the post-crisis phase/post-pandemic era, they must focus on resilience through crisis resolve, return, re-imagination, and reform. While exploring the impact of COVID-19 on the specific areas of business operations that were challenging for the case companies from different industries, it was observed that all the experts recognised how these challenges were a hindrance to exports and expressed the intention to neutralise or remedy these export challenges. In this section, the areas that the case companies plan to improve and introduce reforms in the post-pandemic era have been discussed.

As we have seen with the case companies, the inability of one company to deal with a crisis negatively impacts those which are associated with it. This is known as cascade failure, and SMEs are much more likely to be affected by this “ripple-effect”, and are controlled by the market and the environment (Smith, 1990; Watts, 2003; Vargo & Seville, 2011). It was noticed that only some of the established case companies had a substantial emergency fund, but none of them had a strategic crisis planning in place, which representative of existing literature (eg. Smith, 1990; Watts, 2003; Spillan &

Hough, 2003; Vargo & Seville, 2011). Some of the things that determine whether a company survives a crisis are strategic planning, adaptability, and awareness of the changing situation. However, one of the major deterrents of successful crisis management is denial or underestimation the probability of a negative events happening because the management is not experienced with those events (Spillan & Hough, 2003; Pollard et al., 2006). For instance, saying that a particular crisis is too unlikely to happen or that the company is too small to do anything about it (Vargo & Seville, 2011). COVID-19 pandemic has helped many such companies to break through this denial by uncovering the weaknesses of business operations, industries, and institutions, causing them to prioritise strategic crisis management that would also involve introducing reforms and innovations. Companies such as the case companies are extremely vulnerable in the face of a major crisis, and literature suggests that only those SMEs survive who take a proactive action to improve their business operations (Alesch et al., 2001). There is a rise in occurrence of both man-made and natural crises, and SMEs are the most likely to succumb to them (Mitroff, 2004). Therefore, SMEs need to upgrade from crisis prone to crisis prepared (Pearson & Mitroff, 1993; Hong et al., 2012). This is another reason why interviewees were asked to talk about whether they have planned or are planning to introduce any reforms to improve their business operations and to strive for resilience.

Although all the case companies had some emergency funds reserved for unforeseen events, 60% of the experts representing the case companies agreed that it was not nearly enough to help them with the challenges that COVID-19 pandemic had brought forward, and only 40% had emergency funds that lasted for at least 3 months of the pandemic. However, 70% of them said they were going to re-evaluate their company's finances - this relates to liquid cash, borrowings from the banks, government schemes for MSMEs, and investments. Some of the experts explained the importance of financial forecasting and budgeting, especially in the post-pandemic era, and that there was a need to adapt and evolve. Expert 3, 4, 6 and 9 explained that they had already started the process of reviewing their financial management strategy, and were studying the impact of COVID-19 on the market because it was "essential to learn from (our)

shortcomings that Coronavirus pandemic has exposed” (Expert 3). Hence, these companies were already “proactively seeking the silver lining”, and had an understanding of how being resilient is not only about the ability to survive, but also the ability to thrive, even in the face of adversity (Seville, 2009; Vargo & Seville, 2011)

All the interviewees explained that employee health insurance was something that they had ignored, but this pandemic made them realise that employee health insurance should be a priority. Experts 2, 3, 5 and 8 talked about how the Insurance Regulatory and Development Authority of India (IRDAI) mandated that all companies need to provide health insurance for all blue- and white- collar employees, to protect them from COVID-19, and that only when this requirement was met, companies were allowed to resume production/operations after the Lockdown. Experts had shared that they were allowed to resume business from the Phase 3.0 (4<sup>th</sup> May, 2020), so all the companies had to provide health insurance for their employees before this date. Experts 1, 2, 3, 5, 8, 9, and 12 talked about Business Interruption (BI) Insurance which would help them recover losses of incomes due to unforeseen events or crises. Business Interruption (BI) insurance generally covers lost net profit, standing charges, and increase in working costs to maintain production during a period of indemnity/loss (Bansal et al., 2020). Although most Indian companies do not have this insurance coverage for COVID-19, this thesis found that majority of case companies were already looking into getting this BI insurance to protect themselves from similar crises in the future.

