EXPORT PERSONNEL PERCEPTIONS OF EXPORT PERFORMANCE TO CHINA MARKET

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UNIVERSITI TEKNOLOGI MALAYSIA
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A thesis submitted in the fulfilment of the requirements for the award of the degree of Doctor of Philosophy (Management)

Faculty of Management and Human Resource Development
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AUGUST 2012
To the God
Who has helped and guided me
To my parents and family
With great honour, respect and love
ACKNOWLEDGEMENTS

So many things have helped me in fulfilling my dreams in earning a PhD. This research would never have come to fruition the aid and support of god, my many mentors, colleagues, teachers, friends, supervisors, and family.

First and foremost, I would like to thanks sincerely Ahoramazda, who is the most merciful and gracious, for he has blessed me with the understanding, determination and guidance during my graduate studies.

Secondly, I would like to thank all those who have contributed in so many ways in the completion of this thesis. I would like to express sincerely my gratitude and appreciation to my supervisor Prof. Dr. Abu Bakar Abdual Hamid, for his endless and valuable guidance, wisdom, friendship and great support during my entire academic years at UTM. The completion of this thesis would not be possible without his assistance and encouragement. All these are highly appreciated. In addition, I would like to thank the chairperson and members of the committee for their valuable comments and suggestions made on my thesis.

I am particularly thankful to my parents who have continuously prayed for, supported and encouraged me through tout the journey in completing my study. My parents support and encouragement have helped me a great deal, and have played a vital part in helping me to achieve my biggest goals and dreams.

Lastly, I would like to thank the staff of UTM for their kind assistance. In addition, I would also like to thank all of my friends at UTM and especially Amir Foroghe for their continuous help and support.
Expanding the non-oil exporting products of the Petrochemical Industry is one of the main strategies in Iran’s economy development plan. This move has created emerging markets that provide many international business opportunities for Iranian companies. The importance of this study stems from the need to study the determinants of Iranian Petrochemical Industry export performance in China because it is the second highest importer of Iranian products. Besides that, it is also a prominent economic giant in the world today. There is also a need to develop a theoretical framework for researching the export performance phenomenon such as in the case of Iran and China economic relationship. Thus, this study is based on the complex and confusing findings about the determinants of export performance, as well as the lack of coherence and the agreement among researchers on the parameters of an export performance model. This study investigated the following: effects of external determinants comprising export market and domestic market characteristics, internal determinants inclusive of management skills based characteristics, management attitudinal characteristics, firm characteristics and the marketing strategy related to export performance. These multiple-informant data were collected from 76 respondents who are working in the export or sale departments of petrochemical companies. A structural equation modeling (SEM), specifically Partial Least Squares (PLS) was applied to evaluate the relationships between the constructs and to estimate the measurement and structural parameters proposed. The social science statistical package (SPSS) software (version 18) and smart-PLS software (Smart-PLS 2.M3) were employed in the analysis. The results revealed that the export marketing strategy had positive and significant relationship with export performance. In the conceptual model, the export marketing strategy pointed to the importance of the strategy as a mediator when examining export market characteristics, skill based characteristics, attitudinal characteristics and the influence of a firm’s characteristics on export performance. Besides that, the export market characteristics and domestic market characteristics (external factors) also had significant effects on export performance. Furthermore, it was found that attitudinal characteristics as internal determinants have a significant effect on export performance. The outcomes of this investigation have shown that Iranian companies can enhance their business performance in the international market by paying more attention to the determinants and key success factors identified in this study. Finally, the results of this study would contribute towards understanding the export performance phenomenon in relation to the expansion of Iran’s the non-oil product export aimed at developing the country’s economy.
ABSTRACT

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LIST OF ABBREVIATIONS

EP - Export Performance  
EMCI - Export Market Competitiveness Intensity  
PMS - Product Marketing Strategy  
PRIMS - Price Marketing Strategy  
PROMS - Promotion Marketing Strategy  
PLMS - Place Marketing Strategy  
EMS - Export Marketing Strategy  
EMB - Export Market Barrier  
EMLPE - Export Market Legal and Political Environment  
DMPA - Domestic Market Political Aspect  
DMB - Domestic Market Barriers  
DMEA - Domestic Market Export Assistance  
EMA - Export Market Attractiveness  
ECS - Export Culture Similarity  
DMA - Domestic Market Attractiveness  
AFDI - Attraction Foreign Direct Investment  
FB - Firm Bureaucracy  
FRC - Firm Relationship Commitment  
FTL - Firm Technology Level  
FI - Firm Information  
FCN - Firm Connectedness  
FCO - Firm Conflict  
FIE - Firm Information Experience  
FA - Firm Age  
FS - Firm Size  
FEMO - Firm Export Market Orientation  
FC - Firm Characteristics  
MCS - Manager Commitment and Support  
PRE - President  
VP - Vice President  
MM - Marketing Manager  
EM - Export Manager  
PM - Product Manager  
GM - General Manager
SM - Sale Manager
IM - International Manager
MD - Managing Director
CM - Commercial Manager
SM - Senior Manager
SE - Sale Executive
ME - Marketing Executive
EE - Export Executive
ED - Executive Director
SD - Supply Chain Director
QM - Quality Director
ID - Industrial Director
PD - Product Director
SED - Service Director
QEC - Quality and Environment Coordinator
PRE - President
MPTEOT - Management Perception Toward Export Opportunities and Threat
MIO - Management International Orientation
MCO - Management Customer Orientation
MPTC - Management Perception Toward Competitiveness
MAC - Management Attritional Characteristics
MTEEO - Manager Total Export Experience to Overseas
MTEEC - Manager Total Export Experience to China
MEO - Manager Experience in Overseas
MFLP - Manager Foreign Language proficiency
MEL - Manager Education Level
MSBC - Manager Skill Based Characteristics
MC - Management Characteristics
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CHAPTER 1

INTRODUCTION

1.1 Introduction to Study

Iran is located in the Middle East, bordering the Persian Gulf, the Gulf of Oman, and the Caspian Sea, with an area of 648,195 sq km slightly smaller than Alaska (CIA, 2009). Iran has the second largest population, after Egypt, in the Middle East and North Africa region. Most of its 73 million people are young (World Bank, 2009). Approximately, one-third lives in rural settlements and two-third in urban population centers (Atiehbahar, 2004). Population density in 2008 was 43 people per square kilometer (Centre of Iran Statistic, 2009). The working populations of Iran in 2009 were 24.3 million people and the literacy percentage among the population with age range from 6 to 29 years old in 2008 was 95.6 percent. The unemployment rate of Iran in 2009 was 11.3 percent (Centre of Iran Statistic, 2010).

