

An Investigation of Export Practices and Performance across Global Mindset Orientations

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Abstract

Extant literatures suggest three different approaches to decision making for operating a firm internationally: ethnocentric, polycentric, and geocentric. This study investigated differences in firm characteristics, export marketing strategies and export performance outcomes across these three orientations on a sample of North American (Canadian and U.S.) firms. The findings revealed major differences in examined variables across these decision-making orientations. While global mindset seemed to influence export strategy and performance, it did not affect many aspects of firm characteristics. Implications for export managers and public policy are drawn from the results.

Keywords: export orientations, global mindset, export strategy, research and development strategy

1. Introduction

Past research efforts in exporting have focused on several areas, particularly on variations in export performance resulting from differences in export strategy and firm characteristics (e.g., Shoham, 2002; Solbert & Durrieu, 2008; Hultman, Robson, & Katsikeas, 2009). These research findings have significantly contributed to our understanding of the determinants of export performance (Leonidou, Katsikeas, & Coudounaris, 2010; Sousa, Martinez-Loes, & Coelho, 2008). Another important and growing research stream focuses on developing an understanding of the differences in managerial “global mindsets” and how these centrality orientations influence firms’ international strategies and performance (e.g., Arora, Jaju, Kefalas, & Perenich, 2004). Popularized by Perlmutter (1969), extant literature and research efforts suggest three major different approaches to decision making for operating a firm internationally: ethnocentric, polycentric, and geocentric. Perlmutter (1969) proposed that these “global mindset” orientations influence and shape different aspects of the company structure, strategy, and resource allocation. Furthermore, there seems to be an emerging consensus in this literature that global mindset orientations are critical to global competitiveness and influences a number of important organizational outcomes (e.g., Kedia & Mukherji, 1999; Gupta & Govindarajan, 2001). Gupta and Govindarajan (2001) suggest that success in global markets depends on manager’s ability to understand global markets and exploit international opportunities. As such, it’s not surprising that research interests in conceptualizing what a “global mindset” means and cultivating a global mindset is essential in this globalization era and has grown rapidly over the last three decades. However, despite the growing recognition of the importance of global mindset orientations our review indicates a limited number of empirical research studies in this field. Furthermore, few research efforts have tied the two streams of research findings together. For example, a study by Calof and Beamish (1994) examining this issue concluded that geocentric firms tend to perform better in export sales. They also stated that a firm’s centrality (attitude towards foreign cultures) can impact the choice of strategies and implementation, and international performance could be negatively impacted if the firm’s centrality is not in alignment with the actual foreign environment. However, Kobrin (1994) found that a firm’s geocentric mindset is associated with broad geographic scope (more markets), yet geocentricity does not appear to be a function of the length of international experience, strategy or organizational structure.

The purpose of this research effort is to bring together these two research streams by investigating the differences in export marketing practices and performance outcomes across different management mindsets. More specifically, we examine the extent to which firm characteristics, research & development strategies,

export marketing strategies, and export performance would differ by differences in management mind-sets (ethnocentric, polycentric, or geocentric). We expect differences in firms export strategy, firm characteristics, and firm export performance based on differing global mindsets. To investigate these relationships, a survey of 885 Canadian and US firms was conducted.

The paper is organized as follows: a review of the literature in the two research streams to provide the theoretical framework for the study, research methodology and sample characteristics, research findings, discussion, and implications. Directions for future research are also suggested.

2. Literature Review

For the purpose of this study, the review will be summarized in two categories: variables impacting the export behavior and performance of firms and the role of mind-set (ethnocentric, polycentric, and geocentric) in determining export marketing practices.

2.1 Export Behavior, Firm Characteristics, and Performance

Reviews on export behavior of firms have been provided by Leonidou et al. (2010), Sousa et al. (2008), Cavusgil and Nevin (1981), and Bilkey (1978). A key conclusion reached by some researchers is that empirical findings regarding the impact of export strategy and other variables on export performance have been inconsistent and fragmented (Lages & Sousa, 2010; Lu & Julian, 2008). Also, some research findings have shown that organizational characteristics and export marketing strategy have an important impact on export activity. For instance, Singh (2009) identified firm size, research and development expenditure, advertising expenditure, and business group affiliation to be important antecedents of level of exporting activities of firms. In an earlier work, Cunningham and Spiegel (1971) found that the most important factors contributing to the firm's success in exporting were the design and quality of the product; persistence (personal visits; before- and after-sales service); international outlook of top management coupled with long-term planning; special prices, market knowledge or sales organization; and the effective use of overseas agents. However, advertising, exhibitions, foreign language proficiency, and use of government export services did not appear as the most important factors in successful exporting. An early study, Kirpalani and MacIntosh (1980) found that pricing and promotion were significantly associated with the firm's export performance, but distribution (quality and compensations of dealers and adequacy of stocks and parts) was not related to export success. Then, McGuinness and Little (1981) concluded that new products tend to achieve better than average export sales. Most recently it was found that exporting activity is associated with the ex post increase in innovative productivity in 'leading versus lagging' firms (Salomon & Jin, 2010). Bilkey (1982) examined export prices, attention given to exporting, and dealer support and found they correlated positively with export performance, while relative export competition correlated negatively with export performance. However, the type of product, perceived product uniqueness, product patent or brand, lapse of time since the firm's last meeting with its distributor, and perceived distributor quality did not correlate with export performance. Parhizkar, Miller and Smith (2010) looked at an often overlooked industry-forest product to identify unique characteristics (e.g., relationship to distribution partners, logistical considerations, and export method selection) that influence export performance. Earlier, Cooper and Kleinschmidt (1985) showed that the selection of foreign markets, and segmentation and product strategies impact on export sales and growth. Also, Johanson and Nonaka (1983) concluded that successful Japanese firms search for foreign market information, export to wholly- or partly-owned subsidiaries or through the general trading companies, tailor promotion efforts to each country's needs, search for a niche in a foreign market, offer products abroad that have definite differential advantage over competitive alternatives, and adopt a policy of providing the customer with "good value" for his money. These research findings are consistent with the "marketing concept" in which firms tend to perform better when they are able to meet the customer's needs more effectively than competitors.

