

Sadeghi, Vahid Jafari; Biancone, Paolo Pietro; Giacomini, Charles; Secinaro, Silvana

Article

How does export compliance influence the internationalization of firms: Is it a thread or an opportunity?

Journal of Global Entrepreneurship Research

Provided in Cooperation with:

Springer Nature

Suggested Citation: Sadeghi, Vahid Jafari; Biancone, Paolo Pietro; Giacomini, Charles; Secinaro, Silvana (2018) : How does export compliance influence the internationalization of firms: Is it a thread or an opportunity?, Journal of Global Entrepreneurship Research, ISSN 2251-7316, Springer, Heidelberg, Vol. 8, Iss. 3, pp. 1-15,
<https://doi.org/10.1186/s40497-018-0089-3>

This Version is available at:

<https://hdl.handle.net/10419/196937>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by/4.0/>

RESEARCH

Open Access



How does export compliance influence the internationalization of firms: is it a thread or an opportunity?

Vahid Jafari Sadeghi^{1*} , Paolo Pietro Biancone¹, Charles Giacomini² and Silvana Secinaro¹

* Correspondence: vahid.jafarisadeghi@unito.it

¹Department of Management,
University of Turin, Turin, Italy
Full list of author information is
available at the end of the article

Abstract

Internationalization is a complex process, in which firms face various challenges that may lead to opportunities or threads. One of these challenges is export compliance. The objective of this paper is to disentangle the nature of export compliance and its function in international entrepreneurship. This study outlines a perspective on the export control system, discusses the most relative legislation, reveals the consequences of non-compliance and provides a case study and finally explains the function of export compliance in the international activities of firms.

Keywords: internationalization, export compliance, international entrepreneurship, dual-use, money laundering, Iran

Background

In recent years, the transnational market has been involved with a rising trend in internationalization among firms (OECD 2008). Accelerating changes in the global business created complex conditions for ventures to be active in the global markets (Acs et al. 2003; Dana and Wright 2009; Etemad et al. 2001). However, technology advances and regional trade agreements as barrier reductions across borders have facilitated the market internationalization (Jafari Sadeghi and Biancone 2017; Leonidou 2004; Maignan and Lukas 1997; Zou and Stan 1998). Nevertheless, at all levels of the internationalization process, firms may face the potential compliance barriers, which jeopardize their activities and existence in the global markets.

In this regard, according to Jafari Sadeghi et al. (2017), export compliance emerges as a hot topic in the world of international business. Although the literature has scantily considered the export compliance issues in the international entrepreneurship (IE) studies in last few years, academia turned the attention to the essence of this multidisciplinary driver for internationalization of firms.

Recently, one of the accelerating challenges for the firms intending to expand their market abroad is their obligation to prevent making conflict in global markets. More precisely, companies need to be compliant with the international regulations, laws, and rules and avoid falling into the violation of non-compliance, which make the world unsafe. However, export compliance is an issue that may be a small segment of overall

organization's compliance program, nevertheless, if not properly addressed could create major challenges (BIS 2017).

The United States is the leading government that initiated to monitor suspicious trades and transactions in cross borders and regulates legislations for the international transactions and trades. The European Union and United Nations joined the U.S. to manage global markets in export compliance problems by regulating restrictions on the parties do not respect the regulations.

In this paper, we represent two distinct objectives. First, we outstrip the literature and explore the export compliance and then, we explain the function of export compliance on the internationalization of firms and international entrepreneurship. For doing so, we propose the following research questions: (1) what is the scope (examples) of export compliance? (2) Which regulations mostly address the export compliance issues? (3) What are the consequences of non-compliance with international regulations? (4) Does export compliance thread the existence of organizations in the international market or does it provide an opportunity for ventures to be successful beyond the borders?

Consequently, to address these research questions, we analyze the essence and consequences of the export compliance for international endeavors of companies, building on the intersection of three points: regulation theory, internationalization and ownership advantages as a component of resource-based view (Dunning 1988). Theory of regulation, for this context, provides relevant analytical elements that allow a holistic understanding of the function of various national and international regulations for the export/ import of good and services, helping to explain how to improve the international performance. In the meantime, ownership, as a driver of international entrepreneurship, influence the presence of firms in global markets by a commitment to be compliant.

For its objective, the paper follows qualitative approach with document analysis. As a further study, we conducted a case study on the function of export compliance on Iranian geopolitics. Essential data for this study has been gathered from secondary resources including diverse scientific research articles, institutional guidance notes, guidelines, manuals and export compliance related websites and legal provisions in legislation of different countries.

This research contributes to entrepreneurship scholars by providing deeper insight into how the commitment to the laws, rules, and regulations can cross the border of limitations and develop the impact of internationalization. We investigate Iran as an interesting case in terms of challenges faced numerous restrictions regarding the export control and compliance. This assists to better understand how economies involved in the international consequences of non-compliance with regulation and to what extent they can survive of thesis circumstance.

Eventually, the rest of the paper is organized as follows. First, we bring forward the internationalization literature. Then, we define the concept of export compliance, its examples, and mostly concerned organization. Subsequently, we investigate the export compliance issues in the case of Iran. Finally, we bring forward conclusion and discuss the limitations of the study, future research directions and managerial and policy implications.

History of internationalization

The opening research on international entrepreneurship was alluded to as the Uppsala internationalization process (Johanson and Vahlne 1977). Based on the Uppsala school,

it was discussed that companies try to internationalize on a systematic process by exporting their product/ services to the geographically close countries. After a long period, these ventures will then start going further away from the market and expand their activities beyond the borders. However, in the Uppsala's model of internationalization demonstrated not as relevant as formerly contemplated due to some companies entering external markets in a prompt process. This signified that the term 'internationalization' originated during the 1980's as more firms started concentrating on the global markets to increase the possibility to access new customers as well as the financial profit and access new customers (McDougall-Covin et al. 2014). This global the focus on business to create extra revenue and segment their existing markets terminated to more market opportunities (Ferreira et al. 2017).

