



City Research Online

City, University of London Institutional Repository

Citation: He, X., Brouters, K. D. and Filatotchev, I. (2018). Market Orientation and Export Performance: The Moderation of Channel and Institutional Distance. *International Marketing Review*, 35(2), pp. 258-279. doi: 10.1108/IMR-09-2015-0194

This is the accepted version of the paper.

This version of the publication may differ from the final published version.

Permanent repository link: <https://openaccess.city.ac.uk/id/eprint/15104/>

Link to published version: <http://dx.doi.org/10.1108/IMR-09-2015-0194>

Copyright: City Research Online aims to make research outputs of City, University of London available to a wider audience. Copyright and Moral Rights remain with the author(s) and/or copyright holders. URLs from City Research Online may be freely distributed and linked to.

Reuse: Copies of full items can be used for personal research or study, educational, or not-for-profit purposes without prior permission or charge. Provided that the authors, title and full bibliographic details are credited, a hyperlink and/or URL is given for the original metadata page and the content is not changed in any way.



Market Orientation and Export Performance: The Moderation of Channel and Institutional Distance

Journal:	<i>International Marketing Review</i>
Manuscript ID	IMR-09-2015-0194.R3
Manuscript Type:	Original Article
Keywords:	Export, International marketing, Performance

SCHOLARONE™
Manuscripts

Market Orientation and Export Performance: The Moderation of Channel and Institutional Distance

Abstract:

Purpose: Market orientation (MO) has been shown to provide a valuable resource-based advantage in domestic markets. How internationalizing firms from emerging markets can benefit from this capability is more complex while facing institutional distance. This research develops and tests theory to suggest that although MO capabilities can enhance export performance, the structure where they are deployed, namely the export channel a firm uses and the market in terms of institutional distance from home, can affect the benefits derived from MO.

Design/methodology/approach: With a sample of Chinese exporters and data collected via questionnaire survey, this research uses a multiple regression model to test the hypotheses.

Findings: It finds that firms with stronger MO capabilities can improve export performance by using hierarchical channels and by exporting to more institutionally distant markets where MO provide greater value.

Originality/value: This research claims to make several important contributions to the literature by providing a better understanding of how firms can successfully deploy MO capabilities when exporting.

Key Words: market orientation, export performance, export channel, institutional distance

Market Orientation and Export Performance: The Moderation of Channel and Institutional Distance

1. Introduction

There has been consensus that market orientation (MO) capabilities can lead to a firm's superior business performance (Ellis, 2006; Kirca, Jayachandran, & Bearden, 2005). Companies from emerging markets like China have used MO for competitive advantage and better performance (Murray, Gao, & Kotabe, 2011; Song, Wang, & Cavusgil, 2015). MO focuses on learning from customers, competitors and the external environment, processing that information internally and utilizing it to achieve success (Day, 1994; Kohli & Jaworski, 1990; Sinkula, 1994). Recent scholarship also reveals that MO capabilities are particularly important within the context of exporting as MO helps firms learn about the foreign market and adjust strategies and products to better conform to market demand (Boso, Cadogan, & Story, 2013a; Brettel, Engelen, Heinemann, & Vadhanasindhu, 2008; Cadogan, Diamantopoulos, & Siguaw, 2002; Chung, 2012; Dong, Hinsch, Zou, & Fu, 2013; Ellis, 2007; Julian, Mohamad, Ahmed, & Sefnedi, 2014; Madsen, Sørensen, & Torres-Ortega, 2015; Murray et al., 2011). How to maintain competitive advantage when rivals also turn market oriented becomes a challenge to businesses (Kumar, Jones, Venkatesan, & Leone, 2011), especially international firms that face complicated domestic and foreign environments. This research seeks to address this challenge by proposing and testing such a mechanism that deploying MO capabilities in suitable structures including export channel and market in terms of institutional distance from home can further boost export performance.

Exporting is an important strategy because it allows firms to expand market base, gain new customers and improve firm performance (Cavusgil & Zou, 1994; Sousa, 2004). It enables firms to leverage their existing capabilities across countries and create scale economies otherwise

1
2
3 unavailable domestically (Leonidou, Katsikeas, Palihawadana, & Spyropoulou, 2007). It
4
5 provides new market opportunities in which the firm can sell product innovations, as well as
6
7 facilitate the development of connections with important constituencies in diverse markets,
8
9 allowing firms to obtain key resources economically (Cavusgil & Zou, 1994; Leonidou et al.,
10
11 2007). Exporting is especially important for emerging market firms to engage in international
12
13 markets as it requires fewer resources and involves fewer risks, and offers more flexibility
14
15 compared with other foreign entry modes such as equity investment (Liu, Li, & Xue, 2011).
16
17 Knowing how to use MO capabilities for firms' export success is critically important (Cadogan,
18
19 Kuivalainen, & Sundqvist, 2009).
20
21
22
23

24
25 Past research examining the relation between MO and export performance shows at least two
26
27 significant shortcomings. First, these studies do not consider the export channel, an
28
29 organizational structure, that firms use to deploy MO capabilities when they enter foreign
30
31 markets. The resource-based theory (RBT)¹ maintains that the way a firm structures its
32
33 operations impacts its ability to fully benefit from firm-specific capabilities and create a
34
35 competitive advantage; possession of capabilities does not lead to superior performance unless
36
37 the firm is structured in a way that allows it to take advantage of these capabilities (Barney, 2014;
38
39 Barney, Ketchen Jr., & Wright, 2011; Kozlenkova, Samaha, & Palmatier, 2014). Hence a firm
40
41 may achieve better performance in a specific export market if it considers not only the strength
42
43 of its MO capabilities but also the structures through which these capabilities are used. Export
44
45 channel, in the form of an organizational structure, is one of the most important exporting
46
47 strategies as it is the platform for export firms to deliver and realize the value in the target market,
48
49
50
51
52
53

54
55 ¹ We use RBT instead of RBV following Barney, Ketchen Jr. and Wright (2011, p. 1303) that "there are strong
56
57 indications that RBT has reached maturity as a theory... scholars are increasingly using the term resource-based
58
59 theory instead of resource-based view. This reflects the fact that resource-based research has reached a level of
60
precision and sophistication such that it more closely resembles a theory than a view".

1
2
3 without which there won't be any export (He, Brouthers, & Filatotchev, 2013; Klein, Frazier, &
4
5 Roth, 1990; Leonidou, Katsikeas, & Samiee, 2002). Past research has largely ignored how MO
6
7 and export channel work together to increase performance.
8
9

10 The second shortcoming is that these studies do not consider the institutional heterogeneity
11
12 of foreign markets (Eden & Miller, 2004; Salomon & Wu, 2012; Schwens, Eiche, & Kabst, 2011;
13
14 Shenkar, Luo, & Yeheskel, 2008; Xu & Shenkar, 2002), assuming that MO capabilities are
15
16 equally effective in different countries. MO may be related to performance subject to contexts
17
18 (Dobni & Luffman, 2003). Every country, however, has a unique institutional environment that
19
20 impacts how a firm does business, manages people, connects with customers and interacts with
21
22 the government (Kostova & Zaheer, 1999). A country's institutional environment includes the
23
24 regulative, normative and cognitive factors that shape firm, consumer and employee behaviors
25
26 (Scott, 1995). Like most RBT studies, past MO exporting studies tend to assume that resource-
27
28 performance inter-relationships are free of the institutional context (Boso, Story, & Cadogan,
29
30 2013b; Priem & Butler, 2001; Sirmon, Hitt, & Ireland, 2007). However, when a firm
31
32 internationalizes it needs to be aware that differences in institutional setting may make the
33
34 exploitation of MO capabilities more or less effective (Brouthers, Brouthers, & Werner, 2008;
35
36 Kostova & Zaheer, 1999).
37
38
39
40
41
42

43 This research seeks to contribute to the literature by addressing both these issues. Building on
44
45 the resource-structure-performance perspective of RBT and institutional theory it theorizes that a
46
47 firm's ability to garner value and achieve superior export performance from its MO capabilities
48
49 in foreign markets will depend not only on the strength of these capabilities, as suggested by
50
51 previous research (e.g., Cadogan et al., 2002; Madsen et al., 2015; Murray et al., 2011), but also
52
53 upon the export channel the firm uses in a specific market as well as the difference in
54
55
56
57
58
59
60

1
2
3 institutional environments between the home and export market. Specifically, this research aims
4
5 to make two important contributions. Drawing on the RBT, it adds to the literature by developing
6
7 and testing theory that suggests the export channel a firm utilizes to deploy its MO capabilities in
8
9 foreign markets will moderate the association between MO and market-specific export
10
11 performance. The RBT suggests that the way a firm deploys its resources or capabilities has a
12
13 significant impact on performance; firms that align their organizational structure with the
14
15 capabilities they possess will achieve superior performance (Barney, Wright, & Ketchen, 2001;
16
17 Brouthers et al., 2008; Kozlenkova et al., 2014). Expanding this theoretical perspective, this
18
19 research theorizes that firms with strong MO capabilities will achieve higher export performance
20
21 when they use hierarchical export channels rather than if they use market-based or hybrid
22
23 channels.
24
25
26
27
28

29 In addition, it enriches the literature by theorizing and testing the notion that institutional
30
31 differences between the export market and a firm's home country also moderates the MO-export
32
33 performance relation by impacting the effectiveness of deploying MO capabilities in foreign
34
35 markets. Institutional theory suggests that differences in regulative, normative and cognitive
36
37 environments can impact the value of capabilities like MO (Priem & Butler, 2001; Sirmon et al.,
38
39 2007). Building on this perspective this research develops theory to explain how institutional
40
41 differences can impact the value of MO capabilities when firms export.
42
43
44
45

46 This research provides empirical analysis of our theoretical inferences by using a hand-
47
48 collected sample of Chinese exporting firms. Examining the export performance of each firm in
49
50 one specific market, our analysis indicates that MO leads to better export performance when
51
52 firms use hierarchical export channels and when firms expand into institutionally distant markets,
53
54 compared with institutional close markets. Thus building on the RBT and institutional theory we
55
56
57
58
59
60

1
2
3 develop a unique perspective to explain how a firm can harvest greater value from its MO
4 capabilities when exporting to foreign markets. As theorized our study indicates that the choice
5 of export channel can significantly influence the firm's ability to garner value from its MO
6 capabilities. In addition, our study provides evidence that MO appears to provide greater value in
7 institutionally distant markets, helping firms with strong MO capabilities out compete rivals in
8 those markets.
9
10
11
12
13
14
15
16
17
18
19

