

Relationship between Entrepreneurial Orientation and Export Performance: A study of Rajasthan SMEs

Mr. Ankur Roy*
Dr. Harsh Purohit**

Abstract

This paper focuses on the skills, characteristics and personality traits of owner managers (Entrepreneurial Orientation construct) of Small and Medium Enterprises (SMEs) in Rajasthan state and examines its relation with Export Performance (EP) of the firms. A sample of 397 was collected from SMEs in the state representing various industry sectors. A two-step structural equation modelling procedure is employed in this study for estimating parameters: a measurement model followed by a structural model. The results suggest that there is a strong relation between EO and EP among the firms. The owner-managers of this region show innovativeness as a dominant personality trait which has positively affected the export performance of the firms in Rajasthan state. The study also finds evidence that the entrepreneurs are to some extent calculated risk takers and proactive in their approach.

Keywords: Entrepreneurial Orientation, Export Performance, Rajasthan SMEs.

Introduction

Firms which want to engage in successful entrepreneurship need to have an entrepreneurial orientation (EO). Entrepreneurial orientation refers to the entrepreneurial activities, how the entrepreneur undertakes the methods, practices, and decision-making styles to act entrepreneurially. It represents a frame of mind and a perspective about entrepreneurship that are reflected in a firm's on-going processes and corporate culture (Lumpkin and Dess, 1996).

EO refers to the strategy-making processes, practices that provide organisations with a basis for entrepreneurial decisions and actions that lead to new entry (Lumpkin and Dess, 1996; Wiklund and Shepherd, 2003). Specifically, entrepreneurial orientation refers to the entrepreneur's disposition to autonomy, encourages experimentation (innovativeness), takes risk, takes initiatives (proactiveness), and aggressively competes within its market (Covin and Slevin, 1989; Lumpkin and Dess, 1996). Firms that tend to engage in greater innovation undertake somewhat risky ventures, and proactively beat competitors are viewed as more entrepreneurially oriented (Miller, 1983). Hence we can say that EO has become central to a firm's ability to compete, adapt, and perform effectively in increasingly competitive environments. The objective of the research is to study the relationship between EO, which is central to small and medium

*Assistant Professor, Faculty of Management Studies, Mody Institute of Technology & Science, Lakshmangarh, Sikar, Rajasthan India. Email: roy.ankur@gmail.com

**WISDOM, Faculty of Management Studies, Banasthali University, Rajasthan, India. Email: iic@banasthali.in

enterprises (SMEs), with their export performance, with specific reference to SMEs in the state of Rajasthan.

The Small and Medium Enterprises (SMEs) in India have emerged as over six decades as a highly vibrant and dynamic sector of the Indian economy. They have significantly contributed to the overall growth in terms of the Gross Domestic Product (GDP), employment generation and exports. Micro Small and Medium Enterprises (MSMEs) contribute 8 per cent of the country's GDP, 45 per cent of the manufactured output and 40 per cent of India's exports (GOI, 2010). SME sector provides employment to an estimated 27.75 lakhs (23.43 lakhs in small enterprises and 4.32 lakhs in the medium enterprises) people in the rural and urban areas of the country. It is estimated that there are about seventy nine thousand (76,000 small enterprises and 3,000 medium enterprises) registered SMEs in the country as per the final report of the 4th All India MSMEs Census. A total of Rs 223 billion is invested in small enterprises of which Rs 189 billion is the investment in the manufacturing sector. Similarly, Rs 56 billion is the investment in the medium enterprises of which Rs. 52 billion is investment in the manufacturing sector. Gross output in terms of value exceeded Rs 318 billion for the small enterprises and Rs 75 billion for medium enterprises. (Source: Final Report 4th MSMEs Census, 2011).

The state of Rajasthan has more than fifty five thousand registered units which fall under the category of MSMEs, which is about 3.51 per cent of the total number of MSMEs in the country. Rajasthan hold number eighth position in the total number of registered MSMEs in the country. The total output in monetary terms from these units is more than Rs 39 billion. . The state has more than three thousand registered SMEs as on 2006-07, which provided employment to more than ninety seven thousand people in the state. (Source: Final Report 4th MSMEs Census, 2011). Hence it is important from the academic and practitioners view point to know the entrepreneurial traits which is affecting the export performance of the Rajasthan SMEs.

Literature Review

Starting in the sixties, researchers have engaged themselves with the exporting business, although this line of research really took off in the eighties. In the early stages, most attention went to the behaviour of exporting firms without focusing on performance. For example, in the seventies, Bilkey (1978) performed a literature review on forty-three exporting studies, which included only four studies aimed at explaining export performance. Besides, these four studies identified successful exporters purely on their being active or not in exporting at the time of research. Consequently, any firm not active on a foreign market was considered a non-successful exporter. Obviously, this rather naive interpretation of the export performance concept does not take into consideration the magnitude of the foreign activities of the exporter, or the effectiveness of these operations.

