



Faculty of Business and Economics

*The Competitiveness of the Palestinian Stone and Marble Exporting
Companies: Challenges and Potential Strategies*

تنافسية الشركات الفلسطينية المصدرة "للحجر و الرخام: التحديات و الاستراتيجيات الممكنة"

**Prepared by
George Kapataies**

**Supervisor
Dr. Grace Khoury**

This Thesis was Submitted in Partial Fulfillment of the Requirements for
the Degree of Master in Business Administration, from the Faculty of
Business and Economics at Birzeit University, Palestine

**Palestine, Birzeit
June, 2015**

Birzeit University
Faculty of Business and Economics
June 2015

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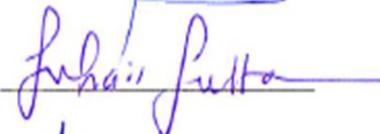
Supervisor
Dr. Grace Khoury

Approved By:

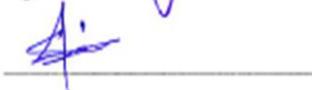
Dr. Grace Khoury
(Chairperson of supervisory committee)



Dr. Suahil Sultan
(Member of supervisory committee)



Dr. Samir Baidoun
(Member of supervisory committee)



Acknowledgment

The study is a collaboration in the truest sense, and could not exist without the support and input of more people than I can name. I would like to thank the following people who played important roles in the process:

Dr. Grace Khoury, Birzeit University, my thesis supervisor, the one person that I cannot thank enough for the support and the motivation. She was the pillar of the study that I am honored to say I worked with. I want to thank her for all the late nights, reading in carefulness all the drafts, providing me with comments and suggestions and her utmost care in ensuring my success in my masters. I consider it a work of providence that I found her as my advisor and as a mentor.

Each member of my Thesis Committee:

Dr. Suhail Sultan, the coordinator of the MBA program, Birzeit University for sharing his wit and wisdom, not just this semester, but through all my MBA years. His support for me was beyond any measure. I thank him for being my professor and friend.

Dr. Samir Baidoun, Birzeit University, I thank him for his time to participate in my thesis. His implacable comments were a motive for me to not give up and keep my head focused on excelling. I thank him dearly.

Thank you for Dr. Anton Sabella, Birzeit University and Ms. Niveen Eid, Birzeit University, for their valuable inputs and dedicating some of their time to help me in sculpturing my thesis.

Thank you for Prof. Maria Malama, Gävle University for her support in my thesis and my master.

Special thanks for my mother Suhair Kawass and my grandmother Tamam Khoury, their love and continuous support, helped in making this journey possible.

Thank you for my friends and colleagues for being there for me and supporting me through this journey.

Finally, I would like to dedicate my dissertation for the soul of my grandfather Rimon Kawass. Without his support over the years, I wouldn't be able to be at this stage of my life presenting my work. Thank you

God bless them all, and wish them the best in all their endeavors.

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Thesis Abstract

According to the National Export Strategy (NES, 2014), the stone and marble sector is one of the most contributors to the Gross Domestic Product (GDP) of Palestine and one of the most active sectors in regards to exporting. However, the sector is facing many challenges concerning exporting and most of them stem from the lack of building competitive advantages and competitive strategies that could help the Palestinian stone and marble companies in increasing their exports on regional and international levels. The primary purpose of the study is to examine the internal and external challenges that the Palestinian companies in the stone and marble sector face when exporting and try to assess their competitive advantages and suggest competitive strategies based on minimizing the impact of the related challenges.

The data of the study is collected from fourteen stone and marble companies in Palestine and three officials who work in institutions related to the stone and marble sector. In total, seventeen semi-structured in-depth interviews were held with executives and representatives of institutions. The method of the study is based on qualitative exploratory multiple case study using deductive content analysis and thematic analysis to analyze the gathered data.

Based on the results of the study, it is concluded that there are many challenges that the stone and marble companies in Palestine face whether they were internal challenges such as top level management capabilities, staff and organizational learning skills, employees' competence, etc. or external challenges such as the government limited support, local institutions role and the prolonged occupation. In order for the stone and marble companies to be able to build concrete competitive advantages and strategies to compete on regional and international levels, solutions should be developed to minimize the impact of the internal and external challenges.

Lastly, the study provides recommendations on company, institutional and governmental levels that serve as guidelines to help the sector enhance its exporting status and help in building competitive strategies for the Palestinian stone and marble companies. Furthermore, the study recommends the need to investigate thoroughly in hybridized strategies and developing theorized framework.

ملخص الدراسة

وفقا للاستراتيجية الوطنية الأولى للتصدير في فلسطين (2014- 2018)، فإن قطاع الحجر والرخام هو من أكثر القطاعات مساهمة في الناتج المحلي الاجمالي لفلسطين، ويعد واحدا من القطاعات الاكثر نشاطا فيما يتعلق بالتصدير، رغم ان هذا القطاع يواجه العديد من التحديات المتعلقة بالتصدير. معظم هذه التحديات تنبع من الافتقار الى وجود استراتيجية تنافسية تعزز المزايا التي تتمتع بها شركات الحجر والرخام الفلسطينية والتي تؤدي بالتالي الى زيادة في صادراتها على الصعيدين الاقليمي والدولي. لذلك، فإن الهدف الأساسي من هذه الدراسة هو تحديد نقاط القوة التي تتمتع بها شركات الحجر والرخام والعمل على تعزيزها، وكذلك بيان نقاط الضعف والتحديات الداخلية والخارجية التي تواجه هذه الشركات واقتراح حلول لمعالجتها واستراتيجيات تنافسية مناسبة.

وفي هذا الخصوص، تم جمع البيانات الخاصة بالدراسة من أربعة عشر مدير تنفيذي من شركات الحجر والرخام، اضافة الى ثلاثة من المسؤولين العاملين بالمؤسسات ذات الصلة في هذا القطاع. بالمجموع تم عقد سبعة عشر مقابلة شبة منظمة ومتعمقة مع المدراء التنفيذيين والممثلين عن المؤسسات المحلية. وقد تم الاعتماد على استراتيجية دراسة حالات متعددة ، الى جانب استخدام اسلوب تحليل المحتوى والتحليل الموضوعي للبيانات التي تم جمعها.

واستنادا الى نتائج الدراسة، فقد تم التوصل الى ان هناك العديد من التحديات التي تواجهها شركات الحجر والرخام في فلسطين، سواء أكانت تحديات داخلية (ذات علاقة بالقدرات الإدارية، مهارات التعلم لدى الاداريين والمنظمة ، او كفاءات الموظفين، الخ.) او تحديات خارجية (متمثلة بدعم الحكومة المحدود ، ودور المؤسسات المحلية، والاحتلال طويل الأمد وغيرها)، وبناء على ذلك فانه على شركات الحجر والرخام ان تطبق حلول للتقليل من اثر التحديات الداخلية والخارجية حتى تتمكن شركات الحجر من بناء استراتيجية تنافسية ملموسة تمكنها من المنافسة على الصعيدين الاقليمي والدولي.

وفي الختام، فإن الدراسة استخرجت عددا من التوصيات على مستوى الشركة، والمؤسسات، و الحكومة التي تعتبر بمثابة دليل يهدف الى مساعدة قطاع الحجر والرخام على وضع اطر دقيقة معتمدة تساهم في تعزيز قدرة هذا القطاع على التصدير، من خلال بناء مزايا واستراتيجيات تنافسية لشركات الحجر والرخام الفلسطينية.

Abbreviation

ANOVA – Analysis of Variance

DAI- Development Alternatives Incorporated

CE - Conformité Européenne

GDP – Growth Domestic Product

ISO- International Organization for Standardization

ICT – International Trade Center

MoNE – Ministry of National Economy

NES – National Export Strategy

PalTrade – Palestine Trade Center

PFI – Palestinian Federation of Industries

PSI – Palestine Standard Institution

SITC – Standard International Trade Classification

SME – Small and Medium Enterprises

SRI – Standard Research Institute

UAE – United Arab Emirates

USA – United State of America

USM – Union of Stone and Marble

USAID – United States Agency for International Development

Chapter One: Introduction

Introduction

1.1 Overview

Globalization is considered one of the most critical developments that took place after major wars such as World War II (Lenoidous, 1995). Globalization has provided many opportunities, which helped tremendously in developing nations economies and creating independency in general and profitable growth and survival of business firms in specific (Albaum, 1983; Barrett & Wilkinson, 2012).

When Globalization is discussed it is always connected with the most important factor that turned the globe into a single marketplace and that is *exporting*. The main reasons for firms to consider exporting as an important factor include: low business risks, minimum levels of resources and the flexibility in transportation from one location to the other (Lenoidous, 1995). However, many firms in different countries cannot initiate exporting due to many issues such as environmental or political situations (Das, 1994).

Since the 1970s, researchers have worked on developing firms' exporting abilities. From the beginning there were two streams of firms when it comes to exporting, the fully committed firms and the not interested firms (Walters, 2002). As nature went through evolution, firms' ability to export and grow, and to move from one stage to the other in the exporting process have been continuously evolving (Johanson & Vahlne, 1977).

Many firms view exporting as an opportunity for growth of their businesses through expansion in foreign markets. One of the main goals to achieve through exporting is to minimize the risk as fewer resources needed to oversee the general operations, and its impact on opening new channels with businesses from other markets. In addition, governments have put efforts to develop new strategies and processes to encourage exporting for its critical role in helping the local market economy to grow (Awuah & Amal, 2011).

This chapter introduces the problem, purpose and significance of this study. Moreover, the chapter presents the major research questions, which focus on exporting challenges in the Palestinian stone and marble sector and finally the structure of the study is presented.

1.2 Problem Statement

The stone and marble sector is considered a vital economic sector in Palestine contributing 20% of the Palestinian production market (National Export Strategy, 2014). This resulted in a high need to expand its exports for financial drivers such as contributing to the economic growth of the Palestinian economy and maximizing profits. Despite the constant growth of the industry over the years, there are still major obstacles in exporting Palestinian products, stone and marble in particular, to the regional and international markets due to many internal and external challenges, which will be identified and analyzed in this study. These challenges are affecting the ability of companies to compete and grow. For example, political instability causes major problems to the development of the business in Palestine leading to fragile business environment that impact Palestinian ability to export negatively (Ministry of National Economy, 2014).

Moreover, based on Muna and Khoury (2012), it has been highlighted that many of the problems that Palestinian executives face are caused by the fragile political and economic situations, business and labor. Furthermore, claims from institutions working with the stone and marble sector such as Palestine Trade Center (PalTrade) and Union of Stone and Marble (USM) emphasize that the sector is facing major problems due to the limited involvement of the Palestinian government and the lack of organization in the sector.

Based on the National Export Strategy – NES (2014), the stone and marble sector in Palestine contributes to 5.5% from the total GDP. Moreover, it has more than 15,000 skilled and unskilled workers (Ministry of National Economy, 2014). Hence, there is much potential in intensively studying this sector and developing new solutions that could aid the stone and marble companies to grow and expand its exporting capacities.

All published reports about the stone and marble sector such as the NES (2014) or the Developing Strategy for the Future (2011), did not deeply investigate the needs of the companies working in this sector nor provided potential competitive strategies to overcome related challenges. Furthermore, none of the internal or the external problems have been identified clearly on a company level and no solutions were developed in regards to minimize the challenges that the companies face.

1.3 Significance of the Study

In the last few decades, developing countries had a major role in international trading. There has been a lot of attention in regards to this matter, hence few studies have taken place concerning exporting from developing countries (Das, 1994). According to Aaby & Slater (1989), fifty-five studies have focused on exporting, however, only two of them had focused on exporting from developing countries. Moreover, based on recent searches on Emerald, in the last year merely 12 studies have been published for building competitive advantages through exporting, of which only one of the studies has tackled India as a developing country.

A number of research studies have been conducted exploring exporting problems encountered by companies and ways to overcome them. However, the focus of these studies was on developed countries (Katsikeas & Morgan, 1994). These studies do not reflect the challenges facing companies in developing countries due to the difference in governmental laws; exporting behavior, the culture and other factors (Katsikeas & Piercy, 1993). Yet exporting is becoming an important factor for companies in developing countries to help them increase their Gross National Product (GNP) (Neupert, Baughn, & Thanh Lam Dao, 2006).

Based on the researcher's review of previous studies that focus on exporting, it has been difficult to find studies that emphasized exporting challenges in developing countries and strategies to help companies in such countries increase their exports. Furthermore, no academic studies were found by the researcher that focus on the Middle Eastern and Arab countries exporting problems, particularly countries of conflict and occupation such as Palestine.

This study explores internal and external challenges. The internal includes organizational, managerial and behavioral factors, and characteristics of the stone and marble companies dealing with exporting. The external challenges explore the government, markets and environment impact on exporting stone and marble companies. Thus, there is a vital need to have further studies conducted in regards to exporting in developing countries especially in areas of conflict such as Palestine to fill the gaps concerning the topic of the study.

1.4 Research Objective

The purpose of the study is to investigate further the internal and external challenges that companies in the Palestinian stone and marble industry are facing in regards to exporting. Furthermore, recommend solutions that could mitigate the risks and limit the impact of the identified challenges by identifying competitive advantages and recommend strategies for those Palestinian exporting stone and marble companies to alleviate their exports.

Since the marble and stone sector is a key player in the Palestinian economy, more research and investigation need to be conducted in different areas concerning exporting to help the industry increase its exporting parameters and cultivating the Palestinian economy.

The study will also identify the main competitors of the stone and marble companies on regional and international levels (including Israel) to investigate and compare their competitive advantages and competitive strategies. The objective is to guide the Palestinian stone and marble companies to leverage the results to be able to compete on similar levels with their competitors.

As this study forms a baseline, a sample of the stone and marble companies in Palestine is selected to understand the current situation and find solutions to take advantage of future opportunities that will help in this sector's growth.

1.5 Research Questions

1. What are the main exporting challenges facing the Palestinian stone and marble companies? How do these companies deal with them? Are these challenges mostly related to external forces or internal forces?
2. How the challenges differ according to the company's characteristics (size, years in exporting, financial resources etc.)?

3. What competitive advantages and competitive strategies need to be built to overcome challenges and provide potential strategies to compete on regional and international levels?

1.6 Structure of the Study

To identify the competitive advantages and competitive strategies of the stone and marble sector, there is a specific structure that needs to be used to successfully identify the challenges and to verify the recommendations that the study will suggest for this sector. The study follows the following structure: a detailed thorough literature review that focuses on globalization and internationalization from an exporting aspect, exporting models, external and internal challenges, competitive advantages and competitive strategies. From the literature review a conceptual framework is developed presenting the main variables that are studied and analyzed in this research.

This is followed by a comprehensive review of the Palestinian exporting competitiveness with emphasis on the stone and marble sector. Subsequently the study presents the used methodology and the collected data is analyzed to answer the research questions, and finally come up with practical and theoretical implications and suggest opportunities for future studies.

Chapter Two: Literature Review and Theoretical Framework

Introduction

Chapter two discusses exporting importance and obstacles by focusing on globalization and internationalization for small and medium enterprises (SMEs). In addition, the chapter introduces the exporting models along with the challenges that exporting companies in developing and developed countries face, and how they differ in their importance and characteristics. Moreover, this chapter provides an overview of the competitive advantages and competitive strategies in regards to exporting to increase a country's exports. The chapter concludes with a conceptual framework, which guides the data collection and analysis stages.

2.1 Globalization and Internationalization

It is hard now to meet a person and not say that the globe has become a global village. Once a new discovery or tragedy takes place in one part of the world, the rest will be aware of it in no time (Awuah & Amal, 2011). Curry (2000) has defined globalization as a phenomenon of technological, political, economic and cultural exchanges that takes place between different nations, firms and individuals. According to other researchers, this causes interdependency on national, firm and individual levels (Awuah & Amal, 2011).

Due to the interdependency at all levels; different parties now play important roles in globalization such as governments, organizations and others. Globalization helped immensely in opening new large markets, accessing new technologies from all around the globe and easing the capital flow (Awuah & Amal, 2011; Babbie, 2000).

Globalization does have an impact on the lives of everyone on the globe either positively or negatively. Hence there are many challenges that come with it. Some of these challenges are high competition, decrease in local job opportunities and revenues, highly volatile economies and other security issues (Beamish & Lu, 2004).

Having said that, there are other researchers that view globalization from another perspective; they do believe that globalization helped in two main developments: the first development explored new regions and analyzed their economic impact, while the other focused on new innovations linked to new technologies. Researchers also believe that due to the high competitiveness related to new explored regions, policy makers need to develop new strategic management approaches (Audretsch, 2003).

According to Schoorman (2000), when globalization is discussed many researchers refer to internationalization. In regards to internationalization, there have been various reasons identified to why companies need to internationalize, such as: world peace, compete successfully on the international level, gain global knowledge and be part of the global cooperation. Furthermore,

based on Schoorman (2000), other researchers define internationalization as a need to obtain national control on global politics and economies.

Concerning the drivers for internationalizations, in Yip's globalization framework, there are number of drivers needs to be studied to know why companies internationalize. These drivers could be market drivers, cost driver, government driver or government drivers (Johnson, Scholes, & Whittington, 2011). Other drivers were discussed: access new markets, access to know-how and new technologies, diversification, access to cheaper low cost raw material, searching for new capital, finding labor forces and flexible regulations (IHC; DHL Express, 2013). For a company to choose any of the drivers to enter a new market there are stages that the companies usually follow to internationalize.

2.1.1 Stages of Internationalization

Wheelen & Hunger (2012) and Dudley & Martens (1993), explain five stages to companies' internationalization, which go according to the following:

Stage (1): *Domestic Company*, the company exports some of its products by working with local dealers and distributors in foreign markets. This has a minor impact on the organizational structure since there is a department, which handles this matter.

Stage (2): *Domestic Company with Export Division*, if the first stage was successfully implemented, then the company can start planning to expand by opening sales divisions in other countries. This will be helpful to eliminate the intermediaries and the company will be in charge of the market it operates in.