Figure 1.1 Iran map

Source: (Atiehbahar, 2004)
Iran’s economy is characterized by over dependence on the oil sector. Because of this dependency, the oil sector is part of the state sectors and thus, it is highly controlled by the government. Generally, the economy of the Islamic Republic of Iran consists of three sectors: state, cooperative, and private (Atiyehbahar, 2004). Iran’s growth performance has been robust in recent years, benefiting from high oil prices, regional growth, and a strong policy stimulus. Real GDP growth was estimated to have increased from 6.2 percent in 2006/2007 to 6.6 percent in 2007/2008. The growth and external prospects for 2008/09 were good, but on current policies, inflation was expected to remain high. Real GDP growth was projected at 5.7 percent in 2008/09 (International Monetary Fund, 2008). Iranian economy recorded real GDP growth of 6.9 percent with oil and 7.6 percent without oil in 2008 (Central Bank of Iran, 2009). In addition, from 22 June until 21 September in 2009 Iran economy recorded real GDP growth of 2.3 percent with oil and 2.7 without oil (Central Bank of Iran, 2010). Iran has diversified economic structure. The main sectors of the economy are hydrocarbon, agriculture, industry and services. Hydrocarbon sector contributed 26.5%, agriculture (10.4%), industry (17.1%), services (46.0%) of GDP (International Monetary Fund, 2007). The Iran Government is attempting to expand its economy well-being by investing revenues in other sectors. These sectors are aerospace industries, car manufacturing, consumer electronics, nuclear technology, and petrochemicals (Central Bank of Iran, 2009).

Petrochemical industry is one of the significant components of oil industry and is one of the principal industries in IRAN. Petrochemical industry has an influential role in IRAN’s economy because it can fulfill the demands of many domestic industries, productions and export petrochemical products, and creating more job opportunities for the unemployed. Thus, it is a remarkable source for bringing in money to the country (Vakhshri, 2006). Iran has enormous reserves of oil and natural gas. The oil reserves are estimated at 130 billion barrels, and natural-gas reserves are estimated at 20 trillion cubic meters (Library of Congress, 2008, p. 9). With the existence of the world’s nine percent of oil sources and 16 percent of gas sources in IRAN, it has made the petrochemical industry to have comparative advantages, and it will be able to improve other Iranian industries (Vakhshri, 2006). With plenty of energy resources and materials available for petrochemical industry,
remarkable domestic and global markets, existing access to sea roads and global highway, experienced and expert staffs are some of the advantages of the Iranian petrochemical industry. Hence, Iran can play the surprising role in the world petrochemical industry (Vakhshri, 2006). The high world oil price has helped the government in public investment, especially in petrochemicals industry and recently, Iran has come out with proficient planning for the petrochemical industry, and it has been given priority in development (Fizebakhsh, 2002). Iran has invested in many petrochemical plants in the past years. Domestic Investment in petrochemical products in 2005, 2006, 2007 and 2008 were 8743 million, 15,852 million, 9,314 million and 12,352 million Rials respectively. The finance investment in petrochemical industry in the same period was $1,486,000, $972 million, $1,019,000 and $1,094,000 respectively.

Iran’s petrochemical production was 25.3% of Middle East petrochemical production in 2008, and it was 16.2% in 2005. Iran also specified a share of 2.14% of petrochemical products in the international market to itself, and it was 1.08% in 2005. This shows 9.7% growth in these four years. It can be observed that the production indicators in the last four years reveal the petrochemical production has reached 26.523 million tons in 2008, and it was 15.7 million ton in 2005. Iran Petrochemical Industry share of world petrochemical product's basket, non-oil exportation and industrial products were 2.14%, 38.6%, and 42.5% respectively in 2008 (Iran Oil Ministry, 2009). Whole production of National Iranian Petrochemical Company reached 27.8 million tons in 2008. In reference to the establishment of new petrochemical complexes along with developing the current ones, it is predicted that total petrochemical products will reach 38.9 million tons in 2009 (Iran Oil Ministry, 2009).

The manufacturers of petrochemical products in Middle East consist of Iran, Bahrain, Iraq, Israel, Qatar, Saudi Arabia, Turkey, and United Arab Emirates. Iran, Saudi Arabia, and Turkey are the biggest manufacturers. Qatar and Saudi Arabia are important rivals of Iran (Vakhshri, 2006). In the Middle East, petrochemical products are cheaper because they are produced with a five times lower energy cost, and they are produced based on ethane, a cheap by-product of gas extraction (Iran Oil
The price of gas has fixed rate most of the time compared to the price of oil. As a result, Iranian petrochemical can have a fixed price in the international market (Vakhshri, 2006). The competition with petrochemical firms that use gas as first material becomes stiff (Vakhshri, 2006). Europe’s share of the world production of petrochemical product decrease from 31 to 27%, as Asia’s production increases from 23% to 31%. The predictions reveal that producing 126 million ton of petrochemical products with $50 billion investment per year; Iran will be able to specify 34% of Middle East and 6.3% of international petrochemical product market (Iran Oil Ministry, 2009).

Today emerging markets are very important issue in international trade that provides substantial opportunities for companies. Multinational corporations (MNCs) due to the saturation in the developed markets, have begun to focus their attention on emerging economies, which offer considerable potential for the consumption of goods and services (Enderwick, 2007; London & Hart, 2004). The reason for the MNCs to be attracted to emerging market more is that emerging markets are addressed as a source of new customers and resource and not simply locations of lower cost production (Enderwick, 2007). Emerging markets are identified as developed economies in the transition among financial markets and advanced economies but less than fully mature countries (Das, 2004). Furthermore, Meyer and Tran, (2006) characterized the emerging market as not having the sophistication of the institutional structure seen in developed countries, having economic with high development economic or development potential, and having high alteration in their institution, structure of industry, and the macro-economy. The four common emerging markets are Brazil, Russia, India, and China (Enderwick, 2007). The economy of these BRIC countries (Brazil, Russia, India and China) is developing very fast that in future it will affect most of the current developed countries (Souse et al, 2008).

