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A STUDY OF FACTORS INFLUENCING PROMOTION OF IRANIAN FIRMS' EXPORT MARKET ORIENTED BEHAVIOR

Mohammad Ali Abdolvand¹, *Mitra Shabani Nashtae² and Reza Aghajan Nashtae³

¹*Department of Commercial Management, Tehran Science and Research Branch, Islamic Azad University, Tehran, Iran*

²*Department of Management and Accounting, Roudbar Branch, Islamic Azad University, Roudbar, Iran*

³*Department of Commercial Management, Rasht Branch, Islamic Azad University, Rasht, Iran*

**Author for Correspondence*

ABSTRACT

The present article intends to study a huge collection of antecedent factors including organizational structure, export systems, top management factors, export coordination, export dependence, and moderating factors such as environmental turbulences and export experiences. The purpose of this study is to test the model among Iranian exporting firms so that the degree of impact of each factor can be measured for optimal planning. Using the techniques of Confirmatory Factor Analysis (CFA) and Structure Equation Model (SEM), the hypotheses are tested. The findings reveal that, among the antecedent factors, export dependence and organizational structure with formalized and centralized dimensions have had the most and the least impact on the strengthening of export market oriented behavior respectively. On the other hand, the two moderating factors showed a great impact on the relationship between each antecedent factor with export market oriented behavior.

Keywords: *Export Market Oriented Behavior, Exports, Iranian Firms*

INTRODUCTION

Traditionally, export is regarded as having access to foreign markets. It is one of the commonly used international businesses that not only is an important issue in making national welfare but also is a desirable business for individual firms (Cadogan *et al.*, 2002). Three approaches paid attention to in export activities include: first an approach based on source which focuses on the firm's special assets such as experience, size, and merit that are of strategic value (Morgan *et al.*, 2004). The second approach is a paradigm of structure-behavior-performance that consider necessarily two considerable collections of antecedent factors in exporting performance: (a) structural characteristics of the market of exporting firm (Zou and Cavusgil, 2002), (b) the capability of the firm in achieving situational advantages in foreign markets which is programmed via efficient performance and competitive strategy (Morgan and Strong, 2003). The third approach is a relational paradigm which includes a network of business exchanges, and expansion of export is proposed as a successive development of relation with foreign buyers (Leonidou, 2003). In these approaches, it is supposed that export success is dependent on factors related to environment and organization (Cadogan *et al.*, 2012).

Literature on marketing indicates that one way to gain export success is to have a market oriented firm (Rose and Shoham, 2002). Although different studies report different findings on the result of market orientation, most of them indicate its positive impact on the performance of the organization (Kumar *et al.*, 2011). The concept of market orientation is very important in contemporary philosophy of marketing which was proposed in 1950s (McKitterick, 2001). It refers to capability of intelligent generation of information related to current and future needs of customers, intelligent dissemination of information among sections, and intelligence responsiveness (Jaworski and Kohli, 1993). The definition presented has had a behavioral perspective on the concept whereas some consider it a cultural method of thinking that is effectively and efficiently creating needed behavior in establishing superior value for customers and achieving constant superior performance for business (Narver and Slater, 1990). In addition to cultural and behavioral perspectives, perspectives of decision-making, strategic tendency, and customers orientation (Lafferty and Hult, 2001) were also matched with the its three key concepts: first, the concept

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of market orientation including customers, rivals, and other environmental factors; second, the concept refers to the ability of the firm in appreciating current situation of market and future prediction; third, the concept involves a total investment, not Just in marketing section (Hau *et al.*, 2013). In a comprehensive definition, market orientation refers to implementing an organizational culture that encourages behavior with the intention of collecting, disseminating information, and responding to customers, rivals, and other environmental factors that can benefit mostly to stakeholders and customers (Gray and Hooley, 2002). This definition entails all antecedents and implications both in internal and external environments.

Market orientation is introduced as export market oriented behavior in export activities. For each subject, the antecedents should be first evaluated so that the implications can be determined. The existing literature related to the role of different regulatory and antecedent factors for firms' export market oriented behavior is not rich. Most of the attempts have been on non-export businesses or to transfer regulatory and antecedent factors of non-exporting firms to exporting firms (Cadogan *et al.*, 2009; He and Wei, 2011; Murray *et al.*, 2007). On the other hand, most studies in this field are done in developed countries. Since, regulatory and antecedent factors for firms' export market oriented behavior is separate and specific to each country (Cadogan *et al.*, 2001) generalizing the findings of studies in developed countries to developing countries will be misleading.