In the eighties and especially the nineties, internationalisation increasingly became a topic of interest in politics, the business world, and the scientific world. An increasing number of researchers devoted themselves to the explanation of companies' export performance. Over the years, this growing stream of export research resulted in several (attempts to) theoretical frameworks of export performance. The present study focuses

on the entrepreneurial orientation aspect and its relation with firm's export performance.

Lumpkin and Dess (1996) in their article clarified the nature of the entrepreneurial orientation (EO) construct and proposed a contingency framework for investigating the relationship between EO and firm performance. They explored and refined the dimensions of EO and discussed the usefulness of viewing a firm's EO as a multidimensional construct. The authors with the help of examples from the EO - related contingency literature, suggested alternative models (moderating effects, mediating effects, independent effects, and interaction effects) for testing the EO-performance relationship.

Katsikeas, Piercy, and Ioannidis (1996) proposed a comprehensive model for export performance based on the importance attached in the exporting literature to internal and external factors as determinants of export behaviour. The proposed model integrates key firm characteristics, export commitment and export related perception variables. The authors examined the relational connections of these variables collectively and simultaneously. According to the authors the identification of the explanatory variables of firm performance in export markets could provide valuable guidelines on the formulation and implementation of both export marketing plans and national programs for export promotion.

Zou and Stan (1998) reviewed fifty articles published between 1987 and 1997. They grouped export performance measures into seven categories, namely the financial scales 'profit', and 'growth', and the non-financial scales 'success', 'satisfaction', and 'goal achievement', and composite scales. The determinants were classified into internal which was justified by the resource-based theory, versus external which was supported by industrial organisation theory, and into controllable versus non-controllable determinants. For many variables, the results were either very sparse or inconclusive. In quite some instances, the authors found positive associations, although almost as many non-significant associations were reported as well. Only in some of the cases like general export strategy, export planning, promotion intensity, export commitment and support, international orientation, perceived export advantage, 'management's international experience, and firm's international competence, positive association was noticed more than negative and non-significant associations.

Shoham (1998) did a survey and collected data from ninety three Israeli exporters to conceptualize a framework that states that there are three sub-dimensions to export performance. The study indicated that though the structure of these sub-dimensions was somewhat different from expectations their existence was a reality. The three dimensions (namely sales, profits and changes in sales and profit) on which the research was based were again subdivided into subjective and objective measures. The author concluded that managers in the sample did have temporal profitability and sales' perceptions. The results also indicated that short-term sales and profits might be related, but, for most exporters, the two were weakly related or completely unrelated. Both sales and profits sub-dimensions of performance were related to the change sub-dimension which suggested that long-term success in exporting could be achieved by emphasizing either of the two short-term goals. Moreover, as both sales and profits changes were found to belong to one performance sub-

dimension, the road to both future sales and future profits might take firms through either sales emphasis or profits emphasis in the short-term.

Dean, Mengüç and Myers (2000) concluded that proactive, entrepreneurial, or aggressive exporting had a positive impact on export performance. They also established that the lack of focus and commitment on foreign markets negatively explained the difference in export sales between high and low performing exporters.

Francis and Collins-Dodd (2000) provided empirical support for the importance of a proactive export orientation in driving export success in the uncertain high-tech environment. A total of eighty eight Canadian firms were surveyed for the purpose of the study. The results of the study supported the effectiveness of a proactive export orientation and caution against a conservative approach in the turbulent business environment faced by high-tech SMEs. The most export-successful firms were those that use more proactive as well as less conservative approaches. The negative relationship between conservative strategies and export performance indicated that conservative actions were not just wasted effort but are detrimental to export success. The authors concluded that conservative strategies in turbulent markets prevented firms from taking advantage of fast-moving opportunities, changing market entry barriers, or rapidly evolving market life cycles that required a direct presence and immediate information.

Knight (2001) in his study conceptualized a model and tried to test the relationship between international entrepreneurial orientation, internationalization preparation, technology acquisition, strategic competence and SMEs international performance. The research revealed that international entrepreneurial orientation was an important driver of several important parameters, key to the international performance of the firm. In addition, strong relationships were found linking international preparation and technology acquisition as strong antecedents to strategic competence. In turn, internationalisation preparation and technology acquisition were important antecedents to international performance.

Balabanis and Katsikea (2003) tested the relationship between the adoption of an entrepreneurial posture and export performance. The findings revealed that firms with organic organisational structures and relatively large size were more likely to adopt an entrepreneurial posture. Additionally, entrepreneurial posture was found to impact positively export performance whereas environmental hostility affected negatively export performance. The study results indicated that exporters adopted an entrepreneurial posture within dynamic environments but not in hostile and diverse environments.

Sousa (2004) in his paper reviewed forty three empirical studies concerning the measurement of export performance published between 1998 and 2004. The export performance indicators were classified into objective and subjective measures. Indicators that were based mainly on absolute values such as export intensity, export sales volume, and export market share, among others, were called objective measures.

Tang et al. (2007) studies the relation between EO and firm performance with the help of 166 samples in the merging

economy of China. The researchers confirmed the positive influence of EO on firm performance. More importantly, the EO-performance relationship was more positive among state-owned enterprises (SOEs) than among privately-owned enterprises (POEs).