During the decade 1990, due to the cheaper transportation methods and as a result of consumerism, the business world much more. As a major theoretical development, Oviatt and McDougall (1994) criticized the prior Uppsala's model of internationalization and represented that some enterprises internationalize rapidly. This indicated that the former study on the stages model and Also, the theory of internalization that discussed companies go abroad to exploit their internally developed knowledge no longer applied to all ventures (McDougall et al. 1994). Technology and the arrival of the internet in the 2000's led to the increase in the internationalization because contacting people in in different places has made much easier, thanks to the communication technology advances. Afterward, in 2008, the global financial crisis confirmed how the international economy is integrated to firms being increasingly global with diverse perspectives of their value chain in different nations depending on location and resource advantages. In 2014 and 2015, it has been seen in the formation of the business because international regulatory requirements in regional trading blocs such as the European Union have more influenced global activities. This has to lead to the resurgence in international entrepreneurship as some firms make use of their personal and business networks to obtain knowledge about foreign markets (Ferreira et al. 2017).

Contingent on the type of enterprise the process of internationalization can start early in their progress whereas others react to market trends (Hennart 2014). In this regard, Born Globals (BG) or International New Ventures (INVs) are defined as organizations, which start their international activities at their inception or soon after (Oviatt and McDougall 1994). Because of the continuous changes in international economies, international ventures concerning the sustainability and social are growing fast in the international economy (Zahra et al. 2014). More precisely, international ventures can be from already established or new firms that are adventuring the international opportunities. However, Zahra et al. (2014) differentiated global and international firms by using the term 'global to refer to enterprises active in all countries whereas international' incorporate multiple nations but localized by region.

Chandra and Wilkinson (2016) argue that existing theories investigate the internationalization of firms from four overlapping aspects. The first category of theories is based on international economics, which is compliant with the eclectic theory developed by Dunning (1980). This theory concentrates on the economic characteristics of location (e.g., low-cost labor in a foreign country), ownership (e.g., a firm's specific technical know-how) and internalization (e.g., the benefits of owning the production

mechanisms rather than contracting through partnerships), namely Ownership, Location and Internalization (OLI) theory. The second set of theories discusses the firm internationalization in terms of an incremental process by which organizations learn about and engage in global markets over time and the various types of mechanisms involved, such as learning, and relationship building and incremental commitment the Internationalization Process Model (IPM). In this regard, Coviello and Munro (1997) examine the influence of network relationships on the internationalization process of small firms, using multi-site case research on the software industry. The findings of their study demonstrated that the internationalization process of small software firms reflects an accelerated version of the stage model perspective, and is driven, facilitated, and inhibited by a set of formal and informal network relationships. The Opportunity-Based View of Internationalization (OBV) as the third theory explains internationalization as an entrepreneurial, innovation process in which organizations discover, develop and exploit international market opportunities gradually, over time (Chandra and Wilkinson 2016). A fourth theory focuses the role and influence of the networks and relationships in which a venture operates and how this constrains and/or enables what the venture can do and learn (Chandra and Wilkinson 2016).

Regulation theory

This paper explores the role of export compliance in the internationalization of firms from the perspectives of regulation theory. Regulation theory analyzes the international economy “in terms of a series of modes of development based on a combination of regimes of accumulation and modes of social regulation” (Hirst and Zeitlin 1992). The regime of accumulation determines the general possibilities for the economy. Scott says it

can be rather simply defined as a historically specific production apparatus ... through which surplus is generated, appropriated, and redeployed (Scott 1988).

Importantly, with respect to geographic scale, the regime of accumulation is a “relationship between production and consumption defined at the level of the international economy as a whole” (Hirst and Zeitlin 1992).

If the world were Adam Smith's, peopled by the universal perfectly rational ‘economic man’, no regulation of the global economy beyond the ‘invisible hand’ of perfectly functioning markets would be required. But the world is not Smith's; people are far from perfectly rational and they are driven by many things not economic. Further, they are far from universal in their variations from the ‘perfect’. As a result, Scott says that stability in the economic system is

dependent on the emergence of a further set of social relations that preserve it, for a time at least, from catastrophic internal collisions and breakdowns. These relations constitute a mode of social regulation. They are made up of a series of formal and informal structures of governance and stabilization ranging from the state through business and labor associations, to modes of socialization which create ingrained habits of behavior, and so on (Scott 1988).

Hirst and Zeitlin agree to say that a mode of social regulation (MSR)

is a complex of institutions and norms which secure, at least for a certain period, the adjustment of individual agents and social groups to the overarching principle of the accumulation regime (Hirst and Zeitlin 1992).

Ownership

Common reasons encountered for the globalization of enterprises are concerned to advantages for the firm. However, assuming organizations as political coalitions, this perspective does not consider to be sufficient to explain why and to what extent organizations globalize (Singla et al. 2017). A principal-agent theoretical approach focusing the ownership-stake-related motivations and bargaining power of owners plus the range of actions managers can employ in different ownership circumstances offers an alternative explanation (Fink et al. 2008; Singla et al. 2017).