20 **2. Theory and hypotheses**

21
22 MO becomes an important source for competitive advantage for organizations in emerging
23 markets (Li & Zhou, 2010; Song et al., 2015). Research on MO has focused largely on domestic
24 activities (Kirca et al., 2005) examining the antecedents and measurement of MO (Kohli &
25 Jaworski, 1990; Narver & Slater, 1990; Slater & Narver, 1994), the links between MO and
26 performance (Dong et al., 2013; Ellis, 2006; Kirca et al., 2005; Narver & Slater, 1990), as well as
27 exploring how MO can be implanted and defused within an organization (Day, 1994; Gebhardt,
28 Carpenter, & Sherry, 2006; Kumar et al., 2011; Lam, Kraus, & Ahearne, 2010). These studies
29 indicate the MO provides firms with a specific advantage that can lead to superior firm
30 performance.
31
32
33
34
35
36
37
38
39
40
41
42

43 Studies looking at MO in the international context make a similar assumption, suggesting
44 that MO will lead to superior performance in foreign market, as it does domestically. This
45 international research primarily investigates the association between MO and export performance
46 (Boso et al., 2013a; Cadogan et al., 2002; Morgan, Vorhies, & Mason, 2009; Murray et al., 2011;
47 Murray, Gao, Kotabe, & Zhou, 2007; Zhou, Wu, & Luo, 2007) and the measurement and
48 antecedents of international or export MO (Brettel et al., 2008; Cadogan et al., 2002; Ellis, 2007).
49
50
51
52
53
54
55
56
57
58
59
60

1
2
3 These studies indicate that firms possessing stronger MO capabilities have significantly higher
4 export performance (Boso et al., 2013a; Cadogan et al., 2002; Morgan et al., 2009; Murray et al.,
5
6 2011; Murray et al., 2007; Zhou et al., 2007).
7
8
9

10 Insightful as these studies are, the deployment of MO capabilities for performance
11 improvement and the institutional impact in an international setting remain missing in the
12 literature. First, the recent RBT development maintains that to generate greater value,
13 organizational resources/capabilities need to be structured properly (Brouthers et al., 2008;
14
15 Kozlenkova et al., 2014). The organization of these organizational resources/capabilities
16 provides a platform for them to be effectively employed for advantage and performance. The
17 strategic fit paradigm supports this notion that the congruence of the different factors serves as
18 the performance driver (Venkatraman & Camillus, 1984; Vorhies & Morgan, 2003). Export
19 channel is a critical strategic arrangement in exporting operations (He et al., 2013; Klein et al.,
20
21 1990; Leonidou & Katsikeas, 1996; Leonidou et al., 2002). Following this logic, we suggest that
22 MO may exert greater influence on performance when organized in a particular export channel
23 structure, i.e. hierarchical mode (Klein et al., 1990).
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38

39 Second, international firms confront different institutions across borders (Eden & Miller,
40 2004; Salomon & Wu, 2012; Schwens et al., 2011; Shenkar et al., 2008; Xu & Shenkar, 2002),
41 which more or less influence the effectiveness of the resources/capabilities (Peng, Wang, & Jiang,
42 2008). The institutions constrain the way how businesses engage in competition, and interact
43 with the customers and governments (North, 1990). Exporting firms see differences in
44 institutions when operating internationally, e.g., between the home country and export markets.
45 Their MO capabilities are also subject to the influence of these differences underpinning the
46 context of international competition and operations (Peng et al., 2008). Therefore this translates
47
48
49
50
51
52
53
54
55
56
57
58
59
60

1
2
3 into another mechanism for boosting the association between MO capabilities and export
4 performance, which is arranging MO capabilities in compatible markets in terms of institutional
5 distance from the home country.
6
7
8
9

10 **Moderating effects on MO-performance link**

11
12 This research means to examine such a model; the relationship between MO capabilities
13 (predictor variables) and firm performance (criterion variable) is moderated by the organizational
14 structure where MO is deployed and the institutional distance between home and export markets
15 (moderator variables). This is the “fit as moderation” perspective by Venkatraman (1989, p. 424).
16 Strategic fit among many activities is fundamental to both competitive advantage and its
17 sustainability, because it is harder for a competitor to match an array of interlocked activities
18 (Porter, 1996). So based on the logic of the resource-structure-performance perspective of RBT
19 (Barney et al., 2001; Brouthers et al., 2008; Kozlenkova et al., 2014), this research looks at how
20 two strategic fits between a firm’s MO capabilities and where they are positioned and the
21 institutional contexts may help to improve business performance.
22
23
24
25
26
27
28
29
30
31
32
33
34
35

36 Prior MO study also investigates the conditions where effects of MO on performance will be
37 influenced (Jaworski & Kohli, 1993; Kirca et al., 2005; Kumar et al., 2011; Slater & Narver,
38 1994). In domestic/general settings, researchers have investigated moderators including business
39 strategy (Matsuno & Mentzer, 2000), environment uncertainty and competition intensity
40 (Jaworski & Kohli, 1993; Slater & Narver, 1994). In export MO research, scholars have explored
41 the moderating role of the complexity of external environment in the international setting, e.g.,
42 competitive intensity (Boso, Cadogan, & Story, 2012), and market dynamics (Cadogan et al.,
43 2009).
44
45
46
47
48
49
50
51
52
53
54

55 In general, past MO research largely emphasizes the moderating effects of external
56
57
58
59
60

1
2
3 environment (Kirca et al., 2005), particularly the classic factors (namely market turbulence,
4 technological turbulence and competitive intensity) identified by Kohli and Jaworski (1993).
5
6 These environmental factors certainly have importance, but what have not been studied are the
7
8 moderating effects of the organizational structure (i.e., export channel) and the institutional
9
10 differences which are of paramount influence in international markets (Eden & Miller, 2004;
11
12 Salomon & Wu, 2012; Schwens et al., 2011; Shenkar et al., 2008; Xu & Shenkar, 2002). The
13
14 coalignment profiles between the environment, culture, and strategy exerts critical implications
15
16 for performance, while the conceptualization and empirical tests of such an alignment remain a
17
18 significant weakness in both marketing and strategy research (Dobni & Luffman, 2003). The
19
20 interaction between MO and strategy/structure is far less than well understood (Jaworski & Kohli,
21
22 1993). In addition, MO may be related to performance subject to context (Dobni & Luffman,
23
24 2003). In an exporting setting, institutional difference between the export market and the firm's
25
26 home may substantially constrain a firm's capabilities to create value in a market that is
27
28 institutionally different from where it grew.
29
30
31
32
33
34
35

36 Therefore despite the valuable research past MO-exporting studies ignore both the export
37
38 structures through which MO capabilities are deployed and the impact of institutional differences
39
40 firms encounter when expanding abroad.
41
42

43 ***2.1 Export Channels***

44
45 Although exporters manufacture their products at home they need to understand the foreign
46
47 market to know how to position these products in that market. Knowledge of the export market
48
49 also helps the firm identify changes in products that will lead to greater acceptance and sales.
50
51 The export channel a firm uses can influence its ability to access foreign market information (Wu,
52
53 Sinkovics, Cavusgil, & Roath, 2007). Firms with strong MO capabilities have the ability to
54
55
56
57
58
59
60

1
2
3 obtain information in the market (customer, competitor and external environmental information),
4
5 process that information internally and use that information to respond effectively (Boso et al.,
6
7 2013b; Kirca, Bearden, & Roth, 2011; Kohli & Jaworski, 1990; Morgan et al., 2009; Murray et
8
9 al., 2011). We theorize that hierarchal export channels provide such firms with greater benefits
10
11 resulting in improved export performance.
12
13

14
15 Using a hierarchical export channel (e.g., e representative office or a trading subsidiary)
16
17 instead of teaming up with a partner or relying on a foreign agent, allows firms with strong MO
18
19 capabilities to improve export performance for several reasons. First, because firms with strong
20
21 MO capabilities are proficient at information generation, partner firms may simply offer
22
23 information that replicates the information already captured by the focal firm providing little if
24
25 any additional benefit. In this case, information proffered by the partner organization provides
26
27 little new knowledge for the focal firm because the firm has the ability to obtain this information
28
29 on its own. Thus overall export sales may be the same whether a firm uses hierarchical or hybrid
30
31 channels, but because hybrid channels require firms to share rents (Anderson & Gatignon, 1986)
32
33 under conditions of information redundancy the focal firm will exhibit lower export performance.
34
35 The outcome may be worse if the firm uses a market based export channel, because in these
36
37 channels firms have no control over the export operation and sell products at a discount to only
38
39 one or two foreign market based agents, significantly reducing potential sales (He et al., 2013;
40
41 Klein et al., 1990).
42
43
44
45
46
47

48
49 Second, once information is generated, it needs to be disseminated through the organization
50
51 to be useful (Boso et al., 2013b; Kirca et al., 2011; Maltz & Kohli, 1996; Morgan et al., 2009;
52
53 Murray et al., 2011). Firms with strong MO capabilities have the ability to disseminate
54
55 information internally (Kohli & Jaworski, 1990). Information generated by a partner or agent
56
57
58
59
60

1
2
3 needs to be transferred to the focal firm and transfer of knowledge across firm boundaries is not
4 as efficient as internal transfers (Barkema & Vermeulen, 1998). Thus a firm with strong MO
5 capabilities using an internalized hierarchical export channel will have better export market
6 performance because this structure provides a more effective method to deploy MO capabilities
7 allowing a firm to gain greater value from the information generated because it possesses more
8 efficient information dissemination capabilities.
9

10
11
12
13
14
15
16
17
18 Finally, a firm with strong MO capabilities wants to maintain control of its MO capabilities
19 to be sure it is obtaining reliable information about potential customers, competitors and other
20 external parties and that the response to this information is properly implemented so it can gain
21 the greatest value from these capabilities. The RBT suggests that control of capabilities, like MO,
22 is important since losing control may lead to poor value creation and/or rapid imitation by
23 competitors (Knott, 2003). Sharing control of the venture or giving control to an agent may result
24 in miscommunications or weak strategy implementation by a partner firm (Wu et al., 2007). In
25 addition, if the focal firm sets up a joint operation with another firm, it has to share MO
26 capabilities and facilitate training of local staff in how to use them. Ultimately training partner
27 organizations to take advantage of the firm's MO may result in the creation of a competitor and
28 reduce returns to the focal firm.
29
30
31
32
33
34
35
36
37
38
39
40
41
42

43
44 In addition to the information-related benefits that the match of MO capabilities and a
45 hierarchical structure can generate, we also need to consider the legitimacy challenge a foreign
46 firm faces in international markets and the benefits a local partner can contribute. Foreign firms
47 face pressure to gain local legitimacy in a host country. Having a local partner may be helpful to
48 lift this pressure. However, as we argue above, partnership can also significantly increase
49 transaction costs, especially in handling valuable market intelligence and potential friction
50
51
52
53
54
55
56
57
58
59
60

(Shenkar et al., 2008), for a market-oriented firm. Researchers introduce measures such as customized contract and relational governance to tackle the difficulty in obtaining local legitimacy (Yang, Su, & Fam, 2012); however devising, enforcing, and monitoring well specified and articulated contractual clauses (Brouthers & Hennart, 2007), and developing and maintaining relationships with external parties (Parkhe, Wasserman, & Ralston, 2006) can significantly increase transaction costs (Williamson & Ghani, 2012).

