Chapter 2

Literature Review

2.1 Introduction

The objective of this chapter is to review the existing marketing literature to show the relevance and significance of the research question outlined in Chapter One. The literature review focuses on the theoretical foundations of the issues being studied to draw and consolidate related knowledge and to formulate a model which depicts the manner in which perceived gaps of export promotion programs influences the export performance of firms. The chapter also shows that current research on export promotion, export performance, and export marketing strategy has not yet adequately explored the context of satisfaction with respect to export promotion programs. The chapter discusses the literature on internationalization, export problems, export marketing strategy, export promotion and export performance. The impact of export marketing strategy and export promotion on export performance will also be discussed in detail.

2.2 Internationalization Theory

2.2.1 Internationalization Process

Internationalization is the product of a series of incremental decisions (Johanson and Vahlne 1977). The internationalization of a firm can be interpreted as incremental planned evolution interrupted by episodes of rapid internationalization (Kutschker and Baurle 1997). Exporting refers to the marketing of goods and services outside the home markets, and it can be a way for a firm to achieve growth, profits, and market diversification (Cavusgil 1980). Internationalization describes the process by which organizations increase their awareness of the importance of international activities and become involved in operations across national borders (Welch and

Luostarinen 1988). This process has often been divided into sequential stages of gradual development over a long period of time (Melin 1992).

Internationalization processes can be defined as the activities associated with any increase in the international involvement of a firm (Welch and Luostarinen 1988). This increase can be related to three dimensions derived from the international fingerprint of the firm: the number and geographic-cultural distance of foreign markets, the extent of value-added that occurs in these markets and the degree of integration of activities across these markets (Welch and Luostarinen 1988). Internationalization processes can occur at an individual level, they can occur at the level of groups or departments, on the level of a whole division or even the whole corporation (Kutschker and Baurle 1997).

As a consequence, a firm can become more international if it enters new markets, if it further extends its activities in existing markets and if it further integrates its international activities (Kutschker and Baurle 1997). The internationalization process often creates managerial dilemmas for organizations in terms of strategic, structural, and human resource changes. There are also strong interactions among these dilemmas. Firms that are able to resolve these dilemmas, while considering their interactions, can become more successful via their internationalization process (Lam and White 1999).

The degree of internationalization can be measured by (1) foreign sales as a percentage of total sales, (2) the percentage of the firm employees who spends over 50% of their time on international activities, and (3) the geographic scope of sales in the regions of increasing distance from domestic markets (Reuber and Fischer 1997). Kutschker and Baurle (1997) also identified four dimensions of internationalization. They proposed that most strategic internationalization moves can be traced back to: (1) number and geographic–culture distance of countries, (2) value-added, (3) integration, and (4) time. The delay after start up in obtaining foreign sales and the use of foreign partners, and the number of strategic partners of the firm, are associated with a higher degree of internationalization (Reuber and Fischer 1997).

There are two popular general models used most often to explain the internationalization process: The Uppsala internationalization process model (Johanson and Vahlne 1977, 1990; Johanson and Wiedersheim-Paul 1975), and the

Innovative-related internationalization model (Bilkey and Tesar 1977; Cavusgil 1980; Cavusgil, Shaoming Zou, and Naidu 1993; Czinkota 1982; Reid 1981).

2.2.1.1 The Uppsala internationalization process model (Johanson and Vahlne 1977, 1990; Johanson and Wiedersheim-Paul 1975)

This model describes how firms go through several logical stages of increasing international commitment by gradual acquisition of foreign market knowledge. The model implies four different modes of gradually entering the international market, where the successive stages represent higher degrees of international involvement: (1) no regular exporting; (2) ad hoc or active exporting via independent representatives; (3) establishment of an overseas sales subsidiary through either licensing or joint venture; and finally (4) full commitment of foreign processing and production.

In the model, firms are also hypothesized to enter new markets characterized by psychic distance with the home country–that is, small differences between host and home country in terms of culture, language, education, etc. Internationalization hinges on two aspects: market knowledge and market commitment, as measured by the resources committed to foreign markets–market commitment–and the knowledge about foreign markets possessed by the firm at a given point of time. The reason for considering market commitment is that the commitment to a market reflects the firm's perceived opportunities and risk. There is a direct relationship between knowledge and market commitment. Knowledge can be considered a resource (or, perhaps preferably, a dimension of human resources), and consequently the better the knowledge about market, the more valuable are the resources and the stronger is the commitment to the market. Anderson (1993) contends that the model does not explain why and how the process starts, and the sequence of states or conditions are not discussed. Since government export promotion programs are designed to encourage firms' international endeavors (Czinkota and Ricks 1981), such government policy is instrumental to the conception of a firm's internationalization process.

2.2.1.2 Innovative-related internationalization model

This model is built on the concepts of the Uppsala model and describes the internationalization process in terms of adopting innovation. It differs from the Uppsala model by considering the source of the initial internationalization decision. The model describes internationalization as an incremental sequence of market-targeting innovations within the firm, evolving slowly as the firm gradually acquires relevant knowledge and experience (Bilkey and Tesar 1977; Cavusgil 1980; Cavusgil *et al.* 1993; Czinkota 1982; Reid 1981). Various researchers propose differences in the number of stages in the process, from four to six stages (Cavusgil 1980; Crick 1995; Rao 1990; Sharkey, Lim, and Kim 1989). All versions of the stages of internationalization use the concept of the innovation adoption process as the basic understanding of the internationalization process. They all have the common view that the decision of a firm to become internationally involved is a gradual one, which can be further subdivided.

2.2.2 Export involvement process

Growing evidence suggests that firms pass through several stages on the way to becoming actively involved in export activity. Export involvement refers to the stages of export development of a firm. It is influenced by firm size and location, the types of products being sold, market areas of a firm, and the decision-maker's attitude, experience, motivation, and expectations (Bilkey and Tesar 1977; Cavusgil, Bilkey, and Tesar 1979; Kedia and Chhokar 1986; Reid 1981, 1983; Tesar, George 1975). The first study dealing with the stages of export development was conducted by Bilkey and Tesar (1977), they believed that firms gradually move through six levels of commitment to exporting ranging from complete unwillingness to export to a full, large-scale commitment. Piest and Ritsema (1990) distinguished three categories of exports in a study of SMEs in the Netherlands: (1) exports by coincidence, which involves exports on an ad hoc basis; (2) production–based exports, which concentrates on the company's existing product line; and (3) exports based on a marketing philosophy, which is based on identifying the needs of export markets. Kotabe and Czinkota (1992) proposed a five stage model of export involvement that was derived from the earlier work of Bilkey (1978), Cavusgil (1980), and Czinkota (1982): (1) partial interest in exporting; (2) exploring exports; (3) experimental exporter; (4) experienced exporter with limited scope; and (5) experienced exporter. Moini (1995) proposed a four-stage model of export development: (1) the non-exporter, which is a firm that has never been actively involved in exporting; (2) the partially interested exporter which is a firm that shows an export-to-sales ratio of 10 percent or less and a decline or no growth in the company's exports over the last five years; (3) the growing exporter which is a firm that also has an export-to-sales ratio of 10 percent or less, but this volume is higher than the export volume of five years ago; and (4) the regular exporter which is a firm that has a current export-to-sales ratio of more than 10 percent and has increased its exports as a % of sales over the last five years.

Czinkota (1996) further proposed a six-stage model of the export development process, that starts out with domestic expansion and followed by export awareness, export interest, export trial, export evaluation, and export adaptation. Mehran and Moini (1999) adjusted Bilkey's (1978) six-stage model to be a three-stage model consisting of non-exporters, occasional exporters and regular exporters.

The internationalization process and export involvement process both show that export activities of a firm develop through a gradual process in which experience in one stage leads to the next stage, finally reaching the last stage of global operations. Progressing from one stage to the next is based on a deliberate strategy of the firm which reflects its organizational and managerial capabilities. Therefore, the process cannot be understood clearly without understanding the impact of strategy on the internationalization process. Each specific stage, involves coping with different problems and distinctive needs. The theory also suggests that firms' gradual knowledge acquisition leads to international operations.

The study reported in this dissertation has been designed to examine the impact of firms' export involvement on its export strategy that eventually influence export performance. Therefore, the framework of this study is partly built on the internationalization model. This study employs internationalization theory to explain export marketing strategy and export performance at the different stages of firms export involvement.