Moreno and Casillas (2008) focused their research on four hundred thirty four SMEs and tried to establish positive relationship between entrepreneurial orientation and growth orientation. The results of the study revealed the complexity of the relationships between EO, strategy, environment, resources and growth. The results revealed that firm growth was explained by the use of strategies of expansion through new products and markets. However, the influence on growth was much more intense when a strategy of expansion through new product was used than when a strategy of market expansion was used. Results also suggested that those firms that develop prospector strategic behaviour demonstrated a greater degree of expansion through the launching of new products. Moreover, a greater EO favoured the use of strategies aimed at expansion especially through product and process innovations and, to a lesser extent, through entry into new markets. Similarly EO promoted a prospector strategic behaviour. In conclusion the authors remarked that their model supported the central idea of preceding studies on the positive relationship between EO and firm performance.

Wheele, Ibeh, and Dimitratos (2008) put forth an integrated model of export performance on the basis of the existing models on the subject. Their study included a review and analysis of research on export performance in the context of UK between 1990 and 2005. The review pointed out the criticality of managerial, resource/competency-related, and relationship-based factors in predicting firm-level export performance; and the mixed, or inconclusive, export performance effects of factors, including firm's age and technology level, marketing mix adaptation, and foreign and domestic market environments.

Urban (2008) investigated the prevalence of EO amongst diverse South African firms. Through literary investigations, innovation as an important predictor of competitiveness is emphasized and EO is validated as a multidimensional construct, acknowledging that in addition to individual and firm differences, forces operating within cultural context also influenced levels of EO.

Wang (2008) suggested that entrepreneurial orientation (EO) was a key ingredient for firm success. However, past findings which examined the direct effect of EO on firm performance provided an incomplete picture and the author suggested learning orientation (LO) as a missing link in the examination of the relationship. Analysing data from two hundred thirteen medium-to-large UK firms, the research found that LO mediates the EO-performance relationship, and the EO link was stronger for prospectors than analysers. The findings indicated that LO must be in place to maximize the effect of EO on performance, and that LO was an important dimension, along with EO, to distinguish prospectors from analysers.

Frishammar and Andersson (2009) through a survey of 188 Swedish SMEs examined how market orientation (MO) and EO relate to international performance in small firms. The results showed that strategic orientations had a very limited influence on international performance in these firms. Proactiveness and,

to some extent, a MO proved positively associated with international performance, while innovativeness and risk taking showed no such relationship.

Okpara (2009) investigated the impact of entrepreneurial export orientation on the performance of SMEs in Nigeria. Samples of eighty nine firms were taken for the study. The findings indicated that proactive entrepreneurs were more engaged in the export market than conservatives. The study also indicated that firms with owners/managers with higher export orientation outperformed firms with owners/managers with low export orientation. The findings suggested that firms that adopted proactive orientation achieved higher performance, profitability, and growth compared with those that adopted a conservative orientation. It was also found that proactive entrepreneurs allocated more financial resources for export activities than conservative entrepreneurs. The author found negative association between export oriented strategies and export performance indicating firm's inability to develop export oriented strategies may be detrimental to the overall success of the company. The study offered practical suggestions on how SMEs could improve growth, performance, and profitability by engaging in proactive export orientation behaviours. The paper also stresses the importance of developing export markets because it enhances growth, performance, and profitability.

Rauch et al (2009) analysed of fifty three samples from fifty one studies and the research indicated that the correlation of EO with performance was moderately large and that the relationship was robust to different operationalisation of key constructs as well as cultural contexts. Thus the results of the meta-analysis clearly showed that businesses were likely to benefit from pursuing an EO. The study also supported the idea that EO dimensions (innovation, risk taking, and proactiveness) were of equal importance in explaining business performance and not a unidimensional construct. Moreover, the research results indicated that EO had similar relationships with perceived financial performance, perceived nonfinancial indicators of performance, and archival performance. An implication of this finding is that the primary function of an EO was to enhance financial outcomes rather than to advance other goals that organisations and their managers may pursue. Although the study identified moderator variables like national culture, business size and technological intensity of the industry but their statistically significant difference between the continents could not be established.

Frank, Kessler and Fink (2010) examined the effect of EO and hypothesize that EO has a positive impact on business performance. The research indicated a positive connection between EO and business performance only in cases in which a dynamic environment was combined with high access to financial capital and when a stable environment was combined with low access to financial capital. Our analysis also indicates that EO may have a negative effect on performance in certain configurations.

Hafeez, et al. (2011) hypothesized that MO and EO leads to an increase in the performance of the firm. A co-relation analysis was performed to understand and determine whether the MO and EO are associated with the firm performance. The results show that EO and MO are strongly co-related with firm performance. Empirically, this study enhanced understanding

of how entrepreneurial orientation and social capital shape the performance of new ventures in emerging industries.

Su, Xie, and Li (2011) investigated the difference in the EO-performance linkage between new ventures and established firms. They reported an inverse U-shaped relationship between EO and firm performance in case of new ventures. However, there was a positive impact of EO on business performance in case of established firms.