The main contribution of the present research is studying factors influencing the strength of Iranian firms' export market oriented behavior which can act in developing economy. On the other hand, each of the regulatory and antecedent factors is defined as the forming part of them. Thus, through studying and analyzing a multi-level analysis in the framework of the introduced model of export behavior, the findings of the present research lead to promotion of understanding and appreciation of export oriented behavior among Iranian firms. As a result, a vivid and clear view can be presented in the realm of international businesses and their appropriate management in order to achieve desirable implications.

Review of Literature

The Concept of Export Market Oriented Behavior

The application of the concept of market orientation in export has an axial role in the survival and success of agencies that are active in international markets (Murray *et al.*, 2011). In a turbulent situations, the emphasis on export oriented activities for coordinating between the attempts made by firms and customers' needs in export markets has been influential (Matanda and Freeman, 2009). In the field of export activities, EMO plays a key role in achieving competitive advantage in foreign markets (Navarro-García *et al.*, 2014). Export market oriented behavior entails three behavioral components such as intelligent generation of information, intelligent dissemination of information among section, and intelligent responsiveness (Cadogan *et al.*, 2001; Cadogan *et al.*, 2002; Cadogan *et al.*, 2006) These components have been regarded as a behavioral perspective in defining market orientation (MO) (Jaworski and Kohli, 1993), whereas they are considered in the export field in the present research; that is, behavioral components that are inclined toward customers, rivals, and the environment of export market in a coordinated mechanism lead to making a superior performance in export markets for the firms and superior value for the customers (Hunt and Lambe, 2000).

Export intelligence generation refers to activities related to creating intelligent information from export market. Export intelligence dissemination refers to the extent of information disseminated among different units. And, export intelligence responsiveness refers to the degree a firm responds to customers, rivals, and the environment as a result of reaching intelligent information from export market (Cadogan *et al.*, 2001; Cadogan *et al.*, 2006).

Studies in the past have introduced a collection of different antecedents necessary for the behavior of EMO (Jaworski and Kohli, 1993; Murray *et al.*, 2007). Since antecedents act according to geographical conditions, based on the studies conducted in China that is not a western country and owns a developing economy (Chi and Sun, 2013), the needed antecedents in the present study consists of organizational structure, export systems, export coordination, top management factors, export dependence, and moderating factors such as environmental turbulences and export experiences that will be explained below.

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Organizational Structure

Organizational structure refers to the both levels of formalization and centralization related to export activities. Formalization is defined as a degree of framework in which rules and regulations, relationship, communications, norms, sanctions, and instructions are introduced (Jaworski and Kohli, 1993). Centralization refers to the lack of delegation of responsibility in decision-making about export market, especially, the lack of cooperation among members of export groups in decision-making (Cadogan *et al.*, 2001).

If the group members participate in decision-making, lack of centralization in decision making takes place (Cadogan *et al.*, 2006). In the present study, in line with formalization, centralization, lack of cooperation among group members, is paid attention to.

Export Systems

Export systems refer to educational systems and rewarding systems related to the export oriented organization. Rewarding systems are designed in order to encourage members to focus on increasing customer satisfaction. Educational systems help staff be more customers oriented in export markets through teaching them the needed skills (Cadogan *et al.*, 2006). It should be clear now that to what extend these fields require investment.

Top Management Factors

Top management factors include the commitment of firm management to exporting and the emphasis on firms' export market oriented behavior.

Commitment of firm management is related to the degree to which the management proposes its expectations and positive attitudes toward profit gaining and the risk-taking of export market, and sends positive signals to the members so that they can fulfill customers' needs in the export markets (Cadogan *et al.*, 2001).

Committed managers can plan very precisely, reduce the lack of certainty, and increase the effectiveness of marketing strategies. As a result, commitment is an essential issue in the long term and creates reciprocal participatory behavior among staff (Styles *et al.*, 2008; Leonidou *et al.*, 2006).

Commitment consists of three emotional, conservative, and moral sections. Emotional commitment in export refers to the tendency of exporting firm in making and keeping its relationship with its foreign customers due to making use of these relations. Conservative or constant commitment indicates the tendency of the firm in keeping relation to prevent the cost of losing these relations. Finally, moral commitment refers to keeping relations with foreign customers (Bloemer *et al.*, 2013).

Export Coordination

Export coordination refers to several interrelated issues that overlap each other in some cases such as common relations between export staff and non-export staff, organizational culture emphasizing acceptance of responsibilities and cooperation, and the lack of inefficient controversies and common work divisions to reach objectives (Cadogan *et al.*, 2001). It needs to be mentioned that coordination plays an important role in creating unity in the capabilities of a firm as a unified whole (Cadogan *et al.*, 2002).

Export Dependence

Export dependence refers to the degree on which a firm relies to continue its activities in export. The more a firm is dependent on export for gaining more profit, the more sources it needs for collecting and disseminating information from export market (Cadogan *et al.*, 2001).