2.3 Exporting Problem Literature

2.3.1 Concept of Exporting Problems

Exporting problems faced by firms play an important role in inhibiting firms to get involved in export activities. Export problems perceived by firms play a predominant role in explaining their export behavior and the types of assistance they require (Bilkey and Tesar 1977; Ditch *et al.* 1984). Export promotion programs are provided by governments, trade associations and other organizations to help firms to overcome the problems of exporting and to encourage export sales to flourish. (Wheeler 1990). Consequently, it is vital that decisions relating to export promotion policies are considered cautiously, given their potential impact on firms' performance and overall national economic welfare (Katsikeas and Morgan 1994).

Barriers and problems are treated interchangeably in exporting studies (Kaleka and Katsikeas 1995). Barrier to exporting consist of all those attitudinal, structural, operational, and other constraints that hinder the firm's ability to initiate, develop, or sustain international operations (Leonidou, L. C. 1995a, p. 31). For many firms contemplating export market entry, exporting knowledge and information gaps create a barrier (Reid 1984) and subsequently discourage them from pursuing exporting as an ongoing activity. Gripsrud (1990) found that the more experienced firms are in exporting to a foreign market, the more positive the attitude they would have toward that market. Therefore, it has been suggested that acquisition of knowledge through experience from business operations in a specific overseas market is the primary means of reducing foreign market uncertainty and consequently becomes a driving force in the internationalization of the firm (Davidson 1982; Johanson and Vahlne 1977, 1990). Firms with a high degree of international exposure are generally more able to manage and overcome potential barriers in export markets. As a firm gains more market experience and knowledge, it gradually gains positive perceptions of the export market environment.

2.3.2 Types of Exporting Problems

Various classifications of export problems have been used in studies that attempt to determine the relative importance of the different barriers to entering exporting. A classification proposed by Leonidou (1995a) categorized the areas as: internal-domestic problems, internal-foreign problems, external-domestic problems, external-foreign problems, and exporting problems related to level of export development (Leonidou, L. C. 1995a).

Ramaswamai and Yang (1990) divided barriers to exporting into four sets: market knowledge, internal resources constraints, export procedures and environmental barriers. Common problems faced by firms are poor knowledge of the market, unknown market needs, a lack of awareness of available export assistance programs, and a lack of appreciation of the potential value of exporting. Seringhaus and Rosson (1990) proposed that three main categories of export barriers exist: (1) motivational; (2) informational; and (3) operational/resource-based. Motivational barriers are mostly faced by companies that currently do not export, whereas informational and operational/resource barriers afflict both non-exporters and those wanting to expand their overseas activities.

Kedia and Chhokar (1986) stated that the most important inhibitors of export activity are: (1) knowing how to market overseas, (2) obtaining information on overseas prospects and markets, (3) knowing foreign business practices, (4) knowing export procedures, (5) pricing for foreign markets, (6) competing with foreign and US firms overseas, and (7) dealing with a strong US dollar.

Crick and Chaudhry (2000) found that significant differences exist between groups of firms in particular trade sectors in relation to their perceived barriers to both exporting and assistance requirements. The major barriers common to the groups were: difficult/slow collection of payments abroad, unfavorable exchanged rate/unconverted currency, and the inability to offer competitive prices abroad. The major areas in need of assistance that were common to the groups were: unfavorable exchanged rate/unconverted currency and lack of government assistance/incentives. This dissertation employs the categories of export problems proposed by Katsekieas and Morgan (1994) since they capture all of the contextual factors which impede export operations. They classified export problems from the salient literature into four broad areas: external problems, operational problems, internal problems, and informational problems. Each of these categories is explicated as follows.

2.3.2.1 External Problems

The nature of external problems tends to vary widely from concerns with both financial and non–financial issues. Financial issues such as currency devaluation (Bauerschmidt, Sullivan, and Gillespie 1985; Cavusgil 1984; Czinkota and Ricks 1983) and the high relative costs of financing exports, (Albaum 1983; Bilkey 1978; Bodur 1986; Czinkota and Ricks 1983; Keng and Jiuan 1989). Non–financial issues such as situations of a more regulatory kind like dealing with the bureaucracy within public agencies (Bodur 1986; Cavusgil 1984; Tesar, G. and Tarleton 1982), a lack of government support in overcoming export difficulties (Kaynak and Erol 1989; Kaynak and Kothari 1984; Weaver, K.M. and Pak 1990) and national export promotion programs that are ineffective (Kaynak and Kothari 1984; Weaver, K.M. and Pak 1990). These macro-level factors can all exist against a backdrop of international competition (Ditch, Koeglmayr, and Mueller 1990; Gripsrud 1990; Sullivan 1994; Sullivan and Bauerschmidt 1989; Yang, Leone, and Alden 1992) which can be extremely hostile, and further complicated by problems that are operational in nature.

2.3.2.2 Operational Problems

This problem category tends to be associated with micro-level export activity and includes issues such as the array of complex requirements in the export documentation process (Albaum 1983; Czinkota and Johnston 1983; Karafakioglu 1986; Koh 1991) and the payment delays from distributors in export markets (Alexandrides 1971; Rabino 1980). Additional operational problems may arise from logistical constraints such as transporting products overseas (Alexandrides 1971; Bilkey 1978; Bodur 1986; Czinkota and Johnston 1983; Sullivan and Bauerschmidt 1989), which can be compounded by the high costs of such a physical distribution process (Alexandrides 1971; Bauerschmidt *et al.* 1985; Gripsrud 1990; Sullivan and Bauerschmidt 1989; Yang *et al.* 1992). Other problems can be more organic in nature and can be attributed to the firm's internal environment.

2.3.2.3 Internal Problems

Many problems that face the exporter relate directly to controllable issues within the firm itself. For example, product considerations such as meeting importers' quality standards and establishing the suitable design and image for export markets. Furthermore, other problems can arise from poor organization of the export department and a lacking of personnel competent to administer exporting activities effectively. A concern which can amplify these latter points is that firms often complain of a lack of suitable consulting expertise available on which to draw and develop initiatives for improved export marketing performance (Weaver, K.M. and Pak 1990; Yang *et al.* 1992).

Other compelling factors that are recognized as internal problems include the inability to self-finance exports (Albaum 1983; Bilkey 1978; Keng and Jiuan 1989; Weaver, K.M. and Pak 1990) and the fact that decision makers often possess insufficient information about overseas markets (Alexandrides 1971; Bilkey 1978; Bodur 1986). Although quite fragmented, all these constitute internal issues within exporting firms which can play an inhibitory role in their ongoing export activities. If an exporting firm has a lack of exposure to salient export market intelligence, then a breakdown can occur and a number of informational type problems can become apparent. These are discussed below as the final set of exporting problems.

2.3.2.4 Informational Problems

The effective use of relevant, accurate and timely information is an important means of responding to many of the problems faced by exporting firms. Without the knowledge that this intelligence offers, uncertainty can develop. Export market research is a keystone of the effective formulation of an export market strategy, and a shortfall of this resource can cause major difficulties for decision makers in a wide variety of marketing mix areas (Albaum 1983; Bauerschmidt *et al.* 1985; Czinkota and Ricks 1983; Karafakioglu 1986; Keng and Jiuan 1989). In addition, the analysis and identification of appropriate overseas distributors are critical issues for export marketers, but they are often cited as problem areas owing in part to the difficulties that firms have in gathering information on such distributors (Albaum 1983; Bilkey 1978; Karafakioglu 1986; Kaynak and Kothari 1984; Rabino 1980). Problems not only occur in eliciting this information, but also arise in the transmission of marketing communications with overseas customers (Czinkota and Johnston 1983; Kaynak and Kothari 1984; Rabino 1980). This in turn may have a deleterious impact on promotion efforts in those export markets (Kaynak and Kothari 1984; Kedia and Chhokar 1986; Keng and Jiuan 1989).

2.3.3 Perceived Export Problems

Many companies are unable to pursue export sales aggressively because of perceived problems and obstacles. A major impetus for export development and success comes from the desire to develop the capabilities required to manage exporting problems (Yang *et al.* 1992). Given the importance of these areas, it is critical to explore the perceptions of companies regarding the problems they face in conducting their export operations. Research evidence suggests that management perceptions of such problems are heavily influenced by contextual factors associated with the exporting firms (Samiee and Walters 1990). It is this contingency perspective which forms the basis of this study, in that it is an investigation of management perceptions of exporting problems. The identification of their perceptions can explain export behavior and the types of assistance they require. Consequently, the government can support them to overcome those problems by providing appropriate assistance.