Stage (3): *Primarily Domestic Company with International Division*, based on the succession of the company in taking its products globally, the company can now start planning to manufacture in other countries. By achieving this, the company will have international division with most of the business function responsibilities being conducted in the targeted foreign markets.

Stage (4): *Multinational Corporation with Multidomestic Emphasis*, after the completion of stage three, the company can expand its investments in other countries. In this stage, the company can build an operating division or subsidiary in the country it exports to. The company can expand its product line and start to conduct managerial functions such as product development, finance and marketing. By time, the subsidiary becomes a separate entity from the mother company, and is managed independently based on the hosting country needs.

Stage (5): *Multinational Corporation with Global Emphasis*, when the company reaches stage five, the company will have human resources, research and development (R&D) and financial strategies that are built on worldwide standards. At this stage, the company starts to work on manufacturing, marketing and financing according to global paradigms.

Some researchers, such as Dudley & Martens (1993), supported the five stages. Yet, they did not agree on their sequence. Other researchers suggested a company could start production and sales in different countries without the need to go through all the mentioned stages for exporting (Anderson, Graham, & Lawrence, 1998). Moreover, in regards to the stages, companies can be at different stages in parallel based on the stage they reach in each hosting country. Lastly, based on Wheelen & Hunger (2012), more than 88% of the multinational companies are considered regional since the majority of their profits come from their home region.

However, the case would be vastly different for Palestinian companies. Based on NES (2014), most of the stone and marble companies depend on exporting their products to other countries to gain more profits due to the exceptional situation that the companies operate in and the lack of local market opportunities.

2.1.2 Internationalization Models

One of the most important models of internationalization is the Uppsala model (U-Model), which was built by Johanson and Wiedersheim-Paul (1975), and expanded by Johanson and Vahlne (1977). The U-model was based on a study, which focused on four Swedish cases. The findings of the study, is that the lack of resources and knowledge about the targeted countries for exporting forced the companies to export to neighboring countries or to countries that are similar to Sweden.

Johanson and Vahlne (1977) improved the U-model after its initial establishment in 1975. They concluded that for better internationalization, experimental knowledge especially in marketing is needed, as it would help companies in coordinating their international activities and provide the needed resources for international activities.

In recent years a new model, Born Global, was developed. This model has emerged from international entrepreneurships. Companies that follow Born Global model must have high learning skills about new foreign markets, along with high technological breakthroughs to maintain a competitive advantage in foreign markets (Freeman, Hutchings, Lazaris, & Zyngier, 2010).

Johanson and Wiedersheim-Paul (1975), conclusion was that managerial learning about the targeted countries is highly needed, and more resources are needed in the different stages of internationalization. Moreover, it was emphasized by Ting, Guijun & Bojun (2010) that for a company to be able to internationalize, it needs to be learning constantly as learning is a highly needed exporting skill.

2.2 Exporting Stages

With the increase in exporting importance and internationalization, researches began studying the stages of exporting (Ting *et al.*, 2010). Kotabe and Czinkota (1992), and Karamally (1998) defined stages that companies go through when attempting to export.

Based on developed US companies, Kotabe & Czinkota (1992), identified five stages, which are needed in exporting. At the very first stage, the company will have partial intentions for exporting by fulfilling unwanted orders, without investigating in the functionality of exporting. In the next stage, the company will start exploring the feasibility of exporting. In stage three, it will start exporting to neighboring countries or countries with similar cultures. When the company reaches stage four, it starts exporting based on the needs of the foreign market. In fifth stage, the company will be identified as an experienced exporter by exporting to distant countries with major cultural differences than the company's home country.

Moreover, Kotabe & Czinkota (1992) identified two main technical requirements for exporting: including exporting knowledge and company's resources. The importance of these two requirements is based on the firm's exporting stage. Based on their findings, it was clear that the knowledge in exporting increases as the company's involvement in exporting surges. Hence, experienced companies are still facing problems in procedural skills that are needed for exporting. In regards to company's resources such as financing and marketing information, Kotabe and Czinkota (1992) identified that in early stages of exporting, companies are more interested in the resources, while in later stages of exporting, companies focus more on their managerial skills. Moreover, they used analysis of variance (ANOVA) based on four characteristics: employment, export experience, sales and managers in charge. They found that the higher the exporting stage, the higher education the managers obtain. Furthermore, they emphasized the importance of cultural awareness for exporting. Lastly, they found that large firms based on employees' number have higher export involvement.

Other researchers have identified other characteristics that measure the differences in the exporting stages (Ting *et al.*, 2010). Samiee & Walters (1999) used seven factors that defined the characteristics of exporting: sales, employees, exporting experience, business sector and others. Accordingly, early export development stage depends on using formal export education, where companies with higher involvement in exporting are more interested in this form of education. Moreover, they concluded that the company's size and the education level of exporting personnel do not affect the company's interest in formal export education.

Karamally (1998) developed a more specific nine stages model in regards to the stages of exporting; at the beginning, the company shows a little interest in exporting and prepares unwanted sales. In stage two, the company develops a formal but on a small scale exporting program through intermediaries such as distributors and traders. In stage three, the company starts enlarging its exporting areas to countries that are far away from their home operating country. At the third stage, the company starts studying the culture of the foreign market as well as the environment and economic conditions in the targeted countries. In stage four, the company removes the intermediaries and starts exploring exporting opportunities on its own. At higher stages, the company realizes the significance of exporting for its profits and develops exporting departments and international customer bases. In the last stage, the company works based on global standards in production, manufacturing, operation and marketing. By going through these nine stages, Karamally (1998) believes a company completes its internationalization process.

2.2.1 Exporting Obstacles and Barriers

There has been extensive research for over three decades in regards to factors that create obstacles to exporting (Lenoidous, 1995; Zafar, Craig, & Mahajar, 2008). The main focus of the studies is developed from the perspective of the exporting firms with the usage of non-exporting perception to compliment the analysis (Lenoidous, 1995).

Some researchers suggested the barriers to exporting are initiated internally in the companies. Those barriers are associated with the availability of organizational resources or the exporting approach. Other researchers suggested the barriers are external and are connected to the firms' external environment. In regards to external barriers, the obstructions can be connected to the country that the firm operates in or the countries that firms plan to operate in (Das, 1994). External could be international exchange rates (Klonowski, 2005) and tariff and logistics (Neupert *et al.*, 2006)

For a firm to be internationalized it goes through many stages, each stage has its own barriers, which the firm needs to overcome to be considered an exporting firm (Yang, Leone, & Alden, 1992). Some of the obstacles differ in their level of importance and intensity from one stage to the other (Cavusgil & Nevin, 1980). Furthermore, the obstacles can be identified differently between firms, which are in the same stage of internationalization (Ford & Leonidou, 1991). For many firms the first stage of exporting is the most crucial, since completing this stage will help firms develop a positive attitude towards their ability to export, better identify their international opportunities, prepare export documentation, estimate the start-up costs and identify differences in consumers and standards (Bilkey & Tesar, 1977; Tesar & Tarelton, 1982). Based on this, researchers have investigated the barriers to exporting at early stages to come up with solutions to minimize the negative impact at later stages (Lenoidous, 1995).

Exporting problems faced by firms working in developing countries differ from those faced by firms in developed countries (Das, 1994). From the studies that had focused on exporting in developing countries, there have been two distinctive types of problems that firms face:

1. *The governmental policies and interventions* due to the frequent changes in related policies and other issues; such as lack of export marketing (Colaiacovo, 1982; Das, 1994; Bennett & Smith, 2002)
2. *Market issues* are the other type of problems that companies face such as if the company operates from a developed country or from a developing country (Das, 1994; Neupert *et al.*, 2006)

It has been emphasized that there should be further studies in regards to exporting from developing countries to enable firms to compete internationally and to internationalize (Neupert *et al.*, 2006). As it has been revealed from previous studies in this field, researchers focused on initial steps in exporting or studied few factors that affect the performance of exporting firms in developing countries (Das, 1994; Neupert *et al.*, 2006). When studying the factors that affect firms' ability to export in developing countries, there should be a focus on internal and external factors. Internal factors include organizational, managerial (Cunningham, 1980) and behavioral (Leonidou, 1989), while external factors are but not limited to the government and the environment the firm operates in (Das, 1994).

2.2.2 Exporting Success Variables

Different variables have been identified in regards to what makes a company successful in exporting. The main four categories are: Organizational, managerial, behavioral and external variables (Das, 1994). These four categories are discussed thoroughly as in the following:

2.2.2.1 Organizational

The characteristics of an organization have major impact on measuring the success of its exporting such as: the size, the existence of an exporting department or an exporting manager, the organization's products, the years of experience in exporting, R&D and many others (Das, 1994). From all the mentioned characteristics, size had the major role in defining the capabilities of an organization to export (Bodur & Cavusgil, 1985; Tookey, 1964). However, many researches argued how size may not comply with the abilities of an organization to export (Bilkey & Tesar, 1977; Kammath, Rosson, & Patton, 1989; Tan & Sousa, 2015)

In regards to the age of the firm or years in the business, researchers have explained that the longer the organization is in the business, the better its chances are to be successful in exporting (Lee & Brasch, 1978). However, other researchers claimed that the new firms have more flexibility, which will ultimately lead them to be better exporters (Ursic & Czinkota, 1984).

2.2.2.2 Managerial

Organization management is another category, which has been considered for its contribution to the success of exporting. The attitudes, characteristics and the quality of managers in the organization can reflect their success in exporting (Das, 1994; Koksal & Ozgul, 2010). Researchers have been able to prove the importance of this matter by conducting studies on managers in different firms and reached to recommendations such as: managers speaking foreign languages (Bilkey & Tesar, 1977) or had international experience (Langston & Teas, 1976) will have a positive impact on an organization's exporting. Moreover, it has been discussed by Maldifassi & Javier (2014) that having innovative employees help in alleviating company's exporting performance.

2.2.2.3 Behavioral

Researchers have studied the relationship between buyer and seller and its impact on exporting (Das, 1994). Several variables have been part of these studies such as: degree of uncertainty, distance, power and cooperation that have been connected to the export marketing activities in an organization (Cunningham, 1980; Leonidou, 1989; Rosson & Ford, 1980; Turnbull, Cunningham, Ford, & Homse, 1981). The main focus of the studies on the behavioral impact of exporting was dealing with the degree of conflict in relationship between exporters and importers (Ford & Djeflat, 1983; Frazier, 1984; Leonidou, 1989; Rosson & Ford, 1980; Salavou

& Halikias, 2009; Christensen, 2010). Koksal & Ozgul (2010) suggested that building strong relations and understanding the needs and wants of the buyer are highly important to succeed in exporting.

2.2.2.4 External

There are many variables that are considered external exporting issues to a firm such as; level of competition, type of industry, the country' economic and political environments, and the origin of the buyer are few of what researchers believe that have an impact on exporting performance (Das, 1994). The importance of each variable differs from one country to another and could be analyzed differently (Neupert *et al.*, 2006). For example, the economic and political issues are considered a top priority in Palestine followed by the competition and the origin of the buyer (Ministry of National Economy, 2014). It has been suggested by Bennett & Smith (2002) that exporting companies should not depend on their own government but on building their competitive advantages through developing connections with other countries.

2.3 Small and Medium Size Enterprises (SMEs) Exporting

SMEs contribute to the exports around the globe (Fletcher, 2004). It has been argued that SMEs are now entering the international market at an early age, which is different from the cases before (Andersson, Gabrielsson, & Wictor, 2004; Ashton, 1993) and this was explained earlier in the organizational variables. However, SMEs are more exposed to exporting problems than large firms such as in resource acceptability due to limited company resources (Katsikeas & Morgan, 1994).

There have not been many studies in regards to SMEs, yet they are growing internationally on a rapid speed. Most of the studies on SMEs exporting have been conducted in North America and Europe (Neupert *et al.*, 2006). Moreover, for SMEs in developing countries, there are few studies focus on problems of exporting (Leonidou, 2004).

It is clear that the challenges for SMEs between developed and developing countries differ. Management, policy makers, government policies, culture, experience and other factors do make a difference in how they are explained when comparing SMEs from different regions (Neupert *et al.*, 2006).

Scharf, Bell, Loane, & Downey (2001) discussed that finding suitable liaisons, distribution, adapting the product and financing issues are the main issues that SMEs exporters face. Furthermore, having strategic alliance in the targeted countries is considered highly important in securing successful exporting (Maldifassi & Caorsi, 2014). Scharf *et al.*, (2001) study distinguished between emerging problems and on-going problems. It was discussed that emerging problems could arise from lack of experience and on-going problems occur due to more involvement in the regional and international markets. These problems may not be similar to the problems that the Palestinian stone and marble companies face. Thus, investigating how they differ and how can they be minimized are issues to be explored in this study.

According to the Palestinian Central Bureau of Statistics (PCBS) 2012, small and medium family-owned businesses dominate the Palestinian economy. 85% of Palestinian businesses are owned by sole entrepreneurs (family business). Private and public shareholder companies and partnerships comprise of less than 11% of all companies.

2.4 Competitive Advantages

There have been many debates in regards to whether the competitive position of a company is related to its ability to export or not. The main argument that was studied is the ability of a company to fulfill the needs of the foreign market better than its competitors, and if this would lead to improvements in the performance level of a company's exporting (Katsikeas & Morgan, 1994).

There are two main streams of research studies that are connected to competitive advantages concerning exporting (Katsikeas & Morgan, 1994); the first is focused on the competitive elements that distinguish between exporting and non-exporting companies (Keng & Jiuan, 1989). Accordingly, this stream does not provide outcomes that support the companies in appraising their competitive advantage elements to develop and to maintain a sustainable exporting activities, it only focuses on the company's decisions to what competitive advantages needed to initiate exporting.

Due to the significance of exporting to companies growth and sustainability, another stream of research studies has been developed, which does not focus on the classification of export and non-export companies on the initiation of exporting, yet tries to develop new approaches to how a company can develop and grow its competitive activities (Katsikeas & Morgan, 1994). The

second stream studies the competitive advantage of a company without considering what export stage the company is at (Kaynak & Erol, 1989).

2.4.1 Areas of Competition

There has been an agreement in regards to what are the bases of export competitive advantages. Three main areas have been identified that provide a company with competitive advantages: firms' specific factors, marketing policy elements and external environment (Katsikeas & Morgan, 1994).

2.4.1.1 Company's Factors

There have been different studies, which outlined that specific company's factors do have an impact on building competitive advantages for a company (Katsikeas, 1994).

Production methodology and technology; based on a thorough empirical study for a large sample of high technological firms, the results showed that choosing segmentation strategy and product strategies have high impact on exporting (Cooper & Kleinschmidt, 1985), quality control; the more the company gets involved in exporting, the higher is the importance of quality control needed to maintain a positive exporting image (Burton & Schlegelmich, 1987).

Having international certifications, help companies tremendously in exporting which alleviate production quality (Maldifassi & Caorsi, 2014). Personal experience and training (Bourandas & Halikias, 1991). Moreover, reputation has high impact on developing marketing strategies and strategic planning for exporting (Williams, 1992). It has been emphasized that reputation is considered one of the sources for high competitive performance (Ritthaisong, Johr, & Speece, 2014). And finally, how efficient is a company in its operations to enhance exporting performance (Samiee & Walters, 1991).

2.4.1.2 Marketing Policy Elements

Concerning marketing elements as a source of competitive advantage, a study that surveyed 134 export activities in manufacturing companies in Denmark showed that features of the company products are important for export marketing success (Madsen, 1989). In addition, pricing competitiveness was one of five variables that have been identified after studying the Korean electronic industry (Moon & Lee, 1990). Based on studying Greek exporting companies, developing new products and personal contact with foreign customers are two of the marketing elements that are needed for higher performance in exporting (Bourandas & Halikias, 1991). Understanding foreign markets helps in building profiles for exporting companies (Cavusgil & Naor, 1987). Customer service has been identified as one of the marketing elements after conducting a study on companies based on Porter's generic strategies (Dess & Davis, 1984).

Furthermore, promotional activities were suggested as a marketing element after studying exporting and non-exporting companies in Singapore, which provided evidence that if those companies have similar attitudes and behaviors in their operations, programs can be developed to non-exporting companies to become exporting companies (Keng & Jiu, 1989). Moreover, marketing capabilities are suggested as an important tool for high exporting performance (Tan & Sousa, 2015)

2.4.1.3 External Factors

Some competitive advantages have sources that have been identified as external (Katsikeas & Morgan, 1994). A study conducted on textile mill companies in UK and USA by studying Porter's three generic strategies (Parker & Helms, 1992) concluded that cost of raw material is considered one of those competitive advantages. Access to finance was one of the recommendations that were suggested based on studying 423 SMEs in Wisconsin to move to higher stages in exporting (Bilkey & Tesa, 1977). Building distribution system (Keng & Jiu, 1989) and closeness to the exporting markets (Madsen, 1989) are all types of competitive advantages that are provided from the environment that the company operates from.

2.4.2 Characteristics of a Company and Export Competitive Advantage

There have been suggestions by research studies that the understanding of what competitive advantages needed for exporting depend on a company's characteristics, such as: the size of the firm, level of export involvement and their market experience (Katsikeas & Morgan, 1994).

2.4.2.1 Firm Size

Aaby & Slater (1989) have studied the impact of a company's size on its ability to export by studying the management determinants – attitude and skill-based characteristics in regards to exporting performance. It has been suggested that large companies have more managerial and financial resources, which lead to larger production capacity to enable them to attain higher economy of scale, and have low risks concerning exporting (Bonaccorsi, 1992). Since the mentioned factors are linked to larger company size, it was evident for researchers that large companies can develop concrete competitive advantages in regards to exporting (Katsikeas & Morgan, 1994). Hence, it has been discussed by Maldifassi & Caorsi (2014) that the size of a company does not impact the company's ability to export.