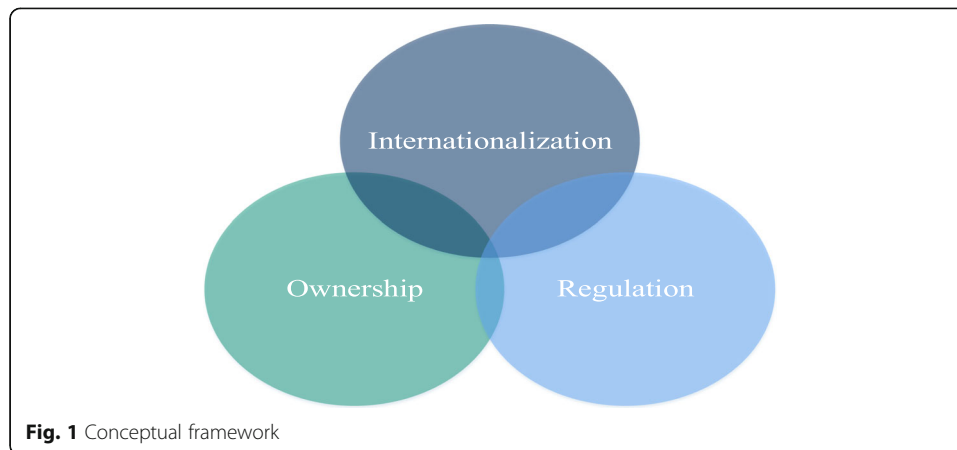
Ownership advantages are to be found within the firm and are the ones that differentiate a firm from its competitors (Nakos and Brouthers 2002). According to (Dunning 1988), ownership advantages are considered as firm-specific capabilities and resources that enable a unique advantage to the organization. When an organization inquires a new international market, it may be able to utilize these advantages to obtain a higher position in that market (Nakos and Brouthers 2002; Thite et al. 2016).

Literature has recognized several ownership resources that tend to provide an advantage and may impact international entry mode choice (Nakos and Brouthers 2002). These ownership resources include (1) the size of the firm, (2) the extent of international experience, and (3) the ability to produce differentiated products or services (Agarwal and Ramaswami 1992; Brouthers and Werner 1999). In this paper, however, we consider the top manager of firms, as representative of ownership, to be a commitment to the international compliance. A firm can be a complaint by the giving significance and legitimacy to the compliance program through publicly supporting compliance policies, providing sufficient resources, and supporting compliance training sessions.

Fig. 1 depicts the conceptual framework of this study.

Export compliance

According to EIFEC (2017), export compliance is defined as a multidisciplinary and specialized framework, which supports enterprises in compliance risk management, like the risk of reputation deterioration administrative or administrative sanctions or financial losses for non-compliance with rules, regulations, laws, and legislation, codes of conduct and good practice (Biancone and Jafari Sadeghi 2016). It includes all international activities of organizations including export and import of any kind of commodities and/ or services, whether tangible or intangible assets (also the money transfer or payment) which somehow are subject to restrictive regulations (Dual-Use, Sanctions and restrictive measures etc.) enforceable to arrangement between two different jurisdictions/ states/ entities (EIFEC 2017). The term organizations are intended as all public and private organizations that have activities falling within the scope of this charter including companies of any nature, associations and even bodies. The term export also refers to the international activity of organization; an import in a broader sense, as an indissoluble operation (EIFEC 2017).



However, depending on the size and the nature of the firm, compliance programs might vary. For instance, some firms decide to appoint a single expert responsible for compliance endeavors as well as administration, performance, and coordination of export. Other kinds of organizations prefer to decentralize these authorities to a number of employees throughout the organization and supervise these responsibilities to make sure if essential compliance standards are maintained. To avoid of failing to comply with export regulations the size and organizational structure, and production/ distribution network of an organization act as the crucial determinants of where personnel and compliance functions should reside. Many enterprises amalgamate the administration of recordkeeping, training, dissemination of regulatory material, the alarm of failure to comply, and audits. However, wherever firsthand knowledge and information of customers is available, the actual screening efforts against different governmental restrictions of foreign individuals that ought to be avoided, known and tracked end-use and end-user activities, and violation risk may be carried out by personnel throughout the organization like in sales and marketing, order entry, or shipping (BIS 2011).

Altogether, for most of the international activities, any specific approval from the US government is not required. However, In order to make some certain global transactions legally, exporters need to take, in advance, a special export permission which is called a license. In fact, licenses are needed for specific situations concerning foreign policy, nuclear nonproliferation, regional stability, national security, missile technology, short supply, biological and chemical weapons, and crime control or terrorist concerns (BIS 2011).

There are essential regulations in the export compliance process that organization needs to comply with them:

Export Administration Regulations (EAR)

EAR regulations include dual-use services, items or even technologies that not only have commercial applications but also can be applied in manufacture or development of mass destruction or conventional weapons (Saunders 1999). EAR restrictions are performed by the US Department of Commerce (DOC) and administered by the Bureau of Industry and Security (BIS) and maintain control over all US commodities around the world, and all goods in the US, regardless of where produced (IIEI 2016).

Moreover, many items that do not require a license under ITAR need to be controlled by EAR.

International Traffic in Arms Regulations (ITAR)

ITAR is a group of export control regulations that were adopted under the Arms Export Control Act. AECA allows the government to control the export of defense items, services, and technical data to other nations, and ITAR is the implementation of these controls. The policy behind ITAR is to further “world peace and security” (Blount 2007). In order to control the spread of capacities and military technology to specific nations or groups, firms that produce, manufacture and export defense items, services and technologies need to comply with certain export regulations. Thus, exporting enterprises are responsible for compliance with the ITAR governing export regulations which are issued by the US Department of State (DOS) and administered by the Office of Defense Trade Controls. Therefore, organizations or individuals who deviate or violate ITAR export regulations are exposed to the extensive civil and criminal penalties (IIEI 2016). In this regard, a violation of the ITAR’s export restrictions is when any individual or organization willfully exports, or attempts to export, an item contained in the United States Munitions List without a license (Masero 2014).