Several researchers conducted studies on perceived export barriers and the problems of firms engaged in exporting, and these studies obtained different lists of rankings of the problems in terms of their importance. These differences are largely attributed to the context of the studies since they varied widely in terms of geographic areas, stages of firms in their export development, and the industries studied (Czinkota and Ricks 1983).

Seringhaus and Rosson (1990) found three main categories of export barriers exist: motivational; informational; and operational/resource-based. Motivational barriers mostly stand in the way of companies that currently do not export, whereas informational and operational/resource barriers afflict both non-exporters and those expanding their overseas activities.

Bilkey and Tesar (1977) noted that serious obstacles (or barriers) to exporting can be divided into five categories: difficulty in understanding foreign business practices, different product standards and consumer standards in foreign countries, difficulty in collecting money from foreign markets, difficulty in obtaining adequate representation in foreign markets, and difficulty in obtaining funds necessary to get started in exporting.

Ramaswamai & Yang (1990) proposed that common problems faced by firms in exporting are poor knowledge of the market, unknown market needs, a lack of awareness of available export assistance programs, and a lack of appreciation of the potential value of exporting. Thus the government's ability to assist exporters and potential exporters is likely to depend on a better appreciation of their perceived barriers.

Katsikeas & Morgan (1994) studied managements' perceptions of exporting problems by identifying a battery of 24 export problem items. They are: (1) insufficient information about overseas markets; (2) inadequate promotion in export markets; (3) lack of export marketing research; (4) difficulty in identifying capable overseas distributors; (5) lack of information on overseas distributors; (6) inefficient communication with overseas customers; (7) poor quality in export packaging; (8) difficulty in meeting importers' product quality standards; (9) poor product design and style for export markets; (10) high cost of capital to finance exports; (11) inability to self-finance exports; (12) lack of competitive price; (13) strong international competition; (14) poor organization of firms' export department; (15) lack of personnel qualified in exporting; (16) lack of "experts" in export consulting; (17) high transport costs, (18) difficulties in transporting the products(s) exported; (19) payment delays from overseas distributors; (20) lack of government assistance in overcoming export barriers; (21) ineffective national export promotion programs; (22) complexity of export documentation requirements; (23) red tape in public institution; and (24) insufficient devaluation of the domestic currency. They employed principal components analysis to test the dimensionality of the 24 export problem items. Using an Eigen value of one or greater as the criterion, alongside the scree test, an eight-factor solution emerged. The eight problem dimensions, in order of variance explained, have been labeled as follows: (1) information/communication with the export market; (2) product adaptation; export pricing constraints; (3) marketing organization adaptation; (5) exogenous logistical constraints; (6) national export policy; (7) perceived procedural complexity; and (8) domestic currency devaluation. They found the relationships between perceptions of exporting problems and the organizational characteristics of firm size and export market experience.

However, the studies mentioned above were content to identify the problem areas and did not examine the relationship between perceived export problems and determinants of export performance or export performance itself.

This present study adopts perceived the export problems proposed by Katsikeas and Morgan (1994) as its classification of barriers because it captures all possible dimensions of export problems. Their list of barriers was operationalized in questionnaire format and extensively pre-tested and refined in consultation with industry executives to determine accuracy, relevance and clarity of context of the research questions. Moreover, to overcome the limitation of the past research, this study incorporates the relationship between perceived export problems, satisfaction with governmental export assistance programs and export performance in the study model. The dissertation examines the importance of activities relating to firms' export operation as a proxy for the perceived export problems. If a firm gives high importance for any activity, it means that activity is one of great concern and tended to be a big problem for the firm. Therefore, a firm needs to be satisfied with the assistance available to overcome that problem.

2.4 Export Promotion Literature

2.4.1 Definition and Concept of Export Promotion

Export promotion is a governmental policy area to assist businesses in the private sector with a wide range of services, from simply providing information about current opportunities in the world market to giving specialized assistance to design and implement marketing programs and sales campaigns abroad (UNITEDNATION 2001). The activities are usually carried out and provided by governments, trade associations and other organizations to help firms overcome the challenges of export marketing (Wheeler 1990). The goal of export promotion activities is to enhance export performance by improving firms' capabilities, resources, and strategies and overall competitiveness (Czinkota 1996; Diamantopoulos *et al.* 1993; Seringhaus and Rosson 1990), which in turn, have been demonstrated to improve export performance (Aaby and Slater 1989; Cavusgil and Zou 1994; Zou and Stan 1998). All promotional efforts are based on existing production and aim at increasing the value of foreign sales by a given target (UNITEDNATION 2001). Moreover, Lages and Montgomery (2005) emphasized that all the benefits provided by the exporting activity encourage public policy makers to implement export assistance programs with the objective of helping firms improve their strategy and ultimately to enhance their performance in the international arena (Lages and Montgomery 2005). However, Kotabe and Czinkota's (1992) review of the evidence for the effectiveness of export promotion programs found that:

...in spite of all these reasons speaking in favor of export promotion by state government, the empirical evidence providing a substantiated rationale for and information about the effectiveness of export promotion efforts is limited and mixed (p. 64).

Governments around the world have responded to export problems by developing numerous export promotion programs to assist companies in dealing with them. Export barriers perceived by firms play a predominant role in explaining their export behavior and the types of assistance they require (Bilkey and Tesar 1977; Ditch *et al.* 1984).

The literature review focuses on understanding the relationship between export promotion programs and firm export performance. The empirical evaluations of export promotion programs in developed and developing countries are scarce, but they have slowly unfolded in the literature (Crick 1995).

2.4.2 Types of Export Promotion Programs

Reviews of export promotion programs find a variety of types of assistance provided by governments and other related organizations. These are three general type of areas of export promotion programs: (1) programs that provide information such as export market information, market research on foreign markets, export–marketing seminars, and newsletters; (2) programs that enhance motivation to export such as seminars, speeches, case studies and other communication materials; and (3) programs that provide operational support, including exporting logistics training, marketing assistance, trade missions, financing support, foreign buyer visits, providing contacts and regulatory assistance (Diamantopoulos *et al.* 1993; Seringhaus and Rosson 1990).

Lesch, Eshghi, and Eshghi (1990) proposed that export promotion activities generally comprise (1) export service programs (e.g., seminars for potential exporters, export counseling, how-to-export handbooks, and export financing) and (2) market development programs (e.g., dissemination of sales leads to local firms, participation in foreign trade shows, preparation of market analysis, and export news letters) (Lesch *et al.* 1990). Among the range of export promotion programs offered, those most favored by exporters are programs which provide experiential knowledge about foreign countries (Reid 1981).

2.4.3 Export Promotion Studies

The export promotion related literature presented below is divided into two major groups of studies. The first group focused on how export promotion programs can be developed. These papers describe how to develop export promotion programs and implicitly offer guidance to export assistance providers regarding the allocation of their resources and the content of their programs. The second group of study evaluate the impact of export promotion programs on export performance. The most relevant studies are summarized in Table 2.1.

Table 2.1 shows the 14 empirical studies that have explore developing the export promotion programs and implicitly offer guidance to export assistance organizations regarding the allocation of their resources and the content of their programs. There are only seven studies that have evaluated the impact of export promotion programs on firm export performance.

2.4.3.1 Studies that Suggest How Export Promotion Programs Can Be Developed

The following studies found needs of exporting firms and how export promotion programs could be developed to consistent their needs.

Bruning (1995) investigated a set of factors in relation to managerial attitudes, firm characteristics, perceived barriers and export development support programs in determining export readiness and performance. A conceptual model is built linking major factors to export status. Export status is composed of three groups: non-exporters, minor exporters and major exporters, is the criterion variable in the discriminant model used in this analysis. Two government assistance variables, program awareness and program importance using 11 programs, are used to determine the factors that discriminate between firms on the basis of export status. The results show that program awareness is very significant in distinguishing between non-exporters, minor and major exporters. Non-and minor exporters recognize between five and six export development programs while major exporters recognize three and four. This indicates that as firms increase exporting activities, however, awareness of governmental export programs decline. Moreover, the results indicate that different programs are important at different levels of export status. Market development, direct financial support and research assistance programs are preferred by firms at all export status levels. In conclusion, the findings suggest that while awareness is inversely related to export status, programs importance is not.

Czinkota and Ricks (1981) examined the "perceived" needs and interests of importers of US goods and compared these with the assistance requests of exporting firms. The results show large difference between exporters' want from the government and factors which make US exports most useful to the foreign customer. This result indicates that the government can provide assistance, by not orienting all of its efforts in export promotion to simply fulfilling the wishes expressed by US firms.