2.4.2.2 *Export Involvement*

It has been suggested that companies with high involvement in exporting have more staff focused on exports along with exporting departments in the company (Diamantopoulos & Inglis, 1988). Due to being highly involved in exporting, these companies can build competitive advantages that can sustain their exporting presence more than companies with lower involvement in exporting (Katsikeas & Morgan, 1994). Moreover, it has been defined that companies that do not do much advertisement have low involvement in exporting (Klonowski, 2005).

2.4.2.3 *Export Market Experience*

Studies have concluded that when a company operates its business in a foreign market, the company gains knowledge and experience, which help in generating business opportunities, and drive the process of internationalization (Johanson & Vahlne, 1990). When companies build experience from long time exporting to specific markets, they develop low levels of hesitation to their exporting activities, and understand the forces that export markets require (Madsen, 1989).

Based on what was mentioned, companies could develop different competitive advantages based on their different experiences in exporting to different markets (Katsikeas & Morgan, 1994). Moreover, the higher the exporting experience for the company, the less standardization takes place and it can help significantly in determining the company's marketing performance (O'Cass & Julian, 2003).

2.5 Competitive Strategies

The Porter model for developing business-level strategies is developed on three generic strategies: low cost, differentiation and focus. The three strategies have been widely used in main models for building management strategies and in marketing (Salavou & Halikias, 2009).

In regards to low cost, Porter suggested providing consumers with what can compete based on lowering the cost (Porter, 1986). Using this strategy may provide higher return, because other companies may lower their prices to match their competitors and still the company will earn higher profits (Miller & Friesen, 1986).

Concerning differentiation, the strategy depends on developing new products or providing services that are defined as unique, which gives the company the advantage to ask for higher prices than the average market price (Salavou & Halikias, 2009). Using this strategy will create brand loyalty; the prices will be inelastic, resulting in higher profits for the manufacturing company (Aulakh, Kotabe, & Teegen, 2000).

In regards to the focus strategy, it is used for a specific segment in a limited geographic market. It could be targeted for specific type of customers or a specific range of products. That could provide the company with the advantage of being more efficient and effective than other companies that are broader (Salavou & Halikias, 2009). Hence, using focus strategy depends on providing a lower cost or being differentiated and sometimes both (Karnani, 1984).

Using any of the mentioned strategies to build a competitive advantage relies on the competitors that operate in the same industry or similar environment. Porter explained how adopting one of the generic strategies is the only way for a company to achieve high performance (Porter ,1985). In 1998, porter explained how internationalization is a result of competitive advantages that companies in specific countries obtain due to the status of those countries. Furthermore, Porter (2011) emphasized that for competitive success on international level, companies need to build their competitive advantages either through lower costs or differentiation in their products by asking premium prices.

Other researchers have debated Porter's findings by discussing how hybrid strategies could be integrated strategies, which can provide a superior outcome in regards to building a competitive advantage (Hill, 1988; Miller & Friesen, 1986; Salavou, 2015). Furthermore it was suggested by Tan & Sousa (2015) that using competitive strategies that are built on low-cost and differentiation help in increasing export performance.

According to Salavou & Halikias (2009), there have been few empirical studies that discussed building strategies for companies competing in foreign markets. Namiki (1988) used Porter's generic strategies with some alteration to identify which strategy is optimal to be used in foreign markets. The focus was on four strategies: marketing differentiation, differentiation focused, innovative differentiation and product-oriented differentiation. Moreover, Namiki (1988) identified companies in clusters and grouped them in the four strategies. The findings were based on Porter's original suggestions for how a company can perform better than its competitors by focusing on one strategy, either differentiation focus or innovative differentiation. Other researchers, Aulakh *et al.*, (2000) conducted a study based on the three generic strategies that Porter identified for Brazil, Chili and Mexico. The outcomes from their study were that cost-based strategies should be used in emerging countries to enhance their performance, while for developing countries using differentiation strategies enhance companies' performance. However, Aulakh *et al.*, (2000) study did not provide a negative relationship between using integrated strategies and companies performance in exporting.

According to Salavou & Halikias (2009), most of the companies that work in foreign markets use a hybrid competitive strategy. Moreover, their study reached a conclusion that the companies, which focus more on marketing and working on their brand, can earn more profit than those that focus on low cost methods. Furthermore, the researcher concluded that most of the companies that work in foreign markets aim to differentiate themselves by focusing on advertising or any other related marketing techniques.

According to researchers, there are many trade restrictions such as tariff problems that developing and emerging markets are still facing up till today. On the other hand, developed countries had managed to overcome such restrictions (Beamish & Lu, 2004; Barutçu, 2008).

2.6 Theoretical Framework and Conclusion

From the literature review, it can be concluded that there is a lack of understanding of the exporting problems which companies face in developing countries compared to the problems faced by companies that export from developed countries.

There are two main aspects, which need to be investigated in regards in this study to understand the competitive advantages that are internal and external challenges that the companies in the stone and marble sector in Palestine face. From the identified challenges and competitive advantages, competitive strategies can be built to increase Palestinian stone and

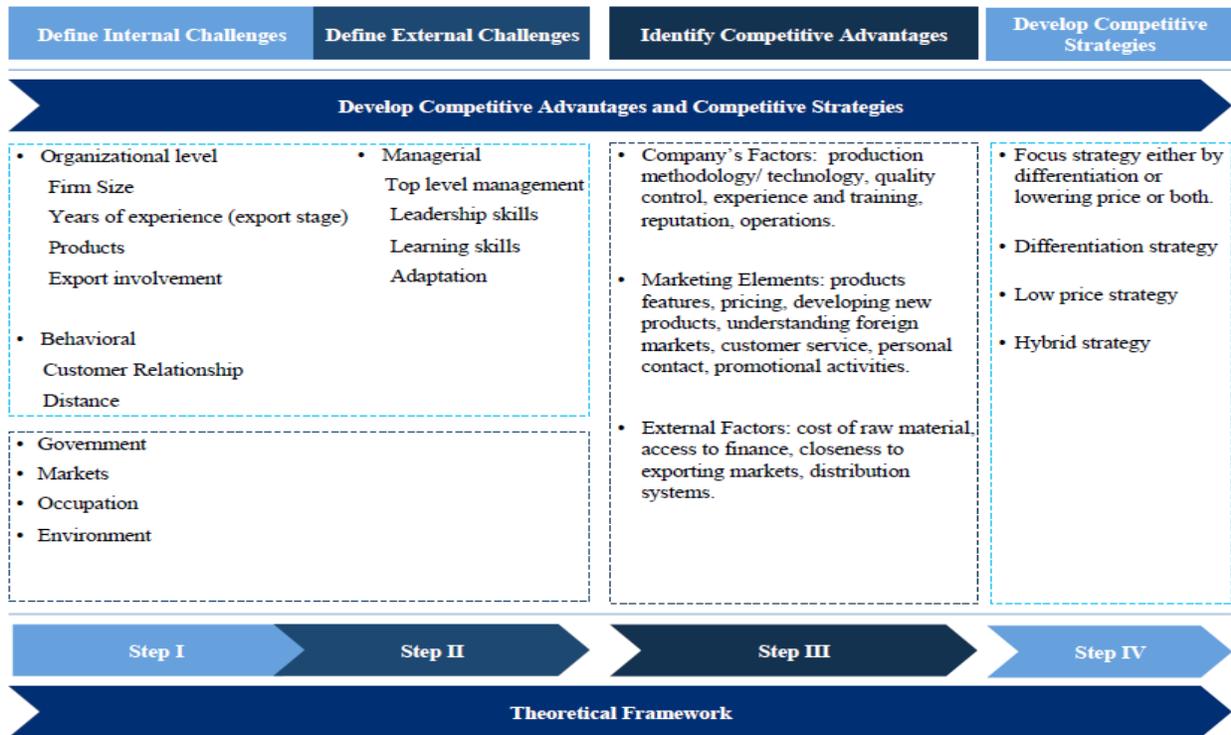
marble companies' exports on regional and international levels.

For the internal aspect, as it was shown in the literature review, there are many issues that do have an impact on the ability of a company to export including organizational, managerial and behavioral factors based on different characteristics such as firm size, experience, management and others factors seen in the theoretical framework below. These variables could impact the ability of a company to compete in exporting, yet they need further investigation to clearly understand how the Palestinian companies can build their own competitive advantages to formulate their competitive strategies.

The external aspect depends on three main variables, which are the government, the markets the company intends to export to, and the environment the company operates in. These variables should be clearly understood, as the problem for some Palestinian stone and marble companies may vary between external and internal, and for this reason, companies need to identify the external sources for competitive advantages to be able to build their competitive strategies.

The theoretical framework, figure one, is developed based on exporting success variables, competitive advantages, characteristics of a company and export competitive advantages and finally, competitive strategies that were discussed in the literature review.

Figure 1 Theoretical Framework.



To conclude, the theoretical conceptual model was built based on frameworks that are presented in strategic management books. Most of these focus on building a competitive strategy after identifying a competitive advantage and analyzing the internal and external aspects, to assess opportunities while considering organizational strengths and weaknesses (David, 2011; Hill & Jones, 2012; Wheelen & Hunger, 2012). To achieve the objective of the study, a sample is chosen based on specific criteria from Palestinian stone and marble companies and they are analyzed using the qualitative content method and thematic method, as it will be explained in chapter four and after presenting the Palestinian Stone and Marble context and exporting situation in Palestine in chapter three

Chapter Three: Exporting in Palestine & Palestinian Stone & Marble Context

Introduction

This chapter provides an overview of Palestine exporting while focusing on the impact of stone and marble sector on the Palestinian economy. The chapter stipulates an insight on the competitive constraints in regards to exporting from Palestine. Moreover, it provides explanation to the importance of the stone and marble sector in Palestine and the main destinations of exporting for the sector.

3.1 Palestine and Exporting

The Palestinian economy is built on the entrepreneurial vision of the private sector, which is mostly (SMEs) that have been adapting tremendously to the political and economic conditions. Nonetheless there have been many speculations that the future of exporting may be on the edge of dropping and needs to be investigated to find the ultimate potential for the success of this field on regional and international levels (Ministry of National Economy, 2014).

According to World Bank, Doing Business report in 2014, Palestine was ranked 138 out of 189 economies in the world. The same report mentions that there have been improvements in the Palestinian economy since 2013 by slightly 7 points (Doing Business , 2013).

The National Export Strategy (NES) was endorsed by the government in 2014, due to the complexity of the economy and the political situation. The main aim of the export strategy is to build a roadmap for export growth in Palestinian economy through the participation of public and private sectors (Ministry of National Economy, 2014). One of the outcomes of this dissertation is to evaluate the degree to which the NES (2014) has captured the current actual situation for the stone and marble exporting companies.

Palestinian exports are based on natural resource-based manufacturing, low technology manufacturing and commodities. It has been recorded in the past few years that the products that need low levels of technology have grown while the products that need high levels of technology have fallen back (Ministry of National Economy, 2014).

Re-melting iron, Plastic, pharmaceuticals, furniture and footwear are some of the manufactured products that are exported from Palestine and contribute 21% to the exporting value, whereas worked and unworked stone has the highest contribution to the exporting value with 25% (Ministry of National Economy, 2014). Table one below demonstrates the top 10 products that are exported from Palestine between 2008 and 2010.

Table 1: Top 10 Palestinian Products 2008-2010

Top Export Destinations (2008-2010)				
Rank	Product code (SITC 5 digit)	Product description	Values (US\$ thousands)	Share in exports (%)
1	66135	Building stone, unworked	59,352,246	10.1
2	66134	Marble etc., worked	27,846,716	4.8
3	28233	Remelting iron/ steel ingots	23,133,511	4.0
4	89311	Plastic sacks/ bags/ cones	21,630,989	3.7
5	85131	Rubber/ plastic footwear n.e.s.	15,956,166	2.7
6	54293	Medicaments n.e.s. retail packs	15,585,601	2.7
7	63512	Wood pallets etc.	12,049,905	2.1
8	82155	Wood bedroom furniture	11,865,000	2.0
9	68421	Aluminum bars/rod/prof.	11,513,574	2.0
10	09899	Misc. food preprtions n.e.s.	9,921,799	1.7

Source: ITC calculations based on 5-digit Comtrade, SITC Revision 3 trade data page 13.

The two main destinations for exporting from Palestine are Israel and Jordan with more than 93% of all exports is being exported to these two countries. Due to being considered a small country with no control over its borders and low level of technology used in manufacturing, Palestine depends highly on imports to sustain itself. As a result of low levels of exporting and high importing dependency, the negative trade gap has been growing rapidly (The World Bank , 2013).

Palestine's GDP in 2012 was estimated at \$11.3 billion, it shows a growth since 2010 when the GDP was \$8.9 billion and in 2011 \$10.5 billion. The highest contributor to the GDP is the goods followed by the services (Palestinian Central Bureau of Statistics - PCBS, 2013).

The economy varies tremendously between West Bank and Gaza. In the West Bank, there has been growth for trading due to the improvements in trade supporting institutions such as Palestine Trade Center (PalTrade) and the Union of Stone and Marble (USM) and being relatively more open to borders than in Gaza, since Gaza is considered an isolated area by the Israeli occupation (Ministry of National Economy, 2014; Palestinian Central Bureau of Statistics - PCBS, 2013).

In accordance to many local reports, Palestine GDP has been changing rapidly in the last few years between growing and declining. Since 1994, Palestinian GDP has been growing over the years, yet declined in 2001 (Palestinian Central Bureau of Statistics - PCBS, 2013). The major contributor to these aggressive changes in the GDP is due to political instability, which causes major problems to the development of the private sector and causes an unstable business environment that leads to negative exporting activities (Ministry of National Economy, 2014).

Another reason for the continuous changes in the Palestinian GDP is unemployment. With a growing population that will approach 5 million in 2015 (Palestinian Central Bureau of Statistics - PCBS), there is a need to find solutions to minimize the unemployment. The unemployment in Gaza in 2014 increased by 45%, which is three times higher than in West Bank. Growing the Palestinian economy will help tremendously in increasing the GDP (The World Bank, 2014).

3.2 Palestine Export Competitiveness Constraints

It was clearly emphasized by the NES, (2014), that there are no concrete reasons why Palestine cannot develop an export sector. The challenges are focused on external – such as the political stability as well as internal factors that vary between administration, production and marketing. The competitive constraints are divided into four aspects, supply, business environment, market entry and development.

3.2.1 Supply

Based on the NES, (2014), the problems of low levels of production due to high cost of manufacturing and restrictions on imports, decrease in the foreign and domestic investments, low levels of differentiation, weak management levels, scarce water resources and difficulty in accessing lands are some of the issues that need to be dealt with to help the Palestinian exporting companies.

3.2.2 Business Environment

The weak legislative framework, not meeting international standards, lack of international recognized bodies, problems in transportation and accessing storage areas, limitation to finance are some of the problems hinders the ability to export that are highlighted in the NES (2014). Moreover, even though supporting institutions have a positive impact on the sector, a lack of communication between relative stakeholders; such as ministers and trade supporting institutions is one of the business environmental problems (NES, 2014).

3.2.3 Market Entry

In regards to market entry, NES, (2014), defined the following issues. High dependency on current markets such as Israel and Jordan, lack of policies to ease access to new markets, limitations in promotional activities in international markets, lack of a one stop shop, high cost of market research, low branding for Palestine, visa complications for exporters and buyers.

3.2.4 Development

Increase in poverty and dependency on international aid, the growth in the socio-economic gap between Gaza and West Bank, gender equality, environmental problems are some development problems that are facing the Palestinian economic sectors in exporting. The NES, (2014), recommends the need for new plans to minimize the impact of these challenges.

3.3 Palestine Export Destination

The export destinations for Palestine are very few and focused on three destinations – Israel, Jordan and Egypt. In 2004, these three countries accounted for 79% of all exports. In 2011, the percentage of exporting to these three countries declined slightly to 75%. This is a clear indication that there is a struggle for Palestine to diversify its exporting destinations (Ministry of National Economy, 2014).

It is known that Israel accounts as the main trade partner for Palestine with more than 86% of Palestinian exported products (The World Bank , 2013). This shows the importance of the Israeli market, yet there is a high need for Palestine to diversify its destinations.

Between 2002 and 2010, Palestine was able to expand the number of export markets for at least one product from eight destinations to sixteen, Olive oil is reaching sixteen destinations, Dates eleven destinations and spices ten destinations. In 2002, (808) products were exported to at least one destination each, hence the number dropped to (712) products in 2010. However, (193) of the products that were exported in 2002 achieved higher number of markets in 2010 and (156) products were completely new (Ministry of National Economy, 2014). The table below demonstrates the top ten destinations that Palestine exports from 2008 to 2010.

Table 2: Top 10 Palestinian Export Destinations 2008-2010

Top Export Destinations (2008-2010)			
Rank	Country	Value (US\$ millions)	Share in exports (%)
1	Israel	303.3	53.6
2	Egypt	74.3	13.1
3	Jordan	43.6	7.7
4	China	27.3	4.8
5	Germany	25.9	4.6
6	Turkey	25.2	4.5
7	Switzerland	17.2	3.0
8	Brazil	13.8	2.4
9	Netherlands	10.3	1.8
10	Sweden	7.7	1.4

Source: PCBS and ITC calculations based on UN Comtrade statistics page 16.

3.4 Stone and Marble Sector

On international level, the stone and marble industry has been growing exponentially especially in the last 10 years, where the usage of stone and marble has almost doubled. Since 1990, the sector has been growing internationally on a rate of 7.3% and the trade of the sector is growing on a rate of 8.7% yearly. In 2003, the stone and marble production had reached to 153 million tons and the consumption reached to 818.5 million square meters with more than \$40 billion in revenues (USAID; DAI; SRI, 2006).

The main stone and marble production comes from 10 countries and four of them (China, India, Italy and Spain) contribute to more than half of the total production (Sultan, 2014; USAID; DAI; SRI, 2006) China, Dubai and Italy are considered the hub for stone and marble products due to their expansion and growth. It has been discussed by many researchers in the field of stone and marble that the sector will continue to grow and it is expected that by 2050 the consumption will reach to 3 billion square meters due to trading and 5 billion square meters in production. Nonetheless, the sector is facing negative pressure due to the increasing supply and the technological advancements of synthetic and alternative products (USAID; DAI; SRI, 2006).