In sum, this research theorizes that the export channel a firm uses in a particular country will moderate the association between MO and market-specific export performance. For firms with strong MO capabilities the use of hierarchical channels leads to improved export performance because this structure allows the firm to retain all the rents generated from these capabilities, maintain control of these capabilities and provides a more efficient mechanism for transferring and using tacit export market knowledge within the organization; use of hybrid or market-based export channels do not provide strong MO firms with these same benefits. Although running hierarchical channel services creates costs, it helps to strengthen the positive effect of MO on export performance, especially by means of facilitating market intelligence generation, dissemination and responsiveness, and to outweigh the drawbacks (He et al., 2013). Therefore our first hypothesis states:

Hypothesis 1. The use of hierarchical export channels positively moderates the association between MO and market-specific export performance.

2.2 Institutional differences

When expanding to international markets MO capabilities can be of value helping firms learn about the export market (Cadogan et al., 2002). Because every country has a unique institutional environment, when a firm expands abroad it may enter countries with similar or very different

1
2
3 institutional arrangements (Eden & Miller, 2004; Salomon & Wu, 2012; Schwens et al., 2011;
4
5 Shenkar et al., 2008; Xu & Shenkar, 2002).
6

7
8 According to Scott (1995), institutions include three pillars: regulatory, normative, and
9
10 cultural-cognitive. The regulative pillar rests on a nation's legal system and regulations, and
11
12 specifies what can or cannot be done enforced by legal sanctions. The normative pillar pertains
13
14 to beliefs, values, and norms which prescribe desirable goals and expected ways to achieve them.
15
16 The legitimacy of normative institutions is rooted in societal beliefs and norms that define what
17
18 should or should not be done. The cognitive pillar emphasizes internal representation of the
19
20 environment by social players; the legitimacy of this pillar is anchored in cultural orthodoxy
21
22 which defines what will be typically do. The difference between the formal (regulative) and
23
24 informal (normative and cognitive) institutional environments of home and foreign countries is
25
26 called institutional distance (Eden & Miller, 2004; Kostova & Zaheer, 1999; Madsen, 2009; Xu
27
28 & Shenkar, 2002; Yang et al., 2012).
29
30
31
32
33

34 Previous research has noted that institutional distance has a negative impact on export
35
36 performance (e.g., Sousa & Bradley, 2008). These studies suggest institutional differences make
37
38 it more difficult to understand and correctly interpret local customers, competitors and
39
40 government agencies, consequently influencing the degree of adjustment needed (Kostova &
41
42 Zaheer, 1999). Below we theorize that the institutional distance between a firm's home and
43
44 export market will moderate the relation between MO and export performance, making MO
45
46 capabilities more valuable as institutional distance increases because these capabilities allow the
47
48 firm to learn about institutional differences, adjust products and strategies to fit institutional
49
50 demands, resulting in improved export performance.
51
52
53
54
55
56
57
58
59
60

1
2
3 One reason MO leads to superior performance is because firms with strong MO capabilities
4 can generate market-specific information more efficiently (Kohli & Jaworski, 1990). Yet
5
6 previous studies like Kohli and Jaworski (1990) and Kumar et al. (2011) suggest that
7
8 environmental factors can make MO capabilities more or less valuable to firms (Cadogan et al.,
9
10 2002; Slater & Narver, 1994). Building on this research, it is suggested that when firms expand
11
12 to export markets, the difference in regulatory, normative and cognitive institutional
13
14 environments between home and export market will moderate the MO-export performance
15
16 relation making MO capabilities more valuable because there is a greater need to generate
17
18 market-specific knowledge as differences in regulatory, normative and cognitive institutional
19
20 escalate.
21
22
23
24
25
26

27 A higher level of MO provides exporting firms with an ability to produce important, accurate
28
29 knowledge and information about their target market, including those regulative, normative and
30
31 cognitive factors that may influence customers, competitors and other parts of the external
32
33 environment (Jaworski & Kohli, 1993). Firms with strong MO capabilities gain additional
34
35 benefits when entering institutionally distant markets, being able to obtain new knowledge that
36
37 can help them understand how to do business in the foreign market and become more successful
38
39 in this market.
40
41
42

43 Another reason MO capabilities are of higher value when institutional distance increases is
44
45 that firms with strong MO capabilities provide an ability to internalize and use the information
46
47 generated to adjust strategies and product offerings (Kohli & Jaworski, 1990). Firms with strong
48
49 MO capabilities can internalize and share internally generated information about customers,
50
51 competitors and other external factors such as regulatory, normative and cognitive factors that
52
53 can exert influence on the effectiveness of marketing strategies. This capability is particularly
54
55
56
57
58
59
60

1
2
3 useful as institutional distance increases because it allows foreign export market knowledge to be
4
5 shared throughout the firm, increasing the firm's understanding of export market regulative,
6
7 normative and cognitive behaviors. Because of this, firms with strong MO capabilities will be in
8
9 a better position to respond to and adjust products for the institutional demands of the export
10
11 market resulting in improved export performance. For example, Chinese toy manufacturers
12
13 exporting to the US need to understand and make adjustments for health and safety standards in
14
15 the US; they need to be able to make changes to their products to be locally legitimate or face
16
17 very high penalties.
18
19
20

21
22 In sum, having strong MO capabilities is particularly important for exporters because it
23
24 provides these firms with the ability to obtain and use export market information allowing the
25
26 firm to align its strategies better with the foreign market's institutional environment, particularly
27
28 when regulative, normative and cognitive distance is great (Madsen, 2009). MO capabilities also
29
30 help firms develop or position products, to provide an advantage over foreign rivals and to more
31
32 closely align with export market buyer wants and needs. Thus we suggest that the institutional
33
34 distance between home and export market moderates the relation between MO capabilities and
35
36 export performance increasing the importance of these capabilities as institutional distance
37
38 increases. Hence our second hypothesis suggests:
39
40
41
42

43
44 **Hypothesis 2. The institutional distance between home and export country will**
45
46 **positively moderate the association between MO capabilities and market-specific**
47
48 **export performance.**

49 50 **3. Methods**

51
52 To test our hypotheses we collected data from Chinese firms. Chinese firms provide an
53
54 appropriate sample for this study for several reasons. First, exporting is the dominant mode of
55
56 international market participation for Chinese firms (Zhao & Zou, 2002). Second, like other
57
58
59
60

1
2
3 emerging market firms, Chinese firms typically do not have well-recognized global brands or
4 other resource-based advantages and lack the financial prowess, international market experience,
5 resources and managerial expertise needed to customize products for export markets (Steensma,
6 Tihanyi, Lyles, & Dhanaraj, 2005). Finally, recent research suggests that Chinese firms tend to
7 rely on market orientation as a means to compete in foreign markets (Wei & Lau, 2008). Thus
8 Chinese exporters provide an excellent context in which to test our theory.
9
10
11
12
13
14
15
16

17 Our sample consists of firms from Fujian Province because this province is one of the fastest-
18 growing regions and is one of the main exporting provinces/municipalities in China, which had
19 an export volume of \$49.94 billion (NBSC, 2009). Data were collected in 2008 through a postal
20 survey using a sample of manufacturing firms drawn from the *Exporting Firms Directory of*
21 *Fujian Province*, provided by the customs authorities. A random sample of 600 firms was
22 selected from a total population of about 7,300 firms listed in the directory. One author contacted
23 each firm by telephone and explained the purpose of the research and asked for management's
24 cooperation in this study. After numerous calls and emails to the 600 sample firms, 501 firms
25 agreed to participate. For the excluded firms the database contained incorrect contact details on
26 21 firms, 49 firms were export intermediaries, 22 firms refused to take part and 7 had ceased
27 exporting.
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

43 The CEOs/MDs of these 501 firms were sent a three-page questionnaire with cover letter and
44 prepaid postage envelope. The questionnaire was developed originally in English, and the back-
45 translation method was used to guarantee the accuracy of the Chinese version. A bilingual person
46 who was a native speaker of Chinese translated the questionnaire into Chinese. Then it was back-
47 translated into English and checked for consistency with the original. The questionnaire asked
48 respondents to provide information about the firm's most important (with largest sales) export
49
50
51
52
53
54
55
56
57
58
59
60

1
2
3 market. An initial mailing and two following waves of requests resulted in 285 responses.
4
5
6 However 71 of these responses were not usable either because they failed to complete large
7
8 portions of the questionnaire in particular those related to performance, MO and/or export
9
10 channel, or because there were no values available for our institutional measures. Thus our
11
12 usable sample comprised 214 exporting firms (42.7 percent). On average, respondent firms had
13
14 about 1200 employees, over 9 years export experience and exported to over 12 different
15
16 countries. These firms are from four major sectors, 28% in domestic industries, 10% in
17
18 electronics industries, 23% in clothing industries, and 29% in food industries. The identified
19
20 most important export markets include Australia, Canada, France, Germany, The Netherlands,
21
22 India, Indonesia, Italia, Japan, Malaysia, Russia, Korea, Singapore, Spain, Sweden, Switzerland,
23
24 Thailand, Taiwan, the UK, and the USA.
25
26
27
28

29 Variables

30
31 For all multi-item constructs we used confirmatory factor analysis to explore their
32
33 reliabilities. Our dependent variable *export performance* is often measured at the firm level as
34
35 overall export performance (Sousa, 2004). Yet our theory suggests that the benefits of MO and
36
37 the moderating influence of export channel and institutional distance are market-specific.
38
39 Therefore we measure export performance at the country level, for the most important export
40
41 market for each firm. While the use of objective measures may be preferred, it is not normally
42
43 possible in export studies because firms do not disclose market-specific export performance
44
45 figures (Brouthers & Xu, 2002). In addition, Chinese managers are extremely concerned about
46
47 leakage of business secrets and are therefore unwilling to offer objective data (Brouthers & Xu,
48
49 2002). Because of this, as in previous export studies (Morgan et al., 2004; Sousa, 2004) we used
50
51 subjective indicators to assess export performance. Respondents were asked to indicate (on a
52
53
54
55
56
57
58
59
60

1
2
3 seven-point Likert-type scale) the level of satisfaction over the past 3 years in order to balance
4 short-term export performance fluctuations (Katsikeas, Leonidou, & Morgan, 2000) with the
5 following items in their most important export market: (1) overall export performance, (2) export
6 sales growth and (3) export profitability. The values of these three items were then summed and
7 averaged to create our export performance construct (Cronbach Alpha = 0.93).
8
9
10
11
12
13
14