Undoubtedly, the largest, the most important emerging economy, the most famous economic giant among these BRIC countries is China (Enderwick, 2007), and it is chosen for this study. The unprecedented level of concentration in the growth and development of China are increasing, and this increasingly interest of this
nation has been resulted from the admiration through fear to downright hostility (Enderwick, 2007; Enright et al., 2005). Moreover, obtaining new opportunities is the reason that international companies start or extend their business in China (Hofer and Ebel, 2006). China had the biggest GDP in the world in 2007 and 2008 (Iran Trade Promotion Organization, 2009) as mentioned in the following Table 1.1. Therefore, China has been described as the world's largest power region, obtaining economic growth rates that exceed those of most industrialized and developed countries, and China is anticipating becoming larger even faster in the coming years (Hofer and Ebel, 2006).

Table 1.1: GDP of the world

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<td>5.9</td>
</tr>
<tr>
<td>Africa</td>
<td>6.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Developed country</td>
<td>2.7</td>
<td>0.9</td>
</tr>
</tbody>
</table>

*Source: Iran Trade Promotion Organization, (2009), Page 24*

The historical ties and encounters between the Chinese and Persian empires go back to the contacts between the Hans and the Parthian in 139 BCE. China's huge demand for energy and Iran's enormous oil and gas reserves will propel Sino-Iran trade and economic relationship to a higher level (China Institute, 2006). China is the second largest buyer of Iran has exported oil 484,093 bpd in Q1 2009 (Iran’s
Customs Administration, 2009). Iran and China cooperate in many sectors, including energy, construction, trade, and tourism. UAE, Iraq, and China are the main importers of Iranian goods (Iran’s Customs Administration, 2008). Based on the statistics issued by Iran’s customs administration during the first quarter of the current Iranian year (started from March 21), China has acquired the second rank among the countries that import goods from Iran (Iran Customs Administration, 2009). A China’ import is worth USD 122, 911, 000, 00 and UAE’s is worth USD 122, 251, 000, 00 between March 21 and April 21 2008. The top export destinations of Iranian products are the United Arab Emirates, Iraq and China. These three countries are then followed in succession by Japan, India, South Korea, Turkey, Italy, Afghanistan and Germany (Iran Trade Promotion Organization, 2009). UAE, Iraq and China scored the first, second and third main importers of Iranian Goods Company between March 21 to January 21 (Iran Customs Administration, 2009). The principal partners of Iran’s non-oil exports are mentioned in Table 1.2.

Table 1.2 : Main Partners of Iran's Non-Oil Exports (March 2007- March 2008)

<table>
<thead>
<tr>
<th>Country</th>
<th>VALUE (US$ MILLION)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 UAE</td>
<td>2.153</td>
<td>14.2</td>
</tr>
<tr>
<td>2 IRAQ</td>
<td>1.586</td>
<td>10.5</td>
</tr>
<tr>
<td>3 CHINA</td>
<td>1.231</td>
<td>8.1</td>
</tr>
<tr>
<td>4 JAPAN</td>
<td>927</td>
<td>6.1</td>
</tr>
<tr>
<td>5 INDIA</td>
<td>830</td>
<td>5.5</td>
</tr>
<tr>
<td>6 SOUTH KOREA</td>
<td>555</td>
<td>3.7</td>
</tr>
<tr>
<td>7 TURKEY</td>
<td>553</td>
<td>3.6</td>
</tr>
<tr>
<td>8 ITALY</td>
<td>518</td>
<td>3.4</td>
</tr>
<tr>
<td>9 AFGHANISTAN</td>
<td>442</td>
<td>2.9</td>
</tr>
<tr>
<td>10 GERMANY</td>
<td>367</td>
<td>2.4</td>
</tr>
<tr>
<td>Total Ten Countries</td>
<td>9.165</td>
<td>60.4</td>
</tr>
<tr>
<td>Total ( including others)</td>
<td>15.172</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Iran Trade Promotion Organization, (2009), Page 21
The main non-oil export to China is petrochemical's products (Iran Customs Administration, 2009). China imports many petrochemical products due to its restricted petrochemical production. The present China’s petrochemical plants cannot pull along side with rapid expansion of petrochemical demands accompanied by the elevated growth of GDP in China and with the continuous development of consumption of makers, and this country will stay as one of the largest importers of petrochemical product in Asia (Fizebakhsh, 2002). Iran’s petrochemical exports to China stood at USD 90 million in 1998. It then increased to USD 700 million dollars in 2007, and it is expected to reach one billion US dollar in the recent year (Iran Customs Administration, 2009). While China, as the second largest petrochemical consumer, can draw on 40%-60% of Iran's petrochemical products (China Institute, 2007). The percentage of petrochemical product's exports to China also increases every year, and the statistical data showed the 137 % increase in 2009 compared to 2008. The percentages of the increasing exports to China in previous years were 30%, 40%, and 78% (Iran Customs Administration, 2009), as what is depicted in Table 1.3 as following.
Table 1.3: Total Petrochemical Product Export to China

<table>
<thead>
<tr>
<th>Years</th>
<th>Value (USD)</th>
<th>Weight (kg)</th>
<th>Rate of variations</th>
<th>Percent of variations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value (USD)</td>
<td>Weight (kg)</td>
<td>Value (USD)</td>
<td>Weight (kg)</td>
</tr>
<tr>
<td>March 2009 to December</td>
<td>1403574972</td>
<td>3591779556</td>
<td>293548880</td>
<td>2078801464</td>
</tr>
<tr>
<td>December 2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2008 to March</td>
<td>1110026092</td>
<td>1512978092</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2008 to March</td>
<td>1511447849</td>
<td>2622610178</td>
<td>825793925</td>
<td>607289375</td>
</tr>
<tr>
<td>March 2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2007 to March</td>
<td>685653924</td>
<td>2015320803</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2007 to March</td>
<td>685653924</td>
<td>2015320803</td>
<td>249919504</td>
<td>576415080</td>
</tr>
<tr>
<td>March 2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2006 to March</td>
<td>435734420</td>
<td>1438905723</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2006 to March</td>
<td>435734420</td>
<td>1438905723</td>
<td>187631459</td>
<td>628640918</td>
</tr>
<tr>
<td>March 2005 to March</td>
<td>248102961</td>
<td>810264805</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Iran Trade Promotion Organization, (2009), Page 34