Using the framework of standardization and/or adaptation strategies, several studies (Hultman et al., 2009; Theodosiou & Katsikea, 2001; Acquah, Adjei, & Mensa-Bonsu, 2008; Shoham, 2002; Solbert & Durrieu, 2008) concluded that export marketing strategy differences are impacted by variations in market conditions and organization characteristics. The adaptation approach argues that export practices do vary in dimensions such as product usage, purchasing power, social and culture, law and regulations, and consumer needs and wants. In a study of 105 Zimbabwean exports, Sibanda, Erwee and Ng (2011) conclude that proactive firms that are more likely to adapt strategies are those with the following characteristics: (a) a management with high overseas experience, (b) sensitivity to cultural values existing in the export market, (c) sensitivity to legislative requirements in the target market, and (d) who adopt an export-oriented strategy. Also, Hultman et al. used Swedish exporters to show that balancing standardization and adaptation strategies affects the product strategy

fit and its performance outcomes.

In a study of small and medium-sized Canadian manufacturers, Beamish and Munro (1986) reported that export success (measured in terms of export sales intensity and profitability) is positively related to a firm's commitment to exporting and market diversity. Koh and Robicheaux (1988) concluded that industrial exporters reported superior export performance when they sold directly to final end-users through their own export department and charged a higher price for export sales than for sales in the home market. Koh (1991) found that exporters who have had formal education in international business and place a higher long-term priority in exporting compared with the U.S. business perceived higher export profitability.

The issue of the relationship between the size of a firm and export performance has been subject to considerable debates because of mixed findings. Several researchers (e.g., Reid, 1982) concluded that a firm's sales would increase with firm size. Others found no significant relationship (McDougall & Stening, 1975; Bilkey & Tesar, 1977). Cooper and Kleinschmidt (1985) found that firm size, when measured by annual sales, is negatively correlated with its export growth and not significantly related to export intensity. But Kneller and Pisu (2010) found an opposite finding. They used a database of UK firms to confirm the variety/breadth/diversity of measures used to determine export performance. Their measures correlated positively with export intensity. Calof (1994), using an extensive sample of Canadian manufacturers, concluded that "while firm size is positively related to export behavior, its importance is limited as the amount of variance explained is modest" (p. 367).

Like the size-performance relationships, researchers have found mixed results concerning the export experience-performance relationship. McDougall and Stening (1975) found a positive correlation between export performance and export experience. However, Bilkey (1982), and Cooper and Kleinschmidt (1985) observed that export performance is negatively related to export experience. On this issue, Kaynak and Kuan (1993) commented that "Younger firms export more than older firms because of the lack of cost competitive advantages and adequate resources to compete in the well-established domestic market" (p. 35). The Camison and Villar-Lopez (2010) study of Spanish firms revealed that superior performance is only achieved by SMEs that can turn the knowledge they gain into exploitable intangible assets. Cassiman, Golovko, and Martinez-Ros (2010) used a panel of Spanish manufacturing firms to provide strong evidence that product (not process) innovation influences productivity of exporting firms. It also induces small non-exporting firms to begin exporting. In studying 34 United States and Canadian firms, Kirpalani and MacIntosh (1980) found significant relationships between selected variables (management commitment, management control systems, product mix, promotion, and pricing) and export growth. Another study (Kaynak & Kothari, 1984) which also focused on United States and Canadian firms found that technology, quality control, communications ability, product mix, and pricing were positively related to export performance (as measured by the propensity to export). Using samples from Michigan, USA and Ontario, Canada, Axinn (1988) concluded that perceptions of risk aversion and profit likelihood were significantly related to export intensity. In investigating United Kingdom and West German firms, Schlegelmilch (1986) did not find any significant differences in export behavior.

Craig and Beamish (1989) compared the characteristics of Canadian and United Kingdom exporters and found several across-country differences: U.K. firms sold to more countries, had been selling longer, and had a wider product line than corresponding Canadian firms. In a follow-up paper, Beamish, Craig, and McLellan (1993) found that firms in both countries experienced superior export performance when they applied business fundamentals: exported to a wider and more diverse group of countries, exhibited a higher level of commitment to exporting, maintained on-going distribution arrangements in the export market, adopted an on-going process of setting marketing objectives, and expended resources on customer service. However, several country-specific findings were noted: successful U.K. export performance was related to the use of direct sales distribution, wide product offerings, long-term distributor relations, and a broad geographic focus, whereas Canadian firm's export performance was related to superior product characteristics and diversification of market focus.