Experts from the cotton textiles industry shared their concern over loopholes in their contracts that allowed many of their buyers to cancel orders that were already in production, and other experts from the fruit and vegetables industry and the leather industry for fashion products also talked about updating their contracts to ensure there were not any loopholes that large companies with a strong legal department could use against the case companies. Expert 10 and 11 had already mentioned how not only companies, but also several ports were using the “Force Majeure” clause and that there were a lot of legal issues that arose during the pandemic. These experts also explained that although COVID-19 was to be regarded as a “Force Majeure” incident, many large companies had taken advantage of this clause - SMEs were left with no choice but to

comply because of which they faced many financial challenges such as liquidity issues, as well as losses that had a major impact on their business continuity and profits from exports. Therefore, many of these case companies have already understood that there is a need to update their legal contracts so that the terms and conditions solid - the focus would be the section for defaults, cancellations, refunds, and other such areas related to unforeseen events.

Therefore, it was observed that the case companies were invested in the idea of expanding their knowledge through organisational learning in the post-crisis phase of the pandemic- this is important because the post-crisis phase for a specific crisis is when companies can increase their preparedness for the upcoming crises, which are going to appear with an increased frequency in the future (Coombs & Laufer, 2018; Torero, 2020).

## 6 Conclusion

*“Everything we do before a pandemic will seem alarmist; everything we do after a pandemic will seem inadequate.”* Michael Leavitt, US Health and Human Services Secretary (2007).

This chapter highlights the theoretical contributions and the managerial implications of the research. Additionally, the limitations of the thesis and future direction for research are also discussed. In accordance with the research question and objectives of the thesis, the findings of the thesis relate to (i) the categories of export challenges on which the ongoing COVID-19 pandemic has had the most impact, (ii) the inter-industry comparison based on the aforementioned categories of export challenges, and (iii) the reforms that companies are planning to implement in the post-pandemic era in order to be resilient against crises that may arise in the future.

### 6.1 Theoretical Contribution

The theoretical contributions of this thesis relate to the impact of the ongoing COVID-19 pandemic on the export challenges of that SME-INV's face in their business operations. Furthermore, the study adds to the understanding of export trends in different industries by comparing and contrasting the experiences of case companies in the conduction of operations in the four main functional departments such as finance, production, personnel and human resources, and logistics and supply chain - where the export challenges arise because of the direct impact of the global pandemic that has disrupted the world economy. These four departments of business have a central role

to play in the business continuity and export performance, and the thesis explores how the pandemic affected operations in these departments and acted as export challenges for companies already engaged in direct exports.

An interesting observation of the study is that it supports the fact that Born Global/International New Venture theory of internationalisation is an exception to the Traditional theories of internationalisation. Additionally, the study exposes the faulty assumption made in the Traditional “Stages Theory of Internationalisation” that all companies want to “move up” the hierarchical ladder of internationalisation in terms of resource commitment and operation mode used (cf. Johanson & Vahlne, 1977, 1990, 2009; Pan & Tse, 2000; Welch et al., 2007).

Traditional internationalisation theories explain that new entrants start with the least risky mode of foreign entry with an easy pull-out option in case of failure (eg. non-equity modes such as exporting or contractual modes such as franchising and licensing). With the attainment of experiential market knowledge and establishment of networks and relationships (“insidership”), companies tend to increase their commitment to internationalisation by “mode-switching” to an operation mode with higher investment, ownership, and control, but also higher risk (eg. equity modes such as joint venture or wholly owned subsidiary). This “risk upgrade” is justified by the increased returns and the mitigation of liabilities of outsidership and foreignness.