Exporting is the most important issue in an economy of countries and most governments attempt to improve the exporting due to improve the condition of domestic market. One of the solutions for the dependency of IRAN’s economy on oil revenue is the development of products that can improve the condition of domestic economy and extend an export to foreign markets (Zarin Negar and Vazife Dost, 2009). The goal of the economic development plan of Iran has focused on expanding the trade interaction with the global community and trying to be an active member in the international market (Vakhshiri, 2006). Nowadays, one of the important strategies in the Iran economy development plan is to expand the non-oil exports (consist of all product exports without oil and gas) (Atiyehbahir, 2004). Iran has diversified exports and imports. The principal exports are petroleum, chemicals and petrochemical products, fruits and nuts, and carpets. Iran’s main imports are industrial raw materials and intermediate goods, capital goods, foodstuffs and other consumer goods, technical services (CIA, Iran Customs Administration (ICA), Iran's
annual non-oil exports was USD15.2 billion during March 2008 totaling a growth of 15.1% compared to the same period of the previous year (excluding USD5.8 billion liquid gases) (Iran Customs Administration, 2009). Total non-oil products exports of Iran are depicted as following.

Table 1.4: Trade Balance of Non-oil Products

<table>
<thead>
<tr>
<th>Year</th>
<th>Oil &amp; gas</th>
<th>Non-oil</th>
<th>Total</th>
<th>Imports(FOB)</th>
<th>Trade balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>53,820</td>
<td>10,705</td>
<td>64,525</td>
<td>43,381</td>
<td>21,143</td>
</tr>
<tr>
<td>2007</td>
<td>62,011</td>
<td>14,179</td>
<td>76,190</td>
<td>49,987</td>
<td>26,204</td>
</tr>
<tr>
<td>2008</td>
<td>81,567</td>
<td>16,101</td>
<td>97,668</td>
<td>58,240</td>
<td>39,428</td>
</tr>
<tr>
<td>2009</td>
<td>81,855</td>
<td>18,717</td>
<td>100,572</td>
<td>68,533</td>
<td>32,039</td>
</tr>
</tbody>
</table>


Source: Central Bank of IRAN, (2009), Page 12

Concerning the data on Iran Trade Promotion Organization between March 2007 and March 2008, it is recognized that petrochemical products are the main export product of the total non-oil exports (Iran trade promotion organization, 2009). The proportion of the petrochemical sector from all non-oil exporting is 38.6%. The highest share of non-oil export is the petrochemical industry sector, which was beyond 70%. The rank of non-oil export value between March 2007 and March 2008 is mentioned in Table 1.5.
Table 1.5: Table 1.5: Share of Non-oil Export Value

<table>
<thead>
<tr>
<th>Rank</th>
<th>Export products</th>
<th>Percentage of total non-oil export</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>petrochemical sector</td>
<td>38.6%</td>
</tr>
<tr>
<td>2</td>
<td>industrial sector</td>
<td>32.2%</td>
</tr>
<tr>
<td>3</td>
<td>agricultural sector</td>
<td>13.1%</td>
</tr>
<tr>
<td>4</td>
<td>mineral sector</td>
<td>5.4%</td>
</tr>
<tr>
<td>5</td>
<td>carpets and handicrafts</td>
<td>3.3%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Iran trade promotion organization, (2009), Page 14

In addition, the main exportable items between March 21 and February 21 2008 (the first three months of Iranian calendar) are in Table 1.6 as following. In this Table, it is also shown that petrochemical products have the highest percentage of exporting products.

Table 1.6: Table 1-6: Main Exportable Items, March 21 – February 21 (2008)

<table>
<thead>
<tr>
<th>Export products</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>liquid propane and liquid butane</td>
<td>10.5%</td>
</tr>
<tr>
<td>fresh or dried pistachio</td>
<td>8.3%</td>
</tr>
<tr>
<td>Methanol</td>
<td>4.2%</td>
</tr>
<tr>
<td>aromatic hydrocarbon mixtures</td>
<td>3.9%</td>
</tr>
<tr>
<td>carpet and other floor coverings</td>
<td>2.6%</td>
</tr>
<tr>
<td>products of non-alloyed iron or steel</td>
<td>2.4%</td>
</tr>
<tr>
<td>Ethylene</td>
<td>2%</td>
</tr>
<tr>
<td>internal combustion piston engine vehicles</td>
<td>2%</td>
</tr>
<tr>
<td>cathode segments of refined copper</td>
<td>1.8%</td>
</tr>
</tbody>
</table>
Source: Iran’s Customs Administration, (2009), Page18

Petrochemical product's exports have increased in the recent years because of the substantial Iran government’s investment in petrochemical projects (Iran Oil Ministry, 2009). Petrochemical Industry share of non-oil exports was 38.6% in 2008 (Iran's oil ministry, 2009). In the first quarter of the current Iranian calendar year (started on March 21), Iran has exported propane, butane, pentane, ethylene, benzene, para xylene, and other petrochemical products. Petrochemical products are exported to many countries such as Japan, UAE, India, China, South Korea, Italy, Singapore, Taiwan, China and others (Iran trade promotion organization, 2009). Saudi Arabia, Singapore, India, Spain, Taiwan, the Netherlands, Belgium, Indonesia, Malaysia, Qatar, Japan, China, South Korea and France are also among the major targets for the Iranian products (Iran Oil Ministry, 2009). Iran Petrochemical Commercial Company (IPCC) (the governmental commercial firm that is responsible to export products of the governmental firms) exported 3,791,000 tons of petrochemical products to international markets in the first four months of the current Iranian calendar year. According to reports, the exported goods estimated to worth $1,879 billion. It was $1,392 million in the first three months of the current year. 924,000 ton -a lion share- of exported goods consisted of propane and butane. It is predicted that 15,500,000 tons of produced petrochemical products – worth $5.8 billion are to be exported in this Iranian calendar year.