A large stream of research has examined the concept of EO. EO may be viewed as the entrepreneurial strategy-making processes that key decision makers use to enact their firm's organisational purpose, sustain its vision, and create competitive advantage(s). Rauch, et al. (2009) clearly showed that businesses are likely to benefit from pursuing an EO. EO has similar relationships with perceived financial performance, perceived nonfinancial indicators of performance, and archival performance. Results from various studies suggest that EO-performance relationship is robust not only to different measures of EO, but also to differences in the measurement of performance.

Objective

The objective of this paper is to examine the effect of entrepreneurial orientation on the export performance of the SMEs in the state of Rajasthan. The study would also bring out the dominant personality traits of SME entrepreneurs which are affecting the export performance of their organisation.

Research Methodology

The scales used for this study were adapted from previous researches in this domain. The three dimensions of EO were measured using a nine-item, 5-point Likert scale that was designed to measure respondents' EO. Based on Miller's (1983) conceptualization, three dimensions of EO have been identified and used consistently in the literature: innovativeness, risk taking, and proactiveness. Innovativeness is the predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership via R&D in new processes. Risk taking involves taking bold actions by venturing into the unknown, borrowing heavily, and/or committing significant resources to ventures in uncertain environments. Proactiveness is an opportunity-seeking, forward-looking perspective characterized by the introduction of new products and services ahead of the competition and acting in anticipation of future demand (Rauch et al., 2009). Similarly, to operationalize the export performance variable, twelve statements relevant to the type of information that was to be extracted from the respondents were adopted from previous researches (Shoham 1991, 1998). The developed questionnaire would measure the perception of the owner / managers about the export performance of their firms. The study used a five point Likert scale (strongly disagree to strongly agree) in the questionnaire keeping in mind its popularity and appropriateness for the study. A detail of the items and their labels are shown in table 1.

The owners / owners-managers of SMEs operating out of the state of Rajasthan were chosen as the target population. Stratified random sampling technique was chosen as an appropriate

sampling method for the study. During sampling design the entire population was divided into subgroups or strata based on industry type. The different industry segments identified were gems and jewellery, textiles, carpets and rugs, handicrafts, natural stones and marble blocks, food and agro products, and engineering items. Thus the stratifications increased homogeneity within each stratum and increased heterogeneity between each strata. Next in each of the subgroups a simple random sampling was conducted and the final sample was selected. This helped reduce biases in the sample selection.

During data screening, after the responses were loaded in the SPSS 19 software package, some of the responses were found to be incomplete and hence not suitable for further analysis. A total of 53 responses were omitted from the study. So the workable sample was reduced to 397 which were about 88 per cent of the anticipated sample.

Results of Data Analysis

As recommended by Jöreskog (1993), and Anderson and Gerbing (1988), a two-step structural equation modeling procedure is employed in this study for estimating parameters: a measurement model followed by a structural model. The measurement model is a confirmatory factor analysis (CFA). The purpose of the measurement model is to specify the relationships between observed variables and latent variables. In the study second-order CFA has been used so as to provide a more parsimonious account for the correlations among the lower-order factors.

Measurement Model

CFA was conducted using AMOS 19. The analysis focused on two second order latent variables viz. Entrepreneurial Orientation (EO), and Export Performance (EP). CFA provides an assessment of the reliability and validity of the observed variables for each latent (first and second order) variable (Jöreskog and Sörbom, 1989). The constructs under consideration were jointly analysed in a measurement model. Under the assumptions of multivariate normality, MLE is considered most appropriate with large samples (Jöreskog and Sörbom, 1982). Secondly, MLE has the desirable asymptotic, or large-sample, properties of being unbiased, consistent, and efficient (Anderson and Gerbing, 1988). As the data satisfied the assumptions of univariate and multivariate normality maximum likelihood estimation (MLE) was used.

Degree of variance explained by the construct is measured by squared factor loadings. Observed variables are considered to have higher explanatory power when the squared factor loading for each one is more than 0.50, moderate if between 0.30 and 0.50 and poor if below 0.30 (Holmes-Smith, 2001).

The model fit was assessed using CMIN/DF, goodness-of-fit index (GFI; Jöreskog and Sörbom, 1984), the comparative fit index (CFI; Bentler, 1990), root mean square error of approximation (RMSEA; Browne and Cudeck, 1993), Tucker-Lewis coefficient (TLI; Bollen, 1989), adjusted goodness of fit index (AGFI) and root mean square residual (RMR). The threshold for CMIN/DF should be less than 3.0 (Carmines and McIver, 1981; Hu and Bentler, 1999) or less than 2.0 in a more restrictive sense (Byrne, 1989). However, CMIN is affected by sample size and normality of the data (Tabachnick and Fidell,

2001; Schumacker and Lomax, 2004). Therefore, the CMIN test should be used in combination with other indices. Values of GFI, AGFI, TLI and CFI should be over 0.90. Moreover RMSEA should be lower than 0.05 to indicate a close fit of the model in relation to the degree of freedom. When all or most of the fit indices did not indicate an acceptable level of fit, the model was modified until the fit indices achieved an acceptable level.