3.4.1 Palestine Stone and Marble Industry

Upon investigating the Palestinian economic sectors, it would be clear that the stone and marble industry is considered a vital part of the Palestinian economy and the anchor for its exports (Sultan, 2014). Connecting the sector with the cultural and historical aspects, the stone and marble industry has many tight bonds with Palestine that go back to centuries (Palestine Trade Center, Union of Stone and Marble Industry, 2014). According USM, in the years of 2000 and 2001 the sales have been estimated to be over US \$600 million. Since then the industry has been growing exponentially and reached to the point of exporting to different parts of the globe. According to a study conducted by the PalTrade in 2014, the Stone and Marble industry contributes 5% to the gross national product of Palestine and it covers 20% of the Palestinian production market. Moreover, the industry employs about 9% of the total Palestinian labor force

(The International Trade Center, Ministry of National Economy, Palestine Trade Center , 2014).

Table three below shows some information related to the stone and marble sector in Palestine.

Table 3: Data about Stone and Marble Sector in Palestine - 2010

Indicators	Value
Current reserves	\$ 30 billion
Industrial revenue	25%
Contribution to GNP	4.5%
Contribution to GDP	5.5%
Contribution to global output	4% by volume, 2% by value
Total annual sales	US\$ 417 million to US\$440 million
Exports/domestic sales split	4%/96%
Annual sector exports	\$60 million
Contribution to Palestinian exports	26%
Number of export destinations	56 countries
Main importer	Israel (71%)

Source: Asia Holy Land Marble & Stone Co (Research and Development Department) (2010) page 6.

With more than 15,000 workers, skilled and unskilled laborers are working in the industry that invested in total more than US \$400 million, the production is more than 22 million square meters annually of finished and semi-finished products are produced annually in Palestine. Furthermore, Palestine exports to more than 56 countries around the globe including USA, France, the United Kingdom, Korea, Japan and the Arab Gulf States (Palestine Trade Center, Union of Stone and Marble Industry, 2014; Sultan, 2014; USAID; PFI, 2009).

3.4.2 Importance of Stone and Marble Sector in Palestine

Due to the importance of the industry, a union had been established in 1996 as an independent, non-governmental and non-profit membership-based organization, which is called Union of Stone and Marble Industry in Palestine (USM). The main goal for USM is to promote the goal and protect the needs of the Palestinian stone and marble producers (Union of Stone and Marble , 2013).

After recognizing the high impact of the industry globally, Palestine Trade Center (PalTrade) has had a major role in supporting USM and the industry in flourishing and growing with a consistent speed. PalTrade has been established since 1998 as a non-profit membership based organization with the need to unleash the economic power of the Palestinian market to regional and international markets. PalTrade has helped tremendously in this aspect by following the ever changing and dynamic global market trends and the Palestinian Private Sectors' needs in export promotion and export development (Palestine Trade Center , 2015).

3.4.3 Palestinian Stone and Marble Exporting Destinations

In regards to the exporting of the stone and marble from Palestine, Israel is considered the main consumer with more than 71% of the total production (Sultan, 2014). The main advantage for the Palestinian companies is that they do not face tariff in exporting their stone and marble products to Israel on the contrast to other countries exporting to Israel (USAID; DAI; SRI, 2006). Based on a study conducted by PalTrade on the stone and marble sector in 2005, the Oslo agreement and the economic Paris protocol gave the right for Palestine to sign international trade agreements. The main reason for this was to reduce the dependency of Palestine on Israel as an export and import source. Palestine has signed a number of trade agreements that were highly beneficial for Palestine. The main free trade agreements for tariff or tariff waivers for Palestinian products were signed with USA, EU, European Free Trade Association (EFTA), Canada, Arab States and Turkey (Palestine Trade Center , 2006).

Furthermore, it was explained that the main competitor for Palestine in the Israeli market is Turkey (USAID; DAI; SRI, 2006). Comparing between the price and the quality of the stone and marble, according to USM, Palestine is considered similar to Turkey, yet Turkey is considered a main competitor to Palestine in the Israeli market. The study identifies the reasons for what was mentioned and explains why Turkey is considered a competitive country for Palestine in the Israeli market.

The Jordanian market comes second in its consumption for the Palestinian stone and marble. Most of the exported product is used in Jordan, yet 20% is exported from Jordan to other countries. Hence, in the last few years the Jordanian stone and marble sector has been growing and will soon be a competitor for the Palestine product (USAID; DAI; SRI, 2006). In conclusion there should be emphasis on the need for actions to be taken by the Palestinian stone and marble companies to be able to compete on a larger scale.

Concerning the international and regional markets, the Palestinian stone and marble products are mainly exported to Saudi Arabia and UAE. The main competitors for Palestine in those regions are India, Iran and Italy (Sultan, 2014). Furthermore, USA is demanding specific characteristics of stone that are unique in Palestinian stone that is the gold, pink and sage stone color, which gives Palestine the advantage to export their products to USA (USAID; DAI; SRI, 2006). To conclude there are opportunities, Palestinian stone and marble companies need to find methods to exploit the USA preference to the Palestinian stone characteristics.

3.5 Porter's Stone and Marble Five Forces

Barutçu, (2008), and Sople, (2007), have identified the Five Forces for the stone and marble industry. In regards to the *internal competitiveness and rivalry*, there are many companies that are working in the stone and marble sector and there is high competition between them. There are different characteristics that do impact the level of competitions between stone and marble companies such as the high increase in number of the companies that are competing on the same consumer, vagarious competitiveness in regards to control higher market share and finally low switching cost. Due to exporting and internationalizations, stone and marble companies are now fighting harder to capture consumers, which is causing downward pressure on prices.

Concerning *entry* of new companies, this factor has a high impact on the industry due to low entry barriers. For example some countries in developing regions such as China and Egypt have low regulations for stone and marble companies to enter the country that causes reduction in the industries' profit margin. Hence, building a stone and marble company requires large capital investment.

The *power of the buyer* impact on the sector is high due to large number of companies with low number of buyers and large number of wholesalers. That is why stone and marble companies have low impact on the buyer since the buyer control the distribution channels. They can set the price and cause downward pressure on prices.

For the *threat of substitutes* it is relatively high in the stone and marble sector. Ceramic, granite, Corian and other natural and synthetic stone can be used instead of marble. New technologies made it easier to produce ceramic and granite at lower prices with higher efficiency. In this aspect Sople (2007) disagree with Barutçu (2008) and argues that the substitutes impact is low, yet his focus was on India and he discussed how the stone and marble products supply to low and high end markets differ, which have different buying criteria.

Lastly for the *suppliers*, there is a high number of supplier and producers for stone and marble in the world. Moreover, the supply of stone and marble is higher than the demand. That is why the impact of the supplier is low.

3.6 Major Competitors to Palestinian Companies

Based on what was mentioned above, Turkey is considered one of the top competitors to the Palestinian stone and marble companies. Turkey is known for decades as a stone and marble producer. Their stone and marble is defined by high quality, variety of colors and sizes, uniformity and different patterns (Istanbul Mineral Exporters' Association , 2015)

Turkey is suited in the Alpine Belt, which is one of the richest marble regions in the world. Due to Turkey's access to different production technologies and its ability to export worldwide with low regulations, it gives the country an edge on others to be a leader in stone and marble exporting. Based on Istanbul Mineral Exporters' Association (IMIB), Turkey is the leading exporter for marble and travertine with more than US \$2.25 billion exporting value. The vision for Turkey's stone and marble sector is to increase exporter value to reach US \$7 billion by 2023 (Istanbul Mineral Exporters' Association , 2015).

3.7 Conclusion

To conclude there are different advantages that the Turkish can use in building their competitive advantages and competitive strategies. Most of the advantages stem from the environment based on the location of Turkey and the richness in stone and marble in the country. Furthermore, their access to technologies and different regions in the globe help the Turkish stone and marble companies to increase their exporting volumes. That is why Palestinian stone and marble companies need to identify their competitive advantages and build competitive strategies based on what opportunities are available by considering the external and internal environments. Based on what was discussed in chapter three, Palestinian stone and marble companies need to learn from other countries to be able to compete on regional and international levels. The following chapter explains the methodology of research.

Chapter Four: Research Design and Methodology

Introduction

This chapter explains the research methodology used for the study. It further explains why a qualitative approach has been utilized and why case study design is implemented. It also justifies the choice of a case selection method, procedures and a description of the studied cases from the Palestinian marble and stone industry. Furthermore it highlights details about the data collection methods, procedures and instruments. Finally, the chapter highlights validity and the reliability considerations in addition to presenting the data analysis method and the limitations of the research.

4.1 Research Approach

The purpose of the study is to investigate exporting challenges facing the stone and marble sector in Palestine and suggesting competitive strategies for the companies to be able to increase their export on regional and international levels; to alleviate the presence of Palestinian products in the world. There are two approaches on how to conduct research studies, either qualitative or quantitative (Mangan, Lalwani, & Gardner, 2004). A qualitative deductive research approach has been employed to meet the objectives of this study.

The rationale behind the choice of this approach is to understand the what, how and why questions of the studied phenomenon, since qualitative approaches help in studying the cases in their habitat and helps to look at how the cases act in their environment and how they deal with problems (Flint & Golicic, 2009; Ford & Leonidou, 1991).

Moreover, this approach aims to identify how and why the exporting competitive strategies that are built for developed countries may differ from those built for developing countries especially countries under conflict and war such as Palestine. In addition to identifying how and why differences may relate to specific company characteristics and the unique context. Moreover, the study draws competitive strategies and competitive advantages for exporting that fit the needs for developing the stone and marble sector in Palestine.

Qualitative approach defines the relationship between influences and actions. The main purpose of the qualitative approach is to explain different scenarios that may occur under different circumstances. On the other hand, the quantitative approach uses different techniques such as observation, experimentation and surveys in the form of questionnaires and interviews (Murphy, 1995). For this study, data collection source is a sample that was chosen from all exporting stone and marble companies that operate in the Palestinian market.

Furthermore, interviews are conducted with representatives and officials from institutions that work in exporting to form a clearer picture in regards to what problems Palestinian stone and marble companies face, and what solutions can be provided with regards to building their competitive advantages and competitive strategies to increase exports on regional and international levels.

Qualitative approach is used when the researcher aims to build knowledge based on a constructivist perspective such as individual experience. One of the strategies that are used to obtain required data is multiple cases study (Creswell, 2003). Based on Yin (2003), case studies are needed for understanding complex social issues. Case studies help in understanding real-life events such as organizational and managerial processes. Furthermore, case studies are known to be the preferred strategy for answering the questions of how and when if the researcher has minimum control over the events of the study, or when using real-life context.

Since the study lacks detailed preliminary research and there are limits on the choice of the methodology; the study will be based on exploratory multiple case studies. The exploratory research helps in gaining a better insight on a problem or tries to identify a better understanding for a problem to be able to develop an outcome that can be used for future studies (Streb, 2010).

4.2 Sampling

Based on the method that is used to analyze the collected data, questions should be raised on what strategy should be adopted for sampling, such as what is the best sampling method for the study? Who can provide the best information related to the asked questions and what criteria should be used to select the units that will be interviewed? (Whittemore, Chase, & Mandle, 2001). When qualitative content analysis and thematic analysis are adopted, the discussion on the sampling method that should be used is rare (Neuendorf, 2011).

There have been suggestions for sampling methods such as purposive, selective, snowball sampling and others (Higginbottom, 2004; Polit & Beck, 2014). All mentioned sampling strategies are classified as non-probability samplings. The advantage of non-probability sampling is that it is useful in exploratory research to find what is needed for a problem in a quick and inexpensive way. Moreover, it is considered as an ethical approach to explore whenever the problems need further investigation. The disadvantages are that the chosen sample may or may not be representative for the whole population and the outcomes may not be generalized (Lund Research, 2012).

For this study the selective sampling strategy is used. One of the selective sampling strategies is expert sampling. Expert sampling is choosing units with high skills or knowledge in the intended topic (Methods, 2008). Since the study aims at suggesting competitive strategies for the stone and marble exporting companies, the sample that should be used must be highly involved in exporting so that it can provide the needed data that can be generalized to all stone and marble exporting companies in Palestine.

From a total of forty-eight stone and marble exporting companies, three organizations have identified fifteen of the companies as active in exporting, these include: PalTrade, the USM and Ministry of National Economy (MoNE), shown in appendix III. The selection was based on years of experience in the field of exporting, revenues from exporting, production capacity, number of employees and lastly the long experience and work relations of these three organizations with the companies. Moreover, it was expected to receive repetitive responses. Thus, for the purpose of using time efficiently during the data gathering process, the selected sample was fifteen companies. Furthermore, the sample is identified as the most representative to the sector, amounting to 31% of the whole population. Beside interviewing the fifteen companies, officials from Paltrade, USM, MoNE and Marble and Stone Center (TEVT) are interviewed. In total nineteen interviews will be conducted for the study.

4.3 Sample Characteristics

Table 4: Summary of the Characteristics of the Companies that were Chosen for the Sample of the Study

Company	Found-ed	Capital JD	Type of Business	# Of staff	Production Capacity %	Started Exporting	Export %	Locations of Exporting
A	1996	150,000	Family	45	60	2005	50	Israel, Jordan, Kuwait, Dubai
B	1991	250,000	Private	65	70	2000	100	Israel, Jordan, Korea, Dubai, Qatar, USA, Russia
C	2007	N/A	Private	70	70	2010	70	Israel, Gulf Region, Italy, USA, Brazil, China, Indonesia, Singapore
D	1997	500,000	Family, Private	80	60	2001	70	Israel, China, USA, Korea, Spain, Italy, Kuwait, Saudi Arabia, Qatar, Jordan
E	1991	1,000,000 0	Family	80	90	2003	100	Israel, Saudi Arabia, Qatar, Abu Dhabi, Jordan
F	2004	100,000	Private	35	100	2006	100	Israel, Italy, Jordan, Korea, Bahrain, KSA, China
G	2012	2,150,000	Family	30	50	2012	70	Israel, Saudi Arabia, Qatar, United Arab Emirates, United Kingdom, Brazil, Jordan
H	2000	500,000	Private	20	50	2008	80	Israel, Jordan, Saudi Arabia, Qatar, United Arab Emirates
I	2012	450,000	Family	15	N/A	2013	30	Canada, USA
J	1996	400,000	Family	85	100	2005	60	Israel, China, Gulf Region, Jordan, Italy, USA
K	1995	100,000	Family	30	60	2000	30	Israel, USA, Saudi Arabia, Kuwait, Jordan, Lebanon
L	2001	100,000	Family	130	100	2001	99	China, Korea, USA, Mexico, Belgium, Holland, United kingdom, Italy, Switzerland, South Africa, Kuwait, Saudi Arabia, Dubai
M	1996	4.250,000	Private	45	90	1999	100	Israel, Jordan, Qatar, Dubai, Italy, Korea, Mexico, Cyprus
N	2009	75,000	Family	60	40	2009	75	Israel, USA, United Arab Emirates, Qatar, Kuwait

The sample varies according to the year of establishment; although some of the companies have started in 1991, others were established in 2012. Hence, in regards to exporting, most of the companies started exporting few years after their establishment and almost all of them except one began exporting after the year 2000. Only three companies started exporting upon establishment, however, the other eleven companies started exporting after few years from establishment. For the least, it took a one-year period to start exporting after establishment and for the most; it took around twelve years from establishment. Mostly, all the companies are family owned and the number of the employees varies from 15 to 130, depending on their current production capacities.

Concerning the percentage of the products produced for exporting, some companies' export 100% of their produced products and others export 30% of their products. The locations of exporting are distributed around the globe to different continents. Yet, mostly all the companies export to Israel and the Gulf region.

4.4 Data Collection Methods and Procedures

The data that is collected for the study is both primary and secondary data. Secondary data is the already available information in regards to the study topic (Jain, Aggarwal, Trehan, & Ohri, 2008).

The data is collected from published research papers, reports, books, websites, journals, publications and other locally and internationally published documents in the fields of exporting such as models, stages, etc. for the development of competitive strategies and competitive advantages.

Based on the secondary data that is used for developing the literature review, a conceptual framework emerged. The conceptual framework is used in developing the categories and codes to analyze the collected data to support and compare the findings to the literature review.

The primary data is used for the research purpose, and to answer the research questions. It is collected from the source of origin, which is first-hand information. Primary data is collected through conducting semi-structured face-to-face interviews with managers, CEOs and CFOs from the stone and marble exporting companies in addition to officials from related institutions. The interviews with the companies were in-depth 40-50 minute interviews. Semi-structured interviews consist of several key questions that define the areas that need to be explored. This type of interviews allow the interviewer and the interviewee to deviate to gather more detailed answers. The importance of this structure is that it may provide information that is important for the study. Yet such information might not have been thought off during the preparation of the questions (Gill, Stewart, Treasure, & Chadwick, 2008).

Other primary data was collected throughout face-to-face interviews with officials – directors and CEOs - working in the MoNE, the USM, PalTrade and Marble and Stone Center. Three 35-40 minute interviews were conducted. The reason for these interviews is to understand officials' thoughts about the sector and their suggestions for building the competitive advantages and competitive strategies of the stone and marble companies in Palestine.

4.4.1 Research instrument

As mentioned before, semi-structured interview questions are used as the instrument of the study. The questions for interviewing the stone and marble companies and the questions prepared for the officials from related institutions have been reviewed by the supervisor of the study and another two professors from Birzeit University, who are both faculty members of the Business department. Moreover, a professor from Gavle University in Sweden has reviewed and commented on the questions.

The interview questions, of the stone and marble companies, have been divided into four sections: identification and introductory, exporting experience and challenges, internal and external assessment and future outlook as shown in Appendix I. In regards to the related institution officials interview questions; they depended on this study's research question, which are shown in Appendix II.