Office of Foreign Assets Control Regulations (OFAC)

In Department of Treasury (DOT), the office of foreign assets control administers and performs trade and economic sanctions against international narcotics, terrorism sponsoring organizations, and targeted foreign countries (IIEI 2016). The OFAC also administered numerous economic sanctions and other trade bans against the Balkans, Cuba, Iran, Iraq, Liberia, Myanmar, North Korea, Russia, Sudan, Syria, and Zimbabwe. In the other hand, the OFAC also performs and promulgates regulations concerning terrorism and weapons of mass destruction proliferation, diamond trading, narcotics trafficking regardless of which country is implicated (Troxel 2005).

In the context of undertaking international trade, firms who are exporting or who are planning to export are subject to risks to comply with the regulation in terms of exporting. International trade is affected by, but not limited to, a range of violations about export compliance which failure to comply with them may cause sanction for the organization.

Dual-use item

Dual-use technologies are those that have both civilian and military use (Orr and Lee 2009; Saunders 1999). The BIS department of DOC has the jurisdiction to control dual-use exports that have an influence on the national security of the countries. However, according to Orr and Lee (2009) not all, or even a large percentage, of biological production and processing technologies, are regarded dual-use and mentioned on the Commerce Control List (CCL). Researchers/ innovators and end-users are a different level of intention for dual-use items. While researchers/ innovators may intend a purpose and have no idea that a user might convert the innovation or research for other purposes, mainly destructive and criminal, and in the opposite, researchers may have no specific end-use of the item in mind (Williams-Jones et al. 2014).

The moral codes of dual-use diffusion are vital as life researchers might be considered to be responsible for what they spread in terms of possible detrimental misuses, and this is why researchers would need guidance to be able to take such responsibility. The integration perspectives of dual-use dissemination would lead to a critical contribution to ethical literature in the life sciences field. Based on Kuhlau et al. (2013), three perspectives could be included in such moral codes:

- dual-use awareness, able to recognize the dual-use dilemma;
- precaution, able to be reflective and having cautious behavior in circumstances where releasing of knowledge may cause serious risks of detrimental results;
- affirming conflicting values, prompting an identification that potential harm in specific research circumstances may outweigh expected benefits.

According to the mentioned context, SMEs are faced with the risk of dual-use punishments. As result, they may be fined or sanctioned by different organizations. That is why they have not only followed the regulations for the dual-use items precisely but also it is better for them not to enter even into the negotiation with suspicious parties. In this condition, SMEs can have a safe trading activity.

Money laundering

Money laundering is one of the most happening international violations in the world which is a crime, legitimized by the fact that whoever launder money is looking for a way to justify their illegitimate profits which is collected through illegal activities and let offenders use the earnings of their crime (Baldwin 2003). The main purpose of money laundering is to justify earnings originating from illegal endeavors, businesses or resources. Transforming the form of the money to mask of its origin is the bottom line of money laundering which, eventually, undermines economies and destabilize governmental administrative systems (Yang 2002). As consequences of money laundering, financial markets become corrupted and the public's respect and trust to the international financial system are ruined and, eventually, the rate of growth of the global economy is declined due to the increase of risk in financial markets (Omar et al. 2014).

As Buchanan (2004) reported, money laundering includes 3 processes:

Placement

The first initial stage is placement (Schneider and Windischbauer 2008). Placement is carried out by changing the mass cash obtained from criminal efforts into a less suspicious and more portable form by putting those earnings into the mainstream financial system. The objective of placement is to prevent of being identified by the jurisdiction and eliminate the cash as far as possible from the original source of illegal proceeds. In the stage of placement, the mechanism of laundering is at its most vulnerable since most criminal activities create a massive amount of cash profits, which is arduous to disguise (Buchanan 2004).

Layering

By virtue of the so-called layering, criminals effort to hide the source of illegal proceeds through a massive amount of transactions by circulating around black money

(Schneider and Windischbauer 2008). Layering is considered of creating a network of financial transactions that in terms of volume, complexity, and frequency, complexity and volume mostly are similar to legal financial activity. By dint of the serial transactions and parallel networks, it becomes increasingly hard to reconstruct a paper trail. In the layering process, offshore financial centers perform a crucial function. In this approach, launderers try to conceal real origins of funds by performing wire transfer into a financial or banking system through offshore accounts (Buchanan 2004).

Integration

The last part in process of money laundering is called integration. Integration incorporates rearranging the cleansed or washed funds with formal and legal economic activity (Buchanan 2004). In the integration stage, infiltration of transformed capital into the formal financial system by means of monetary investments (specific deposits, stocks) or property (direct investment in real estate and companies) is primarily completed in economies promising extraordinary short odds (Schneider and Windischbauer 2008). Many of financial instruments including guarantees, bills of lading, bonds, letters of credit and banknotes are used for integration the laundered money (Buchanan 2004).

However, failure to comply with international regulation about the export compliance will lead to consequences, including sanctions, blacklists, fines, and punishments.

As in other policy areas, there are currently no international legal standards regarding penalties for export control offenses. Somewhat vague requirements can be derived from United Nations Security Council resolutions and from the international treaties regarding biological, chemical and nuclear weapons. Countries have chosen a wide range of criminal and administrative penalties in relation to arms and dual-use trade-related offenses (Bauer 2014).

