Investigating the Effective Factors on Entering into International Markets by Presenting the Local Islamic Model

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Abstract   *The internationalization of small and medium size businesses is regarded as one of the most leading general policies in many of the world's countries. The reason is that it is often the small and medium size companies which have a vital role in industrial innovation and gain profit for their societies through economic development. This research has investigated and identified the effective factors (organizational factors and business etiquette in Islam) on entering into international markets by presenting local-Islamic model in the companies of incubator of Science and Technology Park. The statistical population of the research includes the existing companies of Incubator of Mashhad Science and Technology Park. The statistical sample was investigated through simple random sampling from managers of active companies in export in Science and Technology Park. AMOS and SPSS software were applied for data analysis to identify the effects among variables survey research methodology and questionnaire tools were used.*

Key words   International Markets, Local-Islamic Model, Science and Technology Park, Structural Equation Modeling (SEM)

JEL Codes: O16

1. Introduction

Export has been identified as the most common way available for companies, especially small and medium size companies, for entering into international markets. One of the most important reasons for it, is that, compared to other methods of internationalization, export requires fewer resources. As such, selling exports has been increasingly the focus of attention as the suitable path of company's improvement.

Export promotion is expressed in terms of extrovert policies in foreign business and is related to exporting primary, semi-finished and finished commodities that can bring a large part of foreign business and international markets. Moreover, resisting the deficit balance of payments, providing relative advantage in the production of products for export, efficiency attainment and increasing production factors

productivity, optimum use of existing and potential equipment and abilities, increasing competition among producers, quality improvement of products, using advance technology in high levels, bringing foreign currency to the country, attracting foreign investment, and expanding domestic markets are among the advantages of exports improvement and promotion (Khomeijani & Mirjalili, 2001). Since the time the economy of the country gained oil income and this income took a prominent role in providing for government costs; non-oil exports lost their prosperity, or did not enjoy sufficient improvement. Government, however, must decrease its dependence on oil income and depend on non-oil exports before oil wells are closed down. Presence in international markets and gaining more shares in target markets are the most important issues that should be paid attention to in non-oil exports promotion.

This presence requires complete recognition of target markets and prior to it, identifying company's domestic ability for the presence in a universal competition in order to export its goods or services. Now these questions are posed:

Is there a comprehensive local model that can satisfy the needs of the owners of companies for identifying the rate of readiness for entering into international markets?

With respect to the fact of Iranian people being Muslim, can a model be suggested that encompass Islamic rules?

2. Literature review

Internationalization is caused by the provision of a background for change. As a matter of fact, the development of companies provides a situation for them to move toward internationalization, so that development and international have become two interwoven words (Ruzzier, Hisrich & Antoncic, 2006). Internationalization, of course, is a more special word, in that scholars differentiate between development inside the country and international development. Various definitions of internationalization have been presented (Welch & Luostarinen, 1988). Calof and Beamish (1995) mention internationalization as the process of the compatibility of company's activities (strategy, structure, resources, etc) with international environment.

Internationalization process means export promotion that has been defined in various ways by various writers such as, Johanson and Vahlne (1997) and Welch and Luostarinen (1988). In other words, internationalization process means the formative process of a company's exporting activities. (Albaum, Strandskov, Duerr, Dowd, 1994).

Most of the early research on export has investigated distinguishing exporters from non-exporters; i.e., they mostly paid attention to the internationalization process of the company (Dhanaraj & Beamish, 2003; Kaleka, 2002; Leonidou, Katsikeas & Samiee, 2002). After that, researchers moved toward the investigation of effective external factors on behavior of export like incentive programs (Kim & Azizi, 2009; Kim, 2010; Katsikeas, Leonidou & Morgan, 2000). In the third phase, researchers investigated the factors relating to companies' behavior, in accordance with export and its results (Ibeh, & Wheeler, 2005; Barney, 2001). Researchers in the fourth group studied the factors that are effective for companies' performance or success in export. (Bani-Hani & AlHawary, 2009; Zou, Fang, & Zhao, 2003; Cavusgil & Zou, 1994).