15 We considered various constructs for measuring our independent variable *market orientation*.
16 In this study we adopt an 11-item (seven-point) scale by Cadogan et al. (2002) rooted in the
17 mainstream market orientation literature (Kohli, Jaworski, & Kumar, 1993; Narver & Slater,
18 1990) and shown to be reliable and valid in the Chinese context (Murray et al., 2007). This 11-
19 item scale included four measures of information generation, four measures of information
20 dissemination and three measures of information responsiveness; the three component parts of
21 MO (Cadogan et al., 2002; Kohli et al., 1993). As in previous studies, the values for these eleven
22 items were summed and averaged to create our MO construct (Cronbach Alpha = 0.87).
23
24
25
26
27
28
29
30
31
32
33

34 Our moderating variable *export channel* was measured using the instrument developed by
35 Klein, Frazier and Roth (1990). Respondents were asked to indicate which statement best
36 represented the export channel they used in their most important export market. As in Klein and
37 Roth (1990) hierarchical channels include two types: “We have a wholly owned sales subsidiary
38 in the foreign market” and “We serve the market directly from China, using company
39 personnel”. As in Klein et al. (1990) we combined two items for hybrid channels: “We are
40 involved in a joint venture with another company to handle sales of this product in this market”
41 and “We use commission agents”. Finally, the use of market-based export channels was
42 captured as: “We sell to a merchant distributor who takes title to our product and contacts buyers
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

1
2
3 himself" taken from Klein et al. (1990). The export channel variable was coded as
4
5
6 3=hierarchical, hybrid=2 and market=1.

7
8 As in previous research we include three dimensions of the institutional environment:
9
10 regulative, normative and cognitive (Scott, 1995). We calculated each of the components
11
12 separately for China and the target market (most important export market) and created three
13
14 institutional distance measures by subtracting the target market value from the Chinese value.
15
16

17
18 To measure the regulative institutional environment for exporters we took 12 items from the
19
20 World Economic Forum's Global Competitiveness Report (2007). First as in Luo and Zhao
21
22 (2009) we included the protection of intellectual property measure. Exports are concerned with
23
24 protecting intellectual property such as brands and trademarks. Second we included three items
25
26 from the government inefficiency measure; burden of regulation, efficiency of legal framework,
27
28 transparency of policy making. Such governmental policies/actions can make it difficult for
29
30 exports to understand the regulative environment and as a result increase the risk and costs of
31
32 doing business in a particular market. Third we included eight items from the Goods Market
33
34 Efficiency portion of the database. These items included effectiveness of anti-monopoly policy,
35
36 extent and effect of taxation, total tax rate, prevalence of trade barriers, tariff rates, prevalence of
37
38 foreign ownership, burden of customs procedures, and imports as a percentage of GDP. These
39
40 factors highlight governmental attitudes toward exporters and the barriers such firms face in a
41
42 particular market. All 12 items loaded on one factor that we called *regulative distance* (Cronbach
43
44
45
46
47 Alpha = 0.73).

48
49
50 As in Yiu and Makino (2002) our normative institutional variable examines the
51
52 ethnocentrism of the market. Exporters will have greater difficulty selling their products in
53
54 markets marked by higher ethnocentrism since in these markets buyers tend to prefer domestic
55
56
57
58
59
60

1
2
3 goods and services (Shimp & Sharma, 1987). This factor was computed by taking the difference
4
5 between China and the target market in four items taken from the IMD World Competitiveness
6
7 Yearbook (IMD, 2007) which looks at the openness of the market. These four items examine (1)
8
9 protectionism: “protectionism does not impair the conduct of your business”, (2) international
10
11 transactions: “international transactions can be freely negotiated with foreign partners”, (3)
12
13 foreign investors: “foreign investors are free to acquire control in domestic companies” and (4)
14
15 capital markets: “capital markets (foreign and domestic) are easily accessible”. All four items
16
17 loaded onto one factor that we called *normative distance* (Cronbach Alpha = 0.94).
18
19
20
21

22 Finally, as in Gaur, Delios and Singh (2007) *cognitive institutional distance* was captured by
23
24 examining the cultural distance between countries, measured using Hofstede’s (1980) four
25
26 constructs. Data for this variable were obtained from Taras, Steel and Kirkman (2012). They
27
28 provide updated measures of these cultural dimensions and we used those determined in the
29
30 2000s.
31
32

33
34 (Insert Table 1 here)
35

36 We created three moderating variables by first centering the values of the MO, regulative,
37
38 normative and cognitive distance measures and then multiplying the centered MO value by the
39
40 centered regulative distance measure, the centered normative distance measure and the centered
41
42 cognitive distance measure (Aiken & West, 1991). Our fourth moderating variable was
43
44 developed by multiplying the centered value of MO by the trichotomous export channel measure.
45
46
47

48 Our analysis included a number of control variables, including firm size, R&D intensity,
49
50 international experience (i.e. exporting experience, scope of export), external uncertainty, sales
51
52 growth, ownership, and industry, that previous studies found to relate to export performance
53
54
55 (Brouthers & Xu, 2002; Cadogan et al., 2002; Morgan, Kaleka, & Katsikeas, 2004). We
56
57
58
59
60

1
2
3 controlled for *firm size*, operationalized as the number of employees in the firm (Brouthers &
4
5 Xu, 2002), *R&D intensity*, calculated as R&D spending divided by total sales (Morgan et al.,
6
7 2004), *exporting experience*, measured as the number of years the firm had been exporting
8
9 (Brouthers & Xu, 2002) and *number of export markets* (Cadogan et al., 2002). Control variables
10
11 were also included for *external uncertainty*, a four-item semantic differential scale (Cronbach
12
13 Alpha = 0.78) adapted from Shervani, Frazier and Challagalla's (2007) that focuses on the
14
15 uncertainty in the export market and *sales growth*, a measure of firm-level growth (as a
16
17 percentage) in total export sales over the previous year.
18
19
20
21

22 In addition, we controlled for ownership and industry differences that may impact export
23
24 performance (Brouthers & Xu, 2002). To control for ownership differences we created three
25
26 ownership dummy variables for *State-owned enterprises (SOEs)*, *foreign firms* and *private firms*.
27
28 Each dummy variable takes the value of one (1) if the firm's ownership structure matches the
29
30 variable and takes the value of zero (0) if they have another ownership structure. We also created
31
32 four dummy variables for firms representing the primary industries in our sample: *domestic*
33
34 *articles industry (for products for domestic use like umbrellas, bags, toys, locks and keys, etc.)*,
35
36 *the electrical & electronic industry, clothing industry and food industry*, based on Standard
37
38 Industrial Classification (SIC) of Chinese Export Commodities (MOFCOM, 2008). For each of
39
40 these industry dummy variables a value of one (1) means the firm is in the industry while a value
41
42 of zero (0) indicates the firm is not in the specific industry.
43
44
45
46
47

48 **Common Methods Variance and Response Bias**

49

50 We assessed the CMV in several ways. First, we utilized both methods suggested by
51
52 Podsakoff and colleagues (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003) to control for
53
54 common method biases: (a) through the design of the study's procedures and (b) through
55
56
57
58
59
60

1
2
3 statistical controls. For example, in the questionnaire we used different response formats for the
4 measurement of variables, e.g. Likert scales for MO and performance, semantic differential for
5 behavioral uncertainty, direct selection for variables like channel selection and ownership and
6 open ended questions for items like export experience and firm age. Second, some independent
7 variable items were reverse-scaled to avoid the occurrence of response patterns affecting the
8 accuracy of data. Third, our institutional distance variables were not obtained through the
9 questionnaire but were collected from secondary sources. Fourth, we used clearly defined
10 multiple scales to capture cognitively independent constructs.
11
12
13
14
15
16
17
18
19
20
21

22 Second, besides these procedural remedies we also employed two statistical remedies to
23 verify whether we have method biases: Harmon's one-factor test and confirmatory factor
24 analysis (CFA) (Podsakoff et al., 2003). While there is some question about the usefulness of
25 Harmon's one-factor test, at present it is the most widely used statistical method (Podsakoff et al.,
26 2003). The results of Harmon's one-factor test showed a fourteen-factor solution in which the
27 largest factor explained only about 15.5 percent of the variance. The fit indexes for CFA (TLI =
28 0.16; CFI = 0.26; IFI = 0.27; RMSEA = 0.16) suggest a poor model fit. Both tests demonstrate
29 that common method bias is not likely to explain any observed relation between model variables
30 in our study.
31
32
33
34
35
36
37
38
39
40
41
42

43 Third, we used a marker variable (MV) method. We selected a MV to proxy CMV (Lindell &
44 Whitney, 2001). A six-item variable measuring foreign networks (Peng & Luo, 2000) was used
45 as the MV (Cronbach's $\alpha = 0.775$), as it is theoretically unrelated to at least one of our variables.
46 We selected the lowest positive correlation ($r = .001$) between the MV and other variables to
47 adjust the variable correlations and statistical significance. All significant correlations remained
48 significant after adjustment. Thus, the MV analysis suggests that CMV is not a major threat to
49
50
51
52
53
54
55
56
57
58
59
60

our tests.

To explore response bias we performed two tests. First we compared characteristics of usable and non-usable respondents. We had 71 non-usable responses and 214 usable responses. The t-tests showed no significant differences between usable and non-usable questionnaires on any of the items tested (MO – $t = 1.60, p = 0.11$; Export performance – $t = -0.13, p = 0.90$; R&D percentage – $t = -1.16, p = 0.23$; number of export markets – $t = 0.20, p = 0.84$; export experience – $t = 1.46, p = 0.11$; number of employees – $t = 1.16, p = 0.23$). Our second test involved comparing characteristics of our population of exporting firms to the respondent firms. We noted no significant differences (export experience – $t = 1.46, p = 0.15$; export sales volume – $t = 0.61, p = 0.56$; number of export markets $t = -1.43, p = 0.21$; number of employees – $t = 0.31, p = 0.76$). Thus our analyses tend to indicate that our respondent firms are representative of firms exporting from China.

Construct validity

Following Anderson and Gerbing (1988), we assessed the construct validity of the latent constructs with a six-factor CFA measurement model that includes all the theoretical measures (Arbuckle, 2006). For our sample, the standardized factor loadings for each individual indicator on its respective constructs are statistically significant ($p < 0.001$) and sufficiently larger than an arbitrary 0.50 (Hair, Black, Babin, & Anderson, 2010; Zhou et al., 2007). The model fits that data satisfactorily: $\chi^2(650) = 457.37, p < 0.00$; IFI = 0.99; TLI = 0.94; CFI = 0.98; and RMSEA = 0.08, in support of the dimensionality of the constructs. Thus, these measures demonstrate adequate convergent validity.