Countries have chosen a wide range of criminal and administrative penalties in relation to Weapon of Mass Destruction (WMD) and dual-use trade-related offenses. At one end of the spectrum, the death penalty is currently included in the Malaysian Strategic Trade Act of 2010 for breaches of the act where death is the consequence of the action. A wide range of possible prison sentences is available in different jurisdictions. In Austria, life imprisonment is the maximum penalty for contributing to a nuclear weapon if lives are lost as a result of its actual use. At the other end of the spectrum, fines can constitute a criminal or an administrative penalty, depending on the legal system and the specific provisions regarding this issue. For example, the Republic of Korea (ROK, South Korea) created a special provision of mandatory export control training (referred to as an 'educational order'), as a possible consequence of violations (Bauer 2013).

As for money laundering, the Financial Crimes Enforcement Network (FinCEN) started to levy fines in 2002, and the volume grew quickly from \$0.1 million in 2002 to \$24.5 million in 2003 and finally to \$35 million in 2004. In 2005 ABN-AMRO Bank alone was fined to \$80 million (Takáts 2011).

In this regard a brief history of penalties related to money laundering (FinCEN 2016) are as following:

- Any person who fails to comply with any requirement of 31 U.S.C. 5330 or 31 CFR 103.41 shall be liable for a civil penalty of \$5000 for each violation in an amount up to \$5000 for each day a registration violation continues.

- Violations of Currency Transaction Rules could result in a fine of up to \$500,000 and ten years in jail.
- Penalties for conducting transactions with prohibited individuals or entities include civil penalties of up to \$250,000 per violation, fines as high as \$1,000,000 and/or jail sentences of up to twelve years.

Case study

The objective of this research study was to investigate and explore the impress of export compliance in the internationalization of firms. For the purpose of the research, the country of Iran was selected to indicate the function of international regulation and its performance on the global trade.

Method

This study utilized the case study method for its analysis. By virtue of this case study, it can be explained that how export compliance can help economies to overcome the conflicts and challenges in their internationalization. Therefore, the unit of data collection in this study is the economy level, country of Iran. In term of data collection, we benefit from the archived/ secondary data gathered through manuals, export compliance related websites (e.g., United Nations, State Department of U.S. etc.), and guidelines issued by various regulatory bodies (e.g., BIS). It was deemed appropriate to investigate the internationalization in accordance with the export compliance at the country level to receive a holistic view rather than the collective level, which limited to the individual firms.

Case studies can be distinguished from other research methods. For instance, an experiment deliberately takes away from the full complexity of a phenomenon, attending to a limited number of variables in a controlled environment (Yin 2013). A history deals with the inter-relationships between the phenomenon and the research context but usually deals with non-contemporary events (Eisenhardt and Graebner 2007). In this research, it is necessary to first explore the phenomenon of the export compliance's impact on international entrepreneurship.

Although case studies are a distinctive form of empirical inquiry, researchers have continued to highlight the drawbacks of the methodology. Firstly, the greatest concern for scholars has been over the lack of rigor in case study methodology (Yin 2013). This is primarily due to researchers' inability to conduct valid and rigorous cases that follow systematic procedures and are free from biased views influencing the direction of the research, or its findings (Eisenhardt and Graebner 2007; Yin 2013). However, bias can also enter into other research methods, for example, experiments or in designing questionnaires. This argument commonly relates to those case studies which rely solely on a single embedded case. However, this research is based on the use of single case study.

The sample in this case study was recruited through the use of purposive sampling strategy in which researcher selects the most challenging context/ economy which can inform an understanding of the problem and central phenomena in this study (Creswell 2013). In terms of the number of the cases for analysis, Perry (1998) argues that there are no precise guides to the number of cases that should be included. The literature also rarely specifies how many cases should be developed. Eisenhardt (1989) recommends that cases should be added until theoretical saturation is reached. Therefore in

this single case study, we selected Iran as a representative of a good example of export compliance as an emerging field in the last decades. Moreover, for interpretation, the documenting analysis with inductive approach has been used.

Study of Iran

One evidence of diverging political approach regarding the sanction regime is the case of Iran. Iran is a market of 90 million with a young population located in the Middle East. However, as a consequence of non-compliance with global regulations, this country has been subject to export compliance restrictions for over the years. Refer to economic, trade, scientific and military [sanctions against Iran](#), which have been imposed by the OFAC, or by the international community under U.S. pressure through the [United Nations Security Council](#).

Following the Iranian Revolution of 1979, the United States imposed economic sanctions against Iran and expanded them in 1995 to include firms dealing with the Iranian government. In 2006, as Iran refused to suspend its uranium enrichment program, the UN Security Council passed Resolution 1696,¹ result to increase the sanctions. U.S. sanctions initially targeted investments in [oil, gas, and petrochemicals](#), exports of refined petroleum products, and business dealings with the [Iranian Revolutionary Guard Corps](#) (IRGC). This encompasses [banking and insurance transactions](#) (including with the [Central Bank of Iran](#)), [shipping](#) services. On the other hand, individuals and/ or companies violating the trade embargo or sanctions are liable to criminal penalties including monetary fines up to \$10,000,000, freezing and/or seizure of assets, and imprisonment of up to 30 years (ECustoms [2017](#)).