Environmental Turbulence

Environmental turbulence refers to level of unsafety in a foreign environment that necessitates firms to change its strategies in order to respond to customers' needs (Gaur *et al.*, 2011). Environmental turbulence involves factors such as market dynamicity, competitive turbulence, technological turbulence, and rules turbulence. Market dynamicity refers to degree of the change in firm need and the taste of customers of exporting firms. Competitive turbulence refers to the degree to which a firm needs to respond against the plans of its rivals. Technological turbulence refers to the speed of involvement of technology in changes of export operations. Rules turbulence refers to the degree that the lack of certainty of foreign rules influence firm export operation (Cadogan *et al.*, 2001; Jaworski and Kohli, 1993).

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Export Experience

Export experience of a firm refers to its background of export operation in different countries. It is expected that with the increase in export experience, familiarity with information sources and the way to use those sources in export increase as well (Cadogan *et al.*, 2001). Export experience is referred to as either the number of countries for whom export is done or the number of years the export is done. In general, the knowledge level of a firm can be deemed as the level of export experience (Cadogan *et al.*, 2002). The management of knowledge and the process of acquiring it form the main factor in gaining sustainable competitive advantage and international success (Villar *et al.*, 2014). In turbulence condition of market, exporting firms move from existing knowledge toward new knowledge that entail new opportunities to be successful in new markets (Hughes *et al.*, 2010; Morgan *et al.*, 2012). With regard to resources and abilities, the dynamic capabilities of knowledge management help firms match themselves with environmental change quickly (Lavie, 2006).

Hypotheses and Conceptual Model

Antecedents of EMO Behavior

Studies in the past have reported existence of relationship between introduced antecedents and the behavior of EMO (Cadogan *et al.*, 2001; Cadogan *et al.*, 2002; Cadogan *et al.*, 2006; Rose and Shoham, 2002; Chi and Sun, 2013). Since the effects of antecedents are different in different environments, this relationship has been studied in Iranian exporting firms in the present study. Thus, the following hypotheses are presented:

- H1: There is a positive relationship between organizational structure and the behavior level of EMO.
- H2: There is a positive relationship between export systems and the behavior level of EMO.
- H3: There is a positive relationship between top management factors and the behavior level of EMO.
- H4: There is a positive relationship between export coordination and the behavior level of EMO.
- H5: There is a positive relationship between export dependence and the behavior level of EMO.

Moderating Factors

Studies in the past have tackled relationship between antecedents and the behavior level of EMO (Cadogan *et al.*, 2006; Rose and Shoham, 2002; Qureshi and Mian, 2010; Chi and Sun, 2013). In the present study, it is necessary to investigate the effect of introduced regulators on the defined relation by changing the environment. The variable of environmental turbulence is considered in the relationship between organizational structure and the behavior level of EMO so that the level of formalization and centralization can be displayed with regard to different aspects of environmental turbulence. Therefore, the following hypotheses are presented to reach the objectives:

- H6: Environmental turbulence influences the relationship between organizational structure and the behavior level of EMO.
- H7: Export experience influences the relationship between organizational structure and the behavior level of EMO.
- H8: Export experience influences the relationship between export systems and the behavior level of EMO.
- H9: Export experience influences the relationship between top management factors and the behavior level of EMO.
- H10: Export experience influences the relationship between export coordination and the behavior level of EMO.
- H11: Export experience influences the relationship between export dependence and the behavior level of EMO.

Conceptual Model

Based on the literature reviewed, the model for export market oriented behavior investigated in the present study is shown in figure 1.