Francis and Collins-Dodd (2000) caution that superior technological products are not sufficient to ensure export market success. In providing recommendations to practitioners in high-tech SMEs, they stress that firms must first evaluate their motivation for international expansion carefully. Foreign market-demand factors are likely to be associated with long-term export success, while non demand factors (like home market saturation and government incentives) are not good reasons for market expansion. Second, practitioners planning global market expansion must rely heavily on their own primary market research and experiential learning, including product testing and information from direct field contacts. They conclude that "armchair" exporting may be detrimental for high-tech firms, for they may be misled by inaccurate or out-dated information. Raymond, Kim, and Shao (2001) compared strategic marketing decisions and factors that influenced U.S. and Korean exports. They concluded that Korean exporters experienced more difficulties with strategic decisions such as pricing and brand

reputation while US exporters had trouble adapting to export market conditions.

2.2 Export Mindset

Popularized by Perlmutter (1969), extant literature and research efforts suggest three major different approaches to decision making for operating a firm internationally: ethnocentric, polycentric, and geocentric (e.g., Heenan & Perlmutter, 1979; Maznevski & Lane, 2004; Levy, Beechler, Taylor, & Boyacigiller, 2007). A later study by Heenan and Perlmutter (1979) identified a fourth dimension called “regiocentric” attitude, meaning “regionally oriented, which falls between polycentric and geocentric. This fourth dimension is not used in this study because of its ambiguity and possible collinearity with the geocentric orientation. In an ethnocentric orientation, all major decisions are either made in the home nation (e.g., U.S.), by U.S. personnel, or overseas by U.S. nationals who manage the subsidiary. U.S. standards, procedures and objectives are used for making the decisions. Overseas offices should then use the U.S. systems/procedures/products with little or no modification. The driving philosophy is “what works best in U.S. also works best elsewhere.” In a polycentric orientation, all major decisions are tailored to suit the local (host country) market. In general, decisions are made in the local (host country) office, by host country personnel using their own standards, procedures and objectives. Limited liaison is required between the host country office and the U.S. corporate office. The driving philosophy is “what works best for each host country, and all done in the interest of the host country.” Finally, in a geocentric orientation, all major decisions are made centrally, and managed to satisfy global needs as efficiently as possible on a global basis. Substantial coordination should exist between local (host country) offices, regional offices, and company headquarters. “The ultimate goal of geocentricism is a worldwide approach in both headquarters and subsidiaries” (Perlmutter, 1969). Though the focus is on global systems, procedures and objectives, there could, for example, be uniform pricing policies and products throughout the world, with decisions made through collaboration between all units. However, in the interest of corporate success, allowances are made for local and regional differences. The driving philosophy is “what works best for the corporation, and getting the best anywhere for corporate success.”

In an attempt to integrate the extant literature in this area of work, Levy et al. (2007) proposed three mind-set themes: the cultural, strategic, and multi-dimensional perspectives. The “cultural perspective conceptualizes global mindset in the context of increased cultural diversity associated with globalization” (p. 233), and this stream of research had been championed by Perlmutter (1969), Heenan and Perlmutter (1979), Chakravarty and Perlmutter (1985) and Maznevski and Lane (2004). As firms globalize, senior managers must manage a more difficult environment, and must move from an ethnocentric orientation to manage culturally diverse international management challenges. Kobrin (1994) found that “while a geocentric mind-set is definitely associated with broad geographic scope, it does not appear to be a function of length of international experience, strategy, or organizational structure” (p. 507). Hakam, Lau, and Kong (2005) found that export behavior of Singaporean firms do vary by the stages of internationalization in which they belong. This is to be expected since firms early in the internationalization stage would not be experienced or mature enough to engage in more involved or risky strategies.

The strategic perspective focuses on the tension between the global and the local (Kefalas, 1998; Arora et al., 2004). The strategic perspective conceptualizes mindset in terms of “the ability to integrate across domains” (Jeannet, 2000, p. 11) and such skills must be reflected in the cognitive abilities of managers in MNC’s (Murtha, Lenway, & Bagozzi, 1998; Jeannet, 2000). Such MNC managers must have the ability to balance between competing concerns and demands (Murtha et al., 1998), distinguish between and integrate across cultures and markets (Govindarajan & Gupta, 2001; Gupta & Govindarajan, 2002), and scan and pay attention to global issues (Bouquet, 2005). Key concepts frequently used in the conceptualization of mindsets in these studies focus on integration, responsiveness, coordination; globalization versus localization (glocal) issues, and “thinking globally” and “acting locally”. Arora et al. (2004) concluded that training in international management, manager’s age, foreign country living experience, family member from a foreign country, and job experience in a foreign country have statistically significant impacts on managers’ global mindset, and argue that global mindset is a trait that can be developed with training. Nummela, Saarenketo, and Puumalainen (2004) concluded that market characteristics-globalness of the market in which the firm operates and the turbulence of the market-are positively related to global mindset. Furthermore, the authors found a positive relationship between “global mindset” and financial indicators of the firm’s international performance. Bouquet (2005) argued that global attention structures (i.e., structural positions related to globalization, global meetings, economic incentives for global efforts, and leadership development for globalization) which firms put in place to regulate allocation of attention, will partially mediate the relationship between firms’ decision environment and top management team attention. Thus, the firm’s decision environment influences attention structures, which, in turn, affects top

management team attention to global issues. A study by Levy (2005) suggests that firms are more likely to be highly global when their top management pays attention to the global environment and considers a diverse set of elements in this environment; on the other hand, firms led by top management teams that pay attention to the internal environment are less likely to consider globalization as a viable strategic choice. In a more recent study conducted by Kraft, Dowling, and Helm (2012) on a sample of 259 internationally operating businesses based in Germany, findings indicate that business mindset orientations influence performance and such influence is enhanced by better coordination with marketing strategies.