The case companies showed no intent or interest in switching from their non-equity mode of direct exports to contractual or equity modes of operation, especially because they deal in products with raw materials that are easily available in India. Additionally, manufacturing is labour intensive, and there is an abundance of cheap labour in India. Moreover, case companies are either manufacturers or acting as middle-men between local suppliers and international buyers, proving that not all International New Ventures are knowledge or technologically intensive service-based companies (Hallbäck, 2012).

The findings of the study also explore the reforms that companies are planning to implement in the post-pandemic era. Based on the findings and discussions of the thesis,



several micro-, meso-, and macro- levels solutions have been proposed in the following section for the necessary improvement of systemic resilience in the post-pandemic era to prevent future crises having such a disastrous impact on the global economy (eg. Stapenhurst et al., 2014; Ostrovskaya et al., 2017; OECD, 2020; Reeves & Whitaker, 2020; Bugarova et al., 2020; Cepel et al., 2020; Syriopoulos, 2020; Azadegan & Dooley, 2021; González & Pérez-Urbe, 2021; Yang et al., 2021; Caballero-Morales, 2021).

### **6.1.1 Towards Systemic Resilience - Recommendations**

The ongoing COVID-19 pandemic has had a lasting impact on the global economy and how business operations are carried out. In the first few months from the onset of the pandemic, several systemic issues as well as institutional loopholes were exposed. This exposure raised concerns about the resilience of organisations and industries in the post-pandemic era and has pushed managers and leaders to rethink the rules in the recovery phase, and then undergo a reform to move towards resilience (Farkas-Mills, 2020). The motto for COVID-19 recovery is to “Build Back Better”, and this is applicable not just to companies but also to institutions and economies (OECD, 2020; Sen, 2020).

SMEs in India were not prepared to manage a large-scale crisis such as the ongoing pandemic, and experts mentioned that they did not have any crisis management in place - only some of the companies had emergency funds kept aside for unforeseen events, but this was not enough to ensure business continuity. The findings of this thesis are in line with the literature that suggest how SMEs are less likely to engage in crisis management, and when they do it is not as strategically planned or elaborate as compared to the crisis management in large companies (Pearson & Mitroff, 1993; Hong et al., 2012). Another important aspect to keep in mind is that global crises are going to appear with an increased frequency, escalating problems within industries and across institutions - and because of this reason, it is crucial to learn from the COVID-19 pandemic in the post-crisis phase (Coombs & Laufer, 2018; Torero, 2020). Therefore,

when thinking about solutions to preventing such a disastrous impact of a global crisis, SMEs must first look inward and use crisis management models that help companies navigate through the different stages of a crisis - from crisis preparedness, crisis prevention, crisis incident management, and post-crisis management (Jaques, 2007; Coombs & Laufer, 2018). Each stage includes a group of processes and activities that companies can carry out to ensure they are resilient in the face of crisis. For instance, the pre-crisis stage includes crisis preparedness and crisis prevention; crisis preparedness involves planning processes, systems, manuals, training and simulations; crisis prevention involves scanning for early warning signs, risk management, and emergency response. Crisis management includes crisis incident management and post-crisis management; crisis incident management involves processes and activities such as crisis recognition, and system activation as a response; post-crisis management involves recovery and resumption of business operations, managing the impact of post-crisis issues, and modifications or reforms based on evaluations (Jaques, 2007; Coombs & Laufer, 2018). Companies, especially SMEs, should understand the role of insurance in business survival and continuity. Several insurances that companies should make sure they have, are: Business Continuity insurance, employee health insurance, and insurance for property and cover from accidents, whether natural or manmade.