We employed two methods to assess the discriminant validity of the measures, following Anderson and Gerbing (1988). First, we ran fifteen pairwise tests for all the scales to examine the

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

chi-square difference. This is to determine whether the freely estimated model (in which the correlation is estimated without restriction) fits the data significantly better than the restricted model in which the correlation is fixed at 1.00 (Anderson & Gerbing, 1988). All chi-square differences were highly significant. Second, we calculated shared variance between all possible pairs of constructs to determine whether they were lower than the average variance extracted (AVE) for the individual constructs. The results indicated that for each construct the AVE was much higher than its highest shared variance with other constructs, providing additional support of discriminant validity (Fornell & Larcker, 1981). Overall, these results show that measures in the study possess satisfactory reliability and validity.

4. Results

Prior to testing our hypotheses we examined correlations between variables. Table 2 shows the means, standard deviations and correlations for all our constructs. Although we note high variability, there is no indication of multi-collinearity. We examined the variance inflation factors (VIF) scores for the regression models and noted no VIF score larger than 3.49, suggesting that multi-collinearity is not an issue with our data.

(Insert Table 2 Here)

To tests our two hypotheses we used hierarchical regression analysis. We developed seven models (see Table 3). The first contains only the control variables. In model 2 we add the market orientation variable. Model 3 contains the direct effects of export channel, regulatory distance, normative distance and cultural distance. In models 4-7 we test the four interactions, MO export channel, MO regulatory distance, MO normative distance and MO cultural distance, respectively.

(Insert Table 3 here)

Model 1 contains the control variables and was significant ($p < 0.01$). Models 2 and 3 include linear effects of MO, export channel and institutional distance and were also significant ($p < 0.01$). As Model 2 and 3 indicate, stronger MO is associated with better export performance, in line with previous studies (Cadogan et al., 2002; Morgan et al., 2004; Murray et al., 2011). Model 3 also shows that using a hierarchical export channel is associated with higher export performance. However, Model 3 indicates that greater regulatory, normative and cultural distances are associated with reduced export performance (although only the regulative measure is significant). Again, this is in line with studies which suggest that although venturing into institutionally distant countries may provide new market opportunities for exporters, this strategy may be associated with inferior performance outcomes (Sousa & Bradley, 2008).

Model 4 examines the interaction between MO and export channel. This model was significant ($p < 0.01$) and the interaction term MO*export channel was also significant ($p < 0.05$). Our results indicate that firms with stronger MO capabilities improve export performance when using hierarchical export channels. Thus this model provides support for hypothesis 1.

Model 5 looks at the interaction between MO and regulatory distance between China and the export markets. This model was significant ($p < 0.01$) and the interaction term MO*regulatory distance was also significant ($p < 0.05$). We found that stronger MO capabilities help firms improve export performance when regulatory distance increases, providing support for hypothesis 2.

Model 6 explores the interaction between MO and normative distance between China and the export markets. This model was significant ($p < 0.01$) and the interaction term MO*normative distance was also significant ($p < 0.05$). We found that stronger MO capabilities help firms

1
2
3 improve export performance when normative distance increases. Thus model 6 also provides
4 support for hypothesis 2.
5
6

7
8 Model 7 explores the interaction between MO and cultural distance between China and the
9 export markets. This model was significant ($p < 0.01$) but the interaction term MO*cultural
10 distance was not significant ($p > 0.10$). Hence we find no support for the notion that stronger
11 MO capabilities help firms improve export performance when cultural distance increases. Thus
12 model 7 provides no support for hypothesis 2.
13
14
15
16
17
18
19

20 21 22 **5. Discussion** 23

24 Previous scholarship has identified a link between MO and performance (Ellis, 2006; Kirca
25 et al., 2005; Narver & Slater, 1990). Yet when firms export to foreign markets they need to
26 consider the structure through which these MO capabilities are deployed and how
27 differences/similarities in the institutional environment, between home and export market, may
28 impact the value of these capabilities. Building on the RBT's resource-structure-performance
29 perspective and institutional theory, we develop a unique perspective investigating the
30 moderating impact of export channel and institutional distance on the MO-export performance
31 relation. Our analysis indicates that firms possessing strong MO capabilities will perform better
32 in the export market if they deploy these capabilities through hierarchical export channels.
33
34 Further we show that MO provides even greater value in institutionally distant markets, allowing
35 firms to learn and adjust strategies to align better with export market demands. Thus our study
36 presents further evidence that MO provides a firm with a source of competitive advantage; one
37 that is fungible and can be exploited in foreign export markets, but also contingent on important
38 contextual factors associated with resource deployment and institutional distance to a foreign
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

1
2
3 market.

4
5 We make several important contributions to the literature by providing a better
6 understanding of how firms can successfully deploy MO capabilities when exporting. First, we
7 seek to contribute to the RBT by theorizing and testing how two important moderators can
8 impact the value of resource-based advantages when expanding internationally. While scholars
9 like Barney et al. (2001) suggest that deploying resources through the proper structure can
10 influence the value firms derive from these resources, few scholars have actually examined this
11 issue. We extend this thinking to export markets and theorize and test the idea that the export
12 channel a firm uses can significantly influence the value exporters generate from firm-specific
13 resources and, as a consequence, the export performance they achieve.
14
15
16
17
18
19
20
21
22
23
24
25
26

27 More specifically, despite the growth in research focusing on MO as a valuable firm resource,
28 these studies ignore the structure through which this potentially valuable resource is deployed
29 (Cadogan et al., 2002; Ellis, 2006; Kirca et al., 2005). The results of our investigation suggest
30 that the organizational structure used in foreign export markets significantly influences a firm's
31 ability to benefit from the MO capabilities it possesses. We found that firms possessing strong
32 MO capabilities, using hierarchical export channels had higher performance in the export market
33 than did firms using other export channels.
34
35
36
37
38
39
40
41
42

43 We make a second contribution by examining the heterogeneity of export markets and how
44 these differences in institutional settings influence the value firms can generate from resource-
45 based advantages. Although Priem and Butler (2001) noted this potential impact, only a few
46 recent studies have started to explore this issue of resource-based advantages having different
47 values in different institutional setting (Brouthers et al., 2008; Meyer, Estrin, Bhaumik, & Peng,
48 2009). We add to this stream of research by extending these concepts to export markets. We
49
50
51
52
53
54
55
56
57
58
59
60

1
2
3 suggest and find that institutional differences can have a significant impact on the value firms
4
5 derive from the resource-based advantages they possess.
6
7

8 Although previous studies have generally not found the environment to play an important
9
10 role in the MO-performance relation (Kirca et al., 2005), studies like Kumar et al. (2011) note
11
12 that the environment does matter. Because not all countries and people are the same, it is
13
14 important to recognize these differences when considering how MO can create value as firms
15
16 expand abroad. We found that differences in both the regulative and normative institutional
17
18 environments significantly moderated the relation between MO and export performance. MO
19
20 capabilities appear to help firms overcome regulative and normative differences and achieve
21
22 superior performance in foreign export markets.
23
24
25

26
27 Practitioners can also benefit from our study. Managers have control over the export channel
28
29 and our study indicates that the choice managers make can significantly influence the firm's
30
31 ability to garner value from its MO capabilities. Managers also have a choice over which
32
33 countries to export. Our study provides evidence that MO can provide value in institutionally
34
35 distant markets, helping firms with strong MO capabilities out compete rivals in that market.
36
37
38

39 This study is subject to several theoretical and methodological limitations, which may offer
40
41 additional research opportunities. First, we examined only Chinese exporting firms therefore our
42
43 findings may not be generalizable to firms from other countries, or to non-manufacturing firms.
44
45 Future research can extend this work by examining service exporters and firms from other
46
47 countries. Second, we obtained responses from only one person in each firm. Although we took
48
49 precautions to avoid common methods bias in the data, the use of multiple informants or
50
51 collecting data at two different times might improve our ability to detect any biases that do exist.
52
53
54
55 Given the difficulties of collecting data in emerging markets the single informant method seemed
56
57
58
59
60

1
2
3 best, but future research can adopt a multi-informant approach to verify the accuracy of our
4
5 results.
6

7
8 Third, we measure export performance at the country-market level, and export MO at the
9
10 firm level. Although MO is suggested to be organization-wide culture and behaviours (Narver
11
12 and Slater, 1990; Kohli and Jaworski, 1990), it would be more appropriate to investigate the
13
14 relationship between MO capabilities for the most important export marketing and the
15
16 performance in that market.
17
18

19
20 Finally, we employed cross-sectional data rather than longitudinal data. Cross-sectional data
21
22 are appropriate for exploring what is happening at a certain point in time. However, we cannot
23
24 explain the dynamic processes such as changes in MO capabilities. Kumar and associates' (2011)
25
26 study of MO identified important longitudinal trends which have implications for exporting firms.
27
28 Future research may wish to use longitudinal data and explore how firms can gain value from
29
30 MO capabilities when exporting to foreign markets.
31
32

33
34 In conclusion, our study provides important extension to past research that explores the
35
36 impact of MO on firm performance (Kirca et al., 2005). It appears at least in the international
37
38 exporting context, institutional environmental differences and export channel are important and
39
40 significantly moderate the MO-performance relation. Our theory and findings indicate that the
41
42 institutional environment does moderate the MO-performance relation, in contrast to most past
43
44 research that provides mixed results (Kirca et al., 2005). We also theorize and find that export
45
46 channel selection is critically important, a fact that has been ignored in previous MO studies
47
48 (Cadogan et al., 2002; Morgan et al., 2004; Murray et al., 2011). These results help extend our
49
50 knowledge of how firms can improve export performance by leveraging firm-specific
51
52 capabilities in foreign markets. As a result of integrating MO research with insights from
53
54
55
56
57
58
59
60

1
2
3 international business and institutional frameworks, our research provides a richer theoretical
4
5
6 perspective on export performance.
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

International Marketing Review

REFERENCES:

- 1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
- Aiken, L. S. and West, S. G. (1991), *Multiple Regression: Testing and Interpreting Interactions*, Sage Publications, Thousand Oaks.
- Anderson, E. and Gatignon, H. (1986), "Modes of Foreign Entry: A Transaction Cost Analysis and Propositions", *Journal of International Business Studies*, Vol. 17 No. 3, pp. 1-26.
- Anderson, J. C. and Gerbing, D. W. (1988), "Structural Equation Modeling in Practice: A Review and Recommended Two Step Approach", *Psychological Bulletin*, Vol. 103 No. 3, pp. 411-423.
- Arbuckle, J. L. (2006), *Amos 7.0 User's Guide*, Amos Development Corporation, Spring House.
- Barkema, H. and Vermeulen, F. (1998), "International Expansion through Start-up or Acquisition: A Learning Perspective", *Academy of Management Journal*, Vol. 41 No. 1, pp. 7-26.
- Barney, J. (2014), "How marketing scholars might help address issues in resource-based theory", *Journal of the Academy of Marketing Science*, Vol. 42 No. 1, pp. 24-26.
- Barney, J., Ketchen Jr., D. J. and Wright, M. (2011), "The Future of Resource-Based Theory: Revitalization or Decline?", *Journal of Management*, Vol. 37 No. 5, pp. 1299-1315.
- Barney, J., Wright, M. and Ketchen, D. J., Jr. (2001), "The Resource-Based View of the Firm: Ten Years after 1991", *Journal of Management*, Vol. 27 No. 6, pp. 625-641.
- Boso, N., Cadogan, J. W. and Story, V. M. (2012), "Complementary effect of entrepreneurial and market orientations on export new product success under differing levels of competitive intensity and financial capital", *International Business Review*, Vol. 21 No. 4, pp. 667-681.
- Boso, N., Cadogan, J. W. and Story, V. M. (2013a), "Entrepreneurial orientation and market orientation as drivers of product innovation success: A study of exporters from a developing economy", *International Small Business Journal*, Vol. 31 No. 1, pp. 57-81.
- Boso, N., Story, V. M. and Cadogan, J. W. (2013b), "Entrepreneurial orientation, market orientation, network ties, and performance: Study of entrepreneurial firms in a developing economy", *Journal of Business Venturing*, Vol. 28 No. 6, pp. 708-727.
- Brettel, M., Engelen, A., Heinemann, F. and Vadhanasindhu, P. (2008), "Antecedents of Market Orientation: A Cross-Cultural Comparison", *Journal of International Marketing*, Vol. 16 No. 2, pp. 84-119.
- Brouthers, K. D., Brouthers, L. E. and Werner, S. (2008), "Resource-Based Advantages in an International Context", *Journal of Management*, Vol. 34 No. 2, pp. 189-217.
- Brouthers, K. D. and Hennart, J.-F. (2007), "Boundaries of the Firm: Insights from International Entry Mode Research", *Journal of Management*, Vol. 33 No. 3, pp. 395-425.
- Brouthers, L. E. and Xu, K. (2002), "Product Stereotypes, Strategy and Performance Satisfaction: The Case of Chinese Exporters", *Journal of International Business Studies*, Vol. 33 No. 4, pp. 657-677.
- Cadogan, J. W., Diamantopoulos, A. and Siguaw, J. A. (2002), "Export Market-Oriented Activities: Their Antecedents and Performance Consequences", *Journal of International Business Studies*, Vol. 33 No. 3, pp. 615-626.
- Cadogan, J. W., Kuivalainen, O. and Sundqvist, S. (2009), "Export Market-Oriented Behavior and Export Performance: Quadratic and Moderating Effects Under Differing Degrees of Market Dynamism and Internationalization", *Journal of International Marketing*, Vol. 17 No. 4, pp. 71-89.
- Cavusgil, S. T. and Zou, S. (1994), "Marketing Strategy-Performance Relationship: An Investigation of the Empirical Link in Export", *Journal of Marketing*, Vol. 58 No. 1, pp. 1-22.
- Chung, H. F. L. (2012), "Export market orientation, managerial ties, and performance", *International Marketing Review*, Vol. 29 No. 4, pp. 403-423.
- Day, G. S. (1994), "The Capabilities of Market-Driven Organizations", *Journal of Marketing*, Vol. 58 No. 4, pp. 37-52.
- Dobni, C. B. and Luffman, G. (2003), "Determining the Scope and Impact of Market Orientation Profiles

- 1
2
3 on Strategy Implementation and Performance", *Strategic Management Journal*, Vol. 24 No. 6, pp.
4 577-585.
- 5
6 Dong, X., Hinsch, C. A., Zou, S. and Fu, H. (2013), "The effect of market orientation dimensions on
7 multinational SBU's strategic performance: An empirical study", *International Marketing Review*,
8 Vol. 30 No. 6, pp. 591-616.
- 9
10 Eden, L. and Miller, S. (2004), "Distance Matters: Liability of Foreignness, Institutional Distance and
11 Ownership Strategy", in M.A. Hitt & J.L.C. Cheng (eds.), *The Evolving Theory of the Multinational
12 Firm. Advances in International Management*. Elsevier, Amsterdam, pp. 187-221.
- 13
14 Ellis, P. D. (2006), "Market Orientation and Performance: A Meta-Analysis and Cross-National
15 Comparisons", *Journal of Management Studies*, Vol. 43 No. 5, pp. 1089-1107.
- 16
17 Ellis, P. D. (2007), "Distance, Dependence and Diversity of Markets: Effects on Market Orientation",
18 *Journal of International Business Studies*, Vol. 38 No. 3, pp. 374-386.
- 19
20 Fornell, C. and Larcker, D. F. (1981), "Evaluating Structural Equation Models with Unobservable Variables
21 and Measurement Error", *Journal of Marketing Research*, Vol. 18 No. 3, pp. 39-50.
- 22
23 Gaur, A. S., Delios, A. and Singh, K. (2007), "Institutional Environments, Staffing Strategies, and Subsidiary
24 Performance", *Journal of Management*, Vol. 33 No. 4, pp. 611-636.
- 25
26 Gebhardt, G. F., Carpenter, G. S. and Sherry, J. F. (2006), "Creating a Market Orientation: A Longitudinal,
27 Multifirm, Grounded Analysis of Cultural Transformation", *Journal of Marketing*, Vol. 70 No. 4, pp.
28 37-55.
- 29
30 Hair, J. F., Black, B., Babin, B. and Anderson, R. E. (2010), *Multivariate Data Analysis: A Global Perspective*,
31 Pearson Education, Upper Saddle River.
- 32
33 He, X., Brouthers, K. D. and Filatotchev, I. (2013), "Resource-Based and Institutional Perspectives on
34 Export Channel Selection and Export Performance", *Journal of Management*, Vol. 39 No. 1, pp.
35 27-47.
- 36
37 Hofstede, G. (1980), *Culture's Consequences: International Differences in Work-Related Values*, Sage
38 Publications, Beverly Hills CA.
- 39
40 IMD. (2007), "IMD World Competitiveness Yearbook 2007", in. IMD World Competitiveness Center,
41 Lausanne.
- 42
43 Jaworski, B. J. and Kohli, A. K. (1993), "Marketing Orientation: Antecedents and Consequences", *Journal
44 of Marketing*, Vol. 57 No. 3, pp. 53-79.
- 45
46 Julian, C. C., Mohamad, O., Ahmed, Z. U. and Sefnedi, S. (2014), "The market orientation–performance
47 relationship: The empirical link in export ventures", *Thunderbird International Business Review*,
48 Vol. 56 No. 1, pp. 97-110.
- 49
50 Katsikeas, C. S., Leonidou, L. C. and Morgan, N. A. (2000), "Firm-Level Export Performance Assessment:
51 Review, Evaluation, and Development", *Journal of the Academy of Marketing Science*, Vol. 28 No.
52 4, pp. 493-511.
- 53
54 Kirca, A., Bearden, W. and Roth, K. (2011), "Implementation of Market Orientation in the Subsidiaries of
55 Global Companies: The Role of Institutional Factors", *Journal of the Academy of Marketing
56 Science*, Vol. 39, pp. 683–699.
- 57
58 Kirca, A. H., Jayachandran, S. and Bearden, W. O. (2005), "Market Orientation: A Meta-Analytic Review
59 and Assessment of Its Antecedents and Impact on Performance", *Journal of Marketing*, Vol. 69
60 No. 2, pp. 24-41.
- Klein, S., Frazier, G. L. and Roth, V. J. (1990), "A Transaction Cost Analysis Model of Channel Integration",
Journal of Marketing Research, Vol. 27 No. 2, pp. 196-208.
- Klein, S. and Roth, V. J. (1990), "Determinants of Export Channel Structure: The Effects of Experience and
Psychic Distance Reconsidered", *International Marketing Review*, Vol. 7 No. 5/6, pp. 27-38.
- Knott, A. (2003), "The Organizational Routines Factor Market Paradox", *Strategic Management Journal*,
Vol. 24 No. 10, pp. 929-943.