Table 2 displays the overall fit summary provided in CFA output. The overall model Chi-square is 246.248 with 182 degrees of freedom (CMIN/DF = 1.35). The p-value associated with this result is 0.001. This p-value is significant using Type 1 error rate of 5%. Thus, Chi-square goodness of fit statistic indicates that the observed covariance matrix matches the estimated covariance matrix within sampling variance. The value of RMSEA, an absolute fit index is 0.03. The value appears quite low and within the prescribed bounds for 90% confidence interval. The CFI is an incremental fit index and showing the value as 0.979, which exceeds the fit index guidelines for a model of this complexity and sample size. Thus, this result supports the model as well. The CFA results suggest the measurement model provides the reasonably good fit. In addition, other index values such as TLI = 0.975, GFI = 0.947, AGFI = 0.932 and RMR = 0.058 are supportive.

Additionally, all factor loadings for items measuring the same construct were statistically significant and were greater than 0.30, which confirmed the convergent validity of the model. Moreover, covariance (0.456) among the second-order factors were significant ($p < 0.001$). Given that the model fitted the data adequately no further adjustments were done. Moreover, composite reliability (CR) and average variance extracted (AVE) was calculated to measure the reliability of the construct. Bagozzi and Yi (1988) recommended that CR should be equal to or greater than .60 and AVE should be equal to or greater than .50. Table 2 displays the summary results of CFA. Although CR was high, AVE was marginally lower in some of the constructs. However, the CR and AVE calculated for the second-order construct was satisfying the minimum cut off set in theory. A high AVE for a second order construct justified for a low AVE for the first-order constructs. Hence it could be concluded that the measures used within this research were within the acceptable levels supporting the reliability of the constructs.

Having analyzed the measurement models for unidimensionality, reliability, construct validity, and convergent validity the next stage was to perform the analysis of the structural model.

Structural Model

"The portion of the model that specifies how the latent variables are related to each other is sometimes called the structural model" (Arbuckle, 2010). To evaluate the structural model, goodness-of-fit indices were examined to assess if the hypothesized structural model fitted the data. Because the assumptions underlying structural equation modeling were met the coefficient parameter estimates were examined along with the overall model fit indices to test the relationship between the two latent constructs (EO and EP). The indices for goodness-of-fit demonstrate that this model fits the data adequately (Chi-square = 246.247, $df = 182$, $p = .001$). The GFI = .946, AGFI = .932, RMSEA = .029, CFI = .978, TLI = .975, RMR = .058 and CMIN/DF = 1.353. The R² for the model came to 0.408. The structural model is depicted in figure 1.

The structural model shows that a strong support is evident for the path EO→EP, with path coefficient value of 0.639. The model explained 78 percent of the variance in market proactiveness (PR), 97 percent of the variance in firm innovativeness (IN), and 90 percent of the variance in firm risk taking (RK). This showed that EO contributed positively towards a firms' export performance. Moreover the relationship was statistically significant (at 0.001 probability level) and in the hypothesized direction.

The results revealed that entrepreneurs were showing high degree of innovation in their activities, with firm innovativeness explaining 97 percent variance within the EO construct. The result shows that firms with innovative ideas and calculated risk takers found novel ways of doing business, ahead of their competitors, were successful in their export business.

Implication and Conclusion

The relationship between the EO of the firm and its performance has been thoroughly investigated, from both a conceptual (Lumpkin and Dess, 1996) and an empirical point of view (Covin and Slevin, 1989). Prior research has shown a significant and positive relationship between EO and firm performance (Wiklund and Shepherd, 2003). Runyan, Droge, and Swinney, (2008) has found EO as a significant predictor of firm performance which could be generalized to include export performance of firms in the international business arena. It has been reported in several studies (Covin and Slevin, 1991; Zahra, 1993) that for a new firm's entry to result in high performance, firms' must demonstrate a high degree of EO. Lumpkin and Dess (2001) reported that firms with an EO that use and organic structure will have higher performance relative to those do not use an organic structure. Indeed the authors further clarified that innovativeness dimension of EO is likely positively related to performance when the setting is organic. As shown in figure 1 the standardised regression weights between the constructs EO and EP is 0.639 which is significant at 99% level. Hence the present research supports a moderate to strong direct positive impact of entrepreneurial orientation (innovation, risk taking and market proactiveness) on the export performance of the SMEs in the state of Rajasthan. In general the study shows that an organisation high in entrepreneurial orientation would perform better in the export business.

The study shows that the SMEs in Rajasthan state are innovative in their business dealings. Innovative personality traits of entrepreneurs had been a dominant factor for business success in several countries round the world. The current result depicts that the management of the firms under review is constantly trying to find out innovative methods of doing business while responding to competitive pressure. They are being adaptive in nature and do not hesitate to try out new ways of performing business activities. They are showing creative blend of mind especially in finance and marketing function. The current results strongly indicate that there is a social dimension attached to innovativeness shown by the entrepreneurs. Most of the entrepreneurs are having a family business background and majority of them are 'Marwaris', who are known to possess excellent business and financial acumen. This social dimension has come out as a prominent factor for business success in the state among the SME entrepreneurs.