4.5 Content Analysis

A German psychologist called Philipp Mayring developed qualitative content analysis. Content analysis focuses on the analysis of research as a text, and it is a qualitative method that depends on categorization (Kohlbacher, 2006). The study-collected data is analyzed based on qualitative content analysis.

4.5.1 Classical Content Analysis

Content analysis has been viewed as the longest method used in text analysis for social investigation. The method was originally used on clear and direct quantifiable aspects of text content, by assessing the frequency of relative words per text. In recent years, the method was altered to include different procedures within different categories that are identified based on frequency classification (Titscher, Meyer, Wodak, & Vetter, 2000).

Babbie (2001), defines content analysis as a study that records the human communications. He views it as coding operation where the coding is the transformation of raw data into a standardized form.

4.5.2 Qualitative Content Analysis

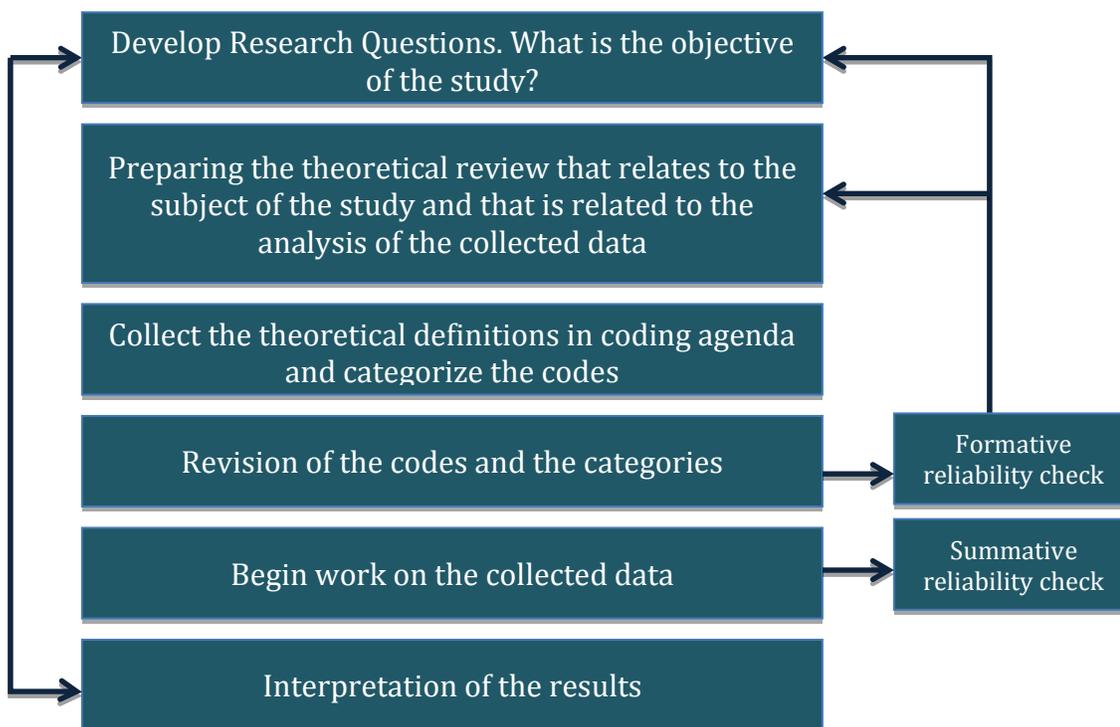
Mayring identified the three analytical procedures that can be done separately or combined, which depend on the research questions of a study (Titscher *et al.*, 2000):

Summary to minimize the collected data by maintaining the essential content that reflects the original data collected. *Explication* by explaining and clarifying the collected data through linking the data to the codes and the categories they fit in. Finally, *structuring*, a structure to be built from the analyzed data. The units of analysis are determined at the start of the study, based on the theoretical background that is used. Furthermore, the units are grouped based on the categories that are studied and added under the codes that are assigned to each category. Lastly the data is processed and evaluated.

4.5.3 Deductive Content Analysis

Since the study is based on a deductive approach, where previous theoretical researches with regards to exporting are used to analyze the outcomes of this study, figure six displays the structure that is followed in this study.

Figure 2 Steps for Deductive Content Analysis



Source: (Mayring, Qualitative content analysis, 2000, page 11)

4.6 Thematic Analysis

Based on the analysis that will be generated for the codes and the categories in the content analysis, thematic analysis will be used to provide a detailed comprehensive analysis for the themes created. While thematic analysis is similar to content analysis, it delves deeper in the qualitative aspects of the material analyzed (Marks & Yardley, 2004).

Marshall & Rossman (1999) have identified thematic analysis as “bringing order, structure and interpretation to the mass of collected data. ... It is the search for general statements about relationships among categories of data ... It is the search among data to identify content” (Marshall & Rossman, 1999: 150)

Thematic analysis is used to analyze qualitative data by creating themes (Daly, Kellehear, & Gliksman, 1998). It provides richness for the description of the collected data. The usage of this method goes beyond counting words and phrases; it helps in identifying relationships and comparing themes frequencies (Guest, MacQueen, & Namey, 2012). Since the study is deductive, data analysis will be connected to previous studies.

4.7 Data Analysis

The gathered data from the semi-structured interviews is allocated based on the categories for each code. Hence, the data is analyzed based on the outcomes from semi-structured interviews under each code and category. Table five below identifies the codes that are analyzed under each of the categories to develop recommendations related to the study topic.

Table 5: Qualitative Content Analysis - Codes and Categories

Codes	Categories
Internal	Firm size, years of experience, products exported, products production, reputation, prices, R&D, export involvement, export experience, top level management, leadership skills, learning skills, adaptation, customer relationship and distance.
External	Government, markets, occupation, environment.

Qualitative content analysis and thematic analysis are used in analyzing the data collected from the multiple case studies. Mayring (2002) stated that qualitative content analysis could be used to analyze text using category system. Based on the categories that will be developed, themes are developed to analyze the collected data. Based on those themes, thematic analysis will be integrated to provide a concrete analysis that can develop conclusions that can be used in future studies.

4.8 Validity and Reliability

Joppe (2000) defines reliability as results that are considered consistent and provide an accurate presentation of a population over time. Moreover, if the results can be used in formulating other studies then the results are considered a reliable source. Other researchers Kirk & Miller (1986), defined reliability of qualitative studies under three steps: the degree of results staying the same, how long the results stay valid and similarity of results in different related studies. As shown in figure two, based on the content analysis the study will use summative and formative reliability checks.

Concerning validity, Joppe (2000) provided an explanation for the validity of qualitative study by measuring validity based on to what extent the results are related to the purpose of the study. Other researchers, Wainer & Braun (1988), define validity of qualitative study as "construct validity". They define construct as the concept, questions or the hypothesis of the study that determine the data that will be collected and how it is to be gathered. Moreover, they do believe that the researchers should not be deeply involved with the gathered data, because that will decrease the validity of a research.

To ensure the validity and the reliability of this research, the thesis supervisor and other professors from Birzeit University –Palestine and Gavle University- Sweden have reviewed and commented on the interview questions. Furthermore, a representative from PalTrade who works closely with the stone and marble companies in Palestine and a representative from USM have also reviewed the questions. The questions are translated to Arabic to ensure a full understanding of the questions before being answered then revised to English. Moreover, the data collected is recorded and analyzed based on scientific papers that were conducted in the field of stone and marble, exporting and building competitive strategies for stone and marble companies. Lastly, the questions of the interviews are semi-structured to give the interviewees freedom to give their opinions with less involvement from the interviewer to ensure no bias in the results; this certifies an outcome that could be transferable and can be able to be used in future qualitative and quantitative studies related to the topic of this study.

4.9 Limitations of the Study

One of the main limitations in any research is the instrument used to study the sample. Yet, more than one expert from Palestine and Sweden who happen to have high expertise in building competitive advantages and exporting, have reviewed the interview questions. The researcher focused on fifteen companies from the total population, due to time limitations and the difficulty in coordinating interviews with all the population related to the topic of the study. From the fifteen companies one of the most important companies in the stone and marble sector that does

large scale exporting did not cooperate due to their belief that the information requested couldn't be shared with others. Moreover, one of the four related institutions, MoNE, was not cooperative and did not participate in the interviews. Despite the mentioned limitations, the researcher received all the information needed to formulate the outcome of the study from the conducted seventeen interviews.

4.10 Conclusion

The chapter provided a clear overview on the study's adopted research methodology and explained the significance of using the qualitative content analysis for the study. Moreover, there was an explanation for the tools that are used to collect the data and how the data is analyzed to provide a meaningful conclusion. In chapter five, the researcher highlights the findings from the semi-structured interviews and provides analysis and discussion of the findings.

Chapter Five: Findings and Discussion

Introduction

The chapter represents the analysis of the data gathered through the semi-structured interviews. The data was collected from the fourteen companies according to the codes developed in the conceptual framework that was designed based on literature review presented in chapter two. The codes are based on two categories: the internal and external challenges to exporting. Moreover, major themes based on the categories for the codes identified in chapter two are presented and discussed in relation to the relevant literature.

5.1 Analysis and Discussion

5.1.1 Drivers for Internationalization

The main driver for the interviewed companies to start exporting was to enter new markets to increase their profits since the local market is limited and cannot consume all their manufactured products. Some companies indicated that exhibitions revealed the high demand of the hosted countries for the Palestinian stone and marble products, which is an opportunity for the companies to seek growth and expansion of their operations. This aligns with what is mentioned in the NES (2014) where Palestinian stone and marble companies export as to gain more profits due to the unique situation they are in and the limited profits gained in the local market. It was discussed in a recent study by IHC; DHL Express (2013) that searching for new markets is the main driver for companies to internationalize.

5.1.2 Internal Assessment and Exporting Abilities

The categories that have been identified for the internal assessment were derived from the literature review and the developed conceptual framework. These include firm size, company's years of experience, exported products, production, prices of products, reputation, the establishment of a R&D department, export involvement, export experience, top level management, leadership skills, learning skills, customization of products to the needs of customers, customer relationship and distance from the countries they export to.

Table six presents some of the findings from the interviews. The table presents the answers of the interviewees in regards to whether their production cost is high or low. Comparing the product prices with the cost of production and the quality of the products. Moreover, it presents the collected data in regards to the companies' export involvement whether it is in the introduction phase, growing or at maturity. Furthermore, it illustrates whether the companies have exporting and R&D departments or not and whether they have international certificates or not. Lastly, the table lists the type of competitive advantages (if any) which the Palestinian stone and marble companies are currently adopting.

Table 6: Internal Assessment Based on Data Collected from the Interviews

Company	Production Cost	Price & Production Cost	Price & Quality	Export Stage ^a	Exporting Department ^b	International Certification ^c	Learning Skills ^d	R&D Department ^e	Competitive advantage
A	High	Consistent	High	Stage 3	N/A	A	A	A	Quality
B	High	Low	Consistent	Stage 4	A	N/A	A	N/A	Quality
C	High	High	Consistent	Stage 4	A	N/A	N/A	A	Prices & Quality
D	High	Consistent	Low	Stage 3	A	N/A	A	N/A	Quality
E	High	Consistent	Consistent	Stage 4	A	N/A	A	N/A	Quality
F	High	Consistent	Consistent	Stage 4	A	N/A	N/A	N/A	Prices & Quality
G	High	Consistent	Consistent	Stage 3	N/A	N/A	A	N/A	Quality
H	High	Consistent	Low	Stage 4	A	N/A	A	N/A	Quality
I	High	Consistent	Consistent	Stage 4	A	N/A	N/A	N/A	Quality
J	High	High	High	Stage 3	A	A	A	N/A	Reputation
K	High	Consistent	High	Stage 3	A	N/A	A	N/A	Communication
L	High	Consistent	High	Stage 4	A	A	A	N/A	Unique Products
M	High	Consistent	Low	Stage 3	A	N/A	N/A	N/A	Quality
N	High	Consistent	Consistent	Stage 4	A	N/A	N/A	N/A	Reputation

*A: Available *N/A: Not Available

A: Exporting stages were defined based on the model of nine exporting stages defined by Karamally (1998).

B: Based on the analysis of interviewees answers if they have an export department or not.

C: Based on the analysis of interviewees answers if they have international certifications or not.

D: If the companies have well trained and highly skilled employees or not.

E: Based on the analysis of interviewees answers if they have R&D department or not.

5.1.3 Firm's Size and Experience

The size of the company was suggested as an important variable to consider a company successful in exporting (Das, 1994). However based on the companies that have been chosen for the study, their number of employees range from fifteen to thirty employees as shown in table four, chapter four and they are still acknowledged as successful companies in exporting. These findings agree with Bilkey & Tesar (1977), Kammath *et al.*, (1989) and Samiee & Walters (1999) that the number of the employees in a company does not impact the ability of a company to be successful in exporting. Moreover, Aaby & Slater (1989), Bonaccorsi (1992) and Katsikeas & Morgan (1994) have discussed how larger companies, have more resources to increase their production capacity. Yet for the interviewed companies most are small and medium sized and are considerably doing well in exporting.

This explains that being a large firm does not impact having a competitive advantage since SMEs can be able to build concrete competitive advantages and increase their exports. Fletcher (2004) explained how SMEs are contributing tremendously to exporting around the globe.

Concerning the firms experience in exporting, some of the companies have been established in the 1990s and others were established after 2007 and mostly all the companies have started exporting after the year 2000 as shown in table four, chapter four. Yet some companies have started exporting right after establishment. This shows that the age of the company is not related to their ability to export, which contradicts the findings of Lee & Brasch (1978), yet it agrees with the findings of Ursic & Czinkota (1984) that new companies can have more flexibility, which provides them with better possibilities to export.

Comparing export experience with the revenues of 2014 for the interviewed companies. The numbers showed that some of the companies that have started exporting in 2010 and 2012 compared to the other interviewed companies, are generating higher profits. This is another indication that the long years of experience in exporting may not have an impact on the ability of a company to have high exports

For exporting experience, the majority of the interviewed companies are considered highly experienced based on the criteria that were set to choose the sample by MoNE, USM and PalTrade. Comparing the interviewed companies with the five stages that have been identified by Kotabe & Czinkota (1992) and the nine stages that were developed by Karamally (1998), the interviewed Palestinian companies have moved from initial intention of exporting to exporting on international levels. Yet, some of the interviewed companies are using intermediaries and agents and not selling directly, which put them in stage three while others are selling directly and that puts them in stage four.

Furthermore, most of the companies sell their products as generic products for Israel, where Israel puts its brand on the Palestine product and sell it under its name. That is why awareness should be built for the Palestinian companies to export without high dependency on Israel and develop better branding and marketing for the Palestine stone and marble products. This will be further explained in the following chapter.

5.1.4 Export Involvement

Diamantopoulos & Inglis (1998) and Katsikeas & Morgan (1994) discussed how export involvement depends on having export departments and designated staff. Based on their discussion, having these two elements can help the companies in building a better competitive advantage for the company. Two of the interviewed companies, indicated not having export

departments, and are still considered successful in exporting. However, based on the discussion, having an exporting department helps in building better competitive advantages. Furthermore, the number of the employees who work in the exporting departments range between one to four employees except for company **L** which has eight employees in the department. Cunningham (1980) discussed this matter as an important managerial factor that impacts company's ability to be successful in exporting.

However based on the exporting companies, company **G** interviewee believes the company is in high stages of exporting due to having marketing offices in other countries and company **J** interviewee believes the company is in maturity, though they keep learning new skills and knowledge continuously in regards to exporting. Companies **H**, **I**, and **C** are in low stages since they have been in the exporting business for less than five years. Although company **N** is in high stages and has experience in exporting they consider themselves in medium stages due to the collapse of the U.S dollar. As a result, company **N** is focusing on the local market since it is more profitable. Company **E** interviewee believes the company is not in the high stages due to limited expansion in the global market.

Based on the five stages of internationalization that have been identified in Dudley & Martens (1993) and Wheelen & Hunger (2012), the companies that have been interviewed are found in the first three stages. Some companies are in the first stage, which is a domestic company, where they do exporting with local dealers and distributors. Other companies are in the

second stage, which are domestic companies with exporting divisions where the company eliminates intermediaries and the company is in charge of its operations. Lastly, there is a company in the third stage of internationalization, which is primarily domestic company with international divisions. The companies at this stage start manufacturing outside and by this the company has international divisions with mostly all business functions being conducted in the foreign country. The third stage cannot be generalized since from the fourteen companies only company **L** has reached this step, yet it shows that other stone and marble companies can reach this stage if they have the right instruments to build concrete competitive advantages.

The reason for companies not reaching the third stage of internationalization stem from emerging problems, which arise from lack of experience in aspects that affect exporting directly or indirectly or from ongoing problems due to being involved in regional and international markets as it was discussed by Scharf *et al.*, (2001).

5.1.5 Production

Most of the stone and marble Palestinian companies use Palestinian stone in their production, either by buying the stone as raw material or through their owned quarries. The most used stone is Tafooh and Shioukh. Only company **L** uses marble from Turkey that is produced in its factory there. NES (2014) emphasized that the Palestinian stone is considered one of the unique raw material in the world due to its quality and colors.

In regards to production output, some companies sell raw material (stone as blocks or already cut), while others sell finished products such as tiles and other architectural designs. The finished stone can provide higher profit than blocks based on the information that was provided by PalTrade representatives. This explains why many companies are moving towards establishing factories to sell finished products. This can help the companies in building better competitive advantages related to their products by presenting its high quality whether in finishing or packaging, which leads to increasing revenues in the long run and increase their customer base.

Most of the companies have explained that they are up to date with new technologies in regards to production and they have easy access in obtaining these new technologies. Companies **M** and **L** wish if they can keep their production technology up to date but they explained that it is costly for them to buy new machines and software. Companies **N** and **F** do not follow new technologies since it is expensive and they only do maintenance to the machines that are outdated and can no longer function properly. This is an acknowledged problem that stems from external factors where no policies exist for financial resources to support in providing better technical expertise and technologies for the sector, which will contribute to developing the Palestinian economy in the long run since the companies can build better competitive advantages based on the quality of their produced products and the advanced production technology.