2.1. Business Etiquette in Islam

One of the important Islamic jurisdiction (Figh) issues is business and commerce which has been common among people since long time ago, even some of the prophets and saints also were involved in this issue, including the Holy Prophet of Islam who was involved in business and commerce during his early life and youth. He gave utmost importance to the correct and favorable doing of this job in such a way that, as a result of veracity and loyalty, was known as a man of honesty and good deed (Shahidi). Special attention has also been given to business in religious statements and has been regarded as a factor causing the growth of wisdom whose abandonment has been regarded as causing incompleteness of wisdom. As Imam Sadegh (P.B.U.H) has said: "business increases the wisdom and quitting it leaves the wisdom incomplete (Horre Ameli, 4/12&5).

2.1.1. The Meaning and the Implication of Business

The word "business" is Arabic, meaning commerce, trade, transaction, deal (Ebne Manzoor, 19/2) and in common terms is making a contract and a monetary exchange for the purpose of gaining profit (Hoseini Amoli, 6/8). According to the above-mentioned definition, business is, in fact, a kind of productive work. In a general classification, the issue of business is classified into three groups of forbidden (Haram), disliked (Makruh) and neutral (Mubah). Forbidden business is a kind of business which is in the direction of vice, sin, and corruption of the society. Disliked business is the one whose doing is not desirable and it is better not to do it, like working as money exchanger etc. Neutral business, however, is the kind of business whose doing or not doing is, according to Islam legislation, the same. (Shahid Thani, 206/3-220).

2.1.2. Business Etiquette

The discussion about business etiquette has been mentioned under the heading of contract of sale (Aghde Bei'e) and its etiquette in the texts of Figh (Islamic jurisprudence). Contract of sale means the exigency and acceptance implying property transferring for specified rate (Shahid Awwal, Al-lum'ah, 104). In the book "Commentary of Al-lum'ah" (Sharh e Lum'ah) the most important etiquette in business has been discussed in four sections of rule:
1. Knowledge gaining (tafaghoh) in business;
2. Lack of Mosamehe (Lack of taking things easy);
3. Cheating in goods weight when selling them (kam foroshi);
4. Lack of Ehtekar (lack of illegally storing necessary goods, especially food, to sell it at a higher cost).

3. Research hypothesis

The following hypotheses have been developed for this research:

The first hypothesis: Knowledge gaining in business has an effect on entering into international markets in companies of Incubator of Science and Technology Park.

The second hypothesis: Cheating in goods weight when selling them has an effect on entering into international markets in companies of Incubator of the Science and Technology Park.

The third hypothesis: Lack of illegally storing necessary goods, especially food, to sell it at a higher cost   has an effect on entering into international markets in companies of Incubator of the Science and Technology Park.

The forth hypothesis: Taking things easy has an effect on entering into international markets in companies of Incubator of the Science and Technology Park.

The above-mentioned established hypotheses and the relationship among these three variables are shown in the following conceptual model (Figure 1). These five variables have been investigated in this model:
1.   Knowledge gaining in business;
2.   Lack of taking things easy;
3.   Lack of illegally storing necessary goods, especially food, to sell it at a higher cost;
4.   Lack of cheating in goods weight when selling them;
5.   Internationalization of business.

Knowledge gaining in business is represented as TT, Lack of taking things easy as AM, lack of illegally storing necessary goods, especially food, to sell it at a higher

cost as AE, lack of cheating in goods weight when selling them as AKF and internationalization business as SME in this model.
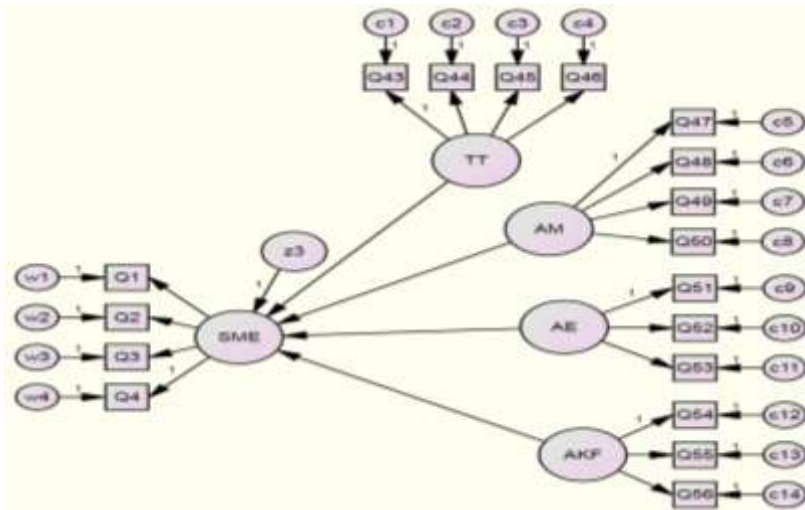