The study also finds evidence that the entrepreneurs are to some extent proactive in their approach and are calculated risk takers. It has been observed that firms that adopted proactive orientation have shown better performance, profitability and growth. The calculated risk taking ability of the entrepreneurs can be justified by their slow exposure to the foreign markets. The export market has always been a lucrative option for businessmen with an aim of generating higher returns. However, the entrepreneurs of this region did not go in for an outright exploration of this avenue. They have moved into this unknown territory gradually. They were very cautious not to stretch their limited resources and refrained from taking unnecessary risk. Through this whole exercise they have mastered the technique of export marketing on one hand and managing foreign exchange risk on the other. Moreover, the firms are in constant touch with the end customers through distributors and through active participation in trade fairs. This has helped the firms to introduce new product line and improve product quality that are aimed to satisfy the end customers.

References

1. Anderson, J. C., & Gerbing, D. W. (1988). Structural Equation Modeling in Practice: A Review and Recommended Two-Step Approach. *Psychological Bulletin*, 103(May), 411-423.
2. Arbuckle, J. L. (2010). IBM SPSS Amos 19 User's Guide. Crawfordville, FL: Amos Development Corporation.
3. Bagozzi, R. P., & Yi, Y. (1988). On the evaluation of structural equation models. *Academy Marketing Science*, 16(1), 74-94.
4. Balabanis, G. I., & Katsikea, E. S. (2003). Being an Entrepreneurial Exporter: Does it Pay? *International Business Review*, 12(2), 233-252.
5. Bentler, P. M. (1990). Comparative fit indexes in structural models. *Psychological Bulletin*, 107, 238-246.
6. Bilkey, W. J. (1978). An Attempted Integration of the Literature on the Export Behavior of Firms. *Journal of International Business Studies*, 9, 33-46.
7. Bollen, K. A. (1989). A new incremental fit index for general structural equation models. *Sociological Methods and Research*, 17, 303-316.
8. Browne, M. W., & Cudeck, R. (Eds.). (1993). *Alternative ways of assessing model fit*. Newbury Park, CA: Sage.
9. Carmines, E. G., & McIver, J. P. (Eds.). (1981). *Analyzing models with unobserved variables*. Beverly Hills: Sage.
10. Covin, J. G., & Slevin, D. P. (1989). Strategic Management of Small Firms in Hostile and Benign Environments. [Article]. *Strategic Management Journal*, 10(1), 75-87.
11. Covin, J. G., & Slevin, D. P. (1991). A conceptual model of entrepreneurship as firm behavior. *Entrepreneurship Theory and Practice*, 16(1), 7-24.
12. Dean, D. L., Mengüç, B., & Myers, C. P. (2000). Revisiting Firm Characteristics, Strategy, and Export Performance Relationship: A Survey of the Literature and an Investigation of New Zealand Small Manufacturing Firms. *Industrial Marketing Management*, 29(5), 461-477.
13. Francis, J., & Collins-Dodd, C. (2000). The Impact of Firms' Export Orientation on the Export Performance of High-Tech Small and Medium-Sized Enterprises. *Journal of International Marketing*, 8(3), 84-103.
14. Frank, H., Kessler, A., & Fink, M. (2010). Entrepreneurial orientation and business performance -- a replication study.