Additionally, there is a need to understand and engage in cooperative relationships, especially for SMEs because they are the most vulnerable to environmental forces (eg. Bresser, 1988; Brandenburger & Nalebuff, 1996; Bengtsson & Kock, 2000; Bengtsson & Johansson, 2014). It is known that fragmented industries and small companies look for forms of interdependence in order to survive (Dollinger, 1990; Dollinger & Golden, 1992; Quintana-Garcia & Benavides-Velasco, 2004; Czakon, 2009; Dana et al., 2013). Therefore, SMEs must try to supplement their limited resources, and decrease uncertainty by adopting cooperative strategies (Granata et al., 2016, 2017). The stakeholder approach provides a basis for implementing cooperative strategies (Freeman, 1984; Granata et al., 2016). This stakeholder approach highlights the various kinds of interactions in which companies partake: cooperation, competition, and complementarity, all of which make up the concept of "stakeholder multiplicity" (Neville

& Menguc, 2006). Export companies in India are a part of export associations, but the companies' involvement is limited. Expert 11 shared that the communication is of a "top to bottom" nature, where the government agents and other experts from the field disseminate information to companies, and there is some limited discussion. Experts from the textile and agriculture sector agreed that being a part of these associations helped them access important information and exchange ideas, especially during the ongoing pandemic that threatened the survival of the companies. Therefore, there is already a foundation of trust for coopetition among these firms, but committing to a coooperative strategy in a proactive and embedded manner in the post-pandemic era could be a way of reinforcing the resilience of the industry in general and export companies in particular (cf. Granovetter, 1985; Ritala & Hurmelinna-Laukkanen, 2009; Granata et al., 2016). Coopetition can be permanent because rivalry as a means of expressing a firm's competitive advantage can coexist with the continual and dynamic mechanism of cooperation - comprehending this has been a major challenge for companies but it is necessary because coopetition strategies among SMEs are becoming a method of economic coordination and survival in the globalised market. Coopetitive relationships may exist within the company, or externally in vertical and horizontal coopetitions (Tidström, 2020). Furthermore, coopetition among companies could be the key towards de-covidisation, which has been define as actionable plans to migrate from the ongoing COVID-19 pandemic (Sen, 2020; Tsai, 2002).

Another important aspect of industry resilience is digitalisation and adoption of technology by governments and the companies (The Economist, 2020). The "Fourth Industrial Revolution" or Industry 4.0 technologies had already begun transformation since before the ongoing pandemic (Agarwal et al., 2020, 2021). The Indian government has lagged behind in adopting ICT, but doing so during the pandemic has proved to be successful in various sectors by aiding business continuity (ETGovernment, 2020). Many of the experts interviewed expressed concerns over the bureaucracy and paperwork in the Indian industry and government - although this was also an issue with government agencies (chamber of commerce, export authorities, industry associations) and port authorities. Based on the findings from the interviews, it can be concluded that there

needs to be proper implementation of ICT, and therefore, digitalisation and Industry 4.0 should be used to strengthen the resilience of not just companies, but also national and international institutions. There are many benefits of adopting ICT tools and digitalisation, such as (a) increase in transparency in operations, (b) avoiding delays by avoiding unnecessary paperwork, (c) dispersion of information from the government and government agencies, (d) improvements in the supply chain and logistics, and (e) an integrated platform for businesses to discuss and exchange information with one another and with the government. Therefore, the government of India could ensure that SMEs have access to Information Technology Enabled Services at subsidised rates to help the SME sector become competitive, both nationally and internationally. Promotion of innovations and upskilling would also allow SMEs to withstand risks and stiff global competition, thereby, ensuring that the performance of SMEs is at par with their potential (Ministry of Micro, Small and Medium Enterprises, 2020).