It was highlighted by the majority of the companies that production cost is high. The reasons for the high cost were similar among thirteen of the interviewed companies. Interviewees explained how water and fossil fuels are too expensive, salaries for the employees are high, raw materials are expensive and finally changes in cost of living contribute to this issue. This will be further discussed in this chapter in relation to the impact of the government and local institutions as the external aspect of the study regarding the high costs of fossil fuels, electricity and water.

5.1.6 Prices

Concerning prices, all companies sell based on the market price, except for **H** and **B** they believe their prices are lower than the market, while **K** and **J** believe that their prices are higher than the market due to their quality. Miller and Friesen (1986) explained Porter's strategy where if a company decreases its prices they will earn more profits, this explanation does not comply with the Palestinian companies since some of them sell based on the market price and yet they are not making the profit that they should be doing due to high production costs and the high costs of raw material, electricity, water, fossil fuels and employees' salaries.

Salavou & Halikias (2009), explained Porter's strategy in regards to differentiation where a company can ask for higher prices due to having new products and uniqueness. Aulakh *et al.*, (2000) explained how using this strategy will increase brand loyalty. This is true in the case of Palestinian stone and marble companies since their products are considered unique due to their

color and quality by being enduring different temperatures and humidity and different salt levels. Yet there are companies that sell their products at lower prices even though they have high quality due to unfair price wars among competitors. This problem stems from the government and institutions' roles, which should be more involved and active in minimizing the impact of price wars.

5.1.7 International Quality Certifications

In regards to production procedures and using international standards, only three of the interviewed companies have ISO certifications, which are **A**, **J** and **L** as shown in table six. The rest explained how they work based on Palestinian Standard Association (PSA) laws and regulations to be able to sell their products abroad. Company **H** is the only company that does not follow any international standards and works based on what is needed without investing in searching for international standards of production. This is related to the marketing export element for building a better competitive advantage. It has been discussed by Cavusgil & Noar (1987), Das (1994), Madsen (1989) and Maldifassi & Caorsi (2014) that having products that meet the laws and regulations of foreign countries could help in increasing the companies' abilities to export.

One of the companies with international certificates compared to 2014 revenues from exporting, is generating higher profits than the companies that do not have international certificates. This indicates, that having international certificates is highly important to be able to expand revenues and reach new markets. This finding aligns with the pervious discussion that having international certificates do have a positive impact on exporting. Future studies need to focus on this subject to develop concrete results.

5.1.8 Levels of R&D, Market Studies and Learning Skills

In regards to research and development (R&D), only two companies mentioned having R&D departments, which are **A** and **C**, yet all interviewed companies are some of the best exporting stone and marble companies in Palestine. Company **A** spends around (2-5) % of its profit on the department and **C** spends around 1.5%. The companies that have R&D departments can develop new products and search for new markets that can buy their products. Based on Das (1994) having R&D department is an advantage for a company to be successful in exporting.

Two of the companies highlighted the reasons for not having an R&D department. Company **D** interviewee stated, “We work based on what God intends” they believe that the company’s fate depends on external situations and they believe in “Qadar”. Company **J** believes it is a waste of money to have an R&D function since most of the information they need for exporting is available. It is clear, that some companies do need to build awareness for the necessity of having

R&D departments to build their competitive advantages as it is suggested by Das (1994) to help in reducing production cost.

The companies that have R&D department are generating high profits compared to the other companies based on the revenues for exporting from 2014. This finding accompanies the previous discussion in regards to R&D. It seems that the need for the companies to develop R&D departments to help them in building better competitive advantages and to increase their exports on regional and international levels is significantly important and should be investigated further.

Concerning having market studies developed to decide on the countries that the company needs to export to, only **D** and **L** do market studies concerning the countries they are targeting. For the other companies, they do not perform any market studies, they base their decisions about the countries they want to export to through participating in exhibitions, long experience in exporting or through marketing and sales employees who use the internet to search for exporting opportunities.

Interviewees from company **J** and **I** also mentioned that they base their decisions on the information that is provided by local intuitions such as PalTrade and the Union of Stone and Marble. **F** was the only company that mentioned how they are thinking about starting performing market studies. Based on the characteristics of **D** and **L** and connecting marketing studies with R&D, this is considered a competitive advantage for the companies that can identify the markets

they want to go to and measure the success of entering new markets. It is part of the companies' specific factors, which is operations, to enhance their exporting performance to build competitive advantages as it is suggested by Samiee & Walters (1991). Moreover, this helps in understanding the target markets as explained by Cavugsil & Naor (1987).

In regards to learning skills, **G** and **E** employees who work on exporting receive training and they are highly educated, yet companies believe that their employees need more training in English language. Company **A**'s employees who work in marketing are not highly educated, however they receive continuous training. All the employees who work in the exporting departments have either bachelor or master degrees; moreover all receive continuous training as shown in table six. Kotabe & Czinkota (1992) discussed how the more the companies are involved in exporting; the higher is their education level. Moreover, Johanson and Wiedersheim-Paul (1975) who developed the U-Model and Johanson and Vahlne (1977) who worked on expanding the U-Model and Ting *et al.*, (2010) who worked on the characteristics for exporting, they all agree that learning is an important skill for exporting.

This is true since companies do understand the need for better employees in regards to exporting yet this is not happening in the companies due to lack of education and training related to quality control and international marketing, which stems from lack of support from external factors such as the government and the institutions, which will be discussed later in the chapter. Company **L** interviewee said: "working in Hebron does not allow me to have employees who are

open minded to deal with international customers due to our culture” moreover, he added that the lack of knowing English and lack of having employees with international experience affect the company’s abilities to export. This shows the need to find solutions to resolve the issues with the employees in the stone and marble sector to be able to build a better competitive advantage as it was suggested by Bourandas and Halikias (1991). Moreover, Bilkey & Tesar (1975) and Langston & Teas (1976) discussed the importance of forging language and international experience to increase the companies abilities to export as Das (1994) presented under the managerial variable for successful exporting performance. Moreover, Maldifassi & Javier (2014) explained how having innovative employees improve company’s exporting performance.

5.1.9 Reputation

All the companies that have been interviewed have built a good reputation through participating in exhibitions, which helped them to export. Based on the areas of competition, reputation is considered one of the company’s specific factors to build competitive advantages. Katsikeas (1994), Williams (1992) and Ritthaisong *et al.*, (2014) explained how reputation is considered a part of the marketing strategies that need to be built to help a company in building a competitive advantage and increase its exports.

5.1.10 Customer Relationship and Communication

For the adaptation of the products according to customers' requirements, all the companies have given a similar answer, which is they send samples of the products that are going to be sold and when they receive confirmation from the customer they move on with the production except for **L**, the company searches for customers that need its products. Adapting products to customer needs is considered a positive point in being able to compete on international and regional levels and is connected with having positive relationship with customers.

For the communication with the customers, all the companies said that they have good communication with their customers either through phone calls or emails. If they are working on a project, they keep a continuous contact with their customer making sure everything is moving smoothly. In any holiday, they send holiday cards and even if there are no on-going projects with customers, they call them at least once a week to maintain a healthy relationship. Company **A** was the only company that said they do not have good customer relations and they only work based on the projects they receive.

Companies **F**, **N** and **D** sometimes do visit their customers even if they are located overseas just to keep in touch and show their customers that they are concerned about their needs. For **C**, the company sometimes bears a loss just to ensure that their loyal customers are satisfied and going to stay working with them in the future. Company **B** has explained how they are ready to

work on fixing any problems they have with their customers to make sure they are satisfied and ensure a healthy relationship. Company **D** emphasized having specialized employees who only work in customer service to ensure their customers are satisfied. This helps tremendously in building competitive advantages. It is part of the behavioral aspect that was discussed for many years by Das (1994), Ford & Djeflat (1982), Frazier (1984), Leonidou (1989) and Rosson & Ford (1980); Salavou & Halikias (2009), Koksal & Ozgul (2010) and Christensen (2010). Maintaining a positive relationship with the customer leads to a successful exporting performance. Furthermore, it has been suggested by O’Cass & Julian (2003) that working with less standardization, which most of the interviewed companies do helps in increasing the marketing performance.

5.1.11 Distance

In regards to distance from markets and customers, none of the companies interviewed have problems with it. However, they prefer to sell and export to closer countries such as Jordan and Israel since it is easier to move their products to these countries and ensure receiving their payments. Even though companies mentioned distance as not a problem for exporting, they are still selling for Israel and for the wrong reasons. That is why there should be intervention from the government and local institutions to change this perspective so that companies can depend more on selling directly or to international agents and intermediaries without worrying about securities and movement of their products.

Das (1994) have discussed the distance as a behavioral characteristic that impacts the success of exporting, where being closer to the customers leads to better exporting. In the case of Palestinian companies it is clear that the companies prefer closer countries for exporting for the wrong reasons.

5.1.12 Strengths and Weaknesses

Table seven lists the strengths and weaknesses that have been discussed by the interviewees in the functions of marketing, finance and production. In the table “nothing highlighted” means that the companies either did not provide a clear answer, or that they only said that they have no weaknesses or strengths.

Table 7 Data collected for strengths and weaknesses in the departments of marketing, finance and production

Company	Marketing Department	Finance Department	Production Department
A	Weaknesses: cannot speak foreign language and low education	Nothing Highlighted	Strengths: high quality of raw material, high experience and high production capacity
B	Strengths: having offices in Jordan and Dubai Weakness: lack of qualified marketing employees	Strengths: internal law and regulations	Strengths: broad varieties of products Weakness: lack of qualified quality control employees
C	Weaknesses: no marketing department	Weaknesses: lack of laws and regulations	Weaknesses: old machines and lack of qualified employees
D	Weaknesses: not reaching customers, not participating in exhibitions Strengths: high experienced employees and using internet and social media	Weaknesses: lack of laws and regulations	Weaknesses: high cost of raw materials, Strengths: high quality and variety of products
E	Weaknesses: no department	Nothing Highlighted	Strengths: having quarries
F	Weaknesses: lack of qualified employees Strengths: good communication with their customers	Weakness: lack of laws and regulations	Strengths: working based on ISO regulations
G	Nothing Highlighted	Nothing Highlighted	Nothing Highlighted
H	Nothing Highlighted	Nothing Highlighted	Strengths: high quality of raw material
I	Weaknesses: no marketing department	Nothing Highlighted	Strengths: using top of the line machines that design products based on the customer needs
J	No weakness	No weakness	No weakness
K	No weakness	No weakness	Strengths: Delivery on time
L	Weaknesses: problems with the employees since they do not speak foreign language and not open-minded in dealing with international customers Strengths: good connections	Nothing Highlighted	Weaknesses: lack of employees with quality and control skills
M	Strengths: highly skilled employees and providing consultancy for companies in regards to prices and products Weakness: Lack of media and clear website	Nothing Highlighted	Strengths: using top of the line machines that design products based on the customer needs
N	Weaknesses: Lack of skilled marketing employees, high turnover, involvement of family members in marketing decisions	Strengths: Clear laws and regulations	Strengths: having quarries, high production capacity, high quality and varieties of products

For the strengths and weaknesses in marketing, finance and production, company **B** believes they have good marketing since they have offices abroad such as in Jordan and Dubai that help in finding new customers and projects. For financial matters they do not have problems since they have clear policies, laws and regulations drawn by the company. In production they explained how they have high quality of raw material. The weakness is that companies complain of not finding qualified employees to do quality control. This is related to an external factor, which is enhancing the roles of local institutions and government in supporting the employees of the stone and marble sector through trainings. Recommendations will be provided in the following chapter.

Companies **C** and **D** have discussed how they have problems in the finance department, since sometimes they cannot collect their revenues from the importing countries due to lack of clear money transfer laws and regulations when working with Palestine. The companies explained that in the gulf region, they usually don't use letter of credit to transfer money to the companies, and due to that sometimes the Palestinian companies encounter delays in receiving payments. This causes a problem for the companies where they will not be able to finance themselves. Based on Katsikeas & Morgan (1994) this is a problem for SMEs, since they will not be able to access resources. Scharf *et al.*, (2001) consider this as ongoing problem due to being involved in regional and international markets. These issues need to be resolved so that companies can build better competitive advantages.

In regards to production the companies mentioned having problems in the machines they use and the employees who work in the factory. Companies **N**, **A**, **F** and **L** mentioned that the main problem the companies face is with employees due to high turnover as a result of the shortage of training provided to employees. Companies **I** and **E** explained that they have a weakness in marketing since they do not have a marketing department and the CEO is the only person in charge. This can be connected to what has been discussed about having exporting department since having marketing and exporting departments is needed for exporting based on the organizational aspect as discussed by Das (1994).

5.1.13 External Assessment and Exporting Abilities

Based on the conceptual framework that was developed from the literature review, categories have been generated for the external code. They include the government, the supporting institutions for the sector of stone and marble, the markets that companies export to and their competitors, occupation and environmental factors in regards to green environment and recycling.

Table eight provides some of the answers of the interviewed companies. Role of the government and institutions, impact of occupation on the sector, having offices or/and factories outside of Palestine, using intermediaries and agents and their main international competitors.

Table 8: External Assessment of Data Collected from the Interviews

Company	Government Involvement Role	Institutions Involvement Role	Occupation Impact Exporting	Offices Outside Palestine	Factories Outside Palestine	Intermediaries / Agents	International Competitors
A	Not Active	Active	Impact	No	No	Yes	Iran, China, Pakistan, Turkey, Italy
B	Not Active	Active	No Impact	Yes	No	No	Egypt Turkey
C	Not Active	Not Active	Impact	Yes	No	No	Egypt, China, Turkey
D	Not Active	Not Active	No Impact	Yes	No	Yes	Brazil, Egypt, Jordan Turkey
E	Not Active	Active	Impact	No	No	No	Turkey
F	Not Active	Active	No Impact	Yes	No	No	Turkey
G	Active	Active	Impact	Yes	No	Yes	N/A
H	N/A	Active	Impact	No	No	No	Egypt
I	Active	Active	Impact	No	No	No	Italy, China, India
J	Not Active	Active	No Impact	Yes	No	Yes	Egypt, Jordan
K	Active	Active	Impact	No	No	Yes	Spain, China, Turkey
L	Not Active	Active	No Impact	Yes	Yes	No	Egypt
M	Not Active	Active	Impact	Yes	No	Yes	Egypt
N	Active	Active	Impact	Yes	Yes	No	Iran, Turkey

5.1.14 Role of Government

Concerning the government, companies **I**, **K**, **G** and **N** believe that the government supports the stone and marble sector. Yet they had reservations in their answers. Executives of Company **I** do not believe that the government helps in regulations concerning exporting, they believe taxes are high. On the other hand, **K** believes that the government supports export regulations by not having to pay tariffs on exports. Company **H**, did not answer the question. Based on Colaiacovo (1982), Das (1994) and Bennett & Smith, 2002) governmental policies and interventions create sometimes problems that affect exporting in developing countries. According to the Ministry of National Economy (2014) governmental issues are the main problems that the stone and marble companies face. There should be solutions developed so that the government will be a supporter than exploiter to develop competitive advantages for the stone and marble companies. Yet, it was suggested by Bennett & Smith (2002) that companies should focus on building competitive advantages based on the targeted countries and not to depend on their government.

Companies **D** and **M** believe that the government knows that the sector is making high profits and the government tries to use the sector instead of helping it. Company **M**, **B** and **C** explained how the government considers them as commercial electricity users instead of industrial users, since industrial users pay less. Moreover, company **B** interviewee explained how sometimes they do not receive water in the summer, which delays production. The water and

electricity are being provided through private companies, yet the interviewed companies believe that the issue stems from the government and related institutions overall lack of support to their legal rights.

Company **F** executive discussed how they face problems in getting certificate of origin to do exporting by having to fill a lot of paper work, which consumes time and money and they have to go to different related offices to be able to get what is required for exporting. Company **J** executive explained how the government does not support them in covering costs of exhibitions; where as other governments provide support to the stone and marble companies since the sector is important to their countries. This emphasizes the need for the government to take actions to help the sector in developing their abilities to export to increase their competitive advantages.

5.1.15 Role of Other Supporting Institutions

All the companies that have been interviewed are members in chambers of commerce, USM, PalTrade and some companies are registered in the Businessmen Association. The reasons for being part of these institutions is mainly for funding the participation of these companies in international exhibitions, forming connections and networking, participating in training programs related to exporting, development, retrieving certification of origin and approve deals with the government such as bilateral agreements with countries, arranging borders issues with Israel to smooth the process of transporting their products.

Based on the interviewees answers whether these institutions are active or not, it has been said that when they started they were more efficient than today. It has been discussed that today the institutions work based on their needs and not the needs of the companies so they can keep themselves in the business. Yet, the companies mentioned that they cannot be able to participate in exhibitions without the help of PalTrade and they cannot build their capacities without the help of the Palestinian Union of Stone and Marble.

5.1.16 Occupation

In regards to occupation, as shown in table seven some of the interviewed companies do not feel that the occupation is causing problems in exporting. For the other companies the only main problem they face with occupation is the borders since sometimes there are delays in transporting their products, which causes extra costs. Yet most of these companies became familiar and got used to the procedures of the borders where they do not think of it as a critical issue anymore. Yet, based on Neupert *et al.*, (2006), logistics is considered one of the external barriers for exporting. For company **M**, the occupation sometimes causes problems in finding international customers since they fear working with Palestinian companies due to the current unstable situation. For company **C**, the main problem they face with occupation is finding quarries since most of the high quality stone that could be used is located in area C and it is difficult to invest in these areas as it is under the Israeli control.

It was surprising that companies in general do not feel that the occupation is causing problems in exporting, which is different than what would one expects. It is a clear indication that the inability of stone and marble companies to export stems from the Palestinian government and institutions, the companies' resources and willingness to export. However, on the long run the occupation do have a high impact since it controls water and electricity resources, borders and this could cause problems that may decrease companies abilities to build concrete competitive advantages and competitive strategies.