Figure 1. Research conceptual model

4. Methodology of research

Concerning the purpose, this research is a kind of applied research, and concerning its methodology and nature, is descriptive survey research. To test the validity of the questionnaire in this research, firs an attempt was made to use standard questionnaires and after adjusting, it was given to a number of specialists and experts and also a number of managers. After obtaining the views, revision actions in questionnaires were done obtaining the final comment of specialists and counselors. In this research, the questionnaire reliability or its ability to be trusted is mentioned in Table 2. First, the literature of the topic is investigated and briefly reviewed by using library and field resources. Then a questionnaire consisting of two parts, a demographic (including age, education, background activities) and a main body is used as the evaluation tools. The main body of questionnaire that evaluates the main variables is a compilation of questionnaires on cheating in goods weight when selling them (kam foroshi), lack of illegally storing necessary goods, especially food, to sell it at a higher cost, taking things easy (lack of Ehtekar), knowledge gaining (tafaghoh) in business that consists of a total of eighteen closed-ended questions with five-scale likert test (from very much to very little).

4.1. Statistical population and sample size

The statistical population of this research consists of the existing companies in the incubator of Mashhad Science and Technology Park. The statistical sample of this research was chosen from the working managers in the export domain using simple random sampling. Based on the specified sample size, fifty questionnaires were distributed among the managers. It is worth mentioning that from the original distributed questionnaires among managers, forty-four were returned and investigating them, just thirty-nine questionnaires were identified as usable and suitable for data analysis which is the basis of testing and hypothesis of this research.

4.2. Research validity and reliability

To test the validity of the research, tailor-made questionnaire was used. It was given to a number of specialists and also some staff. After obtaining the views, revision actions in questionnaires were done obtaining the final comment of specialists and counselors. A criterion was designed for research variables using SPSS 19, followed by AMOS 18 where the data was analyzed. The original questionnaire contained eighteen questions from which question four of dependent variable, question fifty of Lack of taking things easy variable, and question fifty-one of lack of illegally storing necessary goods, especially food, to sell it at a higher cost variable were deleted due to low load factor. Each of the questions related to innovation, research, development and experience variables had four questions all of which remained due to load factor greater than 0.5. The results of confirmatory factor analysis are presented in Table 1.

Table 1. Confirmatory factor analysis

Significance	Confirmatory factor load	Question	Variable	Significance	Confirmatory factor load	Question	Variable
***	.555	Q47	taking things easy	***	.909	Q43	Knowledge gaining in business
***	.815	Q48		***	.827	Q44	
***	.775	Q49		***	.712	Q45	
-	.369	Q50		***	.793	Q46	
***	.729	Q54	Cheating in goods weight when selling them	-	.287	Q51	Ehtekar[1]
***	.824	Q55		***	.936	Q52	
***	.503	Q56		***	.523	Q53	

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[1]To lack of illegally storing necessary goods, especially food, to sell it at a higher cost.

4.3. Data analysis

In this section, we will first analyze the descriptive statistics consisting of demographic information obtained from sampling, and continue to verify and reject the hypotheses using referential statistics. The results obtained from the demographic information are presented in the table below.

It can be stated from the obtained results in Table 2 that 76.9 % of managers are men and the largest background activity period is 5-11 years with 48.7% of the frequency. In addition, most of the managers in this sample are between 25 to 31 years old whose frequency is 46.2. Furthermore, 56.4% of people are M.A holders which make up the largest frequency.

Table 2. Demographic information obtained from sampling

The percent of frequency	Frequency	Attributes	
23.1	9	female	gender
76.9	30	male	
23.1	9	less than 5 years	background activity
48.7	19	5-11 years	
23.1	9	12-18 years	
5.1	2	19-25 years	
7.7	3	under 25 years old	age
46.2	18	25-31 years	
35.9	14	32-38 years	
7.7	3	39-45 years	
2.6	1	over 45 years old	
7.7	3	A.A	education
56.4	22	B.A	
33.3	13	M.A	
2.6	1	PH.D	

4.4. Measurement model

The original model by structural equations was designed by AMOS software and non-significant parameters were eliminated. In order to investigate the extent of appropriateness of structural equations modeling in this research, the following indices have been studied.