Since 1979, the United States has led international attempts to use sanctions to affect Iran's policies in enrichment program because of their fear of advancements of Iran to produce [nuclear weapons](#) whilst Iran counteracts that the nuclear program is just for civilian purposes, including medical purposes and generating electricity. However, when negotiations, over the years, between Iran and western governments on that issue formed, they were cited as a reason to execute stronger economic sanctions on Iran as the additional UN resolutions.²

As the consequences of the talks, on 2 April 2015, in an agreement finalized by the western government (P5 + 1³) and ran itself in Switzerland, which deeply altered geopolitical circumstances have been instrumental in facilitating convergences between regional powers. Once the agreement is reached, finalized and implemented, it would remove most of the regarding the restrictions on Iran's nuclear programs. Thus, the P5 + 1, EU, and Iran reached the final international agreement as the Joint Comprehensive Plan of Action (JCPOA)⁴ in Vienna on 14 July 2015. On 20 July 2015, the Security Council unanimously adopted resolution 2231 (2015),⁵ endorsing the JCPOA which terminated the provisions of previous Security Council resolutions on the Iranian nuclear program. Eventually, Implementation Day has arrived and a number of Security Council resolutions⁶ terminated. However, sanctions can still be re-imposed in the event of significant non-compliance with JCPOA agreement.⁷

Therefore, thanks to the outcome of the Implementation Day, the UN has delisted a number of Iranian individuals and companies. However, hundreds of Iranian entities have not been removed from the blacklists and remained on the sanction list. Most of

these entities are related to the Iranian ballistic missile program of IRGC and the IRGC-Qods Force and also the ones connected to the human rights, which were not covered by JCPOA. According to the UN Security Council resolution 2231, restrictions on conventional arms program including arms imports and exports applied for a further five years, and limitations on missile program applied for a further eight years.

Results and discussion

At the first glance, it comes to the minds that export control and compliance regulations are a barrier, which threads firms for conducting an international business activity. Numerous rules, laws, and regulations create complexity and being compliant and resolving the challenges take energy and time from international oriented organizations. In another perspective, however, export compliance is not only a thread but also an opportunity to ensure their existence in the foreign markets. Depending on the size, as an ownership resource, and the nature of the firm, compliance programs might vary. For instance, some firms decide to appoint a single expert responsible for compliance endeavors as well as administration, performance, and coordination of export. Other kinds of organizations prefer to decentralize these authorities to a number of employees throughout the organization and supervise these responsibilities to ensure if essential compliance standards are maintained. By this means, enterprises can ensure that their international activities (like imports and exports) are safe both for themselves, which creates a safeguard to avoid imposing sanctions and for the global community to ensure that no harms thread the human. Moreover, export compliance creates this opportunity for the firms to prevent consequences of unwanted export compliance violations, including sanctions, blacklists, fines, penalties etc.

This study proves the role of export compliance in international business, where organizations need to be aware of export compliance and its consequences in their internationalization. Although there may be a good business opportunity for firms in such markets, neglecting the restrictive rules might put them into the terrible consequences. However, organizations or individuals must be scrupulous in protecting themselves against transactions with any of the controlled or associated entities on the extensive OFAC and other regulator's watch list.

Conclusions

This paper has intended to explore the role of export compliance in the internationalization of firms and also on the international entrepreneurship studies. Despite being a worldwide emerging topic, export compliance remains quite a cryptic definition and even searching for a generally accepted definition of this term may result in a pointless wandering the web. However, as EIFEC (2017) defined, export compliance is a multidisciplinary and specialized framework, which supports enterprises in compliance risk management, like the risk of reputation deterioration administrative or administrative sanctions or financial losses for non-compliance with rules, regulations, laws, and legislation, codes of conduct and good practice. Depending on the type of organizations and the scope of their activity, enterprises need to comply with the international regulations, mostly related to the dual-use items and money laundering issues. In this regard, EAR and ITAR and other international regulations restrict firms for their

global business activities but make create a safety level that prevents the potential conflicts between individuals, organizations, and nations.

This paper has suffered from the lack of scientific literature regarding the export control and compliance in the international business field. Future lines of research can explore the different perspectives of the export control system and its applications for facilitating international entrepreneurship among different nations.

Endnotes

¹S/RES/1696 (2006) <https://www.un.org/sc/suborg/en/s/res/1696-%282006%29> (2006)

²S/RES/1737 (2006) <https://www.un.org/sc/suborg/en/s/res/1737-%282006%29> (2006)

S/RES/1747 (2007) <https://www.un.org/sc/suborg/en/s/res/1747-%282007%29> (2007)

S/RES/1803 (2008) <https://www.un.org/sc/suborg/en/s/res/1803-%282008%29> (2008)

S/RES/1835 (2008) https://www.iaea.org/sites/default/files/unsc_res1835-2008.pdf (2008)

S/RES/1929 (2010) <https://www.un.org/sc/suborg/en/s/res/1929-%282010%29> (2010)

S/RES/2224 (2015) <https://www.un.org/sc/suborg/en/s/res/2224-%282015%29> (2015)

³China, France, Russia, the United Kingdom, the United States, Germany

⁴JCPoA (2015) <http://www.state.gov/e/eb/tfs/spi/iran/jcpoa/> (2015)

⁵S/RES/2231 (2015) <http://www.un.org/en/sc/2231/> (2015)

⁶1696 (2006), 1737 (2006), 1747 (2007), 1803 (2008), 1835 (2008), 1929 (2010) and 2224 (2015)

⁷United Nation Security Council 2231 (2015) <http://www.un.org/en/sc/2231/>

Acknowledgements

This paper does not acknowledge anyone.

Funding

No funding resources is used for this research.

Authors' contributions

This paper is created by equal contribution of all authors. All authors read and approved the final manuscript.

Competing interests

The authors declare that they have no competing interests.

Publisher's Note

Springer Nature remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

Author details

¹Department of Management, University of Turin, Turin, Italy. ²European Institute of Export Compliance, Brussels, Belgium.