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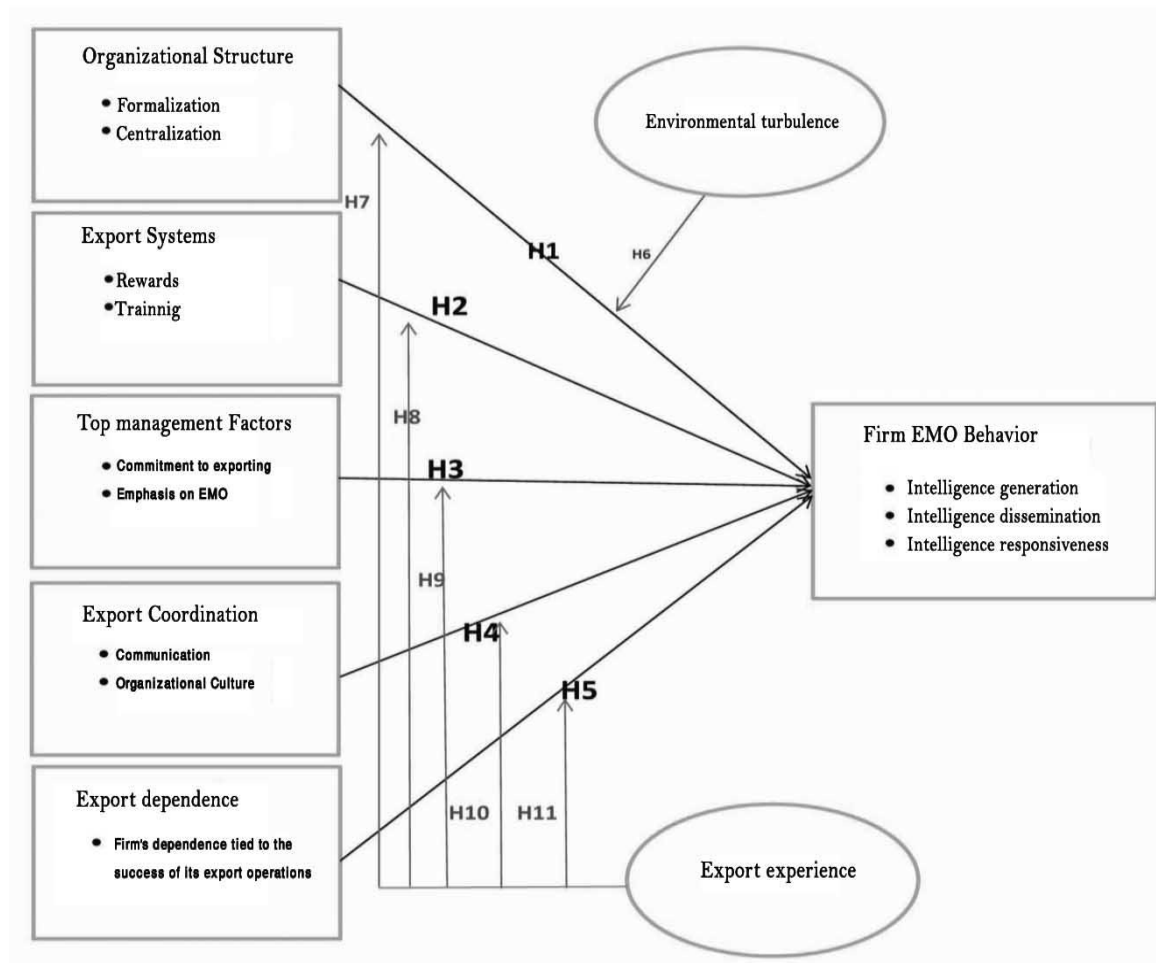


Figure 1: Research model

MATERIALS AND METHODS

Methodology

In the present study, questionnaires were distributed among 40 export units in Giullan province. The existence of high potentials in the region has caused the researcher to investigate the factors that strengthen export market oriented behavior. The study has been conducted between November and September in 2014. Out of 400 questionnaires distributed among the managers of the exporting firms at different levels of export, 382 acceptable questionnaires were used for analysis. 63 and 37 percent of the sample includes male and female respectively. All respondents enjoy a degree of BA or higher degrees. In order to achieve the objectives of the study, measurement items suitable for the present study were selected based on the previous studies (Cadogan *et al.*, 2001; Cadogan *et al.*, 2002; Cadogan *et al.*, 2006; Chi and Sun, 2013). The managers were asked to respond in 5point Likert scales ranging from completely disagree (1) to completely agree (5).

To study and test the hypotheses, the techniques of Confirmatory Factor Analysis (CFA) and Structure Equation Model (SEM) were utilized. Due to multi-level feature of the model, the presence of moderating factors, and the incapability of EQS, AMOS, LISREL, etc. software, the method of Partial Least Square (PLS) along with SMARTPLS, version 3 was used to confirm the model.

The estimation method of PLS acts in such a way that that the resulted model has the highest explanatory and commentary power; that is, the model can predict highly precisely the final dependent variable.

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RESULTS AND DISCUSSION

Findings

Measurement of Structure Model

Before delving into testing hypotheses and the conceptual model of the present study, it is necessary to get ensured of the appropriateness of the measurement models of endogenous and exogenous variables. The analysis of confirmatory factor is one of the oldest statistical techniques which are used to study the relationship among latent and observed factors and indicate the measurement model. This technique that deals with the estimation of parameters, hypothesis testing with regard to the number of basic factors among criteria determines which factors corresponds with each other.