- [Article]. *Schmalenbach Business Review (SBR)*, 62(2), 175-198.
15. Frishammar, J., & Andersson, S. (2009). The overestimated role of strategic orientations for international performance in smaller firms. *Journal of International Entrepreneurship*, 7(1), 57-77.
 16. Hafeez, S., Chaudhry, R. M., Siddiqui, Z. U., & Rehman, K. U. (2011). The Effect of Market and Entrepreneurial Orientation on Firm Performance. *Information Management and Business Review*, 3(6), 389-395.
 17. Holmes-Smith, P. (2001). Introduction to Structural Equation Modelling using LISREL. Unpublished, 2001.. ACSPRI-Winter training program.
 18. Hu, L., & Bentler, P. (1999). Cutoff criteria for fit indices in covariance structure analysis: conventional criteria versus new alternatives. *Structural Equation Modeling*, 6, 1-55.
 19. Jöreskog, K. G. (Ed.). (1993). Testing structural equation models. Newbury Park, CA: Sage.
 20. Joreskog, K. G., & Sorbom, D. (1989). LISREL 7: User's Reference Guide (1 ed.). Moresville, IN: Scientific Software.
 21. Jöreskog, K. G., & Sörbom, D. (1982). Recent developments in structural equation modeling. *Journal of Marketing Research*, 19(4), 404-416.
 22. Jöreskog, K. G., & Sörbom, D. (1984). LISREL-VI user's guide (3 ed.). Mooresville, IN: Scientific Software.
 23. Katsikeas, C. S., Piercy, N. F., & Ioannidis, C. (1996). Determinants of Export Performance in a European Context. *European Journal of Marketing*, 30(6), 6-35.
 24. Knight, G. A. (2001). Entrepreneurship and strategy in the international SME. *Journal of International Management*, 7, 155-171.
 25. Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *The Academy of Management Review*, 21(1), 135-172.
 26. Miller, D. (1983). The correlates of entrepreneurship in three types of firms. *Management Science*, 29(7), 770-791.
 27. Moreno, A. M., & Casillas, J. C. (2008). Entrepreneurial Orientation and Growth of SMEs: A Causal Model. *Entrepreneurship Theory and Practice* (May), 507-528.
 28. Naman, J. L., & Slevin, D. P. (1993). Entrepreneurship and the concept of fit: A model and empirical tests. *Strategic Management Journal*, 14, 137-153.
 29. Okpara, J. O. (2009). Strategic choices, export orientation and export performance of SMEs in Nigeria. *Management Decision*, 47(8), 1281-1299.
 30. Rauch, A., Wiklund, J., Lumpkin, G. T., & Frese, M. (2009). Entrepreneurial orientation and business performance: An assessment of past research and suggestions for the future. *Entrepreneurship Theory and Practice*, 33, 761-787.
 31. Runyan, R., Droge, C., & Swinney, J. (2008). Entrepreneurial orientation versus small business orientation: What are their relationships to firm performance. *Journal of Small Business Management*, 46(4), 567-588.
 32. Schumacker, R. E., & Lomax, R. G. (2004). A beginner's guide to structural equation modeling: Routledge.
 33. Shoham, A. (1991). Performance in Exporting: A State-of-the-Art Literature Review and Synthesis and Directions for Future Research. Paper presented at the Academy of International Business,.
 34. Shoham, A. (1998). Export Performance: A Conceptualization and Empirical Assessment. *Journal of International Marketing*, 6(3).
 35. Sousa, C. M. P. (2004). Export Performance Measurement: An Evaluation of the Empirical Research in the Literature. *Academy of Marketing Science Review*, 9.
 36. Su, Z., Xie, E., & Li, Y. (2011). Entrepreneurial Orientation and Firm Performance in New Ventures and Established Firms. *Journal of Small Business Management*, 49(4), 558-577.
 37. Tabachnick, B. G., & Fidell, L. S. (2001). Using Multivariate Statistics (4th ed.). Boston: Allyn and Bacon.
 38. Tang, J., Tang, Z., Zhang, Y., & Li, Q. (2007). The Impact of Entrepreneurial Orientation and Ownership Type on Firm Performance in the Emerging Region of China. *Journal of Developmental Entrepreneurship*, 12(4), 383-397.
 39. Urban, B. (2008). Entrepreneurship Orientation in a developing country context: Juxtapositions with South Africa's innovation index. *Journal of Developmental Entrepreneurship*, 13(4), 425-443.
 40. Wang, C. L. (2008). Entrepreneurial Orientation, Learning Orientation, and Firm Performance. *Entrepreneurship Theory and Practice* (July), 635-657.
 41. Wheeler, C., Ibeh, K., & Dimitratos, P. (2008). UK Export Performance Research: Review and Implications. *International Small Business Journal* 26(2), 207-239.
 42. Wiklund, J., & Shepherd, D. (2005). Entrepreneurial Orientation and Small Business Performance: A Configurational Approach. *Journal of Business Venturing* 20, 71-91.
 43. Wiklund, J., & Shepherd, D. (2003). Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium sized businesses. *Strategic Management Journal*, 24, 1307-1314.
 44. Zou, S., & Stan, S. (1998). The Determinants of Export Performance: A Review of the Empirical Literature between 1987 and 1997. *International Marketing Review*, 15(5), 333-356.
 45. Zahra, S. A. (1993). Environment, Corporate Entrepreneurship, and Financial Performance: A Taxonomic Approach. *Journal of Business Venturing*, 8, 319-340.

Table 1: Questionnairescale items

Item Label	Item Description	
Export Performance Scale		
Export Sales (EXSA)		Items have been adapted from studies by Madsen (1987) and Shoham (1991, 1998)
EI	Export Intensity [Ratio of firm's export to its total sales]	
ES	Export sales	
SP1	Satisfaction with export intensity	
SP2	Satisfaction with export sales	
SCP1	Satisfaction with five-year change in export intensity	
SCP2	Satisfaction with five-year change in export sales	
Change in Profitability (CIP)		
EPM	Export profit margin	
SP3	Satisfaction with export profit margin	
SCP3	Satisfaction with five-year change in export profit margin	
Change in Sales (CIS)		
CP1	Five-year change in export intensity	
CP2	Five-year change in export sales	
CP3	Five-year change in export profit margin	
Entrepreneurial Orientation Scale		
Firm innovativeness (IN)		Items have been adapted from studies by Miller and Friesen (1983)
IN1	Management actively responds to the adoption of “new ways of doing things” by main competitors.	
IN2	We are willing to try new ways of doing things and seek unusual, novel solutions.	
IN3	We encourage people to think and behave in original and novel ways.	
Market proactiveness (PR)		Items have been adapted from studies by Naman and Slevin (1993)
PR1	In general, the top managers of our organization favour a strong emphasis on Research & Development, technological leadership, and innovations.	
PR2	In the past 5 years, our organization has marketed a large variety of new lines of products or services.	
PR3	In the past 5 years, changes in our products or service lines have been mostly of a minor nature. (Reverse coded)	
Firm risk taking (RK)		Items have been adapted from studies by Naman and Slevin (1993)
RK1	In general, the top managers of my organization have a strong propensity for high-risk projects (with chances of very high return).	
RK2	The top managers believe, owing to the nature of the environment, that bold, wide-ranging acts are necessary to achieve our organization objectives.	
RK3	When there is uncertainty, our organization typically adopts a “wait-and-see” posture in order to minimize the probability of making costly decisions. (Reverse coded)	