Received: 21 September 2017 Accepted: 19 January 2018

Published online: 12 February 2018

References

- Acs, Z, Dana, L-P, Jones, MV. (2003). Toward new horizons: The internationalization of entrepreneurship. *Journal of International Entrepreneurship*, 1, 5–12 <https://doi.org/10.1023/A:1023257414794>.
- Agarwal, S, & Ramaswami, SN. (1992). Choice of foreign market entry mode: Impact of ownership, location and internalization factors. *Journal of International Business Studies*, 23(1), 1–27 <https://doi.org/10.2307/154882>.
- Baldwin, G. (2003). The new face of money laundering. *Journal of Investment Compliance*, 4(1), 38–41 <https://doi.org/10.1108/15285810310812997>.
- Bauer, S. (2013). WMD-related dual-use trade control offences in the European Union: Penalties and prosecutions. *EU Non-Proliferation Consortium: Non-Proliferation Papers*, 30, 16.
- Bauer, S. (2014). Penalties for export control offences for dual-use and export control Law : A comparative overview of six countries. *Stockholm international peace research institute-SIPRI*
- Biancone, PP, & Jafari Sadeghi, V (2016). Risk Management in Export Compliance: Concepts, procedures, and solutions. In V Cantino, P De Vincentiis, G Racca (Eds.), *Risk management: Perspectives and open issues. A multi-disciplinary approach*, (pp. 47–62). London, UK: McGraw-Hill Education.

- BIS. (2011). Export management and compliance division compliance Guidelines : How to develop an effective export management and compliance, (June). Retrieved from <http://www.bis.doc.gov>
- BIS. (2017). The elements of an effective export compliance program. *U.S. Department of Commerce Bureau of Industry and Security*, Sourcefire's hardware and software are subject to. Retrieved from <https://www.bis.doc.gov/index.php/documents/pdfs/1641-ecp/file>
- Blount, P.J. (2007). The ITAR treaty and its implications for U.S. space exploration policy and the commercial space industry. *Journal of Air Law and Commerce*, 73, 705–723.
- Brouthers, K.D., & Werner, S. (1999). Eclectic or framework Normative ? *Journal of International Business Studies*, 30(4), 831–844.
- Buchanan, B. (2004). Money laundering - a global obstacle. *Research in International Business and Finance*, 18(1), 115–127 <https://doi.org/10.1016/j.ribaf.2004.02.001>.
- Chandra, Y., & Wilkinson, I.F. (2016). Firm internationalization from a network-centric complex-systems perspective. *Journal of World Business*, 52(5), 691–701 <https://doi.org/10.1016/j.jwb.2017.06.001>.
- Coviello, N., & Munro, H. (1997). Network relationships and the internationalization process of small software firms. *International Business Review*, 6(4), 361–386 [https://doi.org/10.1016/S0969-5931\(97\)00010-3](https://doi.org/10.1016/S0969-5931(97)00010-3).
- Creswell, J.W. (2013). *Research design: Qualitative, quantitative, and mixed methods approach*. Vancouver: Sage publications.
- Dana, L.P., & Wright, R.W. (2009). International entrepreneurship: Research priorities for the future. *International Journal of Globalisation and Small Business*, 3(1), 90–134 <https://doi.org/10.1504/IJGSB.2009.021572>.
- Dunning, J.H. (1980). Toward an eclectic theory of international production: Some empirical tests. *Journal of International Business Studies*, 11(1), 9–31.
- Dunning, J.H. (1988). The eclectic paradigm of international production: A restatement and some possible extensions. *Journal of International Business Studies*, 19(1), 1–31. <https://doi.org/10.1007/978-1-137-54471-1>.
- ECustoms. (2017). Iran sanctions and embargoes - eCustoms. Retrieved October 16, 2017, from http://www.ecustoms.com/compliance_solutions/ofac_iransanctions.html#
- EIFEC. (2017). European code for export compliance EU-CEC. Retrieved from http://www.eifec.eu/docs/eu_cec.pdf
- Eisenhardt, K.M. (1989). Building theories from case study research. *Academy of Management Review*, 14(4), 532–550.
- Eisenhardt, K.M., & Graebner, M.E. (2007). Theory building from cases : Opportunities and challenges. *Academy of Management Journal*, 50(1), 25–32.
- Etemad, H., Wright, R.W., Dana, L.-P. (2001). Symbiotic international business networks: Collaboration between small and large firms. *Thunderbird International Business Review*, 43(4), 481–499 Retrieved from <http://onlinelibrary.wiley.com/doi/10.1002/tie.1009/abstract>.
- Ferreira, J.J., Fernandes, C.I., Ratten, V. (2017). International entrepreneurship research: Mapping and cognitive structures. *International Journal of Entrepreneurship and Small Business*, 30(4), 545–566.
- FinCEN. (2016). Financial crimes enforcement network, United States. Retrieved February 23, 2016, from <http://www.fincen.gov/>
- Fink, M., Harms, R., Kraus, S. (2008). Cooperative internationalization of SMEs: Self-commitment as a success factor for international entrepreneurship. *European Management Journal*, 26(6), 429–440 <https://doi.org/10.1016/j.emj.2008.09.003>.
- Hennart, J.F. (2014). The accidental internationalists: A theory of born Globals. *Entrepreneurship: Theory and Practice*, 38(1), 117–135 <https://doi.org/10.1111/etap.12076>.
- Hirst, P., & Zeitlin, J. (1992). Flexible specialization versus post-Fordism. In M. Storper, A. Scott (Eds.), *Pathways to industrialization and regional development*, (pp. 70–115). London: Routledge.
- IIEL. (2016). The international import-export institute. Retrieved February 26, 2016, from <http://usexportcompliance.com/regulations/>.
- Jafari Sadeghi, V., & Biancone, P. Pietro. (2017). How micro, small and medium-sized enterprises are driven outward the superior international trade performance? A multidimensional study of Italian food sector *Research in Business and Finance*. <https://doi.org/10.1016/j.ribaf.2017.07.136>.
- Jafari Sadeghi, V., Biancone, P.P., Giacoma, C., Secinaro, S. (2017). Export compliance: A missing component of international entrepreneurship. *International Journal of Business and Management*, 12(11), 103–110. <https://doi.org/https://doi.org/10.5539/ijbm.v12n11p103>.
- Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of a firm - a model of knowledge foreign and increasing market commitments. *Journal of International Business Studies*, 8(1), 23–32.
- Kuhlau, F., Hoglund, A.T., Eriksson, S., & Evers, K. (2013). The ethics of disseminating dual-use knowledge. *Research Ethics SAGE Journal*, 9, 6–19. <https://doi.org/10.1177/1747016113478517>.
- Leonidou, L.C. (2004). An analysis of the barriers hindering small business export development. *Journal of Small Business Management*, 42(3), 279–302 <https://doi.org/10.1111/j.1540-627X.2004.00112.x>.
- Maignan, I., & Lukas, B.A. (1997). Entry mode decisions: The role of managers' mental models. *Journal of Global Marketing*, 10(4), 7–22. <https://doi.org/10.1300/J042v10n04>.
- Masero, A. (2014). I came, ITAR, I conquered: The international traffic in arms regulations, 3D-printed firearms, and the first amendment. *Boston college law Review*, 55, 1291–1328 <https://doi.org/10.1525/sp.2007.54.1.23>.
- McDougall, P.P., Shane, S., Oviatt, B.M. (1994). Explaining the formation of international new ventures: The limits of theories from international business research. *Journal of Business Venturing*, 9(6), 469–487.
- McDougall-Covin, P., Jones, M.V., Serapio, M.G. (2014). High-potential concepts, phenomena, and theories for the advancement of international entrepreneurship research. *Entrepreneurship: Theory and Practice*, 38(1), 1–10 <https://doi.org/10.1111/etap.12090>.
- Nakos, G., & Brouthers, K.D. (2002). Entry mode choice of SMEs in central and Eastern Europe. *Entrepreneurship Theory and Practice*, 27(1), 47–63. <https://doi.org/10.1111/1540-8520.271003>.
- OECD (2008). *Removing barriers to SME access to international markets*. Singapore: OECD Publishing.
- Omar, N., Johari, Z.A., Arshad, R. (2014). Money laundering – FATF special recommendation VIII: A review of evaluation reports. *Procedia - Social and Behavioral Sciences*, 145, 211–225. <https://doi.org/10.1016/j.sbspro.2014.06.029>.
- Orr, K., & Lee, B. (2009). Demystifying Department of Commerce Export Controls for the biosafety professional guidance for evaluating efficacy of Clostridium Difficile spores. *Applied Biosafety*, 14(2) Retrieved from <http://www.abso.org>.
- Oviatt, B.M., & McDougall, P.P. (1994). Toward a theory of international new ventures. *Journal of International Business Studies*, 25(1), 45–64.
- Perry, C. (1998). Processes of a case study methodology for postgraduate research in marketing. *European Journal of Marketing*, 32(9/10), 785–802.