5.1.17 Selling Palestinian Products as Generics

Concerning selling Palestinian stone and marble products for Israeli or Jordanian markets, all the companies sell their products under their name. The main reason for selling to Israel for most of the companies is the stability and safety by obtaining stable profits, keeping their factories open for manufacturing and easy to transfer. Even if the profits are low, the companies know that they will make guaranteed profits. Most of the companies' interviewees have answered that after they sell to Israeli companies, they do not care if they sell their products under Israeli company names. The reason for selling to Israel is that the Palestinian companies know that the regulations for Israeli companies in exporting are easier. Thus, instead of paying high cost to export and having to deal with complicated regulations concerning exporting, they rather sell to Israel.

This is a major issue that prohibits Palestinian companies from growing and expanding in their exports. Moreover, it distorts the image of the Palestinian products for international customers. That is why there should be intervention in regards to building marketing and branding awareness for the Palestinian companies, and to support the companies in exporting without depending on Israel as an agent.

5.1.18 Competition

5.1.18.1 Locally

Most of the companies' competitors are from within the same local fourteen companies that have been interviewed for the study. Company **J, K, E, N** and **C** believe that there is a problem in the local competition since there is unfair price wars. Company **C** gave an example on how sometimes going to exhibitions with other Palestinian companies could cause problems, the prices would vary widely between the companies and may cause hesitation for the customer whether to contract a Palestinian company or not. They also added that sometimes Palestinian companies get contracted on big projects while knowing they are not doing profit just for the sake of saying that they are working on big projects, which will cause problems to other companies. This is a problem that needs to be resolved so that companies are able to build better competitive advantages, and it depends on the ability of the institutions and the government to set policies in regards to selling prices.

In regards to competitive intelligence (CI) or finding information about the company's local competitors to know what they are currently working on, which countries they are exporting to and other issues. Eight companies have explained how they do try to retrieve this type of information, through discussions with other stone and marble companies, through local institutions, participation in exhibitions or companies' websites. For the rest of the companies they do not look for this sort of information. Companies **B** and **N** would like to obtain this type of information, yet they do not do it out of ethical considerations to their competitors. The other companies that do not look for this information are doing so because they are not interested in knowing what their competitors are doing. Company **G**, explained that they only depend on "Qadar" and their intuition. However concerning following the new trends and the new customer desires in the stone and marble products, all the companies follow up through local institutions, exhibitions, internet and by following up with their customers.

For retrieving information about competitors is highly important in the case of Palestinian stone and marble companies due to the high similarities in the products sold. They can learn from their competitors and be able to build better competitive advantages. They also can explore what international stone and marble companies are doing and try to build their competitive advantages based on other international companies to be able to compete better on regional and international levels, which is why companies need to build their competitive intelligence and have better skills in environmental scanning.

5.1.18.2 Internationally

Thirteen of the interviewed companies consider Turkey as their main international competitor in the stone and marble industry as shown in table seven. Accordingly, Turkey products have similar quality to the Palestinian products, yet their prices are lower than the Palestinian prices due to lower cost of production and the strategic location in southeastern Europe and southwestern Asia. Moreover, in Turkey there are low regulations for exporting so companies can reach more destinations. Furthermore, the Turkish government is helping tremendously in regards to the stone and marble industry. The Palestinian companies have mentioned how the Turkish government covers more than 80% of the companies' participation cost in international exhibitions.

Interviewees mentioned how the Turkish government provides Turkish companies with support in production such as low cost on electricity, water and fossil fuels. Another six companies have mentioned Egypt as a competitor. The reasons are similar to the ones for Turkey as for the low cost of production and the support received from the government. Other competitors that have been mentioned were China, Spain, Brazil, Italy and Iran. This goes back to the importance of developing solutions by the government and local institutions to support the sector in exhibitions participation so that the Palestinian stone and marble companies can be open to new markets to help in building their competitive advantages.

5.1.19 Environment

For protecting the environment, all companies take at least one measure in regards to maintaining a green environment. All companies except for **I** have discussed how they have wastewater treatment plants to reuse the water in production. Company **F** has mentioned that they have wastewater treatment plant not for the sake of protecting the environment and recycling but to decrease the cost of production. Concerning the residues from production (stone that cannot be used in production); eleven companies have mentioned how they send it to stone mills to be crushed and used in other matters. Companies **K** and **N** have discussed how they have green areas and plant trees from time to time to maintain a green environment. Companies **I** and **M** have mentioned how they use machines that do not produce high levels of dust.

It is a clear indication that the sector needs more awareness in regards to protecting the environment and how to deal with their water and other natural resources. Based on what was discussed on the importance of having ISO 14000 to increase the competitive advantage for the stone and marble companies, protecting the environment is highly important in this case and needs to be taken into consideration for building competitive advantages.

5.1.20 Markets and Expansion (offices, factories or companies outside of Palestine)

Based on table seven many of the interviewed companies do not have offices and factories outside of Palestine, yet some of the them are trying to establish offices and factories abroad to try to find more customers and projects and minimize cost of production. Company **J** has established a company in Kuwait and was planning to build a factory in Oman, but due to the presence of another Palestinian stone and marble company there, out of ethical considerations, they did not move on with their plan. Yet they may not have the financial resources to do so, but did not want to mention it. This goes back to the importance of the supporting institutions role to investigate the needs of the companies and identify how they can help the companies in expanding.

Company **L** is the only company that has a quarry in Turkey since the production is cheaper and they produce unique products. Furthermore, company **L** has a showroom and a company in Korea, joint venture factory in Egypt and offices in Turkey and Jordan. Companies **K**, **H** and **E** explained why they do not have any of the mentioned above in other countries as due to lack of financial funds or family decisions. Only companies **D** and **A** are thinking to open offices outside of Palestine in the near future.

Most of the companies that have mentioned they have offices outside of Palestine; the main reason is to bring in new projects and be closer to their customers. It seems that the companies understand the need to have offices and factories outside of Palestine. This will have a major impact on their competitive advantages. Hence, due to lack of financing resources and difficult laws and regulations in opening offices outside of Palestine, the limited role of government and related institutions.

Concerning selling direct or through agents, nine companies have mentioned that they sell directly to the end user. Company **G**, sells through agents in Israel and Jordan but for the other countries it sells directly. For company **D**, it sells through agents in the Gulf region and USA and for other regions it sells directly. Companies **J**, **A** and **K** sell through agents since they can find more customers for them and agents are closer to their customers.

It seems due to the situation of the stone and marble companies in Palestine, it is more convenient at this stage that they focus on finding international agents and intermediaries instead of selling directly especially due to easier access for customers and projects. Doing so, will save them spending money on opening offices and will ensure them the expansion by landing new customers and projects. On the long run after establishing a concrete customer base, the companies can start investing in offices outside of Palestine and start selling directly. Based on Maldifassi & Caorsi (2014), building strategic alliance with countries is highly important in improving export performance.

5.1.21 Future Outlook

Concerning what the companies would like to have in the future to be able to compete better on regional and international levels. On the internal aspect, the companies' answers were, either to have better marketing and exporting departments, high employees skills in marketing and quality control, better machines for production.

On the external aspect, the companies want the government and local institutions to be more involved in the sector and work for the benefits of the sector not for their own, by providing financial support, policies for low costs on water, electricity and fossil fuels and help the companies in participating in international exhibitions. Based on the future outlook, it is a clear evident that there should be focus on the government and related institutions to be able to uplift the sector so that they can build better competitive advantages and compete on regional and international levels.

To get more details on what the companies need to build their competitive advantages. They were asked to provide recommendations for the small stone and marble companies that would like to start exporting. All companies have provided answers except for company **F** that did not feel comfortable in sharing this kind of information for competition purposes. The companies that answered have mentioned that the companies need to focus on the quality of their products and not to sell on very low prices so they won't damage the market. Moreover, some companies

have mentioned that the new stone and marble companies should have clear departments in regards to exporting and marketing and have high skilled employees and do market studies on the countries they wish to enter. Moreover they should be part of B2B meetings and international exhibitions to build customer base.

It is surprising that the companies understand the importance of having marketing and exporting departments and high skilled employees, yet they are not all applying these recommendations in their own companies. The problems seems to be either due to the environment they work in since most of the companies are family and privately owned or/and from the lack of resources and capacity development to be able to embrace exporting. This shows the need to increase the awareness for the companies to understand the importance of having these departments and having high skilled employees.

5.1.22 Competitive Strategies

None of the interviewed companies have formally written competitive strategies. They base their decisions based on price or/and quality or both depending on the customer and the project they are working on. For the competitive advantage that they believe they possess as it can be shown in table six some use their reputation others depend on networking and communication or quality such as finishing and packaging. Based on porter (1985), most companies use the price approach as their main strategy. Providing low costs so that they can find customers.

However most of the interviewed companies have never thought about what strategy they use to compete, they based their answers on their experience working in the stone and marble sector with customers from different parts of the globe which shows a lack of a strategic management vision.

Few companies have mentioned the mix between using price and quality in their strategy, which is a hybrid strategy between low cost and differentiation. Hill (1988), Miller & Friesen (1986, Tan & Sousa (2015) and Salavou (2015) agree that the best approach for companies to build a competitive advantage is using a hybrid strategy. These findings disagree with Porter' (1985) conclusions that in order for a company to be successful, it must adopt one of the three generic strategies.

5.1.23 Local Institutions Perspective

After meeting with a representative from PalTrade, USM and Stone and Marble Center at PPU, a clearer picture has been drawn in regards to what the stone and marble companies need to build better competitive advantages. Both institutions have recognized the high importance of the sector to Palestine.

They have mentioned that the sector has the highest profits and investments. Moreover, provides more than 15,000 jobs, which aids large number of Palestinian families. USM works on developing the sector and solving problems that the sector face and build policies. For PalTrade their main role in helping the sector is through opening new markets, promoting Palestinian stone and helping companies participate in exhibitions.

In regards to the problems that the sector face, the union interviewee has mentioned one of the issues that was raised by one of the companies which is not allowing Palestinian companies to have quarries in area C. The companies cannot have big investments in area C due to the high risk since it is controlled by Israel. Moreover, he explained other issues such as drilling, since the companies use traditional methods in retrieving stone as raw material. The process is costly and time consuming and due to not being able to determine the locations of the high quality stone to be drilled, they sometimes end up spending millions of dollars and ending up not finding the needed raw material.

Borders are considered another problem in regards to exporting since it is costly and time consuming due to occupation. High worldwide competition, high production cost, lack of environmental awareness and low skilled employees are other problems that prohibit the Palestinian stone and marble companies from building the right competitive advantages.

For PalTrade the main problems discussed were that the stone and marble companies are unorganized and do not have a clear organizational structure since they do not have the right employees nor exporting and marketing departments. Moreover, they have discussed how the companies do not show that they want support from the institutions; such as when a company is chosen to participate in an exhibition they are very tedious in the logistics.

In regards to the government PalTrade and USM have explained how they do not see any support from the government to the sector. The government only does a supervision role and does not try to invest in building the sector. The institutions have suggested that for the sector to grow and be able to build better competitive advantages, the government should invest in developing the infrastructure of the sector. Furthermore, with the two major projects taking place in the gulf region –EXPO 2020 in Dubai and World Cup 2022 in Qatar- they have suggested that the government should build agreements with the gulf countries to involve the stone and marble companies in Palestine.

Moreover, they have suggested the need for the government to help in building market studies to open new markets, aid in setting policies for prices for sold blocks and finished stone products, develop policies for the usage of water, electricity and fossil fuels to minimize the production cost on the companies. Furthermore, they suggest providing trainings and awareness campaigns for the companies so that they can elevate their working capacities.

The stone and marble center in PPU have suggested the need to increase the capacity building for the employees through the center, participating in international stone fair, issuing stone and quality management certificates and increase the available information about exporting for the stone and marble companies.

Comparing what the companies and the intuitions have discussed, they are both on the same page on what is needed to elevate the sector and to build better competitive advantages for the companies in the sector. However to reach this goal, steps need to be developed that will be discussed in the next chapter.

5.2 Conclusion

To conclude there are many issues that need to be dealt with internally and externally for building better competitive advantages and competitive strategies so that the stone and marble companies can compete on regional and international levels. On the internal aspect, the problems arise from not having clear organizational structure, not having marketing and exporting departments and R&D, lack of skilled employees and high production cost. On the external aspect, the government has a major role in elevating the sector followed by the local institutions. Moreover, stone and marble companies have problems in how to deal with the environment. Furthermore, there are problems in knowing how to enter new markets. Recommendations for minimizing the impact of these problems and others will be illustrated in chapter six.

Chapter 6: Conclusion and Recommendations

Introduction

This last chapter provides conclusion and overview of the study and summarizes the topics discussed in previous chapters. Moreover, practical and theoretical implications are provided for the stone and marble companies, the Palestinian government and other stakeholders. The chapter ends with the researcher's recommendations for further research related to the topic of the study.

6.1 Conclusion

The major purpose of this study was to investigate the internal and external challenges that are encountered by the stone and marble exporting companies in Palestine. Moreover, the study attempts to develop recommendations to help in minimizing the impact of the defined challenges and help in identifying the competitive advantages to develop strategies that could be used by the stone and marble companies to enhance their level of exports on regional and international levels.

The researcher developed a conceptual framework to help in retrieving the needed data to be analyzed. The conceptual framework was based on deep literature review that expanded to different topics related to exporting and competitive advantages and strategies. The researcher adopted a qualitative multiple case approach in data collection. Semi-structured face-to-face interviews were conducted with executives from fourteen stone and marble companies and two

representatives from industry related local institutions. Based on the collected data, the analysis was conducted according to content analysis and thematic analysis and the findings were compared to the literature review. Lastly recommendations were provided for the topic of the study and for future studies.

It was clear that the stone and marble sector is encountering different exporting challenges, which are both internal and external challenges. The main internal challenges were related to the lack of qualified employees in marketing, exporting and quality control, the high production cost that prohibits the companies from selling at competitive prices, lack of financial support programs, which is an external issue yet it is related to internal challenges since this may limit the support provided to companies to have new machines that could increase production capacity and decrease production cost, problems in organizational policies concerning financial management, lack of competence in the exporting and marketing departments, unclear strategic planning, competitive advantages and competitive strategies and finally unfair price wars.

Based on the findings related to the internal challenges, it became clear that a number of the recommended solutions need the participation and cooperation of important stakeholders such as the Palestinian government through specific ministries such as MoNE and other related intuitions such as USM, PalTrade and other agencies.

For external exporting challenges, the main problem stems from the government being inactive supporter for the sector and rather taking a supervisory role. Moreover, it was clear that other local institutions are showing more interest and support for the sector. As for the occupation, it was not considered a main challenge, however there could be solution developed to minimize the impact of Israel on the sector.

6.2 Practical Implications for Stone and Marble Companies – Micro Level

The implications in regards to the micro level of the companies expands through the value chain from extracting the raw material from quarries to the administrative, production and marketing levels and finally taking the products to the international markets.

In regards to the quarries, since Palestine is known for having unique stone differentiated by color and quality, there should be more investment in extracting the raw material. Concerning the process of extracting the raw material, the quarry owners should receive training on how to extract the stone with minimum waste and how to set up the machines needed for extracting the stone. Moreover, there should be more investment in geophysical surveys to have better ability to identify the locations of the stone available for extracting.

Since the majority of the interviewed companies do not work on certified international standards and there is clear lack of quality management and production efficiency, companies need to adopt and improve quality control and management systems. They need to utilize technology to reduce cost of production and achieve economies of scale so unit production cost will decrease. Moreover, seeking to open new markets and increasing revenue will contribute to cost reduction. With the accumulated experience and the learning curve in addition to the support from other institutions, these local companies will be able to differentiate their products and at the same time decrease production cost, which may lead to adopting a hybrid competitive strategy.

Based on the findings, many companies face issues in building their internal capabilities and competitive advantages due to lack of financial resources. Therefore, Palestinian companies should search for different sources of funds from different local and international funders and banks that could support them in buying new machines, developing new training programs, conducting marketing studies and more. Since there is support coming to Palestine from different sources, the companies need to invest in searching for these financial resources and applying for grants and other financial and technical assistance.

One of the main problems that was identified from the interviewees is that the companies are reluctant to invest time and money in finding new innovative opportunities to grow. Thus, the government and other local institutions that work with the stone and marble sector should be more active in holding workshops, training programs, events and meetings with the companies from the stone and marble sector to promote the importance of such funds in aiding the companies to grow and expand.

None of the interviewed companies have strategies that are formally written to have a clear guideline on how to build and maintain their competitiveness. Palestine stone and marble companies need to have a formally written strategic plan emphasizing the competitive strategy and explaining the uniqueness of their products. Since all stone products are similar and all companies have similar sources of raw material, they must invest deeply in identifying their competitive advantages that could make them export more. Moreover, it would be recommended that they build their competitive strategy by benchmarking and exploring international stone and marble companies to see how they can be able to compete on their level. Hence, it is essential for Palestinian companies to try to be different in their products since there is a vigorous competition from other countries that can sell similar products to the Palestinian products and have similar quality. Palestinian companies should focus more on differentiation than cost but use both to ensure their success in the regional and international markets.

Lack of training was a clear observation from the findings of the study. Thus, in order to be able to build better competitive advantages based on differential strategies, the stone and marble companies need to have training programs related to designing and producing products that are unique in the design and not only differentiated by the raw material. They should receive trainings from international experts in using computer-aided design and computer aided manufacturing (CAD/CAM).

Only two of the interviewed companies' executives mentioned they have R&D departments, yet all the interviewed companies are considered top exporters in Palestine. However, based on the data received from interviewing the institutions' representatives, there is a clear lack of organizational structure in the stone and marble sector and according to the relevant literature review in this regard, it is suggested that companies need to develop the R&D function or department to work on introducing new products to fit the needs and trends of their foreign customers and at the same time conduct process R& D to decrease production cost which is another important issue that needs enhanced awareness. Moreover, stone and marble companies need to have clear policies related to dealing with financial matters with their customers by using advanced systems that could be able to track money transactions and ensure payments are made with no delays.