Table 1 shows average variance extracted, discriminant validity, internal consistency (Chronbach Alpha (CA), composite reliability (CR)), and average. Chronbach Alpha measures the degree of simultaneous loading of latent factors when a factor increases. Chronbach Alpha must not be below 0.7. Composite reliability is, in fact, the proportion of sum of loading factors of latent variables to total loading factors plus error variance. It must not be lower than 0.6. It is also known as Dillon-Goldstein coefficient (Chin, 1998). In addition to construct validity used to investigate the significance of selected criterion for measuring the constructs, discriminant validity is also considered in the present study. It means that each criterion measures its own construct only, and they are combined in such a way that they can be easily separated. By the use of average variance extracted (AVE), it was clear that all constructs in the study enjoy an AVE higher than 0.5.

One row of table 1 shows the average of responses. The results reveal that the respondents' evaluation of research variables was desirable since the average of responses is over 3. Table 1 shows the correlation matrix and discriminant validity criterion among research variables. On the main diameter of this matrix lies the second root of average variance extracted (AVE). Confirming the discriminant validity requires higher amount of second root for average variance extracted (AVE) than all correlation coefficient of the variable related to the rest of the variables. Fornell-Larcker criterion is shown below the main diameter of Pearson correlation coefficient (Fornell and Larcker, 1981). The positive correlation is an indication of positive and direct relationship, and negative coefficient is an indication of negative and reverse relation between two variables.

Table 1: Validity, reliability and descriptive index and correlation matrix

Latent variables	1	2	3	4	5	6	7	8
1-Export experience	0.810							
2-Environmental turbulence	0.301	0.924						
3-Firm EMO behavior	0.708	0.434	0.857					
4-Organizational structure	0.314	0.248	0.388	0.946				
5-Export systems	0.468	0.379	0.611	0.556	0.889			
6-Top management factors	0.304	0.164	0.369	0.319	0.113	0.934		
7-Export coordination	0.206	0.148	0.303	0.176	0.052	0.359	0.786	
8-Export dependence	0.608	0.335	0.739	0.282	0.489	0.194	0.045	0.964
Average Variance Extracted	0.657	0.854	0.734	0.895	0.791	0.873	0.618	0.929
Composite Reliability(CR)	0.884	0.933	0.893	0.852	0.848	0.935	0.890	0.963
Cronbach Alpha (CA)	0.830	0.916	0.867	0.789	0.781	0.919	0.849	0.923
Mean	3.929	3.401	3.701	3.261	3.102	3.309	3.321	3.255

* All correlation coefficients are positive and meaningful at lower than 0.01 level of error.

** Shows the main diameter of the second root for the determined average variance (AVE).

Diagram 1 and 2 show structural equation model estimating standard coefficient with or without the presence of regulatory variables. In this model, the variable of organizational structure, export systems, top management factors, export coordination, export dependence and two variables of environmental turbulence and export experience are exogenous, and the variable of export market oriented behavior is

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endogenous. In this diagram, coefficients are divided into two groups: The first group is titled as measurement coordinates that indicate the relationship between latent variable (oval) and observed variables (rectangular). These coordinates are called loading factors. The whole amount of loading factor has become higher than 0.5 and the calculated t for each loading factor of each indicator with construct or its latent variable is above 1.96. Thus, the homogeneity of questions in the questionnaire for measuring the concepts can be considered valid in this stage. The second group belongs to structure equations that indicate the relationship between latent variables with each other and are used for hypothesis testing. This coefficient is called path coefficient.