In addition to the above, several interviewees complained about how the Indian government needs a major reform in various areas. For instance, crisis management is not just recommended for companies, but also the government and the National Disaster Management Authority (NMDA) of India. There is an urgent need to rethink how NMDA manages crises, and how the Indian government supports NMDA in doing so. Instead of focusing on silos of different risks and hazards, it is crucial to acknowledge the idea of systemic risk, systems-thinking, and the need for cooperation within and across institutions (Mehrotra, 2021). The issues related to the Indian government that have made business continuity more challenging for SMEs during the pandemic are the large unorganised sectors, bureaucracy and Red Tapism, corruption, unreliable government officials, lack of proper public accountability, the complicated socio-political churn and political instability during the recent times that is reshaping India- all of which are made worse by the large population, and diverse demographics. Expert 11 mentioned that although the government of India introduces plans for reforms, they fail to focus on the implementation and control side of the plans - and this pattern can be observed when we look at the failures of each of the Indian Five-Year Plans (FYPs). The First FYP was introduced in 1951, and the Twelfth and the last FYP was introduced in

2012 - the Modi Government decided to dissolve the Planning Commission, and explained that no more formal plans would be made for the economy but only for Defence (The Economic Times, 2017; Cowshish, 2017). This dissolution of the Planning Commission of the FYPs was because it was controlled by the Central government who would use this power to punish the states that were being ruled by the opposition party by allocating funds that would set the state governments up for failure (The Economic Times, 2017). The Modi Government replaced the Planning Commission for the FYPs with “Niti Ayog” (meaning “The Policy Commission” in Hindi) which would lay down Three-Year Action Plans, and act only as an advisory body and have no power to allocate funds or make decisions on behalf of the states. However, the downside is that these new plans only provide broad road-maps to the government, and not provide any details of schemes. Furthermore, the Three-Year Plans need not be approved by the Union Cabinet, so it is not binding on the government. Therefore, it is imperative that the government focuses not only on the details of the new plans, but also on how to successfully implement them and who would be held accountable for the implementation.

Additionally, the financial sector of India must be revamped, and adequate support must be provided to resource-constrained SMEs. For instance, soft loans with long repayment periods and below-market interest rate for procuring high-end plants and machineries would be beneficial. Other direct financial aid that the government can provide are as tax exemptions, extension of repayment period, reduction of interest rate for loans, and bailouts for SMEs that from industries which have been severely affected. It is critical for the government to acknowledge that blanket measures are unjust and harmful towards companies, because there is a heterogeneity in the impact of COVID-19 in different sectors, and across countries based on the profitability and liquidity of companies, and on the demand and supply shocks (Gourinchas et al., 2020; Rama Rao; 2020). Some other financial measures could include exemptions or reimbursement of electricity and other fixed charges during the crises, release from payment dues by the railway board and Department of Public Enterprises, reduction of Goods and Sales Tax to help SMEs deal with price escalations during the crisis (Ministry of Micro, Small and Medium

Enterprises, 2020). The government could also provide storage space to the exporters of essential commodities; the Department of Revenue could allow relaxations in legal paperwork by extending deadlines for filing documents, discussions with Departments of Revenue and Financial services to come up with appropriate schemes to support SMEs and exports (Ministry of Micro, Small and Medium Enterprises, 2020).

Legislators worldwide tend to have a linear world-view, and believe that pushing the right buttons can revive the economy and society from the aftermath of a crisis. This approach overlooks how systems within and across industries and national borders interact, and how their systemic characteristics shape these interactions (Haynes et al., 2020; OECD, 2020). Such interconnectedness has become a defining characteristic of the industry, and is becoming even more intertwined and complex. The ongoing COVID-19 pandemic has uncovered the need for systemic resilience to anticipate, absorb, recover from, and adapt to the aftermath of disruptive shocks (Linkov et al., 2019; Farkas-Mills, 2020; Sneader & Singhal, 2020; OECD, 2020). Therefore, resilience of the global economic system is to be achieved in the post-pandemic era. The Indian government should also strive towards economic resilience through transparency, responsibility, accountability, cooperation, collaboration with different actors, implementation of technological and process innovations, creation of both hard and soft industrial infrastructures to support the innovations, and adoption of a systems-thinking - so that each individual actor understands not only their roles and contributions, but also those of the other actors (Rama Rao, 2020). Furthermore, the government of India needs to improve competitiveness of exports because the export footprint of India is not at par with its potential - in order to achieve this, the reason why Indian exports is lagging behind must be explored, and the international markets must be researched to understand how and why competing nations are performing better than India (Rama Rao, 2020).