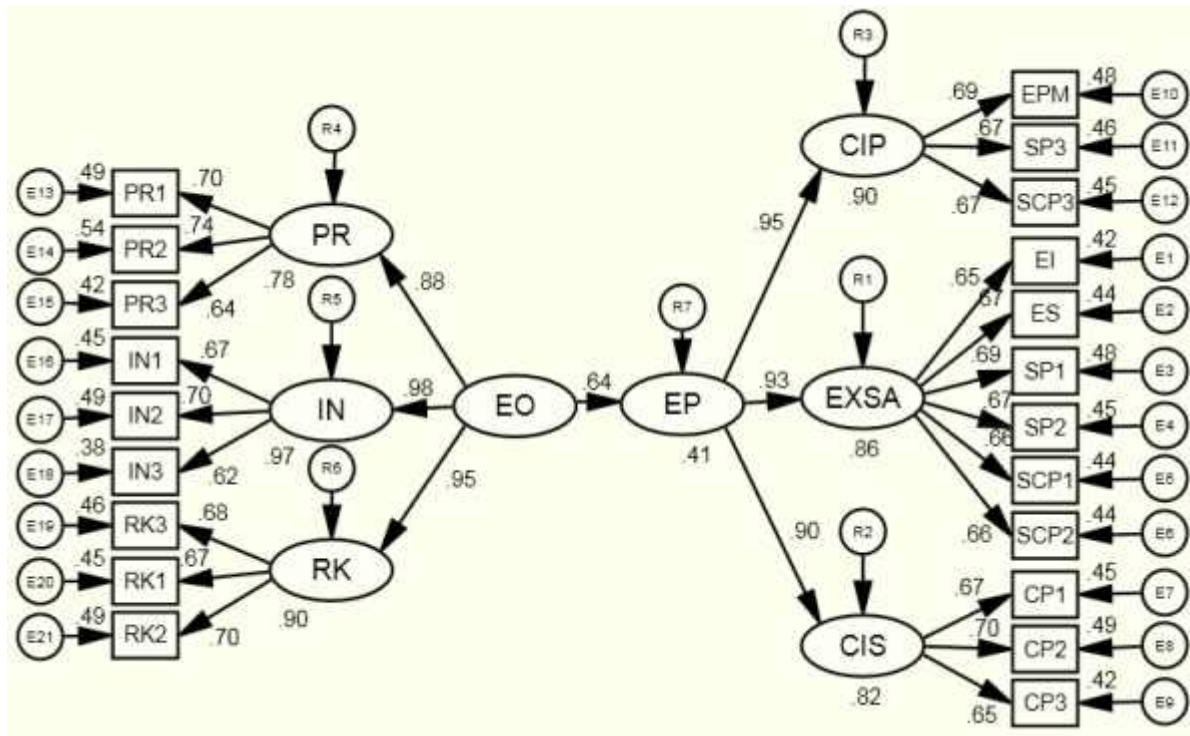


Figure 1: The structural model

Table 2: Summary of confirmatory factor analysis

Variable Label	Final Standardised Loadings	Squared Multiple Correlation	Average Variance Extracted (AVE)	Composite Construct Reliability (CR)
EXSA	0.926	0.858	0.857	0.961
CIP	0.949	0.901		
CIS	0.906	0.816		
EPM	0.695	0.483	0.464	0.602
SP3	0.675	0.456		
SCP3	0.673	0.453		
CP1	0.674	0.454	0.456	0.600
CP2	0.700	0.490		
CP3	0.652	0.425		
EI	0.650	0.423	0.445	0.738
ES	0.665	0.443		
SP1	0.695	0.482		
SP2	0.670	0.449		
SCP1	0.660	0.435		
SCP2	0.660	0.436		
IN	0.983	0.967	0.879	0.961
PR	0.882	0.778		
RK	0.946	0.895		

RK1	0.669	0.447	0.468	0.614
RK2	0.702	0.493		
RK3	0.680	0.462		
PR1	0.697	0.486	0.482	0.623
PR2	0.738	0.545		
PR3	0.645	0.416		
IN1	0.673	0.453	0.443	0.611
IN2	0.703	0.494		
IN3	0.617	0.381		
Model Fit: Chi Square = 246.248 (df = 182), $p = .001$ RMSEA = .030, AGFI = 0.932 , RMR = .058, GFI = .947, TLI = .975, and CFI = .979				