- 1
2
3
4 Kohli, A. K. and Jaworski, B. J. (1990), "Marketing Orientation: The Construct, Research Propositions, and
5 Managerial Implications", *Journal of Marketing*, Vol. 54 No. 2, pp. 1-18.
6 Kohli, A. K., Jaworski, B. J. and Kumar, A. (1993), "MARKOR: A Measure of Market Orientation", *Journal of*
7 *Marketing Research*, Vol. 30 No. 4, pp. 467-477.
8 Kostova, T. and Zaheer, S. (1999), "Organizational Legitimacy under Conditions of Complexity: The Case of
9 the Multinational Enterprise", *Academy of Management Review*, Vol. 24 No. 1, pp. 64-81.
10 Kozlenkova, I., Samaha, S. and Palmatier, R. (2014), "Resource-based theory in marketing", *Journal of the*
11 *Academy of Marketing Science*, Vol. 42 No. 1, pp. 1-21.
12 Kumar, V., Jones, E., Venkatesan, R. and Leone, R. P. (2011), "Is Market Orientation a Source Of
13 Sustainable Competitive Advantage or Simply the Cost of Competing?", *Journal of Marketing*, Vol.
14 75 No. 1, pp. 16-30.
15 Lam, S. K., Kraus, F. and Ahearne, M. (2010), "The Diffusion of Market Orientation throughout the
16 Organization: A Social Learning Theory Perspective", *Journal of Marketing*, Vol. 74 No. 5, pp. 61-
17 79.
18 Leonidou, L. C. and Katsikeas, C. S. (1996), "The Export Development Process: An Integrative Review of
19 Empirical Models", *Journal of International Business Studies*, Vol. 27 No. 3, pp. 517-551.
20 Leonidou, L. C., Katsikeas, C. S., Palihawadana, D. and Spyropoulou, S. (2007), "An Analytical Review of
21 the Factors Stimulating Smaller Firms to Export: Implications for Policy-Makers", *International*
22 *Marketing Review*, Vol. 24 No. 6, pp. 735 - 770.
23 Leonidou, L. C., Katsikeas, C. S. and Samiee, S. (2002), "Marketing Strategy Determinants of Export
24 Performance: A Meta-Analysis", *Journal of Business Research*, Vol. 55 No. 1, pp. 51-67.
25 Li, J. J. and Zhou, K. Z. (2010), "How Foreign Firms Achieve Competitive Advantage in the Chinese
26 Emerging Economy: Managerial Ties and Market Orientation", *Journal of Business Research*, Vol.
27 63, pp. 856-862.
28 Lindell, M. K. and Whitney, D. J. (2001), "Accounting for common method variance in cross-sectional
29 research designs", *Journal of Applied Psychology*, Vol. 86 No. 1, pp. 114-121.
30 Liu, Y., Li, Y. and Xue, J. (2011), "Ownership, Strategic Orientation and Internationalization in Emerging
31 Markets", *Journal of World Business*, Vol. 46 No. 3, pp. 381-393.
32 Luo, Y. and Zhao, H. (2009), "Doing Business in a Transitional Society: Economic Environment and
33 Relational Political Strategy for Multinationals", *Business & Society*, Vol. in press.
34 Madsen, P. (2009), "Does Corporate Investment Drive a "Race to the Bottom" in Environmental
35 Protection? A Reexamination of the Effect of Environmental Regulation on Investment",
36 *Academy of Management Journal*, Vol. 52 No. 6, pp. 1297-1318.
37 Madsen, T. K., Sørensen, H. E. and Torres-Ortega, R. (2015), "The Market Orientation of Domestic and
38 International New Ventures", in *Entrepreneurship in International Marketing*, pp. 21-44.
39 Maltz, E. and Kohli, A. K. (1996), "Market Intelligence Dissemination across Functional Boundaries",
40 *Journal of Marketing Research*, Vol. 33 No. 1, pp. 47-61
41 Matsuno, K. and Mentzer, J. T. (2000), "The Effects of Strategy Type on the Market Orientation-
42 Performance Relationship", *Journal of Marketing*, Vol. 64 No. 4, pp. 1-16.
43 Meyer, E. K., Estrin, S., Bhaumik, S. K. and Peng, W. M. (2009), "Institutions, Resources, and Entry
44 Strategies in Emerging Economies", *Strategic Management Journal*, Vol. 30 No. 1, pp. 61-80.
45 MOFCOM. (2008), "Standard Industrial Classification SIC of Chinese Export Commodities", in: Ministry of
46 Commerce of the Peoples Republic of China.
47 Morgan, N. A., Kaleka, A. and Katsikeas, C. S. (2004), "Antecedents of Export Venture Performance: A
48 Theoretical Model and Empirical Assessment", *Journal of Marketing*, Vol. 68, pp. 90-108.
49 Morgan, N. A., Vorhies, D. W. and Mason, C. H. (2009), "Market Orientation, Marketing Capabilities, and
50 Firm Performance", *Strategic Management Journal*, Vol. 30 No. 8, pp. 909-920.
51 Murray, J. Y., Gao, G. Y. and Kotabe, M. (2011), "Market Orientation and Performance of Export Ventures:
52
53
54
55
56
57
58
59
60

- 1
2
3 The Process through Marketing Capabilities and Competitive Advantages", *Journal of the*
4 *Academy of Marketing Science*, Vol. 39 No. 2, pp. 252-269.
- 5
6 Murray, J. Y., Gao, G. Y., Kotabe, M. and Zhou, N. (2007), "Assessing Measurement Invariance of Export
7 Market Orientation: A Study of Chinese and Non-Chinese Firms in China", *Journal of*
8 *International Marketing*, Vol. 15 No. 4, pp. 41-62.
- 9
10 Narver, J. C. and Slater, S. F. (1990), "The Effect of a Market Orientation on Business Profitability", *Journal*
11 *of Marketing*, Vol. 54 No. 4, pp. 20-35.
- 12
13 NBSC. (2009), "Market Share of Fujian Export", in China, N. B. o. S. o. (Ed.). National Bureau of Statistics
14 of China.
- 15
16 North, D. C. (1990), *Institutions, Institutional Change, and Economic Performance*, Harvard University
17 Press, Cambridge, MA.
- 18
19 Parkhe, A., Wasserman, S. and Ralston, D. A. (2006), "New Frontiers in Network Theory Development",
20 *Academy of Management Review*, Vol. 31 No. 3, pp. 560-568.
- 21
22 Peng, M. W. and Luo, Y. (2000), "Managerial Ties and Firm Performance in a Transition Economy: the
23 Nature of a Micro-Macro Link", *Academy of Management Journal*, Vol. 43 No. 3, pp. 486-501.
- 24
25 Peng, M. W., Wang, D. Y. L. and Jiang, Y. (2008), "An Institution-Based View of International Business
26 Strategy: A Focus on Emerging Economies", *Journal of International Business Studies*, Vol. 39 No.
27 5, pp. 920-936.
- 28
29 Podsakoff, P. M., MacKenzie, S. B., Lee, J.-Y. and Podsakoff, N. P. (2003), "Common Method Biases in
30 Behavioral Research: A Critical Review of the Literature and Recommended Remedies", *Journal*
31 *of Applied Psychology*, Vol. 88 No. 5, pp. 879-903.
- 32
33 Porter, M. E. (1996), "What is Strategy?", *Harvard Business Review*, Vol. 74 No. 6, pp. 61-78.
- 34
35 Priem, R. L. and Butler, J. E. (2001), "Is the Resource-Based Theory a Useful Perspective for Strategic
36 Management Research?", *Academy of Management Review*, Vol. 26 No. 1, pp. 22-40.
- 37
38 Salomon, R. and Wu, Z. (2012), "Institutional distance and local isomorphism strategy", *Journal of*
39 *International Business Studies*, Vol. 43 No. 4, pp. 343-367.
- 40
41 Schwens, C., Eiche, J. and Kabst, R. (2011), "The Moderating Impact of Informal Institutional Distance and
42 Formal Institutional Risk on SME Entry Mode Choice", *Journal of Management Studies*, Vol. 48
43 No. 2, pp. 330-351.
- 44
45 Scott, W. R. (1995), *Institutions and Organizations*, Sage, Thousand Oaks, CA.
- 46
47 Shenkar, O., Luo, Y. and Yeheskel, O. (2008), "From "Distance" to "Friction": Substituting Metaphors and
48 Redirecting Intercultural Research", *Academy of Management Review*, Vol. 33 No. 4, pp. 905-923.
- 49
50 Shervani, T. A., Frazier, G. and Challagalla, G. (2007), "The Moderating Influence of Firm Market Power on
51 the Transaction Cost Economics Model: An Empirical Test in a Forward Channel Integration
52 Context", *Strategic Management Journal*, Vol. 28 No. 6, pp. 635-652.
- 53
54 Shimp, T. A. and Sharma, S. (1987), "Consumer Ethnocentrism: Construction and Validation of the
55 CETSCALE", *Journal of Marketing Research*, Vol. 24 No. 3, pp. 280-289.
- 56
57 Sinkula, J. M. (1994), "Market Information Processing and Organizational Learning", *Journal of Marketing*,
58 Vol. 58 No. 1, pp. 35-45.
- 59
60 Sirmon, D. G., Hitt, M. A. and Ireland, R. D. (2007), "Managing Firm Resources in Dynamic Environments
to Create Value: Looking Inside the Black Box", *Academy of Management Review*, Vol. 32 No. 1,
pp. 273-292.
- Slater, S. F. and Narver, J. C. (1994), "Does Competitive Environment Moderate the Market Orientation -
Performance Relationship?", *Journal of Marketing*, Vol. 58 No. 1, pp. 46-55.
- Song, J., Wang, R. and Cavusgil, S. T. (2015), "State ownership and market orientation in China's public
firms: An agency theory perspective", *International Business Review*, Vol. 24 No. 4, pp. 690-699.
- Sousa, C. M. P. (2004), "Export Performance Measurement: An Evaluation of the Empirical Research in
the Literature", *Academy of Marketing Science Review*, Vol. 2004 No. 9, pp. 1-23.

- 1
2
3
4 Sousa, C. M. P. and Bradley, F. (2008), "Antecedents of International Pricing Adaptation and Export
5 Performance", *Journal of World Business*, Vol. 43 No. 3, pp. 307-320.
- 6 Steensma, H. K., Tihanyi, L., Lyles, M. A. and Dhanaraj, C. (2005), "The Evolving Value of Foreign
7 Partnerships in Transitioning Economies", *Academy of Management Journal*, Vol. 48 No. 2, pp.
8 213-245.
- 9 Taras, V., Steel, P. and Kirkman, B. L. (2012), "Improving National Cultural Indices Using a Longitudinal
10 Meta-Analysis of Hofstede's Dimensions", *Journal of World Business*, Vol. 47 No. 3, pp. 329-341.
- 11 Venkatraman, N. (1989), "The Concept of Fit in Strategy Research: Toward Verbal and Statistical
12 Correspondence", *Academy of Management Review*, Vol. 14 No. 3, pp. 423-444.
- 13 Venkatraman, N. and Camillus, J. C. (1984), "Exploring the Concept of "Fit" in Strategic Management",
14 *Academy of Management Review*, Vol. 9 No. 3, pp. 513-525.
- 15 Vorhies, D. W. and Morgan, N. A. (2003), "A Configuration Theory Assessment of Marketing Organization
16 Fit with Business Strategy and Its Relationship with Marketing Performance", *Journal of*
17 *Marketing*, Vol. 67 No. 1, pp. 100-115.
- 18 WEF. (2007), "Global Competitiveness Report 2007", in Schwab, K. and Porter, M. E. (Eds.). World
19 Economic Forum, Geneva.
- 20 Wei, L.-Q. and Lau, C.-M. (2008), "The Impact of Market Orientation and Strategic HRM on Firm
21 Performance: the Case of Chinese Enterprises", *Journal of International Business Studies*, Vol. 39
22 No. 6, pp. 980-995.
- 23 Williamson, O. and Ghani, T. (2012), "Transaction Cost Economics and Its Uses in Marketing", *Journal of*
24 *the Academy of Marketing Science*, Vol. 40 No. 1, pp. 74-85.
- 25 Wu, F., Sinkovics, R. R., Cavusgil, S. T. and Roath, A. S. (2007), "Overcoming Export Manufacturers'
26 Dilemma in International Expansion", *Journal of International Business Studies*, Vol. 38 No. 2, pp.
27 283-302.
- 28 Xu, D. and Shenkar, O. (2002), "Note: Institutional Distance and The Multinational Enterprise", *Academy*
29 *of Management Review*, Vol. 27 No. 4, pp. 608-618.
- 30 Yang, Z., Su, C. and Fam, K.-S. (2012), "Dealing with Institutional Distances in International Marketing
31 Channels: Governance Strategies That Engender Legitimacy and Efficiency", *Journal of Marketing*,
32 Vol. 76 No. 3, pp. 41-55.
- 33 Yiu, D. and Makino, S. (2002), "The Choice Between Joint Venture and Wholly Owned Subsidiary: An
34 Institutional Perspective", *Organization Science*, Vol. 13 No. 6, pp. 667-683.
- 35 Zhao, H. and Zou, S. (2002), "The Impact of Industry Concentration and Firm Location on Export
36 Propensity and Intensity: An Empirical Analysis of Chinese Manufacturing Firms", *Journal of*
37 *International Marketing*, Vol. 10 No. 1, pp. 52-71.
- 38 Zhou, L., Wu, W.-p. and Luo, X. (2007), "Internationalization and the Performance of Born-Global SMEs:
39 The Mediating Role of Social Networks", *Journal of International Business Studies*, Vol. 38 No. 4,
40 pp. 673-690.
- 41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