Gray (1997) studied the senior marketing decision makers in a broad, multi industry sample of New Zealand exporting firms in order to profile managers to improve export promotion program targeting and effectiveness by using cluster analysis. He found that there are homogenous segments of senior decision makers who involve in international businesses. The results suggest that it can devise a valid typology of senior international marketing managers, based on shared attitudes and common levels of objective management knowledge and skills. This tends to be a useful method for segmenting international marketing managers to determine what sort of educational and export assistance each particular group may require.

Table 2.1

Past Empirical Studies on Export Promotion Programs

Main Focus of the Study	Study	Country	Study Technique and Sample Size	Analysis
Developing the export promotion programs (14 out of total 21 studies)	Bruning (1995)	Canada	Mail Survey 240	Discriminate
	Czinkota and Ricks (1981)	USA	Mail Survey 168	Descriptive
	Gray (1997)	New Zealand	Mail Survey 300	Cluster
	Henry (1996)	USA	Mail Survey 55	Descriptive
	Howard and Herremans (1988)	USA	Mail Survey 101	Descriptive
	Ifju and Bush (1994)	USA	Mail Survey 354	Chi-Square
	Kedia and Chhokar (1986)	USA	Interview 96	Descriptive
	Kotabe and Czinkota (1992)	USA	Mail Survey 162	ANOVA
	Moini (1998)	USA	Mail Survey 111	MANOVA
	Naidu and Rao (1993)	USA	Mail Survey 777	Chi-Square
	Naidu, et al. (1997)	India	Not applicable	Not applicable
	Serinhaus and Botschen (1991)	Canada and Austria	Mail Survey 583	t-test
	Silverman, Castaldi and Sengupta (2002)	USA	Mail Survey 115	ANOVA
	Weaver, Berkowitz and Davies (1998)	Norway	Mail Survey 697	Regression
Impact of export promotion programs on firm export performance (7 out of total 21 studies)	Francis and Collins-Dodd (2004)	Canada	Interview 183	Correlation
	Gencturk and Kotabe (2001)	USA	Mail Survey 162	ANOVA
	Lages and Montgomery (2005)	Portugal	Mail Survey 519	SEM
	Marandu (1995)	Tanzania	Interview 51	Chi-Square
	Shamsuddoha (2006)	Bangladesh	Mail Survey 223	SEM
	Singer and Czinkota (1994)	USA	Mail Survey 89	Correlation and Logistical regression
	Wilkinson and Brouthers (2000)	USA	Secondary data	Correlation

Henry (1996) studied new exporter awareness and use of various US government export assistance services and publications. He collected data from 55 new-to-export firms in Indiana. The results suggest that US government supported export promotion services and publications are frequently unknown, and when known, are generally underutilized or not useful. This study suggests that government should improve export assistance in order to make it easier for firms to begin exporting.

Howard and Herremans (1988) examined two questions: (a) what successful small business exporters perceived to be the most important tasks in initiating or expanding an exporting program, and (b) what agencies they feel are most helpful in accomplishing those tasks. Each of the executives in exporting firms was asked to evaluate 23 different activities in terms of overall importance to their exporting operations by using a three–point scale. The study found that information on where the markets are located and how to go about getting the product to those markets are the most important activities involved in successful exporting.

Ifju and Bush (1994) studied awareness, use, potential use, and the perceived benefit of export program services among small hardwood lumber producers in eastern United States. They identified 21 services into five general groups: importer information, promotion, physical exporting, financial and legal, and marketing information. They found that companies have low awareness about the financial and legal services and the perceptions of benefit were particularly high for services that guarantee payment by foreign buyers, transfer funds from foreign buyers, and credit information on foreign buyers.

Kedia and Chhokar (1986) investigated 17 export promotion programs with regarding their familiarity, use and benefits on the part of both exporters and non-exporters in Louisiana. The findings indicate that export promotion programs have been ineffective due to a lacking of familiarity on the part of existing or potential exporters of the existence or the availability of these programs. Small firms who were aware, the participation rate in the programs was rather high. Results also indicate that most firms would have used these programs if they had known of their availability. Large numbers of small and medium-sized firms expect considerable benefits from some of the programs and are also willing to use them. The findings suggest that a priority of export promotion efforts is increasing the awareness of existing programs; this can encourage non-exporting firms to export and assist them to increase their export potential.

Kotabe and Czinkota (1992) studied the effectiveness of government assistance in a mid-western state, the US. They found a gap between exporters' priority assistance requirements of firms and the level of government assistance allocated to improve the effectiveness. They divided export promotion activities into two major groups: (1) export service programs (seminars for potential exporters, export counseling, how-to-export handbooks and export financing); and (2) market development programs (dissemination of sales leads to local firms, participation in foreign trade shows, and preparation of market analysis and export newsletter). They classified export involvement into five stages: partial interest in exporting, exploring exports, experimental exporters, experienced exporters with limited scope, and experienced exporters. They identified the problems faced by exporters, and the types of desired assistance varied by stage of export development. They summarized five types of export-related problems: (1) logistics (i.e., arranging transportation; handling of documentation, and distribution coordination); (2) legal procedure (i.e., government red tape, export licensing, and custom duty); (3) servicing exports (i.e., repair service, technique service, and providing warehousing); (4) sales promotion (i.e., advertising, sales effort, and marketing information); and (5) foreign market intelligence (i.e., locating markets and trade restrictions). The results suggest that logistic-related problems are the area of assistance desired by firms across all stages of export involvement, followed closely by legal procedure and foreign market intelligence. They also suggest that the identification of expertise, problems, and government assistance needs by the export stage can help government agencies develop a useful export promotion programs.

Moini (1998) examined the impact of government assistance programs on the firms' export activity in the US state of Wisconsin. This study divided firms into four stages: non-exporters, partially interested exporters, growing exporters, and regular exporters. He found that managers' awareness of assistance programs varied by the degree of export involvement of firms. It appears that many of the assistance programs fail to reach their targeted firms. It is concluded that promoting awareness of these programs is essential to the success of the programs in increasing these firms' export involvement. He also suggested that there is a positive association between managers' awareness and use of the programs due to the findings show that the degree of effectiveness ratio (a percentage of actual users divided by the number of those who are aware of the programs) varied with the degree of firm export involvement. The programs had a higher effectiveness ratio with regular exporters, while a low effectiveness ratio is associated with non-exporters. Thus, to increase the effective use of the export stimulation programs, the ratio of users to awareness is a good measure of the impact of the program.

Niadu and Rao (1993) identified the different assistance needed by firms in different stages of the internationalization process and proposed strategies to overcome some of the obstacles. A survey was conducted in an industrial Midwestern US state of a variety of manufacturing businesses in different size categories. He classified firms into four groups: non-exporters; export intenders; sporadic exporters; and regular exporters. The results support the contention that the perceived needs regarding export market development, and the hierarchy of these needs, differ by the degree of internationalization of the firm. The findings suggest that export assistance programs should be designed and implemented with clear target groups in mind.

Naidu et al. (1997) proposed that developing firms' competencies and resources were the keys to export success. Public institutions can play a role in enhancing these competencies through a proactive export assistance and promotion policy. To develop effective export assistance programs, it is crucial that firms are targeted by segments and programs tailored to meet the specific needs that arise during the different stages of internationalization. They also developed a conceptual framework for export development strategy and performance but did not examine it empirically.

Seringhaus and Botschen (1991) comparative studied the use and the usefulness of the export promotion systems of Canada and Austria. The Canadian system is government-based, while the Austrian system operates in the private sector. The study's findings indicated that Austrian exporters used more of the export promotion programs than their Canadian counterparts, and managers perceived the Austrian programs as more useful than Canadian programs. Their study fell short of examining the impact the programs had on export performance at the firm level.

Moreover, their study did not investigate any variation in needs by users' stage in internationalization process.

Silverman, Castaldi and Sengupta (2002) studied the export assistance needs of small and medium-sized firms in the California environmental technology industry. They divide firms into two groups: exporter and non-exporter and identified each group's export assistance needs. They further classified firms into three stages: marginal, moderate and heavy. This study's findings showed that export assistance needs of firms varied across stages. Furthermore firms without export experience need necessary information in order to help them to overcome external barriers. This study suggests that export assistance programs should be tailored to the stage of export development.

Weaver, Berkowitz and Davies (1998) developed a statistically-based checklist method to assess the effects of export operations on the firms' profitability. The aims of the method were to screen candidates for governmental assistance, identify candidates where support would be useful, and consequently more effectively allocate limited public funds. The results suggest that government assistance should be oriented to those firms who are more committed to export.