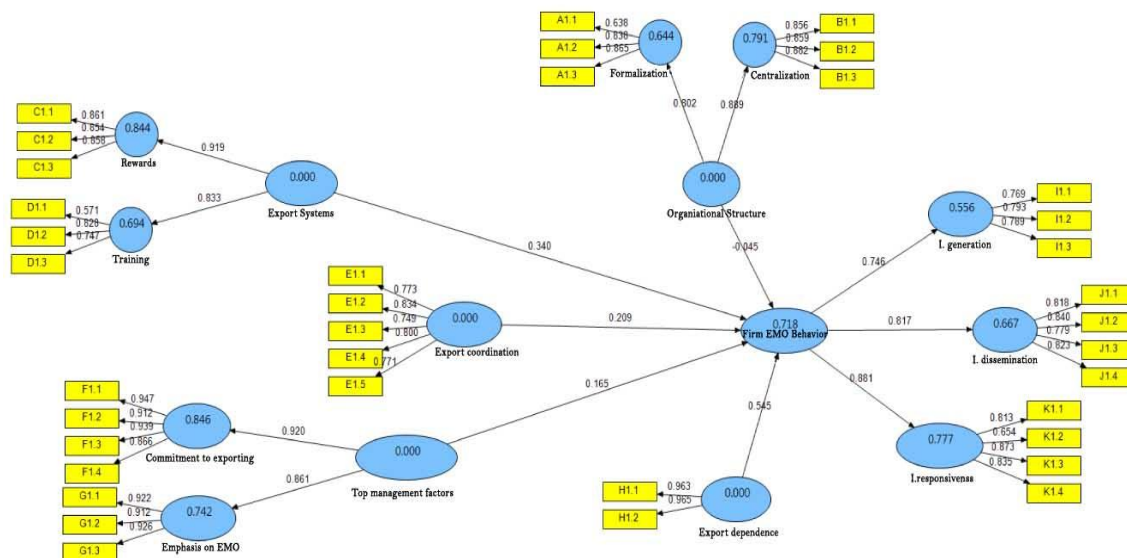


Diagram 1: Model without regulatory variables estimating standard coefficient

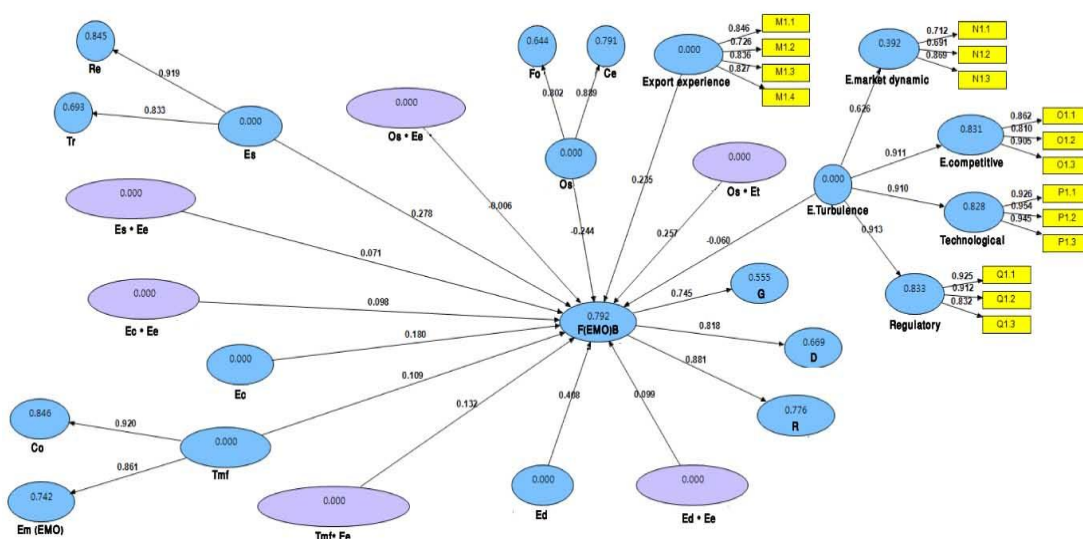


Diagram 2: Model with regulatory variables estimating standard coefficient

Diagram 3 and 4 show bootstrap model at meaningful omnipotence of coefficient (t -value). This model, in fact, tests all measurement coordinates (loading factors) and structure model by the use of t . According to this model, path coefficient and loading factor enjoy a 0.95 level of significance if the t is higher than 1.96.

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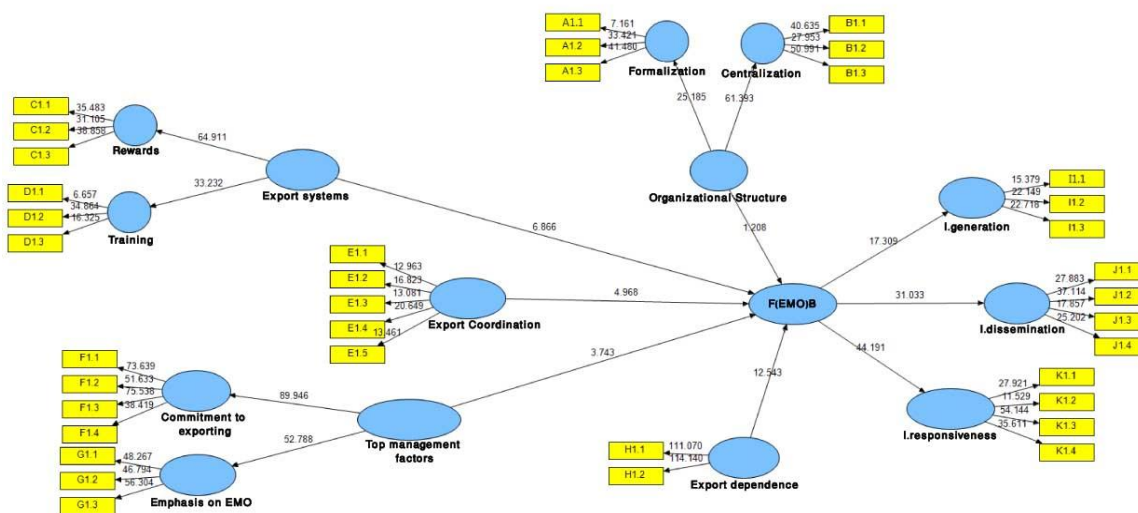