The first is the Index of Chi-square (χ^2), the smaller this index, the better data fitness to the model. In addition, chi-square changes in the domain between zero to infinity. In this research, it has been reported as 75.93. The degree of freedom (df) is the second index, which shows the degree of freedom of the model and should not be

below zero (Ghasemi, 2010). Since the chi-square is normal or relative, this is equal to 1.054 and between 1 and 3, so this model is verified. The second one is Root Mean Square Error of Approximation (RMSEA). This index is made on the basis of model errors and, similar to chi-square, is a criterion for the badness of the model, i.e., the closer the index to 0.05, the more efficient the model which is reported as 0.038 in this research. The next one is Tucker-lewis Index which represents fitness for data which is a level between zero (lack of fitness) and one (complete fitness) and is reported as 0.973 in this research. The next one is the Parsimonious Comparative Fit Index (PCF). This can be regarded as a Comparative Fit Index (CFI) which specifies a minimum of 0.5 for being acceptable which is reported as 0.774 in this model. The last index is the Incremental Fit Index (IFI) which is between zero and one. The closer the index to one, the more efficient the model will be. IFI is reported as 0.980 in this model. Indices and structural equations model measurements have been presented in Table 3.

Table 3. Indices and general measurements of final model fitness

RMSEA	PCFI	PNFI	TLI	CFI	IFI	RMR	CMIN/DF	CMIN	df
.038	.774	.570	.973	.978	.980	171	1.054	75.903	**72**

As can be seen above, based on the results obtained from this table, it can be stated that all the indices of the general fitness of the model are within an acceptable range. In the following part the significance of factor loads and model coefficients are investigated.

4.5. Structural modeling

After testing the measurement models test, it is necessary now to presents a structural modeling which represents the relationship between the covered variables (variables which are not directly observable) of the research. Research hypotheses can be studied using the structural modeling. Structural modeling of the research was done by applying Amos software version 18. Figure 2 shows the general measurement model of the research from which the questions with factor load less than 5% have been deleted and necessary modifications have been made.

Path analysis was done for empirical test of the conceptual model. Quantitative estimate of variables relationships and the maximum of possible estimates are shown in Table 4.
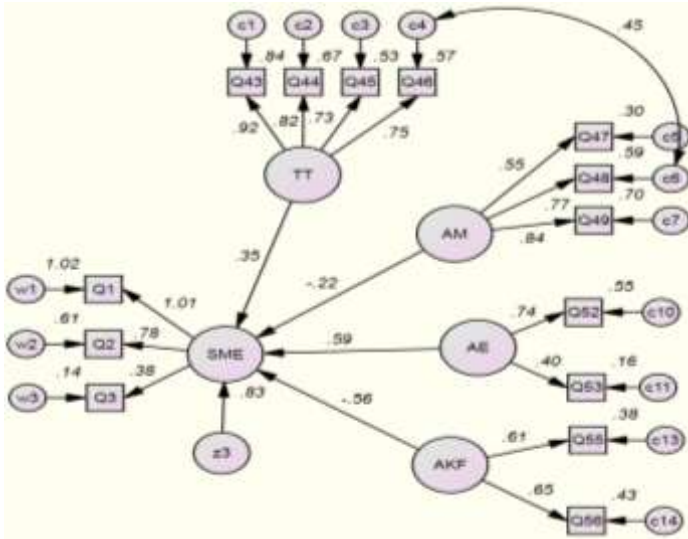
Figure 2. Structural equations modeling (significance coefficients and confirmatory factor uploads)

Table 4. Minor indices and the path of each of the research hypotheses

Significance (p)	Critical ratio (C.R.)	Standard error (S.E.)	Factor Load/impact factor	Path	
.005	2.833	.149	.352	Entering into international markets	Knowledge gaining in business
.145	-1.457	.357	-.216	Entering into international markets	Lack of taking things easy
.074	1.784	.684	.588	Entering into international markets	lack of illegally storing necessary goods, specially food, to sell it at a higher cost
.020	-2.335	.301	-.557	Entering into international markets	lack of illegally storing necessary goods, especially food, to sell it at a higher cost

Finally, as the structural equations model shows, the effect of Knowledge gaining in business and lack of cheating in goods weight when selling them on entering into international markets is significant, i.e., the results of the model verify the positive

relationship between Knowledge gaining   in business and entering into international markets, and also the reverse relationship between lack of cheating in goods weight when selling them and entering international markets. Table 5 shows the results of scientific analysis using structural equations model to test research hypothesis. Critical ratio is represented as CR in Amos software and if this index is more than 1.96, it represents positive scientific relationship between variables and the hypothesis is verified. The results obtained from this model have been shown in Table 5.