The multidimensional perspective incorporates both the cultural and strategic perspectives, and is heavily influenced by the work of Rhinesmith (1992; 1996). In particular, the work of Kedia and Mukerji (1999) proposes three main characteristics of a global mindset: a unique time perspective, a unique space perspective, and a general predisposition. These characteristics enable a long-term view of international business activities, expanding personal space well beyond the immediate surroundings, and a predisposition more tolerant of other peoples and cultures, including valuing cultural diversity as an asset, thriving on ambiguity, balancing contradictory forces, and rethinking boundaries (Kedia & Mukerji, 1999).

The above literature review focusing on the influence of firm characteristics and export marketing strategies on export behavior and performance, and research streams in global mindsets provides the theoretical framework for this research study. If the mind-sets of management in firms differ, it would appear that a particular mind-set orientation would impact export marketing strategies (i.e., extent of product modification, importance of customer service, importance of visits to foreign distributors, frequency of visits to foreign distributors, importance of training of foreign distributors). For instance, a strategy based on a geocentric mindset will limit product modification while a polycentric mindset will maximize customer service. Similarly, global mindset influences the firm's characteristics (e.g., firm's employment, market coverage) and performance (e.g., export intensity, market share).

Based on the findings of previous studies, we hypothesize as below.

H1: Firms' export characteristics will vary based on their orientation/mindset such that: a) firms with geocentric orientation/mindset will rate higher on the investigated variables than firms with polycentric or ethnocentric orientation/mindset, and b) firms with polycentric orientation/mindset will rate higher on the investigated variables than firms with ethnocentric orientation/mindset.

H2: Export behavior of firms will vary based on their orientation/mindset such that: a) firms with geocentric orientation/mindset will rate higher on the investigated variables than firms with polycentric or ethnocentric orientation/mindset, and b) firms with polycentric orientation/mindset will rate higher on the investigated variables than firms with ethnocentric orientation/mindset.

H3: Export performance of firms will vary based on their orientation/mindset such that: a) firms with geocentric orientation/mindset will rate higher on the investigated variables than firms with polycentric or ethnocentric orientation/mindset, and b) firms with polycentric orientation/mindset will rate higher on the investigated variables than firms with ethnocentric orientation/mindset.

3. Methodology

3.1 Data Collection Procedures

Survey questionnaires were mailed to a random sample of 885 North American (Canadian and U.S.) firms across each nation. Although some studies (e.g., Raymond et al., 2001) have reported differences in export decisions and factors between developed and emerging market firms, we felt that the long history and experience of North American firms in exporting provided the best framework where all three mindsets (ethnocentric, polycentric, geocentric) would be present to a significant extent. Thirty questionnaires were returned because no forwarding address was available. Furthermore, to increase the generalizability of our results to firms operating in developed markets we include firms from both Canada and the U.S. in our analysis.

From the reduced sample size of 855 firms, 168 ($n_{\text{Canada}} = 93$; $n_{\text{U.S.}} = 75$) useable questionnaires were received (giving an adjusted response rate of 19.65 percent). In order to test for non-response bias, random telephone calls were made and responses from 30 non-responding firms on selected organizational and attitudinal variables were obtained. Chi-square and t-tests on these variables between the responding and non-responding firms showed no significant differences between the two groups.

3.2 Operationalization of Study Variables

First, following Calof and Beamish (1994), our sample subjects were provided a clear description of the three

export decision orientations (ethnocentric, polycentric, and geocentric) and then asked to identify which approach best describes how their firm currently operates. For the U.S. sample, the following definitions (adopted from Calof & Beamish, 1994) were provided (and for the Canadian sample, the term Canada/Canadian was used in place of U.S.):

- 1) Ethnocentric: All major decisions are either made in the U.S., by U.S. personnel, or overseas by U.S. nationals who manage the subsidiary. U.S. standards, procedures and objectives are used for making the decisions. Overseas offices should then use the U.S. systems/procedures/products with little or no modification.
- 2) Polycentric: All major decisions are tailored to suit the local (host country) market. In general, decisions are made in the local (host) country office, by host country personnel using their own standards, procedures, and objectives. Limited liaison is required between the host country office and the U.S. corporate office. It is possible to have different products/procedures/prices in each market.
- 3) Geocentric: All major decisions are made centrally, and managed to satisfy global needs as efficiently as possible on a global basis. Substantial coordination should exist between local (host country) offices, regional offices, and company headquarters. Either there are uniform pricing policies and products throughout the world, or all major decisions are made through collaboration between local, regional, and U.S. offices but the focus is on global systems, procedures, and objectives. Allowances are made for local and regional differences—e.g., local/regional offices could modify the global policies and procedures in light of local differences.