Diagram 3: Bootstrap model without the regulatory variables at meaningful omnipotence of coefficient (t-value)

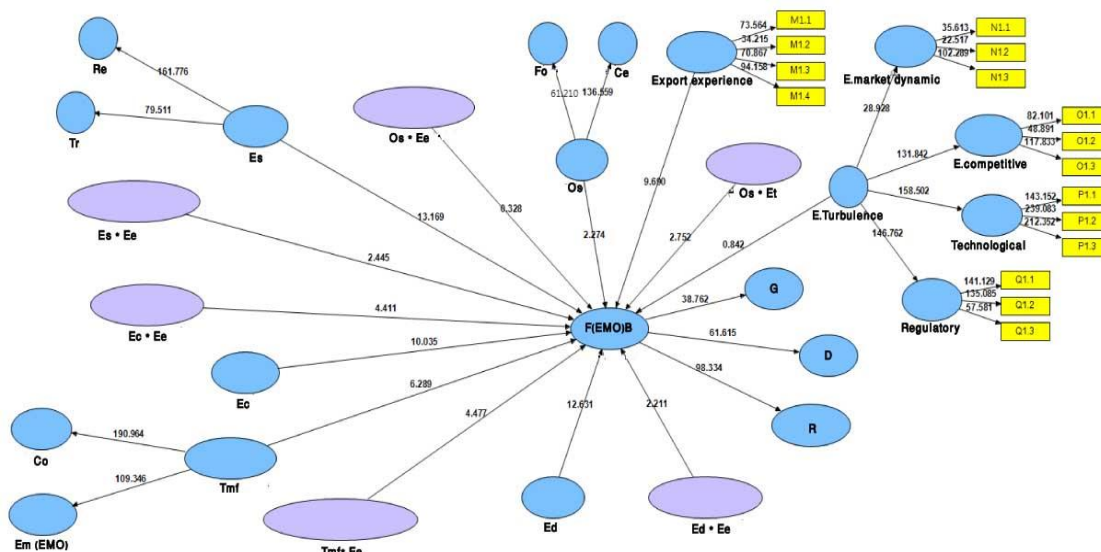


Diagram 4: Bootstrap model with the regulatory variables at meaningful omnipotence of coefficient (t-value)

Results of Studying the Hypotheses

Based on the findings reached from the coefficients of structure model and t , the variables of export systems, top management factors, export coordination, and export dependence have had meaningful effect on export market oriented behavior at the error level lower than 0.5 (the t for this parameter is estimated to be bigger than 1.96 based on the five percent error level in rejecting null hypothesis for output amount of 1.96 to -1.96). Regarding the beta coefficient being positive with 95 percent of significance, it can be said that the relationship between variables and the variables of export market oriented behavior have been positively meaningful. However, the variable of organizational structure has not had meaningful effect on the export market oriented behavior at error level below 0.5. (The t for this parameter is estimated to be bigger than 1.96 based on the five percent error level in rejecting null hypothesis for input amount of 1.96 to -1.96). The coefficient of determination has become 0.718. Therefore, all variables of

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export systems, top management factors, export coordination, export dependence, and organizational structure have been able to explain %71.8 of the export market oriented behavior of the firms. With regard to path coefficient, it can be said that the contribution of export dependence to making effect has been bigger than the other four variables, and the contribution of organizational structure has been the lowest with smallest path coefficient.

Table 2: Beta coefficient, t- value, R², and the results of hypothesis testing

Hypothesis	Hypothesized path	Path coefficients (β)	T-value	R ²	Results
H1	Organizational structure → Firm EMO behavior	-0.0447	-1.208	0.718	Not Supported
H2	Export systems → Firm EMO behavior	0.3398	6.866		Supported
H3	Top management factors → Firm EMO behavior	0.1653	3.743		Supported
H4	Export coordination → Firm EMO behavior	0.2091	4.968		Supported
H5	Export dependence → Firm EMO behavior	0.5448	12.543		Supported
H6	Organizational structure * Environmental turbulence → Firm EMO behavior	0.2573	2.7515	0.792	Supported
H7	Organizational structure * Export experience → Firm EMO behavior	-0.0063	-0.328		Not Supported
H8	Export systems * Export experience → Firm EMO behavior	0.0705	2.4446		Supported
H9	Top management factors * Export experience → Firm EMO behavior	0.1318	4.4769		Supported
H10	Export coordination * Export experience → Firm EMO behavior	0.098	4.4108		Supported
H11	Export dependence * Export experience → Firm EMO behavior	0.0986	2.211		Supported