2.4.3.2 Studies on the Impact of Export Promotion Programs on Firms Export Performance

There are seven studies regarding to relationship between export promotion programs and export performance, all of them are reported as follows:

Francis and Collins-Dodd (2004) investigated the ways in which export promotion programs bolster the export competence and export activities of small and medium-sized Canadian high-technology firms. The results suggest that using a greater number of government programs influences the achievement of export objectives and export expansion strategies, enhance export marketing competencies. The study also suggests that sporadic and active exporters gain the most from export promotion programs, while there is little impact in the short term for more experienced international firms. However, limitation of this study is the use of correlation analysis to find associations among interested variables. Correlation analysis does not rule out possible type I error, where the impact may be falsely attributed to the programs use.

Gencturk and Kotabe (2001) integrated export involvement and the use of state export promotion assistance as critical variables affecting export performance. Their model proposed that the usage of export promotion programs could influence export performance directly as well as indirectly through firms' export involvement which moderates the impact of the usage of export promotion programs on a firms' export performance. Their findings indicated that the usage of export promotion programs only influence two measures of performance–efficiency and competitive position.

Although the study of Gencturk and Kotabe (2001) is more comprehensive than previous studies incorporating export promotion in the model, it ignored other external and export strategy factors that have been found to be critical to a firm's export performance (Bodur 1994; Cavusgil and Zou 1994; Madsen, T.K. 1987; Moini 1995). Moreover, Gencturk and Kotabe (2001) incorporated managerial and organizational characteristics variables in the model but did not relate how export promotion programs influence these in the export performance model. In addition, the model also suggested that the use of export promotion programs is an important determinant of firms' export performance not only directly but also through its interaction with the firms' export involvement behavior. Gencturk and Kotabe (2001) also developed four categorical measures of export assistance users: non-user, low user (used 1 to 5 programs), medium user (used 6 to 9 programs), and heavy user (10 or above).

Lages and Montgomery (2005) examined the relationship between export assistance and annual export performance improvement by incorporating pricing strategy adaptation to the foreign markets as a mediator. The findings revealed that the total effect of export assistance on annual export performance improvement are not significant, because although export assistance has a direct effect positive impact on performance, there is a negative indirect impact through export pricing strategy adaptation. The findings also indicate that both export assistance and short- term export performance improve with management international experience and export market competition.

Marandu (1995) conducted empirical study in Tanzania and developed a model in which the export performance that a firm attained was related to export promotion programs. He examined the bivariate relationship between managers' extent of awareness, usage of, and satisfaction with thirteen export promotion services, and the export performance of firms. The findings suggested that the level of usage of export promotion services had a positive impact on export performance. He also found that the level of satisfaction with export promotion services does have positive impact on export performance, i.e., export intensity. This indicates that the more satisfied the managers with a program, the more it will contribute to export intensity. However, this study was limited to clearly conceptualize the relational path between export promotion programs and export performance. Furthermore, statistical rigor was a limitation of this study where measures of association were primarily used and the hypothesized relationships were tested utilizing the Chi-square.

Shamsuddoha and Ali (2006) investigated the direct and indirect impact of export promotion programs on firms' export performance. The indirect effects of export promotion programs on firms' export performance have been conceptualized through a set of firm- and management-related antecedents for empirical testing. The proposed conceptual model integrated the use of export promotion programs, management perceptions, of the export market environment, export knowledge, export commitment, and export strategy. The results suggest that in addition to its direct impact on the firms' export performance, the usage of export promotion programs has direct impact on firms' export knowledge, and managers' perceptions that in turn influence commitment to export, export strategy and firms' export performance. The findings provide empirical support to theorize the indirect effects of the usage of export promotion programs on firms' export performance. They also provide guidelines for managers on how to benefit from export promotion programs to gain export knowledge toward increasing commitment for successful exporting. Policy makers can also benefit from the study findings in designing policy programs. However, the Shamsuddoha and Ali (2006) study is based on exporting firms with long exporting experience. Thus, it is limited to infer the impact of export promotion programs on less experienced firms. The findings suggest that firms should be classified into initial exporters and experienced exporters on the basis of export age, in order to provide a better understanding of the impact of export promotion programs.

Singer and Czinkota (1994) examined factors associated with effectiveness of export assistance by studying the importance of four factors: (1) the type of services used; (2) firm export stage; (3) firm size; and (4) management commitment and persistence for service effectiveness among firms that used the government services of the US state. They developed a first model of the role of export promotion in helping management to overcome export barriers and increase their level of pre-export activity. They then developed a second model of the role of service type and firm export stage in the linkage between service use and export outcomes. Service type, export stage, firm size, and management commitment/persistence were the independent variables, and pre-export activities and export performance were the dependent variables in the model. Their model assumed that the use of export assistance service depends on both the type of assistance and the export stage of the firm. The findings indicate that firms with less export experience tended to use information and mixed service primarily to enhance their pre-export activities, while the more experienced exporting firms tended to use mixed services primarily to increase exporting activities. However, limitation of this study was an analysis of a bivariate relationship between export outcome type and type of services used.

Wilkinson and Brouthers (2000) investigated the impact of four government export assistance programs which consist of trade shows, trade missions, foreign offices, and objective market information programs in attracting foreign direct investment (FDI) and the export of high tech products. The results indicate that states with comparatively more FDI have greater success in their use of trade missions and their use of trade shows to promote exporting of high tech products.

Although governmental export promotion has become a policy area of high priority throughout the world and has received increasing research attention over the past decades (Cavusgil and Nevin 1981; Czinkota 1996; Seringhaus 1993a; Seringhaus and Rosson 1990; Young 1995), the research studies on the impact of export promotion programs are limited, and no consensus has been reached on how this should be done (Francis and Collins-Dodd 2004). Part of the difficulty with measuring the impact of export promotion programs is that export promotion is not a business activity per se, but rather it facilitates firms' own activities in a wide variety of ways. The other difficulty is that many factors, of which export promotion programs is only one, influence companies' export behavior and performance (Francis and Collins-Dodd 2004). Hence, disentangling the independent effect of export promotion is difficult (Seringhaus and Rosson 1990).

Most researchers have focused on measuring the awareness and usage of export promotion programs as an indication of their success (Wheeler 1990). Results of awareness and usage level of these programs are mixed and they have generally been shown to be poor indicators of impact (Dominguez and Sequeira 1991; Kedia and Chhokar 1986; Marandu 1995; Vanderleest 1996). Although use and awareness may be helpful for program planning, they are not measures of impact, First, awareness does not necessarily lead to usage. Second, awareness evaluates the effectiveness of the communication of the program, not necessarily the contribution of the program itself. Further, usage of a program per se gives no indication as to the effectiveness of these programs in achieving their intended results (Francis and Collins-Dodd 2004). However, some researchers have strongly suggested that usage of export promotion programs is a good indication of export success (Francis and Collins-Dodd 2004; Gencturk and Kotabe 2001; Marandu 1995; Shamsuddoha and Ali 2006; Singer and Czinkota 1994). Firms' perceptions of the usefulness of programs have also been used as proxies to measure the impact of these programs. Attitudes towards government programs, perception of helpfulness or usefulness of export promotion programs provide valuable information, but cannot be considered impact studies (Clarke 1991; Diamantopoulos *et al.* 1993; Sbrana and Tangheroni 1991). Firms may give high ratings to programs that in fact have had no influence on their export position and competitiveness (Francis and Collins-Dodd 2004).

A number of research studies on the export promotion and export performance relationship have actually examined only firms' usage of export promotion programs. Most ignore any incorporation of satisfaction with governmental export promotion programs into the study. In other areas of marketing, satisfaction level is considered a key variable. Satisfaction has been successfully incorporated studies of both consumer and business markets. However, it is clearly presented in research pertaining to usage of export promotion programs. Marandu (1995) suggested, on the basis of his study in Tanzania, that the level of satisfaction with export promotion services had a positive impact on export performance, i.e., export intensity. However, Marandu (1995) failed to clearly conceptualize the relational path between export promotion programs and export performance. Furthermore, statistical rigor was a limitation of the Marandu (1995) study, categorical measures of association were primarily used and the hypothesized relationships were tested utilizing the Chi-square. In particular, Marandu (1995) suggests that there is need to conduct more empirical research that validates the relationship between satisfaction with export promotion services and the export performance of firms.