Second, several measures were utilized from previous studies (as discussed above in the literature review on “Export Behavior”) to capture firm characteristics, research & development strategies, export marketing strategies, and export performance (see Table 1 below). All study variables were measured using single-item measures except for technology importance, which was measured using a five-item measure as explained below. More specifically, four variables relating to “Firm Characteristics” were examined in our study using single-item measures representing the number of years the firm has been engaged in exporting, firm’s employment level, market coverage (i.e., number of foreign markets the firm exports to), and start-up to export (i.e., the number of years the firm begins exporting after start-up). Three variables relating to the firm’s “Research and Development” strategy were examined in this study. The first two are single-item measures representing the firm’s average (over the last 3 years) R&D expenditure to total sales and number of personnel involved in R&D. The third variable relating to the firm’s “Research and Development” strategy was captured using a five-items measure anchored by a five-point scale (ranging from “1=strongly disagree” to “5=strongly agree”) to assess the firm’s perception on the importance and utilization of technology in its business (e.g., technological innovation is very important for my firm’s export success, my firm devotes resources to learning about cutting edge developments in technology). Six variables relating to export marketing strategy were examined using single-item measures representing the extent of product modification in foreign market (from “1=not at all” to “5=extensive amount”), importance of customer service in the foreign market marketing effort (from “1=not important” to “5=imperative”), importance of visits to foreign distributor in selection of foreign representation (from “1=not important” to “5=imperative”), frequency of visits to foreign representative (from “1=never” to “8=once or more than once a week”), importance of training of foreign distributor (from “1=not important” to “5=imperative”), and number of personnel involved in exporting. Export performance was captured using three single-item measures representing: a) export intensity (defined as the percentage of export sales to the firm’s total sales), b) export profitability relative to domestic profitability (ranging from “1=much less” to “5=much more”, as defined by Bilkey [1982]), and market share performance relative to competitors’ in export market (from “1=very low” to “5=very high”). Finally, respondents were asked to provide information about their job title and the number of years they have been involved/responsible for their firm’s exports to capture their level of competence in assessing their firms export decisions and activities (Kumar, Stern, & Anderson, 1993).

4. Findings

Our analysis is organized as follows: a) we start with a description of the sample characteristics including study respondents, the firms represented in our sample and the distribution of export decision orientations across firms in our sample, and then b) we use analysis of variance to examine the differences in selected organizational characteristics, research and development (R&D) strategy, export marketing strategy, and export performance measures across the three export decision orientations. We ran separate analyses of variance for each sample (i.e., Canada and the U.S.). Our analysis indicates no differences in the pattern of results between the two samples. As such, we conduct our analyses combining the two samples.

Table 1. Correlations between study variables

Investigated Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Firm Characteristics																
1. Years in exporting																
2. Firm's employment	.376 ^a															
3. Market coverage	.097	.333 ^a														
4. Start-up to export (months)	.143	.113	-.049													
Research & Development																
5. Average R & D expenditure to total sales	-.160	-.062	.067	-.152												
6. Personnel in R & D	.173 ^b	.472 ^a	.262 ^a	-.111	.318 ^a											
7. Technology importance	-.075	.139	.197 ^b	-.314 ^a	.343 ^a	.323 ^a										
Export Marketing Strategy																
8. Extent of product modification	.118	.099	.315 ^a	-.045	.090	.176 ^b	.267 ^a									
9. Importance of customer service	-.032	.181 ^b	.150	-.107	.107	.218 ^a	.296 ^a	.203 ^a								
10. Importance of visit to foreign distributor	-.143	.229 ^b	.108	-.012	.168	.223 ^b	.316 ^a	.187 ^b	.324 ^a							
11. Frequency of visit to foreign distributor	-.111	.229 ^a	-.028	.038	.121	.205 ^a	.325 ^a	.008	.446 ^a	.423 ^a						
12. Importance of training of foreign distributor	-.077	.008	.110	-.075	.189	.124	.260 ^a	.248 ^a	.412 ^a	.548 ^a	.281 ^a					
13. Personnel involved in exporting	.204 ^b	.314 ^b	.124	-.115	-.023	.208 ^a	.194 ^b	.273 ^a	.133	.101	.070	.134				
Export Performance Measures																
14. Export intensity	-.088	.070	.341 ^a	-.326 ^a	.364 ^a	.243 ^a	.429 ^a	.268 ^a	.245 ^a	.324 ^a	.362 ^a	.249 ^a	.336 ^a			
15. Export profitability	-.182 ^b	-.232 ^a	-.003	-.100	.073	-.141	.114	.087	.002	.195 ^b	.099	.111	-.067	.292 ^a		
16. Market share performance in export market	.136	.310 ^b	.356 ^a	.004	.056	.173 ^b	.279 ^a	.250 ^a	.215 ^a	.057	.203 ^b	.061	.259 ^a	.344 ^a	.005	