A transformation from risk-based approach to resilience-based approach has become critical for system management to guarantee that economies can remain operational in the face of global crises, and have the ability to not just refashion or build upon strengths but also to grasp disruptive opportunities (Hynes et al., n.d.). The core idea behind a

resilience-based approach to systems management is that crises cannot be accurately foreseen, risks cannot be adequately measured, and therefore, the nature and expanse of impacts of these crises cannot be comprehended. The ongoing COVID-19 pandemic has had a severely disruptive impact on the global economy and management of systems through unimaginable shocks, which is why there is a need to introduce “just-in-case” to highly optimised “just-in-time” operations (Hynes et al., n.d.).

## **6.2 Managerial Implications**

The theoretical contribution of this study also provides the foundation for the managerial implications that highlight the practical steps managers can take based on the findings of the research. By understanding the nature and extent of impact a global health crisis can have on the world economy, international trade, export challenges, and on business operations, managers can take proactive steps to ensure that their companies are resilient and crisis prepared - this is important especially for resource-constrained SMEs which struggle not only in the domestic market, but also in the international markets, even when there is not a global crisis threatening the continuity of their business. Managers from the four chosen industries can get a clear picture of how business operations and exports are affected due to the changes in the external environment of the company, and how companies may navigate through these challenges and “build back better”. Furthermore, the findings of the study indicate that all case companies expressed concerns over their lack of preparedness for crises, and explained the reforms and innovation that they would introduce and implement several reforms and innovations in their companies in the post-pandemic era. Managers of SME-INVNs that engage in exports can also follow suit, and improve their crisis management to ensure they are equipped for upcoming crises and other disruptions, whenever they may arise.

### 6.3 Limitations of The Study

Given that this is a master's thesis, the scope of the study is limited due to the time and resource constraints, and thus could be expanded and improved upon. For instance, this thesis focuses on exporting SMEs, specifically of the International New Venture type. Furthermore, the case companies are engaged in direct exports, and are headquartered in Kolkata, India. Therefore, there are limitations related to the nature of business and the context of geographic dimension. In this manner, the scope is narrowed down to one national setting with a specific political and business environment. Hence, generalising the findings of the study to SME-INV's from different countries must be avoided. However, the study has been conducted through the lens of the ongoing COVID-19 pandemic, which has had a similar impact on business operations of SMEs from different industries worldwide. For this reason, some generalisations could be made but this is not ideal because the context of the companies would be different.

The next aspect of limitations relates to the theoretical foundation of the study. The central theme of the study is export challenges, and although there is a wide array of literature available on the topic, including most of them would make the theoretical background too broad for this master's thesis. Moreover, the study focuses only on those categories of export challenges that were most impacted by the COVID-19 pandemic: finance, production, personnel and human resources, and logistics and supply chain. Export challenges related to these categories were internal to the companies and were directly impacted by the external disruptions caused by the ongoing global pandemic. Furthermore, although export barriers and challenges are two different things, they have been categorised into one single concept for the simplicity of the study: export challenges. This is a limitation of the study because export barriers refer to factors that deter mostly non-exporters from exporting, while export challenges refer to obstacles that existing exporters face while conducting business (Leonidou, 2000; Morgan & Katsikeas, 1997; Paul et al., 2017). Since the goal of the research was to study the impact of COVID-19 pandemic on export challenges that existing exporters



have been facing, the researcher focussed only on the export challenges, leaving out export barriers impacting the entry of aspiring exporters.