According to limitation of Marandu (1995) study satisfaction with export promotion programs should receive more attention as a key measuring indicator of export marketing strategy and export promotion success. An assessment of the effectiveness of export promotion programs by empirical testing the relationship between satisfaction with export promotion programs and export performance is expected to be an important step toward constituting the export development of a country.

Though much attention has been devoted by government to accelerate export expansion via export service programs and marketing development programs (Kotabe and Czinkota 1992), these promotion programs have only had limited success. Therefore, there is a continuing need to systematically investigate the development of appropriate export promotion programs to serve exporters in their quest for expanding their sales. Despite increasing scholarly attention over how to improve the effectiveness of export assistance programs (Kotabe and Czinkota 1992; Moini 1998; Seringhaus and Botschen 1991), the effectiveness of export promotion programs on firm export performance has not been examined conclusively (Shamsuddoha and Ali 2006). The most common approach taken by effectiveness research to date has focused on identifying the barriers exporters face (Brooks and Frances 1991; Dominguez and Sequeira 1991; Ramaswamai and Yang 1990). In some cases, problems are explicitly matched to current program offerings and judgments are made as to the degree to which exporter needs are being met (Crick and Czinkota 1995). This approach is based on research that indicates that perceived barriers to exporting affect the behavior of exporters (Bilkey and Tesar 1977). Kotabe and Czinkota (1992) proposed a model to improve the effectiveness of export assistance in a study of export promotion in a mid-western US state. They identified existing gaps between governmental assistance offerings and clients' assistance needs based on a comparison between export-related problems and the export assistance desired by firms. They also developed indices reflecting the extent of export assistance desired by firms and the allocation of export assistance efforts across various problem areas. Export assistance value indices were computed from the importance of export problems relative to firms' export business and the extent of assistance firms would expect from the export promotion agency. The export-related problems has been identified in a previous study by Czinkota (1982) and included additional items derived from the findings of that study. Export promotion effort indices were computed from the score distribution given by the staff of the export promotion agency that reflected the agency's allocation of resources to firms in each stage of export development. In conclusion, Kotabe and Czinkota (1992) found a gap between exporters' priority assistance requirements and the level of government assistance allocated to improve the effectiveness of exporter operations.

The concept of a gap analysis is crucial and it represents an acceptable methodology to assess the effectiveness of governmental programs. It can be useful for trade organizations to improve their assistance measures. The Kotabe and Czinkota (1992) study, however, was conducted in only one state in the U.S., and failed to provide a sufficient explanation of the computation of the export promotion efforts index. This failure stems from the subjective method to obtain information on the export promotion agency's allocation of efforts and resources. Therefore, the study provides useful background for this dissertation, which will extend its findings to address the impact that export promotion programs have on firms' capabilities and resources.

To improve the effectiveness of export promotion programs, it is necessary to examine the relationship between the gap and export performance using a systematic statistical method. Gap research can play an important part in designing export promotion programs, which is and objective of the current study.

2.5 Satisfaction

2.5.1 Definition and Concept of Satisfaction

International marketing is concerned with planning and conducting transactions across national borders to satisfy the objectives of individuals and organizations. As, definition indicates, international marketing very much retains the basic marketing tenet of “satisfaction” (Czinkota and Ronkainen 1995).

Satisfaction is a person’s feelings of pleasure or disappointment resulting from comparing a product’s perceived performance (or outcome) in relation to his or her expectations. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted (Kotler 2003, p. 61). Oliver ("Thailand: A Growing Force in Food Exports and Imports. A Canadian Opportunity? - Condon" 1996) defines satisfaction as “the customer response. It’s a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under-or over-fulfillment” (p.13). Furthermore, Ellen and Mark (1999) identify the most two influential dimensions of satisfaction: cumulative satisfaction (an overall satisfaction evaluated through the past consumption experience) and transaction-specific satisfaction (an immediate evaluation of the most recent transaction experience).

2.5.2 Satisfaction in Service Marketing Context

Customer service expectations are defined in a many ways. However there is no conceptual framework to link different types of expectations or indicate their interactions in influencing perceptions of service performance (Woodruff and Cadotte 1987). Lewis and Booms (1983) stress the importance of understanding customer expectations as a prerequisite for delivering superior service; customers compare perceptions with expectations when judging a firm’s service.

Parasuraman, Zeithaml, and Berry (1988) formulated a service-quality model that high-lights the main requirements for delivering high service quality. This model identifies five gaps that cause unsuccessful delivery: (1) gap between consumer expectation and management perception, (2) gap between management perception and service quality specification, (3) gap between service-quality specifications and service delivery, (4) gap between service delivery and external communications, and (5) gap between perceived service and expected service. The last gap occurs when the consumer misperceived the service quality. Moreover, they categorize customer service expectations into five overall dimensions, namely reliability, tangibles, responsiveness, assurance, and empathy.

Service Dimension	Definition
Reliability	The ability to perform the promised service dependably and accurately.
Tangibles	The appearance of physical facilities, equipment, personnel, and communication materials.
Responsiveness	The willingness to help customers and provide prompt service.
Assurance	The knowledge and courtesy of employees and their ability to convey trust and confidence.
Empathy	The caring, individualized attention provided to the customer.

There are two levels of customers' service expectations: desired and adequate. The desired service level is the service the customer hopes to receive. It is a blend of what the customer believes "can be" and "should be". The adequate service level is that which the customer finds acceptable. It is in part based on the customer's assessment of what the service "will be", that is, the customer's "predicted service" (Egan and Harker 2005).

One factor that may cause the desired service level to rise is customer experience. The more experienced customers are more likely to have higher service expectations, and to be "squeaky wheels" when they were not satisfied (Egan and Harker 2005). The customer's desired service expectations may also rise because the expectations of an affiliated party rise. The affiliated party may be the customer's customer, or a superior. Customers' adequate service expectations seem to be influenced more by specific circumstances, and are therefore more changeable than their desired service expectations. One influence on the adequate service level is the number of service alternatives that customers perceive (Egan and Harker 2005). Recognizing the dual-leveled, dynamic nature of customer expectations, and understanding the factors that drive them could help managers close the gap between expectations and perceptions – or even exceed expectations (Egan and Harker 2005).

Hoffman and Bateson (2006) propose three types of customer expectations. Predicted service is a probability expectation that reflects the level of service customers believe is likely to occur. It is generally agreed that customer satisfaction evaluations are developed by comparing predicted service to perceived service received. Desired service is an ideal expectation that reflects what customers actually want compared with predicted service, which is what is likely to occur. Hence, in most instances, desired service reflects a higher expectation than predicted service. Comparing desired service expectations to perceived service received results is a measure of perceived service superiority (Hoffman and Bateson 2006). Adequate service is a minimum tolerable expectation and reflects the level of service the customer is willing to accept. Adequate service is based on experiences or norms that develop over time. Through these experiences, norms develop that consumers expect to occur. Hence, one factor that influences adequate service is predicted service. Encounters that fall below expected norms fall below adequate service expectations. Comparing adequate service with perceived service produces a measure of perceived service adequacy (Hoffman and Bateson 2006).

Mudie and Pirrie (2006) conclude that expectations are usually formed prior to usage of a service but may also occur where a customer is actively involved in the delivery of a service. They reflect inclinations or beliefs as to what will or should happen. Perceptions can also develop during a service, but invariably materialize after usage. They represent the customer's evaluation of the service, particularly in relation to expectations. Where perceptions match or exceed expectations the customer is said to be satisfied in accordance with the first law of service (Maister 1985).

Satisfaction = Perception – Expectation

Satisfaction can arise where perception exceeds a modest level of customer expectations. For instance, in a study of patients satisfaction with doctors' service, it was found that, "gaps can arise from inconsistent perceptions of expectations and experiences between patients and physicians" (Brown and Swartz 1989).

2.5.3 How satisfaction with export promotion program affect performance

Government Export Promotion Programs (EPPs) include a variety of initiatives to deal with different export barriers. Some of these initiatives (such as advertising and local seminars) highlight the benefits of export involvement, thus providing a motivational boost to reluctant managers (Seringhaus and Rosson 1990).

The goal of export promotion programs is to enhance export performance by improving firms' capabilities, resources, strategies and overall competitiveness (Czinkota 1996; Diamantopoulos *et al.* 1993; Seringhaus and Rosson 1990), which in turn, have been demonstrated to improve export performance (Aaby and Slater 1989; Cavusgil and Zou 1994; Zou and Stan 1998). Moreover, Lages and Montgomery (2005) emphasized that all the benefits provided by the exporting activity encourage public policy makers to implement export assistance programs with the objective of helping firms improve their strategy and to ultimately enhance their performance in the international arena.