^a Correlation is significant at the .01 level

^b Correlation is significant at the .05 level

4.1 Sample Characteristics

Respondents were asked to provide information about their job titles and export experience with their firms. Study respondents were senior level executives (e.g., presidents, general managers, and upper managerial level administrators) who have been directly involved or responsible for decisions and activities associated with their firms exporting. All together, study respondents had 1,493 years of exporting experience in their firms or almost around 10 years of experience per respondent. As such, study respondents were in a position that enables them to provide accurate perspective related to examined issues in our study. The sample was made up of 60.2% small firms (with total company sales of less than U.S. \$10 million) and 18.1% medium sized firms (company sales of between U.S. \$10 million and \$500 million). On average, they employed 72 workers, earned about 35.5% of corporate sales from exporting, and registered 15.8 years in exporting experience. The sample reported covering an average of 10 foreign markets (e.g., U.S./Canada, Latin America, Asia and Western Europe). About forty-five percent of the firms started their exporting through unsolicited orders. It took slightly less than ten years on the average for the firms to begin exporting from their start-up. A very small percentage (12.8%) indicated that the company has established a separate export department. Finally, the distribution of export decision orientations across the firms in our sample was as follows: Ethnocentric (n = 69), Polycentric (n = 19), and Geocentric (n = 48). Measurement quality for the multi-item measure in our study, technology importance, was examined for construct validity through exploratory factor analysis and for internal consistency reliability via item-to-total correlations and Cronbach's alpha following Nunnally and Bernstein (1994) recommendations. A one-factor solution was obtained for this construct with Eigen value of 2.84 and 57 percentage of the variance extracted. All five items loaded at high levels above the suggested 0.50 and the Cronbach's alpha was high at .81. As such, our results demonstrate valid and reliable measures.

4.2 Analysis of Variance

First, analyses of variance were conducted to test whether firm's characteristics, research and development (R&D) strategy, export marketing strategy, and export performance measures differs by the levels of export decision orientations (i.e., ethnocentric, polycentric, and geocentric). Next, given an overall significant main effect of the level of export decision orientation on a study variable, we proceeded to test multiple comparisons between each pair of export decision orientations. Scores for study variables across export decision orientations and the results of analysis of variance are summarized in Table 2 below.

Table 2. Analysis of variance to compare mean scores for study variables between export decision orientations

Investigated Variables	Export Decision Orientations ^a			<i>F</i>	<i>p</i>
	Ethnocentric	Polycentric	Geocentric		
Firm Characteristics					
1. Years in exporting	16.7	13.2	13.1	1.72	.184
2. Firm's employment	61.0	45.4	68.4	0.53	.592
3. Market coverage	8.9	6.6	13.7	3.06	.051
4. Start-up to export (months)	151.6	94.0	108.4	1.39	.253
Research & Development					
5. Average R & D expenditure to total sales	4.7	6.6	12.4	3.88	.023
6. Personnel in R & D	3.6	3.4	7.3	2.89	.059
7. Technology importance ^b	2.9	3.8	3.6	8.84	.000
Export Marketing Strategy					
8. Extent of product modification ^c	1.7	2.4	2.1	5.15	.007
9. Importance of customer service ^d	3.8	4.3	4.2	3.42	.036
10. Importance of visit to foreign distributor ^d	3.6	4.5	4.1	5.41	.006
11. Frequency of visit to foreign distributor	3.1	3.5	3.9	2.95	.057
12. Importance of training of foreign distributor ^d	3.3	4.3	3.9	5.96	.004
13. Personnel involved in exporting	1.6	1.4	5.2	2.51	.086
Export Performance Measures					
14. Export intensity (export sales to total firm sales)	24.3	40.8	44.3	6.90	.001
15. Export profitability ^e	3.2	3.5	3.7	4.68	.011
16. Market share performance in export market ^f	2.9	3.2	3.5	5.99	.003

^a Ethnocentric (n = 69), polycentric (n = 19), and Geocentric (n = 48).

^b Using five items measure anchored by five-point scales from (1 = strongly disagree) to (5 = strongly agree).

^c Respondents were asked, "To what extent is the product modified for the foreign market?" with a five-point scale from (1 = not at all) to (5 = extensive amount).

^d Using five items measure anchored by five-point scales from (1 = not important) to (5 = imperative).

^e Respondents were asked, "Compared to selling the product in the U.S./Canada, exporting is:" with a five-point scale from (1 = much less profitable) to (5 = much more profitable).

^f Respondents were asked, "Your product's market share relative to competitors' in your primary export market is:" with a five-point scale from (1 = very low) to (5 = very high).

4.2.1 Firm Characteristics

Results indicated no differences in the years of exporting ($F_{(2, 136)} = 1.72, p = .184$), level of employment ($F_{(2, 136)} = 0.53, p = .592$), and start-up to export (in months) ($F_{(2, 136)} = 1.39, p = .253$) between export decision orientations. However, the extent of market coverage across the three export decision orientations was significantly different ($F_{(2, 136)} = 3.06, p = .051$). Further analysis indicated that firms with geocentric export decision orientation covered more markets than firms with ethnocentric orientation ($13.7 > 8.9, t = 1.81, p = .074$) or polycentric orientation ($13.7 > 6.6, t = 2.46, p = .017$). There was no difference in market coverage between firms with polycentric and ethnocentric orientations ($8.9 > 6.6, t = .971, p = .337$).

4.2.2 Research and Development

Concerning research and development, results indicated significant differences in average R&D expenditure to total sales ($F_{(2, 136)} = 3.88, p = .023$), personnel in R&D ($F_{(2, 136)} = 2.89, p = .059$), and technology importance ($F_{(2, 136)} = 8.84, p < .001$) across export decision orientations. More specifically, firms with geocentric export orientation appear to spent more on R&D (as a percentage of sales) compared to firms with ethnocentric export