The methodological limitations of the study relate to the process of the research itself and the lack of experience of the researcher. Given the limited time and resource allocated to this master's thesis, only twelve experts were interviewed, out of which only ten represented the case companies, while the other two provided insight into the industry level trends for exports, and information about the disruption in the global supply chain and logistics since the onset of the COVID-19 pandemic. Moreover, only a handful of experts and case companies were selected from each of the four industries studied, and are not enough to paint an accurate picture of the entire industry. The questionnaire could have been longer and more in-depth to extract additional information from the interviewees, but this was not possible in this case because the interviewees were already extremely busy managing their businesses during the pandemic. Additionally, there are many other industries such as heavy industries, pharmaceuticals, media and entertainment, travel and tourism, and other service and ICT industries, that have been severely impacted, but they were not included in this small-scale master's thesis because data collection would take a significantly long time. However, the most impacted industry during the pandemic has been the manufacturing industry (Statista, 2020), which three of the four chosen industries are (leather, cotton and textiles, eyewear). Agriculture sector has also been impacted by COVID-19 pandemic, and caused a global panic relating to food insecurity (WTO, 2020; Aday & Aday, 2020; FAO, 2020; World Bank, 2021; Fan et al., 2021). Moreover, agriculture is the primary sector of India; therefore, choosing this industry was justified (India Brand Equity Foundation, 2021). Similarly, the eyewear industry was picked because exports were severely hit by the pandemic, and recovery was lagging in comparison to other industries. In addition, industry experts worldwide shared that in 2021 there would be a spike in people experiencing eyesight deterioration because of increased screen-time during the lockdowns (Schraer, 2020; Lai, 2020; Fortune Business Insights, 2020; Peyser, 2021; McBain, 2021). However, studying other industries mentioned above would be

useful and would provide additional information required to understand the nature and extent of impact that a global pandemic can have on the world economy.

Lastly, the findings of the study relating to the impact of export challenges for SME-INV's from different industries, and the reforms that the companies have planned to introduce in the post-pandemic era, have been analysed and presented from the purview of a specific global crisis: the ongoing COVID-19 pandemic, which is primarily a health concern. Therefore, the findings cannot accurately be generalised to other types of global crises, which may not necessarily be a health-related crisis. However, the reforms to be implemented in the post-pandemic era along with the proposed solutions would reinforce the resilience of companies, institutions, industries, and economies - thereby, ensuring that future crises do not have such a grave economic impact that the COVID-19 pandemic has had.

#### **6.4 Suggestions for Future Research**

Based on the limitations of this thesis, several suggestions for future research have been discussed in this section of the chapter. For instance, a different geographic setting could be studied instead of the Indian context in order to uncover how companies in different political and business environment have been impacted by the pandemic. Additionally, a comparative study could be used to make cross-national comparisons. Another comparative study could be conducted to compare the impact of the pandemic on export challenges on companies from a developed economy, emerging economy, and a developing economy, to understand the role of different business environments on the business continuity and export performance of companies (cf. Ghose, 2017). Finally, the impact of crises on export challenges in other emerging markets could be researched to understand how institutional voids play a role in the resilience of companies and economies (cf. Kahiya, 2018).

Instead of focussing on SME-INV, other types of companies could also be studied. For example, large companies, or traditional SMEs instead of non-traditional SME-International New Venture firms. Moreover, the case companies in this study were established INVs, with several years of stable exporting experience - and interesting aspect to study would be to explore how young INVs handled the export challenges worsened by the pandemic. Furthermore, the perspective of this study was from the reactive standpoint of companies, but the proactiveness of companies towards crises in general could also be explored.

This thesis studied four industries only - leather, cotton textiles, eyewear, and agriculture. Various other industries could be chosen for analysis - heavy industries, pharmaceuticals, media and entertainment, travel and tourism, and other service and ICT industries. Moreover, different types of companies within one industry could also be studied to make intra-industry comparisons. A mixed method approach could also be used to incorporate both qualitative and quantitative methods (Johnson et al., 2007; Fetters et al., 2017 ; Ghose, 2017). This thesis focused on those categories of export challenges that were impacted the most as far as the functional areas of the business was concerned - but studying the impact of the pandemic on macro external factors such as export barriers would also provide insight into the difficulties that aspiring exporters faced or have been facing.