Table 1 Measurement of Market Orientation and Institutions**Market Orientation** (Cadogan et al., 2002) (on 7-point Likert scale)

- In this company, we generate a lot of information concerning trends (e.g., regulations, technological developments, political, economic) in our export markets.
- We constantly monitor our level of commitment and orientation to serving export customer needs.
- We periodically review the likely effect of changes in our export environment (e.g., regulation, technology).
- We generate a lot of information in order to understand the forces which influence our overseas customers' needs and preferences.
- Too much information concerning our export competitors is discarded before it reaches decision makers.
- Information which can influence the way we serve our export customers takes forever to reach export personnel.
- Information about our export competitors' activities often reaches relevant personnel too late to be of any use.
- Important information concerning export market trends (regulation, technology).is often discarded before it reaches decision makers.
- If a major competitor were to launch an intensive campaign targeted at our foreign customers, we would implement a response immediately.
- We are quick to respond to significant changes in our competitors' price structures in foreign markets.
- We rapidly respond to competitive actions that threaten us in our export markets.

Institutions (secondary data)

Regulative institutions (World Economic Forum's Global Competitiveness Report, 2007)

- protection of intellectual property
- burden of regulation
- efficiency of legal framework
- transparency of policy making
- effectiveness of anti-monopoly policy
- extent and effect of taxation
- total tax rate
- prevalence of trade barriers
- tariff rates
- prevalence of foreign ownership
- burden of customs procedures
- imports as a percentage of GDP

Normative institutions (IMD World Competitiveness Yearbook, 2007)

- We constantly monitor our level of commitment and orientation to serving export customer needs.
- Protectionism: "protectionism does not impair the conduct of your business"
- International transactions: "international transactions can be freely negotiated with foreign partners"
- Foreign investors: "foreign investors are free to acquire control in domestic companies"
- Capital markets: "capital markets (foreign and domestic) are easily accessible"

Cognitive institutions (Taras, Steel and Kirkman, 2011)

- Power distance
- Individualism
- Masculinity
- Uncertainty avoidance

Table 2 Mean, Standard Deviations and Correlations

Construct	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1. SOE	0.03	0.18	1.00																	
2. Private firms	0.44	0.50	-0.16*	1.00																
3. Foreign firms	0.42	0.49	-0.16*	0.75**	1.00															
4. Domestic article industry	0.28	0.45	0.00	-0.03	0.07	1.00														
5. Electrics industry	0.10	0.30	0.03	0.20**	0.14*	0.20**	1.00													
6. Clothing industry	0.23	0.42	-0.10	0.06	0.01	0.34**	0.18**	1.00												
7. Food industry	0.29	0.46	-0.00	0.21**	0.19**	0.40**	0.21**	0.36**	1.00											
8. Size	1178.15	2624.72	0.02	0.26**	0.10	-0.08	0.31**	-0.06	0.18**	1.00										
9. Experience	9.77	6.71	0.34**	0.22**	0.08	0.01	0.04	-0.02	-0.06	0.27**	1.00									
10. No. of export markets	12.08	14.67	0.16*	-0.09	-0.13	-0.06	0.32**	0.00	-0.14*	0.31**	0.36**	1.00								
11. Sales growth	.19	.32	-0.09	0.11	-0.12	-0.00	0.02	-0.03	0.00	-0.05	0.19**	0.03	1.00							
12. Cultural distance	2.07	.71	0.02	0.04	-0.04	0.01	0.20**	-0.01	0.12	0.21**	-0.08	-0.09	-0.04	1.00						
13. R&D	.08	.08	-0.08	0.17*	-0.08	-0.02	0.04	0.07	-0.04	-0.09	-0.06	-0.09	0.04	-0.01	1.00					
14. External uncertainty	4.30	1.57	-0.17*	0.16*	-0.06	-0.08	-0.09	-0.15*	0.34**	-0.14*	0.02	0.20**	-0.07	0.08	-0.01	1.00				
15. Regulative institutions distance	1.07	.26	0.16*	-0.05	0.01	0.17*	-0.05	-0.16*	-0.05	-0.06	0.06	0.02	-0.02	0.31**	-0.05	0.29**	1.00			
16. Normative institutions distance	1.61	.57	0.07	-0.04	0.02	0.18**	0.03	-0.03	0.20**	0.03	0.03	0.06	-0.00	0.23**	0.08	0.36**	0.70**	1.00		
17. MO	4.89	1.15	-0.07	-0.04	0.14*	0.14*	0.03	0.14*	0.37**	0.12	-0.04	0.10	0.05	-0.08	0.00	0.45**	0.16*	0.26**	1.00	
18. Export channel dummy	2.35	.73	-0.12	-0.09	0.19**	0.06	0.08	-0.01	-0.14*	-0.09	0.03	-0.07	0.01	-0.02	0.11	0.09	0.01	0.08	0.37**	1.00
19. Export performance	4.21	1.32	-0.06	-0.01	-0.00	-0.03	0.09	-0.08	-0.10	0.07	-0.08	0.07	0.29**	-0.12	0.11	0.35**	0.34**	0.27**	0.37**	0.15*

Note: n = 214; * p < 0.05, ** p < 0.01

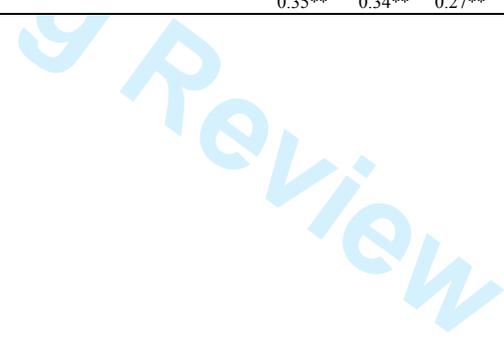


Table 3 Multiple Regression Analysis of Export Performance

	Regression models						
	1	2	3	4	5	6	7
<i>Control variables</i>							
Ownership							
SOEs	-0.10 (-1.46)	-0.09 (-1.29)	-0.09 (-1.21)	-0.09 (-1.23)	-0.09 (-1.1733)	-0.09 (-1.243)	-0.09 (-1.21)
Private firms	0.12 (1.13)	0.04 (0.42)	-0.01 (-0.11)	-0.01 (-0.08)	-0.00 (-0.02)	-0.02 (-0.15)	-0.01 (-0.05)
Foreign firms	0.08 (0.72)	-0.01 (-0.05)	-0.05 (-0.42)	-0.05 (-0.49)	-0.04 (-0.35)	-0.05 (-0.49)	-0.04 (-0.38)
Industry							
Domestic articles	-0.33*** (-3.43)	-0.32*** (-3.38)	-0.29*** (-2.80)	-0.29*** (-2.85)	-0.29*** (-2.80)	-0.30*** (-2.83)	-0.28*** (-2.75)
Electrical & electronic	-0.14* (-1.81)	-0.11 (-1.40)	-0.11 (-1.30)	-0.12 (-1.44)	-0.10 (-1.13)	-0.10 (-1.28)	-0.10 (-1.15)
Clothing	-0.42*** (-4.39)	-0.39*** (-4.17)	-0.33*** (-3.26)	-0.33*** (-3.28)	-0.34*** (-3.33)	-0.33*** (-3.27)	-0.33*** (-3.27)
Food	-0.29*** (-2.89)	-0.21** (-2.15)	-0.16 (-1.46)	-0.17 (-1.60)	-0.16 (-1.45)	-0.17 (-1.52)	-0.16 (-1.49)
Firm size	-0.02 (-0.33)	-0.04 (-0.59)	-0.02 (-0.32)	-0.01 (-0.10)	-0.02 (-0.22)	-0.02 (-0.33)	-0.01 (-0.20)
Export experience	0.02 (0.30)	0.03 (0.42)	0.01 (0.07)	0.01 (0.07)	0.02 (0.28)	0.01 (0.12)	0.01 (0.19)
No. of export markets	0.03 (0.37)	0.00 (0.03)	0.01 (0.07)	-0.03 (-0.34)	0.00 (0.01)	0.00 (0.04)	0.00 (0.01)
Sales growth	0.26*** (4.36)	0.25*** (4.35)	0.23*** (3.79)	0.21*** (3.47)	0.25*** (3.97)	0.24*** (3.82)	0.23*** (3.84)
R & D	0.05 (0.83)	0.06 (0.98)	0.08 (1.36)	0.11** (1.83)	0.08 (1.28)	0.08 (1.33)	0.08 (1.35)
External uncertainty	-0.34*** (-5.22)	-0.24*** (-3.51)	-0.29*** (-3.35)	-0.25*** (-2.82)	-0.33*** (-3.61)	-0.31*** (-3.39)	-0.32*** (-3.47)
<i>Independent variables</i>							
MO		0.26*** (3.87)	0.22*** (2.79)	0.21** (2.58)	0.22*** (2.69)	0.22*** (2.71)	0.23*** (2.84)
Export channel			0.16** (2.58)	0.18** (2.74)	0.15** (2.48)	0.14** (2.32)	0.16** (2.61)
Regulative distance			-0.15** (-2.59)	-0.17** (-2.75)	-0.16** (-2.65)	-0.16** (-2.67)	-0.17** (-2.84)
Normative distance			-0.18 (-1.92)	-0.16 (-1.70)	-0.18 (-1.89)	-0.19 (-1.98)	-0.17 (-1.81)
Cultural distance			-0.08 (-1.19)	-0.05 (-0.67)	-0.07 (-0.97)	-0.08 (-1.24)	-0.07 (-0.94)
MO* Export channel				0.18** (2.18)			
MO*Regulative distance					0.13** (2.97)		
MO* Normative distance						0.14** (2.61)	
MO* Cultural distance							0.03 (0.36)
F-value	6.21***	7.21***	5.27***	5.34***	5.23***	4.99***	5.15***
R ²	0.27	0.32	0.35	0.39	0.38	0.38	0.36
R ² change from Model 1		0.05***	0.08***	0.12***	0.11***	0.11***	0.09***
R ² change from Model 3				0.04***	0.03**	0.03**	0.01

Note: n = 214; * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$ (t- values)