$|t| > 1.96$ Significant at $P < 0.05$, $|t| > 2.58$ Significant at $P < 0$

In this model, the regulatory variable of export experience has influenced the relationship between the variables of export systems, top management factors, export coordination, export dependence, and organizational structure with the export market oriented behavior. Four out of five variables including export systems, top management factors, export coordination and export dependence have been confirmed (the t for this parameter is estimated to be bigger than 1.96 based on the five percent error level in rejecting null hypothesis for output amount of 1.96 to -1.96). However, the variable of export experience has not meaningfully influenced the relationship between organizational structure and the export market oriented behavior (the t for this parameter is estimated to be bigger than 1.96 based on the five percent error level in rejecting null hypothesis for input amount of 1.96 to -1.96). The regulatory variable of environmental turbulence as the second regulatory variable has been able to have positive and meaningful

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effect on the relationship between organizational structure and the export market oriented behavior (the t for this parameter is estimated to be bigger than 1.96 based on the five percent error level in rejecting null hypothesis for output amount of 1.96 to -1.96). Table 2 shows the results found.

Regarding the formula introduced by Chin (2003), the degree of the effect of regulatory variables, environmental turbulence and export experience, can be estimated. If the square f is smaller than 0.02, the regulatory variables has had insignificant effect on the relationship. If the square f is between 0.02 and 0.15, the effect of regulatory variable can be poor. In case this amount is between 0.15 and 0.35, it can be said that the regulatory variable has had a moderate effect on the relationship. However, the amount over 0.35 indicates a stronger and higher effect of regulatory variable on the relationship. The square f for this model has been over %35; therefore, it can be claimed that the effect of regulatory variables have been strong.

$$f_1^2 = \frac{R_{\text{With Moderator}}^2 - R_{\text{Without Moderator}}^2}{1 - R_{\text{With Moderator}}^2} = \frac{0.792 - 0.718}{1 - 0.798} = 0.366$$

Discussion and Management Implications

Strengthening the export market oriented behavior of firms that leads to an increase in sufficiency and competitive advantage (Moen and Servais, 2002) of firms to attend the arena of international business is a very important factor. Based on the analysis of the research findings, the supposed antecedents have effectively influenced the export market oriented behavior ($R^2=0.718$). This result is in line with the results found in previous studies. As it became clear in the results, the variable of organizational structure with the dimension of formalization and centralization is regarded as an obstacle in strengthening the firms' export market oriented behavior of firms in the framework of being responsive and flexible in turbulent environment. This issue shows that less formalized and decentralized structure in which the staff are permitted in decision making contribute to the development of the behavior. In Iran, this issue is influenced by the staffs' holistic characteristics.

Among other antecedent variables, export dependence, export systems, export coordination, and top management factors have respectively had the highest effect on the export market oriented behavior of firms. Therefore, managers can consider the degree of their program strength in each of the variable dimension based on the priority just mentioned. The more firms rely on the export activities to gain success, the more staff links their success to export success (Chi and Sun, 2013). Matched with previous studies, the role of educational and rewarding systems (export systems) has been very clear in strengthening the export market oriented behavior of firms (Cadogan *et al.*, 2006; Moen and Servais, 2002; Chi and Sun, 2013; Bloemer *et al.*, 2013). In the present study, export coordination is introduced as another effective factor that indicates a coordinated relationship between different sections of an organization with export section. This result is not in line with some previous studies (e.g., Chi & Sun, 2013). The reason can be searched in the type and size of firms and different environments. Following the findings reached, due to the strong effect of regulatory variable on the introduced relationships, attending to their role and presence is of prime importance. Consequently, attending to environmental turbulences and export experiences is important in strengthening each field. In general, the export market oriented behavior of firms plays an important role in achieving success in foreign business activities. Exporting firms should tend themselves toward foreign customers, monitor the performance of their rivals, and improve their export activities based on export market information by the use of cross-functional coordination (Bloemer *et al.*, 2013). As a result, strengthening the export market oriented behavior of firms has a supporting role in gaining competitive advantages.

Limitations and Future Studies

With regard to desirably managerial achievements and applications, there are some limitations that need to be mentioned. Since the introduced model is studied in a limited environment in Iran, one needs to be cautious in generalizing the findings to other regions. However, studying the proposed model in the other regions may influence the results found here and improves the validity of findings in the present study.

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On the other hand, cross-industrial studies may be conducted on the export market oriented behavior of firms. The results of such studies can be very good criteria for generalizing to other developing economies. Supposing that the strengthening of the export market oriented behavior of firms is useful in all conditions, the present study has been conducted. Future researchers can study this supposition in only one certain field in Iran or other countries. In addition, they can also study the effect of demographic variables such as ownership and sale income which are not dealt with in the present study, on the export market oriented behavior of firms in the future.

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