- Saunders, KM. (1999). The regulation of internet encryption technologies: Separating the wheat from the chaff. *The John Marshall Journal of Information Technology & Privacy Law*, 17(3), 945–960.
- Schneider, F., & Windischbauer, U. (2008). Money laundering: Some facts. *European Journal of Law and Economics*, 26(3), 387–404 <https://doi.org/10.1007/s10657-008-9070-x>.
- Scott, AJ. (1988). New industrial spaces: Flexible production organization and regional development in North America and Western Europe. *Studies in Society and Space*, Michigan.
- Singla, C., George, R., Veliyath, R. (2017). Ownership structure and internationalization of Indian firms. *Journal of Business Research*, 81, 130–143 <https://doi.org/10.1016/j.jbusres.2017.08.016>.
- Takáts, E. (2011). A theory of “crying wolf”: The economics of money laundering enforcement. *Journal of Law, Economics, and Organization*, 27(1), 32–78 <https://doi.org/10.1093/jleo/ewp018>.
- Thite, M., Wilkinson, A., Budhwar, P., Mathews, JA. (2016). Internationalization of emerging Indian multinationals: Linkage, leverage, and learning (LLL) perspective. *International Business Review*, 25(1), 435–443 <https://doi.org/10.1016/j.ibusrev.2015.06.006>.
- Troxel, JM. (2005). Office of Foreign Assets Control Regulations: Making attorneys choose between compliance and the attorney-client relationship. *The Review of Litigation*, 24(3), 637–667 <https://doi.org/10.1525/sp.2007.54.1.23>.
- Williams-Jones, B., Olivier, C., Smith, E. (2014). Governing “dual-use” research in Canada: A policy review. *Science and Public Policy*, 41(1), 76–93 <https://doi.org/10.1093/scipol/sct038>.
- Yang, S. (2002). Money laundering in China: A policy analysis. *Journal of Contemporary Criminal Justice*, 18(4), 370–380 <https://doi.org/10.1177/104398602237683>.
- Yin, RK. (2013). *Case study research: Design and methods*. Los Angeles: Sage publications.
- Zahra, SA, Newey, LR, Li, Y. (2014). On the frontiers: The implications of social entrepreneurship for international entrepreneurship. *Entrepreneurship Theory and Practice*, 38(1), 137–158.
- Zou, S, & Stan, S. (1998). The determinants of export performance: A review of the empirical literature between 1987 and 1997. *International Marketing Review*, 15(5), 333–356 <https://doi.org/10.1108/02651339810236290>.

Submit your manuscript to a SpringerOpen[®] journal and benefit from:

- Convenient online submission
- Rigorous peer review
- Open access: articles freely available online
- High visibility within the field
- Retaining the copyright to your article

Submit your next manuscript at ► [springeropen.com](https://www.springeropen.com)