Exports of petrochemical product's value, selling worth value and added value showed 30%, 28% and 40% of growth respectively in the first four years (Iran Oil Ministry, 2009). In addition, Iran has comparative advantages in seeking for investments into the petrochemical industry. This is because Iran is located within the boundary of Persian Gulf, and it is near to China and India, whereby both countries’ markets that are the biggest consumer markets of petrochemical products. So, petrochemical firms can fulfill their objective of export to these markets (Vakhshri, 2006). The researcher believes that China will remain as one of the foremost importers of petrochemical materials in this new millennium and with the continuation of development of consumption marker; this country will stay as one of the main importers of petrochemical product in Asia (Fizebakhsh, 2002). Until the end of Iran next 20 year vision (development plan), Iran petrochemical industry
products value is to account for 34% of Middle East’s and 6.3% of the world’s petrochemical products market.

Briefly, it is important for Iranian petrochemical firms to have better understanding of the determinants of export performance in order to increase their export substantially.

1.2 Background of Study

The expansion of global trade and sales activity in the world market has increasingly accentuated the importance of exporting for firms and countries. Exporting plays a vital role in the world and has countless benefits for firms and countries. Julian and O’Cass, (2003); Julian and O’Cass, (2002); Lages, (2003); Navarro et al., (2009) have explained that with globalization and increasing competitors in foreign markets, exporting has become significant option for companies and more committed companies. Thus, they ought to allocate more attention and resources in order to meet the challenges in exporting and to stay ahead of their competitors. The viable strategic options for companies in exporting are the frequent model of entering export market and staying ahead in competition in the global market. Hence, the subsequent performance difficulties encouraged by exporters cause the increasing interest in this subject (Sousa et al., 2008). However, exporting is a fundamental strategy in ensuring firm’s survival or growth, and firms may be achieved competitive advantage in international markets with a positive influence on current and future export performance (Navarro et al., 2009). Additionally, contributing in nation’s economic prosperity is one of the important roles of exporting (Koksal, 2008; Shamsuddoha, 2004, Ahmed et al., 2004, Langes and Montgomery, 2005). Exporting affects the enhancement of economic growth and activities, encourages the internal production, and causes a reduction in the unemployment rate. Furthermore, it also supplies foreign currencies for import, becomes a driver of growth, makes favorable balance of trade, accumulates the foreign exchange reserves, increases profitability and societal success, enhances trade balances and industrial development, improves capacity utilization and
productivity, supplies employment and creates new job opportunities. Therefore, the usual goal in most firms and national governments is to expand the export, and this goal is appealing in most of the viewpoint of countries and firms.

Cooper, (1985); Zou and Stan (1998); Baldauf et al., (2000); Lages,(2003); Ahmed et al., (2004); and Haahi et al., (2005) also noted that within the past 30 years or so, due to the increasing liberalization and integration of the total trade, factors that determine the success of exports have become the focus of many researchers. In addition to this, the recognition that exporting receives as an interesting method of tapping international market opportunities with minimum business risk and high flexibility of movement too has triggered the interest of many scholars. Thus, a large number of researchers have conducted studies to identify the factors influence the export performance of firms. As mentioned earlier, the reason for this is due to the evaluation of influencing factors, the impact of export success and export performance, in which they make valuable guidelines for implementation of pointed marketing strategies, public policy and economic development. In addition, recognizing the elements affect on export performance is a considerable strategic concern for export managers to act quickly in the international trading (Cavusgil, 1984; Lages, 2003; Haahi et al., 2005). Determinants of export performance are very important for company’s survival and growth of country’s economy (Sousa et al., 2008).

Cooper, (1985); Baldauf et al., (2000); Cicic et al., (2002); and Leonidou et al., (2002) explained that most previous research of export performance had assumed that export performance depends on firms’ structure or internal factors, international environment or external factors, and marketing strategy. In addition, Thirkell and Dau, (1998) reminded that the factors in determining the success of export have become the focus of renewed survey interest in recent years. Diamantopoulos, (1999) noted that export performance had long been a construct of central interest in the foreign marketing literature.

The three major levels of strategy in most large, multi product organizations are corporate strategy, business level strategy and functional strategy (Hill and Jones, 2007; Walker et al., 2008; Hofer and Schendel, 1978). Functional strategy consists of
marketing strategy, R&D strategy, human-resource strategy and operation strategy. Corporate strategy provides the direction to the company’s mission, the kinds of business it should be in, and its growth policies. Business strategy primarily addresses how a business will compete in its industry. Each marketing strategy provides a plan for pursuing the company’s objectives within a specific market segment (Walker, Orville, 2008; Hill and Jones, 2007).

The high rate of world oil prices has caused the Iran government to have public investment, especially in petrochemicals industries, and they obtain rapid grow. According to the economic development plan, the Iran government tries to increase petrochemical output and because of this, the industry has received substantial foreign investment. As a result, they doubt over the government’s hope to establish 47 petrochemical operations by the end of the fifth five-year profitable development plan in 2015, adding a total of 43mn tones per annum (tpa) of capacity (Central Bank of IRAN, 2009). According to officials, once the projects become operational, Iran will represent at least 6.3% of global petrochemical output and 34% of Middle Eastern production. In the past, all Iranian petrochemical companies exported the products of Iran's petrochemical commercial company (IPCC) but today because of privatization in Iran, most of them export their products directly.