Furthermore, Companies need to have a specialized exporting departments or smaller units that are separate from marketing within a clear organizational structure. This unit or department should include personnel with delegated authority to deal with customers in regional and international markets and work on finding potential markets, negotiations and price quotations.

To be able to export internationally based on the literature review and the findings of the study, having international certificates is essential. Quality control and management programs, ISO, CE and others, help the companies improve their production, reduce cost and reach new destinations with the support received from related institutions and centers. This will be important addition for the company's profile and for their competitive advantage. Furthermore, there should be more investment in using recycling technologies for waste water treatment, to use waste products and others, which could help the companies in the long run to decrease the costs of production and adopt an environmental friendly competitive advantage.

Moreover, by using advanced technology solutions they can track their customers' demands and follow up with them. Customer Relationship Management (CRM) systems can be used to help in keeping track over their customers and make sure that the companies are following up with any customer requests, agreed payments and other matters such as sales and production.

Even though interviewed companies find occupation as a minor barrier to exporting, it has major impact that can be foreseen over the long run especially by them controlling areas C water, fuel and electricity. That is why Companies need to invest in building better branding for their products on regional and international levels. There is a clear misconception in regards to Palestinian stone and marble products. They need to show their customers that it is purely Palestinian product that is being produced by Palestinian skills to emphasis the image that Palestinians sell Jerusalem Holy Land stone that is made in Palestine. Working with local institutions will help the companies in creating awareness for the need of building marketing campaigns that would minimize the companies' dependency on selling their products as generic goods to Israel and to build a better brand for the Palestinian products. Working with international experts who could provide recommendations on what marketing campaigns and branding ideas are necessary to increase stone and marble companies' exports and profit margins in the regional and international markets without depending on Israeli agents is also important.

To build a concrete base of customers, stone and marble companies need to work on their promotional material to attract international customers. Using the Internet and digital promotions are important to reach foreign customers. Promotional videos and social media could be further adopted to be connected with the new trends in the world and find new customers. Moreover, the companies need to work on having user-friendly and interactive websites with the possibility of having e-commerce to make the process of asking for new orders simpler and easier for the customer. This can be used as a competitive advantage for the companies.

Adding to what was mentioned and due to Palestine's unique situation, stone and marble companies should network and build relations with international stone and marble companies in regards to learning and skill exchange. This will help the Palestinian companies to have qualified employees who can deal with international customers. Moreover, through international collaboration programs and alliances with international companies and organizations, the Palestinian companies can be exposed to new customers, receive international expertise and consultants in addition to receiving opportunities to work on new projects that would add value to these local companies.

The findings revealed that most of the companies are not capable of opening factories and production facilities outside of Palestine, nor able to open offices. At this stage stone and marble companies should use international agents and intermediaries to build a concrete customer base without depending on Israel agents since they sell the Palestinian products as generic. After establishing a suitable customer base and deeper understanding to the needs of the international markets, they can move gradually to the phase of opening offices and branches outside of Palestine.

Moreover, it is important for exporting Palestinian stone and marble companies to have international presence by opening offices and factories in other countries to decrease their production costs and find new customers and projects. Since some of the Palestinian companies lack financial resources or organizational skills, the companies should seek finding partners through joint ventures to be able to establish a body for their companies in other countries. For example if a company has the land to build a factory in a specific country, another company may contribute its skills and knowledge and run it through partnerships and strategic alliances. By doing so, the companies can benefit and new learning knowledge may emerge.

6.3 Practical Implications for Local Institutions – Meso Level

It has been confirmed by interviewees that institutions are not providing the same support they used to when they were first established. Local institutions such as PalTrade and USM need to develop market studies concerning new markets to open new destinations for exporting. Moreover, local institutions with the stone and marble companies need to build international codes and labels for the stone and marble products that could be unified; this will make the process of taking orders easier on the company and the customer. By having unified labeling the companies can search for better opportunities of cooperation with local and international stone and marble companies to build better programs to increase the exports in the long run.

Furthermore, there should be training courses provided to the stone and marble sector related to sales and marketing in international markets, quality control, customer relations and other training related to production and drilling for raw material.

A center was developed for the stone and marble sector in Polytechnic University in Palestine. The Palestine Stone and Marble Center have been established in 2009, it focuses on providing local personnel who are trained in different fields concerning the stone and marble sector. Moreover, they provide any needed training to provide qualified stone and marble employees. The center has a lab that provides the students with a clear process on how to cut the stone and where to look for it (Palestine Polytechnic University, 2014).

According to the interviewed representative from the center, 10 students graduate from the center each year. They provide diploma degree in “Management and Technology of Stone and Marble” and technical and administrative training in different topics such as: industrial safety, treatment of stone and waste management.

What is surprising that most of the companies’ executives who have been interviewed have an issue in finding qualified employees, yet there is one of a kind center in Palestine that the executives were not aware of its existence. That is why PalTrade and USM need to emphasis on the presence of this center to the companies and build new programs that could benefit the center in flourishing and providing the stone and marble companies with qualified personnel.

In regards to increasing the awareness of the stone and marble companies to building marketing campaigns and branding, intensive work should be done with the stone and marble companies that do not export by providing them with the needed skills and tools to launch them as new export companies. This could be done by working on establishing clusters for the stone and marble companies with the involvement of international agencies, local institutions, private sector and the government.

Most of interviewees do not understand how being environmental friendly can help in building competitive advantages. To minimize this issue, institutions should raise awareness by having campaigns in regards to dealing with waste products, wastewater treatment and other environmental matters. This will help the companies in building better competitive advantages and decrease production cost.

Moreover, there should be support for the stone and marble companies from the institutions and stone and marble center in PPU to obtain international certificates to ease the process of exporting and help reaching more destinations. This support can come from agencies that could support the companies with minimum charges. Moreover, local institutions need to build programs with the Palestine Standard Institution (PSI) to increase the awareness for the need to follow national standards in production.

6.4 Practical Implications for the Government – Macro Level

Based on the analysis of interviews from companies' executives and the officials of related institutions, the government is not supporting the sector as it supposed to. Hence, to develop better competitive advantages, the government through the MoNE and other local intuitions need to develop new supportive policies and strategies to help the sector. This could include the participation in international exhibitions, decrease production cost, provide new programs for financial support, develop vocational and training centers through the cooperation with Palestinian universities to provide training related to the stone and marble sector in quality control, marketing for exporting, pricing, packaging, strategic planning, implementation and evaluation of strategies and finally in negotiation with international customers. As it was mentioned in the companies practical implications, searching for funds is important, that is why events and meetings with the relative stakeholders are highly important to help the stone and marble companies reach ultimate exporting goals.

Since stone and marble industry is a leading economic sector in Palestine, having a department in the Ministry of National Economy that is dedicated for working with stone and marbles companies to understand their needs and wants and offer support to increase their exports is also essential and highly needed. This department could be the anchor for the sector and could help the companies in building better competitive strategies.

In regards to high production cost, which is a major internal challenge, the government with the related parties need to set new policies for the cost of water, fossil fuels and electricity so that the sector is able to sell on prices that are competitive to other countries. Local institutions, such as PalTrade and USM, need to lobby and develop petitions and policies to help the sector have these demands. To start with, the electricity for all the stone and marble companies should be provided to companies as industrial users and not as commercial users where this requires more lobbying from all parties.

One of the problems stone and marble companies face is closing deals through exhibition participation due to unfair price wars. The government with the support of the local institutions must develop policies to set rules for the minimum selling prices in regards to stone and marble products to minimize the impact of unfair price wars. This will motivate the companies to participate more in exhibitions. It will also inspire companies to focus on other matters than the price alone to develop their competitive strategies.

With the limited local resources for the sector to increase its exports, the government should help in building partnerships with supporting countries. Turkey is considered one of the main competitors in stone and marble exporting; Palestinian companies should use this to their benefit. The government should develop new projects with the Turkish government in regards to stone and marble such as easing the process of opening factories for Palestinian companies in Turkey, developing joint ventures and other related matters that could help Palestine's stone and marble

sector to flourish. PalTrade recently have conducted a workshop for working papers to ease the process of trading between Palestine and Turkey and to develop new solutions to be adopted by the government. Moreover, there should be work with Italian companies in opening the channels of exchanging skills and innovative ideas, which will help the Palestinian companies tremendously in building better competitive advantages. Palestinian companies are participating in EXPO 2015 in Italy; this could be used as a gateway to open cooperation with Italians for supporting the stone and marble sector in the long run.

Adding to that, the government needs to develop new Memorandum of Understanding (MoUs) with countries that are working on major construction projects such as Expo 2020 in Dubai and World Cup in Qatar to help the stone and marble companies increase their exporting. The government needs to build new bilateral agreements with new countries to ease the process of exporting for the stone and marble sector.

Furthermore, awareness campaigns about the sector can be implemented by the Palestinian embassies that are located in different parts of the globe to increase the presence of the stone and marble sector by developing new trade missions that can open opportunities for new customers and new projects, which will ultimately alleviate the stone and marble sector and GDP.

Lastly, most stone and marble companies are located in south of Palestine, and it was clear from the findings of the study that the Palestinian companies face major challenges in retrieving all legal documents and signatures to export. One stop shop should be developed in Bethlehem and Hebron for the stone and marble sector. This will help the companies in retrieving any needed inquires related to exporting such as data related to certificates of origin, information on borders and others. Having a one-stop shop will make the process easier for the companies to increase their exports, especially if there is easiness in getting the permits for the transportation process.

6.5 Theoretical Implications of the Study

6.5.1 Competitive Strategies

Porter (1985) had explained how for a company to reach high performance levels, it should adopt one type of the generic strategies, low cost, differentiation or focus. Furthermore, Aulakh *et al.*, (2000), had explained that for developing countries, the adopted strategy should be a low cost one. However, there have been other researchers who argued these findings and emphasized that using hybrid strategies could lead to a better performance in regards to exporting (Hill, 1988; Miller & Friesen, 1986; Salavou, 2015). The findings of this study support that for companies in developing countries and in unique context of conflict such as Palestine using hybrid strategies by combining differentiation and low cost strategies would help in increasing the exporting performance as a result of quality improvement and production cost reduction .

In 2015, researcher Helen E. Salavou has discussed the competitive strategies that were formed by Michael Porter in 1980 as mutually exclusive strategies and suggested the need to emphasize on hybrid strategies and to theorize hybrid strategies. This study stresses the findings of Salavou for the need to focus on more than one strategy and not to be mutually exclusive due to the emerging challenges in today's world where one strategy cannot fit the needs of a company to internationalize.

6.5.2 Internal and External Assessment

Firms' size has been discussed by Aaby & Slater (1989) as one of the main characteristics that measure the success of a company's export advantages. Based on this study, it was a clear evident that firm size in developing countries is not considered as a main competitive advantage characteristic. Samiee & Walters (1999), Bilkey & Tesar (1977), Tan & Sousa, (2015) and Kammath, *et al.*, (1989) have explained that the size of the company does not impact the ability of a company to export; their results apply to the study findings.

Concerning export involvement, this study agrees with the findings of Diamantopoulos & Inglis,(1988). Being more involved in exporting and having highly skilled staff and exporting unit in the company are keys for increasing the competitiveness of company related to exporting. Moreover it agrees with Tan & Sousa (2015) that by less standardization, marketing performance improves.

This study agrees with the findings of Ting *et al.*, (2010). Learning skill is considered one of the important factors in helping a company to internationalize. Moreover, the study have found that industrial sectors, especially the stone and marble exporting depends highly on having well skilled employees in marketing, exporting and quality control to ensure better competitive advantages in exporting.

Regarding the external factors which have an impact on the exporting competitive advantage. The study findings have shown the important role of the related stakeholders in the stone and marble sector such as the government, ministries, local institutions and international agencies in building better exporting competitive advantages. Thus, this study findings agree with Morgan (1994), Parker & Helms (1992) and Keng & Juan (1989) who emphasized the importance of decreasing the cost of raw material, improving access to finance and building distribution systems by the help provided through external parties to reduce external challenges. Yet, it does not agree with Bennett & Smith (2002) that competitive advantage should not be built with the support of the government.

Concerning the closeness to the exporting markets, from the study it was clear that it was not an issue that could impact the competitive advantages, this disagrees with the findings of Madsen (1989), Ford & Djeflat (1982), Frazier (1984), Leonidou (1989) and Rosson & Ford (1980).

It was clear from the study that many of the stone and marble companies choose the markets they want to export to, based on their participation in exhibitions and not through conducting market studies. These outcomes disagree with Cavusgil & Naor (1987) findings, yet the researcher believes that doing market studies could lead to better exporting competitiveness.

6.6 Recommendations for Further research

The study provided an insight on the challenges that the stone and marble sector face in Palestine and provided recommendations to build the competitive advantages and strategies in regards to exporting. The data gathered and the findings of the study could be expanded for future studies. First, the study focused on the challenges from qualitative perspective, using quantitative methods by surveying the forty-eight stone and marble companies in Palestine can help in going further in the challenges of the sector to provide better understanding of the challenges and suggest specific recommendations. Second, studies can be done before and after implementing the recommendations of this study to validate the effectiveness of the recommendation and whether there should be alterations or not. Third, besides building competitive advantages and strategies other fields can be explored in the stone and marble sector such as focusing on quality control and management. Future similar studies can be done on other sectors in Palestine such as the fresh fruits and vegetables and herbs sector, or tourism sector, as the findings may be different from sector to sector. Finally, more studies should be developed to emphasis on hybrid strategies and developing theorized framework in regards.

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Appendices

8.1 Appendix I

Semi-Structure interviews for the interviewed companies

Identification and Introductory:

1. When was the company established? What is your invested capital?
2. What type of business ownership you have (Family, private, public, etc.?)
3. How many employees are there in the company?

Exporting experience and challenges:

1. For how long have you been exporting and why?
2. How much of the production is exported? (Percentage)
3. Where and why to those countries? (Countries and markets and percentage of sale in each area?)

4. Do you do any market studies to the targeted countries for exporting? Do you seek external help in the targeted country? (Consulting firm to do the market study for example), any local help? From whom?
5. How do you rate yourself in exporting involvement? (In the introduction, growing, in the maturity, declining)
6. What products are mostly exported? What is unique about your exported products?
7. Do you adapt your products to fit the country's requirement that you are exporting to and how?
8. Do you use intermediaries in your distribution locally? In your export?
9. Do you sell your product under your name or under the name of others (Israeli or Jordanian intermediary)? Why?
10. What are the major challenges that you consider barriers to a more efficient exporting process? (Internal and external levels)

Internal assessment:

1. What are your strengths and weaknesses? (Marketing, promotional activities finance, production, etc.)
2. Do you have good communication with your customers and how?
3. What is your competitive advantage and strategies? (If available)
4. Are you up to date with new technologies for production and is it easy to access?
5. Do you consider your production cost high or low and why?
6. What is your current production capacity?
7. Is your production cost consistent with your product prices?
8. What do you think of the prices and the quality of your products?
9. Do you have employees or/and department that work in exporting? (Number of employees, do they receive training?)

10. Do you have R&D department, if so what does the R&D department do?

11. Do you take the environment into consideration during production? (Recycling, etc.)

External assessment:

1. Does the environment in Palestine support you to export? (Natural resources (water, electricity, raw material, access to finance, regulations, economic situation)
2. Is your company a member in unions or institutions related to stone and marble and/or exporting? If not why?
3. Do you participate in trade missions, trade exhibitions or B2B meetings?
4. What do you do to ensure working on international standards (ISO certificates and procedures)?
5. Who are your main local/ international competitors and why?
6. Is occupation causing problems in exporting? Explain, what problems and why?

7. Do you seek information about the competitors? (New products, new entrants)

8. Do you seek information about the trends in the global markets?

Future outlook:

1. What do you think is needed to better compete on regional and international levels?

2. What do you think your company needs to build a better competitive advantage? (Internal and external levels)

3. Are you planning to go beyond exporting in your internationalization strategy? Such as joint ventures, strategic alliance, foreign direct investment, consortia for exporting, etc.

8.2 Appendix II

Semi-Structure interviews for the interviewed officials from institutions

1. What is your input on the stone and marble sector in Palestine?
2. What is your role in supporting the sector? Is it active and how? (Exhibitions, training, etc.)
3. What problems you face when dealing with the stone and marble sector?
4. Do you think the government in general is supportive to the sector?
5. What do you think is the main competitive advantage for the sector? (Internal or external)
6. What do you suggest that the companies should focus on to build better competitive advantages?

8.3 Appendix III

Table 9: Name, Location of the Interviewed Companies and the Positions of the Interviewees.

Num.	Company Name	Location	Positon of interviewee
1	Suhail and Sahib for Stone and Marble ltd	Bethlehem	General Manager
2	Verona Company for Marble and Industrial Investment	Bethlehem	CEO
3	Reach Holy Land for Marble and Stone	Bethlehem	Financial Manager
4	AL-Sharabati Modern Co. for Stone and Marble	Hebron	CEO
5	Halaika Marble & Stone Industries ltd.	Bethlehem	CEO
6	H.L. Jerusalem Stone and Marble Co.	Hebron	CEO
7	Founoun Arts for Carved Stone Co.	Bethlehem	General Manager
8	Al-Yaseen Co. for Marble	Hebron	General Manager
9	Al Waleed Stone Manufacturing and Marketing	Bethlehem	Vice President
10	Al-Anan Company for Marble and Stone	Hebron	Marketing and Sales Manager
11	New Dreams for Marble & Stone	Bethlehem	Process Manager
12	Jerusalem Stone Group (العمرانية)	Bethlehem	CEO
13	Jerusalem Marble and Stone Company	Bethlehem	Export Manager Marketing and
14	Al-Jabary for Marble & Stone	Bethlehem	Production Manager