orientation ($12.4 > 4.7$, $t = 2.28$, $p = .027$). There were no differences in R&D expenditures between polycentric vs. geocentric oriented firms ($12.4 > 6.6$, $t = 1.53$, $p = .131$) and between polycentric vs. ethnocentric oriented firms ($6.6 > 4.7$, $t = 1.00$, $p = .328$). With regard to R&D personnel, results indicated that firms with geocentric orientation had more personnel in R and D compared to firms with polycentric orientation ($7.3 > 3.4$, $t = 2.06$, $p = .045$) or firms with ethnocentric orientation ($7.3 > 3.6$, $t = 1.91$, $p = .060$). There was no difference in R and D personnel between firms with polycentric orientation and firms with ethnocentric orientation ($3.4 < 3.6$, $t = .197$, $p = .844$). Finally, while there was no difference in the importance of technology for firm success between firms with geocentric orientation and firms with polycentric orientation ($3.6 < 3.8$, $t = 1.22$, $p = .227$), our results showed that firms with geocentric ($3.6 > 2.9$, $t = 3.35$, $p = .001$) or polycentric ($3.8 > 2.9$, $t = 5.14$, $p = .000$) export orientation assigned more importance to technology for success in comparison to ethnocentric oriented firms.

4.2.3 Export Marketing Strategy

With regard to firms' export marketing strategy, our results indicated significant differences among firms according to their export decision orientation on all six variables: extent of product modification ($F_{(2, 136)} = 5.15$, $p = .007$), importance of customer service ($F_{(2, 136)} = 3.42$, $p = .036$), importance of visits to foreign distributor ($F_{(2, 136)} = 5.41$, $p = .006$), frequency of visits to foreign representative ($F_{(2, 136)} = 2.95$, $p = .057$), importance of training of foreign distributor ($F_{(2, 136)} = 5.96$, $p = .004$), and number of personnel involved in exporting ($F_{(2, 136)} = 2.51$, $p = .086$). With regard to the extent of product modification, both geocentric ($2.1 > 1.7$, $t = 2.53$, $p = .013$) and polycentric oriented firms ($2.4 > 1.7$, $t = 2.17$, $p = .041$) had a higher degree of product modification compared to ethnocentric oriented firms. Along the same lines, both geocentric ($4.2 > 3.8$, $t = 2.01$, $p = .047$) and polycentric firms ($4.3 > 3.8$, $t = 2.28$, $p = .027$) assigned higher level of importance to customer service in comparison to ethnocentric oriented firms.

Our results indicate that geocentric oriented firms compared to ethnocentric oriented firms assigned more importance to visits to foreign distributors ($4.1 > 3.6$, $t = 2.27$, $p = .026$) and training of foreign distributors ($3.9 > 3.3$, $t = 2.36$, $p = .021$), and had more frequent visits to their foreign distributors ($3.9 > 3.1$, $t = 2.29$, $p = .028$). We also found that polycentric firms, in comparison to ethnocentric firms, assigned more importance to visits to foreign distributors ($4.5 > 3.6$, $t = 2.35$, $p = .003$) and more importance to training of foreign distributors ($4.3 > 3.3$, $t = 3.31$, $p = .004$), but both orientations did not differ in the frequency of visits to foreign distributors ($3.5 > 3.1$, $t = .525$, $p = .605$). There were no differences between geocentric and polycentric oriented firms with regard to the degree of product modification ($2.1 < 2.4$, $t = .674$, $p = .506$), the importance of customer service ($4.2 < 4.3$, $t = .375$, $p = .710$), importance of visits to foreign distributor ($4.1 < 4.5$, $t = 1.57$, $p = .131$), frequency of visits to foreign representative ($3.9 > 3.5$, $t = 1.03$, $p = .316$), and importance of training of foreign distributor ($3.9 < 4.3$, $t = 1.38$, $p = .179$). Geocentric firms appears to have more people involved in exporting compared to firms with polycentric orientation ($5.2 > 1.4$, $t = 1.77$, $p = .083$) or firms with ethnocentric orientation ($5.2 > 1.6$, $t = 1.93$, $p = .056$), while there was no differences in personnel involved in exporting between polycentric vs. ethnocentric firms ($1.4 < 1.6$, $t = .725$, $p = .472$).

4.2.4 Export Performance Measures

Finally, with regard to export performance, results indicated significant differences in export performance across the three export decision orientations ... export intensity ($F_{(2, 136)} = 6.90$, $p = .001$), export profitability relative to domestic profitability ($F_{(2, 136)} = 4.68$, $p = .011$), and market share performance ($F_{(2, 136)} = 5.99$, $p = .003$). There were no differences between geocentric and polycentric oriented firms with regard to export intensity ($44.3 > 40.8$, $t = .372$, $p = .712$), export profitability ($3.7 < 3.5$, $t = .632$, $p = .533$), and market share performance ($3.5 < 3.2$, $t = 1.26$, $p = .217$). In comparison to ethnocentric firms, geocentric firms had more export intensity ($44.3 > 24.3$, $t = 3.45$, $p = .001$), were profitable in exporting ($3.7 > 3.2$, $t = 3.03$, $p = .003$), and had better market share performance in their export markets ($3.5 > 2.9$, $t = 3.54$, $p = .001$). While polycentric firms demonstrated more export intensity ($40.8 > 24.3$, $t = 1.94$, $p = .064$) than ethnocentric firms, they did not differ from ethnocentric firms on both export profitability ($3.5 > 3.2$, $t = 1.23$, $p = .232$) and market share performance ($3.2 < 2.9$, $t = 1.27$, $p = .212$).