Lastly, since the onset of the COVID-19 pandemic, the concept of resilience has gained traction - in order to contribute to this topic, first there is a need to understand the current global crisis and how companies have been managing their operations during this time. Therefore, research could be conducted to study companies and their actions throughout the lifecycle of the global crisis to understand systemic resilience. The “new normal” has been forecasted to be “resilient, digital, inclusive, and sustainable” (International Trade Centre, 2020). Such studies will help not only companies towards these goals, but also multinational institutions, policy makers and governments, and academicians, in supporting and enabling them.

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## Appendices

Appendix 1. COVID-19 and its Perceived Impact on Export Challenges in Different Departments of Case Companies.

Ranks	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
Corresponding Scale (Ranks are inverted)	4	3	2	1

**Table 7:** Conversion Chart - Ranks converted to Scale of Impact for Graphical Representation (Highest Impact=4, Lowest Impact=1)

<i>Functional Department of Business - Challenge Area</i>									
Industry	Expert	Human Resource		Finance		Production and/or Sales		Logistics	
		<i>Rank</i>	<i>Scale</i>	<i>Rank</i>	<i>Scale</i>	<i>Rank</i>	<i>Scale</i>	<i>Rank</i>	<i>Scale</i>
<i>Leather</i>	1	1 <sup>st</sup>	4	3 <sup>rd</sup>	2	4 <sup>th</sup>	1	2 <sup>nd</sup>	3
	2	1 <sup>st</sup>	4	3 <sup>rd</sup>	2	4 <sup>th</sup>	1	2 <sup>nd</sup>	3
	3	1 <sup>st</sup>	4	4 <sup>th</sup>	1	2 <sup>nd</sup>	3	3 <sup>rd</sup>	2
	4	1 <sup>st</sup>	4	4 <sup>th</sup>	1	2 <sup>nd</sup>	3	3 <sup>rd</sup>	2
<i>Fruits &amp; Vegetables</i>	5	4 <sup>th</sup>	1	3 <sup>rd</sup>	2	2 <sup>nd</sup>	3	1 <sup>st</sup>	4
	6	4 <sup>th</sup>	1	3 <sup>rd</sup>	2	2 <sup>nd</sup>	3	1 <sup>st</sup>	4
<i>Cotton Textiles</i>	7	1 <sup>st</sup>	4	2 <sup>nd</sup>	3	3 <sup>rd</sup>	2	4 <sup>th</sup>	1
	8	1 <sup>st</sup>	4	3 <sup>rd</sup>	2	2 <sup>nd</sup>	3	4 <sup>th</sup>	1
<i>Eyewear</i>	9	2 <sup>nd</sup>	3	4 <sup>th</sup>	1	1 <sup>st</sup>	4	3 <sup>rd</sup>	2
	10	2 <sup>nd</sup>	3	4 <sup>th</sup>	1	1 <sup>st</sup>	4	3 <sup>rd</sup>	2

**Table 8:** Ranking by Experts & Scale of Impact - Most to Least Challenging Functional Department of Business During COVID-19 Pandemic (Highest = 1<sup>st</sup> to Lowest =4<sup>th</sup>)

Functional Department of Business - Challenge Area				
	Human Resource	Finance	Production and/or Sales	Logistics
Average Impact for Leather Industry	4	1.5	2	2.5
Average Impact for Fruits & Vegetables Industry	1	2	3	4
Average Impact for Cotton Textiles Industry	4	2.5	2.5	1
Average Impact for Eyewear Industry	3	1	4	2

**Table 9:** Average Impact of COVID-19 on Challenges arising in Functional Departments of Business in Each Industry - Data for Graphical Representation in Figure 4 (Page 103)