According to Wang and Olsen (2001), exporter satisfaction moves sequentially from groups of antecedents, namely, background experience, export marketing expertise and exporting performance. Therefore, the manager's satisfaction with the exporting activities is proposed to be a direct function of the firm's export performance as indicated by objective measures and subjective confirmation of prior expectations (Wang and Olsen 2001). Moreover, Marandu (1995) found a positive relationship between managers' extent of satisfaction with thirteen export promotion services and the export performance of their firms.

2.6 Gap

2.6.1 The Concept of Gap

Export promotion programs are provided by governments, trade associations and other organizations to help firms to overcome barriers to export (Wheeler 1990). Export barriers perceived by firms play a predominant role in explaining their export behavior and the types of assistance they require (Bilkey and Tesar 1977; Ditch *et al.* 1984).

Export promotion refers to public policy measures which actually or potentially enhance exporting activity at the company, industry, or national level (Root and Ahmed 1978; cited in Seringhaus and Rosson 1990). The role of export promotion then is the creation of awareness of exporting as a way to grow and expand market options, the reduction or removal of barriers to exporting, and the creation of promotion incentives and various forms of assistance to potential and actual exporters (Seringhaus and Rosson 1990).

This present study developed a way to identify gaps to measure the satisfaction of firms with export promotion programs. The ground knowledge used to build the concept of the gap based on the study of Kotabe and Czinkota (1992) and Importance Performance Analysis (Kotler 2003). A detailed explanation of these concepts is presented in the following sections.

2.6.1.1 The Gap Concept of Kotabe and Czinkota

From their review of the nature and limitations of export promotion, Kotabe and Czinkota (1992) explained how gaps exist between governmental assistance offerings and clients' assistance needs. Base on a comparison of export-related problems and export assistance desired by firms, they developed indices to reflect the extent to which export assistance desired by firms are consistent with the allocation of export assistance efforts across the various export-related problem areas. The indices were based on the export problems identified in a previous study by Czinkota (1982), including additional items derived from the findings of that study.

Subsequently, the authors developed an index to measure firms' perceptions of the value of export promotion assistance received from government agencies. The higher the value that firms placed on a particular area of export promotion assistance, the more difficult the export-related problems is perceived to be, and the higher the firms' expectations of export promotion assistance. The long–term commitment of the firm to exporting depends on how successful management is in overcoming the most difficult barriers encountered in export activities (Kotabe and Czinkota 1992).

Kotabe and Czinkota (1992) found a gap between exporters' priority assistance requirements and the level of government assistance allocated to improve effectiveness in performing the most problematic aspects of exporting. They divided export promotion activities into two groups: (1) export service programs (seminar for potential exporters, export counseling, how-to-export handbooks and export financing); and (2) market development programs (dissemination of sales leads to local firms, participation in foreign trade shows, and preparation of market analyses and export newsletters).

2.6.1.2 The Concept of Importance-Performance Analysis

Governments provide possible useful services to help and support firms to export. The service quality of a governmental provider is evaluated from the customers' service expectations and perceptions (Kotler 2003). Customers compare the perceived service with the expected service. If the perceived service falls below the expected service, customers are disappointed. If the perceived service meets or exceeds their expectations, they are apt to use the provider again.

Services can be judged on customer importance and company performance. Importance-performance analysis is used to rate the various elements of the service bundle and identify what actions are required. The results indicate how customers rated all service elements (attributes) of a provider's service on importance and performance. For example, assume that a customer rates the service attributes of an automobile dealer's service department on importance and performance as shown in Table 2.2. The results for the list attribute, "Job done right the first time", received a mean importance rating of 3.83 and a mean performance rating of 2.63. The gap between importance and performance indicates that customers felt this attribute was highly important but not performed well.

Table 2.2

Example of Importance-Performance Analysis
(Customer Importance and Performance Ratings for and Auto Dealership)
(Kotler 2003, p. 459)

Attribute Number	**Attribute Description**	**Mean Importance Rating***	**Mean Performance Rating****
1	Job done right the first time	3.83	2.63
2	Fast action on complaints	3.63	2.73
3	Prompt warranty work	3.60	3.15
4	Able to do any job needed	3.56	3.00
5	Service available when needed	3.41	3.05
6	Courteous and friendly service	3.41	3.29
7	Car ready when promised	3.38	3.03
8	Perform only necessary work	3.37	3.11
9	Low prices on service	3.29	2.00
10	Clean up after service work	3.27	3.02
11	Convenient to home	2.52	2.25
12	Convenient to work	2.43	2.49
13	Courtesy buses and cars	2.37	2.35
14	Send out maintenance notices	2.05	3.33

* "Rating obtained from a four-point scale of "extremely important"(4), "important"(3), "slightly important"(2), and "not important"(1)
** "Rating obtained from a four-point scale of "excellent"(4), "good"(3), "fair"(2), and "poor" (1)

2.6.2 How the Gap Affects Performance

To address the limitation of Kotabe and Czinkota's method, the present study offers new perspectives on gap analysis called "perceived gap" while retaining some important components of the concept. This study proposes to apply satisfaction theory to create the perceived gaps that will then be subject to analysis. Based on customer satisfaction theory, satisfaction is one of the key global constructs used to predict consumer behavior, including future buying intentions (Ellen and Mark 1999). It is defined as and regarded the customer's emotional and feeling reactions to the perceived difference between performance appraisal and expectation (Hennig-Thurau *et al.* 2002). Satisfaction is measured from the outcome of a comparison between expected and perceived actual performance of a product or service (Kotler 2003, p. 61). This study employs a gap analysis by asking exporters to rate the importance of activities associated with export operation (attributes), as well as the government's performance with regard to providing assistance with each activity.

This study identifies firms' perception of the importance of activities associated with export operations as an expected performance which are derived them from the export-related problems firms face that were presented earlier in this chapter. Actual performance is then are measured by asking exporters to rate the extent of other satisfaction with the governments' export promotion programs with regard to the export activities. The level of satisfaction refers to how well the export promotion programs address the activities. The extent of the perceived gap is then related to the export success of the firms. The greater the perceived gap that is found, the more dissatisfied exporters are with government program directly toward the activity. A large perceived gap indicates that exporters feel that programs are not matching their expectations. A large gap suggests that the export promotion programs related to the activity are not helping them cope with related problems, and that this is reflected in firms' export performance. This dissertation is expected to improve the effectiveness of export promotion programs and to address the failure of previous studies to examine the relationship that exists between export promotion programs and the results that they achieve.

2.7 Export Marketing Strategy Literature

Export marketing strategy has been of considerable interest for the past decade. The export marketing strategy literature provides a theoretical foundation for including export marketing strategy as a determinant of firms' export performance.

2.7.1 The Concept of Marketing Export Strategy

Export marketing strategy is the key factor impacting export performance (Cavusgil and Zou 1994). The determinants of firms' export performance can be classified into two main group, internal and external determinants, and export marketing strategy is one of the internal determinants. It is comprised of general export strategy, product quality, product line, product adaptation, price adaptation, dealer support and promotion adaptation (Reid 1981). The researcher who proposed the first model of export marketing was Cateora. Cateora (1983), who developed a model of international marketing and proposed that an uncontrollable international market environment influenced firms' controllable international marketing strategies. Cateora's (1983) model postulated that international marketing involved creating a marketing mix, which was optimal to the business environment of each country to which a firm's product was sold. Bilkey (1987) identified the determinants of a successful export marketing mix strategy and found that firms that exercised the best marketing practices experienced roughly 20 percent higher profit than firms that did not. Bilkey (1987) developed his theoretical model by modifying Cateora's (1983) to include organizational short-run uncontrollable factors and controllable export marketing mix strategy and came up with the export marketing mix strategy model.

Bilkey (1987) indicated that a successful export marketing mix was contingent upon contextual factors in such a way that, in order to be successful in exporting, firms had to adjust their export marketing mix to fit their environmental and organizational factors, and that there were not any export marketing strategies that were successful in every context. The legitimacy of the theoretical paradigm underpinning Bilkey's (1987) model is provided by Cavusgil and Zou (1994). They argued that exporting can be conceptualized as a management strategic response to the interplay of internal and external forces. Thus the contingency relationship between export marketing strategy and performance can be analyzed within the theoretical framework of strategic management.