Table 5. The findings obtained from the structural equations modeling in testing the research hypothesis

Test result	Critical ratio	Hypotheses
The hypothesis is verified	2.833	**First hypothesis:** Knowledge gaining has an effect on entering into international markets in companies of Incubator of the Science and Technology Park.
The hypothesis is verified	-2.335	**Second hypothesis**: Cheating in goods weight when selling them has an effect on entering into international markets in companies of Incubator of the Science and Technology Park.
The hypothesis is verified	1.787	**Third hypothesis**: Lack of illegally storing necessary goods, especially food, to sell it at a higher cost has an effect on entering into international markets in companies of Incubator of the Science and Technology Park.
The hypothesis is verified	-1.457	**Fourth hypothesis**: taking things easy has an effect on entering into international markets in companies of Incubator of the Science and Technology Park.

6. Discussion conclusion and suggestions

The internationalization of small and medium size businesses is regarded as one of the most leading general policies in many of the world's countries. The reason is that it is often the small and medium size companies which have a vital role in industrial innovation and gain profit for their societies through economic promotion. A basic logic that exists behind supporting the internationalization of small and medium size business is that internationalization is suitable for small companies and small companies are useful for economy. Many entrepreneurs also identify the existing opportunities in international markets and make use of the access to international markets as a strategic tool for competitiveness and further development of their business. Presence in international markets provides a set of business opportunities for small and medium size companies, such as larger markets and new positions in market, the possibility of access to savings resulted from technologic scale and advantages, technical eligibility promotion, a way for risk distribution, costs reduction and division including research and development costs, and in most cases more access to financing resources. This research has

investigated the effect of business etiquette in Islam on entering into international markets by presenting the local-Islamic model in the companies of the incubator of Science and Technology Park. We first investigated the descriptive data and continued to examine the test result.

With respect to the obtained results in Table 2, it can be expressed that most of the sample population, i.e., %48.7 of the managers, have the 5-11 years of activity experience which shows that these people have a low activity experience in export that sometimes they encounter some problems and obstacles due to having low experience and not having enough information in this field. Government and officials can enhance the manager's performance and lead to the export promotion of these companies by establishing counseling centers, and proving necessary instruction in this field and also providing these people with the experience of others.

In respect of the factor analysis results and critical ratio and factor load of variables, it can be said that Knowledge gaining in business has an effect on entering into international markets in companies of incubator of Science and Technology Park, i.e., the first and the most important etiquette business is to understand the Islamic rules related to contracts. It is not necessary; of course, that the manger be Mojtahed[2] in this respect, following Mojtahed is also sufficient, so that to identify true contracts from false ones and avoid forbidden contracts, like taking interest (Riba). Furthermore, it is necessary that managers learn the Islamic rules prior to starting business. It is also suggested to the managers and exporters to have complete understanding of the culture, law, rules, and etiquette of each country for entering into its market.

With respect to Tables 4 and 5 and Figure 2, it can be stated that Cheating in goods weight when selling them has a negative effect on entering into international markets in companies of incubator of Science and Technology Park, that is to say Cheating in goods weight when selling them in goods like decreasing the goods weight etc. causes the company to face failure in entering the markets. It is a factor that has a reverse effect on entering into international markets. Managers, officials, stakeholders, bosses, and owners of industries should have enough attention on the weight of their products so as not to encounter problems in export.

Other results also show that lack of illegally storing necessary goods, especially food, to sell it at a higher cost   and taking things easy do not have significant effect on entering into international markets in companies of incubator of Science and Technology Park. Taking things easy in contracts means the seller's beneficence and magnanimity in business which is greatly emphasized in Islamic expressions.

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[2]One of the highest specialist, knowledgeable persons in Islamic rules and law

Managers and exporters can have a significant improvement in selling and extending goods export to other international markets by being easy in paying off the debts and taking the money which the debtor owes from him.

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