1.3 Problems Statement

Many researchers such as Nazar and Saleem, (2009); Gertner et al., (2006); Ogunmokun and Ng, (2004); Ahmed et al., (2004); Julian and O’Cass, (2003); Julian and O’Cass, (2002); Baldauf et al., (2000); Thirkell and Dau, (1998); Diamantopolous, (1999); Cooper, (1985); Zou and Stan (1998) have mentioned that the main problem of the export performance is the recognition of effective determinants of export performance, creation of comprehensive integrated model and fragmentary or often having been conflicting with knowledge about determinants of export performance. Nazar and Saleem, (2009); Lopez and Coelho, (2008), Navarro et al., (2009); Julian and O’Cass, (2002) mentioned that most of the studies measured export performance by a wide diverse variable, and these variables are different.
Therefore, the unlike findings on studies are difficult to compare and to recognize what are the determinants of export performance. Furthermore, Sousa et al., (2008); Gertner et al., (2006); Shamsuddoha, (2004) emphasized that a lack of coherence and agreement among researchers on the parameters of an export performance model resulted from the large number and fragmented nature of independent variables included in export performance studies. The result of these problems is a creation of complex, confusing and conflicting findings and still fragile theoretical framework for researching the export performance phenomenon (Gertner et al., 2006; Thirkell and Dau, 1998; Cooper, 1985; Zou and Stan 1998; Baldauf et al., 2000; Julian, 2003; Lages, 2003; Ahmed el al., 2004).

Although many researchers and scholars study the effect of different determinants of export performance, however, they give less attention to external factors. In addition, the existing learning process and experience supply insufficient insights for recognizing external determinate (Zou and Stan, 1998; Baldauf et al., 2000). Furthermore, Sousa et al., (2008) in their review explained that researchers were keen on includes the external factors in their models. Although, domestic market characteristic (one of the sub categories of external factors) is one of the important factors on export performance, a researcher often neglect them in the previous studies (Sousa et al., 2008) or they sometimes report the mixed finding (Zou and Stan, 1998). Moreover, there is a conflicting knowledge about internal factors. Scholars have the different opinion about the positive or negative effects of firm characteristic’s determinants, which are under internal determinants. The lack of consensus among researchers as to what constitutes a managerial factor in determining exporting, which are under internal determinants has been highlighted by Leonidou et al. (1998) and recently by Suarez-Ortega and Alamo-Vera (2005). On another hand, researchers such as Cavusgil and Zou, (1994); Rocha and Christensen, (1994); Thirkell and Dau, (1998); Lee and Griffith, (2004); Brodrechtova, (2008); Salavou and Halikias, (2008) mentioned that the relation between marketing strategy and export performance has been one of the most famously investigated issues in international marketing study, and the researcher considered marketing strategy is one of major elements of export performance. However, although many studies have been conducted in this area, and they
demonstrate a positive impact on marketing strategy of total export performance, the variety of conceptualization and performance measurement has led to inconsistent and opposing findings (Aaby and Slater, 1989; Baldauf et al., 2000; Leonidou et al., 2002; Lee and Griffith, 2004). In addition, the lack of detailed analysis on dimensions of export marketing strategy is a popular problem inherent in the previous studies (Leonidou, et al., 2002).

Mohamad, (2009); Souse et al., (2008); Calantine et al., (2006); Lee and Griffith (2004); Theodosiou and Leonidou, (2003); Julian and O’Cass, (2002); Baldauf et al., (2000); Aulakh et al., (2000); Katsikeas, (1996); Dominguez and Brenes, (1997) emphasized that vast majority of the research had focused on the exporters from highly industrialized countries or developed economy (e.g. United states, Canada and Western European countries) with very little attention to developing countries, and it may be misleading to infer such findings, marketing issues, and evidence of exporters in developing countries. Given the differences between developed and developing economies and unique conditions of exporting in developing countries, the earliest research about exporters in developed economy context is not appropriate for firms in a developing country (Aulakh et al., 2000; Lee and Griffith 2004; Julian and O’Cass, 2002). In addition, a study by Souse et al., (2008) that review earlier studies revealed that scholars received little or no attention to research about export performance certain parts of Asia, South and Central America, and Africa. As a result, there is a void in the literature related to these countries. There is a need to evaluate whether our current knowledge can be generalized to these countries, especially the developing ones. Thus, assessment of the theories across different countries with various economic, cultural and technological settings is advised by researchers (Souse 2004; Souse et al., 2008).

Many previous researchers have problems in their methods to evaluate export performance and determinate of export performance. At first, researchers use the firm (total product to the total export market) or export venture (one product or a product line to a specific market) in their study as the unit of analysis. However, employing these units has posed some problems. The use of firm level is not appropriate because companies have the variety of performance that some ventures
are successful and others are unsuccessful, and firm level does not take into account the variability of performance as total export performance of firms (Lages and Lages, 2004; Sousa, 2004). In addition, firm level is suitable for small companies that have only one product line and inaccurate measure of strategy and performance variables will result if medium and large firms with diversified business portfolios use as a unit of analysis (Cavusgil and Zou, 1994; Zou and Stan, 1998). Furthermore, different strategy that is applied by export venture in various market places has failed to capture by firm level analysis (Sousa et al., 2008; Morgan et al., 2004). On another hand, deeper insight into the overall, long-term export performance of the firm is inapplicable in using export venture as a unit of analysis (Cavusgil and Zou, 1994; Sousa, 2004). Therefore, due to these problems, most-recent researchers analyzed the firm’s main export venture (MEV) in their studies (Lages and Montgomery, 2004, Mavrogiannis et al., 2008). Firm typically develop specific strategies for the main export venture and most of the managers' design marketing strategy or defined consequence of strategy only for MEV but many of the secondary export ventures have no defined strategy (Lages and Montgomery, 2004). Major export venture should be selected deliberately to ensure maximum representativeness, while a random selection should be applied to the remainder (Morgan, 2000; Sousa, 2004). Therefore, a limited study found main export venture (MEV) should be used as the unit of analysis in specific market or as main products in specific market place. In this research, we will mention respondents (as unit of analysis) to answer the questions with refer to main export venture to China's market.