5. Discussion & Managerial Implications

This study has shown that differences exist in firm R&D, export marketing strategy, and export performance across firms with different export decision orientation levels as hypothesized. More specifically, our results indicated that the extent of market coverage was significantly different across the three export decision orientations as hypothesized. However, no differences in the years of exporting, level of employment, and start-up to export (in months) between export decision orientations were found. As such, H1 is partially

supported. That no differences in mindset were found between variables representing firm characteristics such as 'years in exporting,' and 'employment level' is unexpected since previous research has typically distinguished the mindsets based on these characteristics. However, it is apparent that for most of the remaining variables investigated, significant differences are found between an ethnocentric mindset and geocentric/polycentric mindsets and in the hypothesized direction. Thus, H2 and H3 were largely supported. MNC's with a geocentric or polycentric mindset are more likely to undertake more customer-oriented marketing strategies than firms with an ethnocentric mindset; such firms are more likely to out-perform ethnocentric firms. The study revealed that the following customer-oriented strategies are typically practiced by these firms:

- a) More market coverage
- b) Allocate more funding for R&D activities, including more in R&D personnel
- c) Put more emphasis on the use of technology in products for the export market
- d) Modify products to meet the market needs and wants
- e) Focus on customer service in the foreign markets
- f) Focus on training of foreign distributors, and attach more importance to visits and frequency of visits to foreign distributors
- g) Have sufficient and dedicated/committed export managers and staff

Firms engaging in these practices, even without accounting for management orientations or mindset, have been shown in other studies to result in superior performance (e.g., Raymond et al., 2001). Our study further revealed that even better results can be achieved as firms adopt a more geocentric or polycentric mindset. This suggests that ethnocentric firms, including exporting ones, quickly adopt a more geocentric or polycentric mindset to gain competitive advantage. Obviously, many of these practices require greater expenditure and commitment to international markets. Thus to achieve this mindset scale-up, more resources need to be at the disposal of the firm.

Herein lies the conundrum facing ethnocentric firms ... more resources are needed to gain geocentric status/stature, but more success (in terms of export profitability, and market share) is required to justify the additional expense. So, the trick is to utilize strategies that quickly enhance export profitability and market share. For one, ethnocentric firms need to be more aggressive in seeking new markets. Export markets can be expanded by venturing into un-served market niches. Also, it can be achieved through prudent product adaptation and customization where necessary, without incurring tremendous incremental costs. Another way to incrementally ratchet up export sales is to target countries with new trade deals with the home country. Hiring export brokers/representatives in the foreign market on a commission basis can serve to drum up sales with the sunk costs of fixed salaries. Greater contact and monitoring of foreign representatives can be achieved with newer technologies. More risk prone firms can provide more liberal financing and logistical terms.

Another group of ethnocentric firms may be hampered from becoming polycentric or geocentric due to management resistance. In this case, the case needs to be made to top management and the board of directors about the effect of orientations/mindset on export profitability and market share.

The above findings are consistent with those found by past researchers (Cunningham & Spiegel, 1971; Kirpalani & MacIntosh, 1980; McGuinness & Little, 1981; Bilkey, 1982; Beamish, & Munro, 1986; Koh & Robicheaux, 1988; Koh, 1991; Calof, 1994; Calof & Beamish, 1994; Francis & Collins-Dodd, 2000). The findings also show that except for export intensity (defined as the percentage of export sales to total firm sales), the export marketing strategies evaluated in this study do not vary between firms holding a geocentric mindset compared to those holding the polycentric mindset. While marketing strategies do differ across firms in different stages of internationalization (Hakam et al., 1993), the findings from this study provide further support that so long as firms adopt a worldview going beyond one's immediate surroundings, the practice of globalization-localization (or glocal) is likely to produce better performance in the market place. Past research studies that focus only on the variables that directly influence export behavior have produced conflicting and fragmented results. The inclusion of three kinds of mindsets (ethnocentric, polycentric, and geocentric) as moderator between antecedents and export performance provide a more robust explanation for variations in export performance. These results also support the conclusion by Nummela et al. (2004) that managerial experience and market characteristics are important drivers of the global mindset, which, in turn, is one of the key parameters of international performance. As opined by many CEOs, developing a company global mindset is a "prerequisite for global industry dominance." (Govindarajan & Gupta, 2001). Managerially, from the international human resource management point of view, the findings of this study point to selecting and hiring future managers, who

are proactive, committed, and exhibit an international/global vision.

6. Limitations & Further Research Direction

This study is cross-sectional in nature and provides only a snap-shot view of the firm's activities and characteristics in impacting market performance. However, Perlmutter's study (1969) suggested that most companies normally move from an ethnocentric view to polycentric and finally geocentric view, as the organization familiarizes itself with operating at a global level. As such, a more robust study should include longitudinal assessment of changes in the firm's internationalization stages and variations in activities over time, and more so if firms move up the Ethnocentric-Polycentric-Geocentric framework to become more global. Also, the sample can be broadened to include other developed and emerging nations. Further, a comparison of both categories of nations may reveal substantive findings. As noted earlier, all three mindsets may not have been fully developed and applied by firms from emerging countries. The variables used in this study (firm characteristics, export strategy, and export performance) can be expanded. The impact of other relevant variables such as managers' characteristics (e.g., Stoian & Rialp-Criado, 2010), and the internet can be introduced. Also, replication of this study using objective measures of performance could provide different results (Shoham, 2002). Finally, the weak relationship between firm characteristics and global mindset as mentioned earlier is surprising and needs to be studied further, perhaps by enlarging the sample size.

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