Second, majority of the study used samples drawn from multiple industries. For example, Zou and Stan, (1998) in their review found just six research and Sousa, (2004) found merely 4 researches that used single industry for data gathering. The use of large sample is unlikely to disentangle the variety of effects associated with industry, environment and strategy (Wong, 2007). A single industry would give better understanding about the relation of export marketing strategy and export performance. Previous studies investigating the single industry is lacking (Abdul Adis and Md. Sidin, 2010). In the same vein, Wu and Pangarkar, (2006); Meyer et al., (2009) noted the suitable strategy for companies is dependent on the characteristics and conditions of particular industry. Majority of previous published
work has neglected the influence of industry-specific characteristics on internal export factors (Leonidou et al. 1998; Leonidou et al. 1998; Suarez-Ortega and Alamo-Vera, 2005). Suarez-Ortega and Alamo-Vera, (2005) noted, “the effect of industry-specific characteristics on internal export factors has been isolated through the selection of one industry in one country for empirical research”. It is interesting to focus on the single and related-industry. This is because this kind of approach would allow scholars to have control on the industry-specific influences such as technology of product, type of production, industry concentration and level of competition (Sousa et al., 2008). Export literature underlines the importance of isolating the effect of external variables when the aim is evaluating firms’ characteristics (Suarez-Ortega and Alamo-Vera, 2005). So, some of the researchers believe that each industry has different situation and condition that influence on the determinants of export performance. For instance, a study done by Contractor et al., (2005) found a different results about the relationship of export performance and experience of managers that can be explained because of the characteristics of the industry used in this research (Sousa et al., 2008). The controlling for country-specific and industry-specific influences constitutes relevant elements that have been abandoned in the research and whose omission reduces the validity of findings (Suarez-Ortega and Alamo-Vera, 2005). The review of previous studies showed that majority of researchers use multi industry for data collection, and it is interesting to focus on single and related-industry that allows scholars to control the industry-specific influence (Sousa et al., 2008). Therefore, a limited number of studies used single and related-industry as sample for data gathering.

Third, another point is that in most research, limited informants or respondents were interviewed. For example, Sousa et al., (2008) reviewed studies and revealed that none of the studies gathered data from more than one informant in the same firm. Managers have different views about performance and multiple informants within each company will improve assessment on export performance (Sousa, 2004). The single informant is preferable where only one informant has access to the information or the only one who can provide information, which is much accurate (Sousa et al., 2008). Finally, there are limited researches that focused
on the main export venture (MEV), single and related-industry, and multiple informants.

Iran’s economy depends on oil revenue extremely. One of the solutions for the dependency of Iran’s economy on oil revenue is the development of products that can improve the condition of domestic economy and extend an export to foreign markets (Zarin Negar and Vazife Dost, 2009). Therefore, nowadays one of the important strategies of the Iran economy development plan is the expansion of non-oil exports, especially petrochemical products. Petrochemical industry plays an influential role in IRAN’s economy because it is a remarkable source for bringing in money to the country. The high world oil price has helped the government in public investment, especially in petrochemicals industry and recently, Iran has invested in many petrochemical plants. Iran’s petrochemical industry shares of non-oil exportation were 36.6 % in 2008 (Iran's oil ministry, 2009). Iranian petrochemical's exports reached 11.2 million tons in 2008/09, which are 1.8 mn tones below the target (Central Bank of Iran, 2009). Survey done on the status of China’s import products show South Korea has the most share of importing petrochemical products from China and other countries such as Japan, Taiwan, Singapore, and USA. Saudi Arabia and Kuwait are the only ones that can be successful in penetrating the China market (Iran's oil ministry, 2009). Today’s China’s petrochemical plants cannot catch up with rapid expansion of petrochemical demands accompanied with high growth of GDP in China and with continuous of development of consumption marker, this country will be one of the main importers of petrochemical products in Asia (Fizebakhsh, 2002). Abundant of energy sources and materials for petrochemical, remarkable domestic and global markets, access to sea roads and international highway, experienced and expert staff, and cheap products are some of the advantages of Iranian petrochemical industry (Vakhshri, 2006). Therefore, the petrochemical industry of Iran has many advantages but the result of Iranian petrochemical firms exporting is not satisfactory. In addition, they cannot use their competitive advantages in the global markets correct, and their results are below the target of the Iran economy development plan to change the condition of domestic economy and extend an export to international markets.
London and Hart, (2004), Enderwick, (2009) noted that emerging markets (China market) are increasingly becoming the growth drivers of the global economy and with a vast population and increasing income, emerging economies provide an enormous market for goods and services. It is asserted that emerging economies are likely to become the new battleground for international business (IB) competition, and that researchers need to pay careful attention to the institutional context in which IB activities take place (London and Hart, 2004). China has been described as the world's largest power region, obtaining economic growth rates that exceed those of most industrialized and developed countries, and China is anticipating becoming larger even faster in the coming years (Hofer and Ebel, 2006). Iran and China cooperate in many sectors, including energy, construction, trade, and tourism. China is the second largest buyer of Iranian products (Iran’s Customs Administration, 2009) and China imports many petrochemical products due to its restricted petrochemical production. In the recent year, China's market is indelible customers for Iranian petrochemical firms (Vakhshri, 2006). In addition, China is one of the principal target markets for Iranian's petrochemical Firms, and it is third main non-oil partner of Iranian products. Koksal, (2008) revealed the studies in the literature report that the lack of information about foreign markets is one of the most common reasons that preventing companies from exporting. Furthermore, Navarro et al., (2009); Koksal, (2008); Lages, (2003); Julian and O’Cass, (2003); Julian and O’Cass, (2002) mentioned that the extent of information about marketplace impact directly on export performance. So, despite China being one of the important target markets for IPCs (Vakhshri, 2006), they do not have sufficient information about influences of determinants on export performance in export to China's market.

The problem of this research revolves around factors influence export performance in Iran's petrochemical industry since it is one of the most known and crucial industries in Iran. In brief, no comprehensive framework has been found in investigating the effect of export marketing strategy, external and internal factors on export performance. Moreover, there is insufficient knowledge about these practices in Iran, especially factors influence on export performance. As a result, this research helps to bridge these gaps.
1.4 Research Objectives

Considering the importance of petrochemical products export in Iran, this study attempts to achieve the following objectives that based on the problem statements:

To determine the influence of export marketing strategy on export performance of Iranian petrochemical firms in China's market.

To recognize which external factors and internal factors are associated with export performance and export-marketing strategy of Iranian petrochemical firms in exporting to China's market.

To analyze critically the key success factors and improvement for Iranian petrochemical firm’s export performance in China's market.

1.5 Research Hypothesis and Questions

This study will seek answers to three principal research questions, and eleven hypotheses, which are:

Q1. How do the export marketing strategy influence on export performance?

H1. There is a significant relationship between export marketing strategy and export performance.

Q2. How do the external variables influence on marketing strategy and export performance?

H2a. There is a significant association between export market characteristics and export performance.
H2b. There is a significant association between export market characteristics and export marketing strategy.

H3a. There is a significant association between domestic market characteristics and export performance.

H3b. There is a significant association between domestic market characteristics and export marketing strategy.

Q3. How do the internal variables influence on marketing strategy and export performance?

H4a. There is a significant relationship between skill-based characteristics of manager and export performance.

H4b. There is a significant relationship between skill-based characteristics of manager and export marketing strategy.

H5a. There is a significant relationship between attitudinal characteristics of manager and export performance.

H5b. There is a significant relationship between attitudinal characteristics of manager and export marketing strategy.

H6a. There is a significant association between firm characteristics and export performance.

H6b. There is a significant association between firm characteristics and export marketing strategy.
1.6 Scope of Study

The scope of this research revolves around exploring the export performance determinants of Iran's petrochemical industry in export to the China markets. The petrochemical industry has been chosen because it is most important and strategic export product to international market. Besides that, the petrochemical companies plan to penetrate into global markets in the future.

Iran has many small and huge petrochemical companies. These companies can belong to the government or the private sector. However, the huge companies are mostly belonged to the government. It is important to mention that in the past, the products of the governmental Iranian petrochemical companies exporting via Iran's petrochemical commercial company (IPCC) because the petrochemical companies were governmental. Even though, post privatization plan in Iran, most of the private petrochemical firms that previously were governmental attempted to export their production directly. The focus of this study is on both governmental and private companies, which export their products to China's market directly, sufficiently and continuously.

The petrochemical companies for this research are about 49 with sufficient experience in exporting to China's market. They must also have the sufficient amount of exports to China directly. Some of these petrochemical companies are: Esfahan Co., Fanavaran Co., Amir Kabir Co., Farabie Co., Abadan Co., Arak Co., Khark Co. and Iran Petrochemical Commercial Co. (IPCC), Aria Sasol Company and other companies. These firms are located in Esfahan, Bandar Imam Khomeini at Petrochemical Special Economic Zone (PETZONE), Bandar Imam Khomeini (PETZONE), Bandar Imam Khomeini, Abadan, Arak, Khark, Tehran, Pars Special Economic/Energy Zon (Assalouyeh) and others places.
1.7 **Significance of Study**

The significant of study is one of the main parts of each research. Researchers explain the importance of their study in the significant of study. Firstly, based on the previous studies, this is the first empirical study concerning determinants export performance by Iranian petrochemical firms in export to the emerging markets. No study, which focused on the exports’ external and internal factors, marketing strategies in penetrating the emerging markets, has been done before. Moreover, the result of this survey will help to develop an integrated empirical model of export performance to evaluate the significant relation between export performance and determinants. This study provides more integrated understanding on export performance than many of the partial studies that are found in the previous literature. The proposed framework provides important insights into the key factors, thus, this will enable managers to gain more experience and better understanding on the impressive factors influencing their export performance in the emerging markets and then the empirical models for the Iranian petrochemical product exporters will be applied. Understanding the effective factors on export performance of petrochemical industry may provide a reference point for exporters in other Iranian industries. In addition, this information will always be useful for industries, especially for those firms that are planning to implement export to the international market. Furthermore, extensive research on the current practice of export performance will help the Iran government to program export plans in order to enhance the Iran economy. This study also helps Iranian companies to prepare the situation of join to WTO.

Specifically, the present research is planned to look new at export performance determinants, more especially, export marketing strategy elements, internal and external factors that may influence on export performance. Results are expected to help practitioners and administrators to understand export success factors and such appear to may be of importance to both public and private sector managers concerned with future export development and success. The significant about this study is to help exporting firms to increase their export performance via recognize the sound factors that influence export performance. The proposed framework provides important insights into the key factors, which enable managers to increase
exports and market share with attention given to effective factors and their competitive advantage in the international market.

This research explores profound information regarding exporting to the China markets. Firm is informed the determinants influence export performance before they commit resources to emerging markets. Moreover, this survey supplies data for researchers to address the unique situation of exporting in developing economies. The developing countries have different economic situation in compare to other markets.

Nevertheless, the lack of evidence indicating that research on factors that influences on performance of petrochemical industry in export to emerging markets have consequently, prompted the researcher to embark on this survey. While most of the previous studies focus on the impact of one or two set of limited factors on export performance, the present study includes a variety of internal, external and marketing mix strategy determinants. Hence, this study is expected to pose distinct new knowledge to the academicians, managers, and practitioners.

Consequently, this research increases the available collection of the literature about the marketing mix strategy elements, external factors, internal factors, emerging market, and petrochemical industry. Finally, it offers a potential ground for future research within the export performance fields and other fields relating to petrochemical industry and emerging market.

1.8 Guide to the Thesis

This report is organized into five chapters. The first chapter presents a general introduction and discusses the introduction, statement of the problem, objectives of the study, significance of study, research questions, and limitation of study and scope of the research. The second chapter begins with discussions on export performance, determinants of export performance, strategy, marketing strategy, internal and external factors and emerging market, and Iran's petrochemical industry. The theories
in the second chapter have been used in different context and are proposed here as means for studying the influencing factors on export performance. Besides that, this chapter includes description and evaluation of these theories, and finally, it ends with a conceptual framework of the study.

Chapter 3 discusses the research design, the data collection method, the sample design and the data analyses are discussed. Chapter 4 will discuss data analysis and the results. Finally, the fifth chapter provides a discussion of the results and explains the theoretical, methodological and managerial implications. The limitations and directions for future research will be discussed in this last chapter.

1.9 Summary

Chapter one draws and consolidates the map for other chapters. First, it highlights the introduction, the background of study and the problem statement. Then, this chapter highlights the research questions and the hypotheses. The research questions and the hypotheses will evaluate the determinants of export performance in petrochemical firms. There are three categories of determinants highlighted in this study; external determinants, internal determinants and export marketing strategy. Finally, this chapter provides the scope of study and significant about this study. On the other hand, the next chapter describes the related literature and provides the synthesized review about determinants of export performance and finally; this chapter presents a testable research model.
REFERENCES