2.7.2 Components of Export Marketing Strategy

An empirical studies of management influences on export performance by Aaby and Slater (1989) found that the three internal export-influencing factors were firm competence, firm characteristics, and export strategy. Export strategy is comprised market selection, product and product line, pricing, distribution, and promotion (Aaby and Slater 1989). Zou and Stan (1998) revealed that export marketing strategy involves strategic factors such as: (1) general export strategy (2) marketing research utilization, (3) export planning, (4) export organization, (5) product adaptation, (6) product strengths, (7) price adaptation, 8) price competitiveness, (9) price determination, (10) promotion adaptation, (11) promotion intensity, (12) channel adaptation, (13) channel relationships, and (14) channel types. It can be summarized that all of the proceeding factors can be divided into two main strategies, general export strategies and marketing mix strategies.

2.7.3 How Export Marketing Strategy Affects Export Performance

Export strategy is the means by which a firm responds to market forces to meet its objectives. The export literature increasingly reflects the importance of strategy on export success (Axinn, Noordewier, and Sinkula 1996; Yaprak 1990). Empirical studies unequivocally suggest that export performance is determined by export marketing strategies and management's capability to implement the strategies as a whole (Aaby and Slater 1989; Axinn *et al.* 1996; Cavusgil and Zou 1994; Chetty and Hamilton 1993). In addition, performance also depends on the components of strategies such as export diversification (Aulakh, Kotabe, and Teegen 2000); pricing and promotion strategy (Kirpalani and Macintosh 1980); product adaptation (Axinn *et al.* 1996; Cavusgil and Zou 1994; Koh 1991); promotion adaptation (Namiki 1994; Seifert and Ford 1989; Zou and Stan 1998); and competitive pricing (Christensen, Da Rocha, and Gertner 1987; Kirpalani and Macintosh 1980).

2.8 Determinants, Model and Measures of Export Performance

Performance is an indispensable guide for any firm analyzing its level of success, both in the domestic and international arenas. Export performance is the extent to which a firm's objectives, both economic and strategic, are achieved with respect to exporting a product into a foreign market (Cavusgil and Zou 1994). Export performance can be conceptualized and operationalized in many ways (Diamantopoulos and Schlegelmilch 1994). Evaluating export performance is a complicated task, and its validity depend on the credibility of the measures (i.e., financial and non-financial).

2.8.1 Determinants of Export Performance

The determinants of export performance can be classified into two main groups, internal determinants and external determinants (Reid 1981).

2.8.1.1 Internal Determinants

The internal determinants are subject to management's decision making with regard to four general aspects of firms' operations: firm characteristics and competencies (firm size, firm exporting experience, firm technology, and firm international competence), managerial characteristics (skills of top management, training of managers, export experience), management support (export commitment, management attitude and perceptions, proactive export motivation), and export marketing strategy (general export strategy, product quality, product line, product adaptation, price adaptation, dealer support and promotion adaptation). The internal determinants can be explained as follows.

- **Firm Characteristics and Competencies**

Some researchers studied firm size as a critical variable in explaining export behavior and success (Cavusgil and Naor 1987; Kaynak and Kuan 1993). Of the researchers who had studied firm size, most found a positive relationship between firm size and export performance (Ali, A. and Swiercz 1991; Calof 1993, 1994; Cavusgil and Kirpalani 1993; Christensen *et al.* 1987; Culpan 1989; Czinkota and Johnston 1983; Kaynak and Kuan 1993; Louter, Ouwerkerk, and Bakker 1991; Miesenbock 1988). Cavusgil and Naor (1987) and Christensen et al. (1987) conclude that the larger the company the more likely it is to export. Large firms possess scale advantages that help them to overcome the various risks and costs associated with export activity (Root 1994). The studies use number of employees, assets and sales volume as the measurement variables of size (Cavusgil *et al.* 1979; Culpan 1989; Kaynak and Kuan 1993). Ali (2004) also found a relationship between firm size and export performance. He measured firm size by total sales and number of employees, and export performance by export volume, export intensity, and export growth of a firm. He found a relationship only between firm size (measured by total sales) and export performance (measured by export volume).

On the other hand, other empirical work suggests that firm size is no longer a reliable predictor of export involvement (Oviat and McDougall 1994), and may not be a critical factor in export success in the manufacturing sector (Kalafsky 2004). A few researchers have found a negative relationship between firm size and export performance (Axinn *et al.* 1996; Das 1994; Evangelista 1994). While there is conflicting evidence shown in the past research, these studies tend to leaf to the conclusion that firm size on export performance tends to be positive.

Firm's exporting experience has also been found to be an important factor in export performance (Seifert and Ford 1989). Madsen (1989) and Gripsrud (1990) found that a firm's exporting experience has a positive effect on export performance, and on attitudes towards future exports. Douglas and Wind (1987) and Cavusgil and Zou, (1994) suggest that the more internationally experienced a firm is, the more likely it is to have competence in international operations. A competent firm selects better export markets, formulates suitable marketing strategy, and effectively implements the chosen strategy. The firm with international experience is familiar with the differences in environmental conditions and is more likely to adapt marketing strategies that accommodate the specific needs of the market (Cavusgil and Zou 1994). An inexperienced firm seeks the closest match between its current offerings and foreign market conditions so that minimal adaptation is required (Douglas and Craig 1989). When managers are committed to the venture, they carefully allocate sufficient managerial and financial resources to the venture. With formal planning and resource commitment, uncertainty is reduced enabling marketing strategy to be implemented effectively, leading to better performance (Cavusgil and Zou 1994). However, Kaynak and Kuan (1993) and Louter and Ouwerkerk (1991) report a negative effect between the firm' experience in exporting and export profitability and sales.

Firm' technology was found in the past research that having positive relationship with the propensity to export (Aaby and Slater 1989) and export performance (Chetty and Hamilton 1993).

Firm international competencies has been found to be an important determinant of export performance (Aaby and Slater 1989; Anderson, Fornell, and Lehman 1992; Calof 1994; Cavusgil and Zou 1994; Johanson and Vahlne 1990;

Julian and O'Cass 2002; Katsikeas *et al.* 1996; Madsen, T.K. 1987; Moini 1995; Naidu, G. M. and Prasad 1994; Samiee and Walters 1990; Wang and Olsen 2001).

- **Managerial Characteristics**

Of the researchers who had studied firm size, most consistently found a positive relationship between management and export success (Czinkota and Ursic 1991; Das 1994; De Luz 1993; Gomez-Mejia 1988; Holzmuller and Kasper 1990; Holzmuller and Stottinger 1996; Madsen, T.K. 1989; Moini 1995; Reid 1981) (1996)). Management is the principal force behind the initiation, development, and export success, because they are directly responsible for an involvement in export decision (Miesenbock 1988). De luz (1993) also found that export performance is influenced by training of managers in international business and their knowledge of foreign languages.

- **Management Support**

Management support is indicated by export commitment, management attitude and perceptions, and proactive export motivation of top management. Most research has consistently concluded that management support has a positive impact on export performance (Aaby and Slater 1989; Ali, Y. M. 2004; Cavusgil and Zou 1994; Donthu and Kim 1993; Julian and O'Cass 2002; Katsikeas *et al.* 1996; Koh 1991).

- **Export Marketing Strategy**

All export marketing strategies have been found a positive relationship with export performance (Cavusgil and Zou 1994; Cooper and Kleinschmidt 1985) (1996), there a few studies has a negative relationship with export success (Julian 2003; O'Cass and Julian 2003). Combination from the reviewed studies, however can be concluded that effect of export marketing strategy on performance is positive.

2.8.1.2 External Determinants

The external determinants are derived from external environmental factors that can impact a firm’s export operations. The external environment generally affects organizations by making resources available or by withholding them. External determinants can be divided into three types: (1) industry characteristics (industry’s technological intensity, industry’s level of instability); (2) foreign market characteristics (export market attractiveness, export market barriers); and (3) domestic market attractiveness (Shamsuddoha and Ali 2006).

- **Industry Characteristics**

Previous studies that addressed in industry characteristics reported a positive influence on export performance, both industry instability (Das 1994; Lim, Sharkey, and Kim 1996) and industry technological intensity (Cavusgil and Zou 1994; Holzmuller and Kasper 1991; Holzmuller and Stottinger 1996; Ito and Pucik 1993).

- **Foreign Market Characteristics**

Export market attractiveness has been found a positive effect on export performance (De Luz 1993). Export market barriers were reported a negative effect on export success (Diamantopoulos and Schlegelmilch 1994; Kaynak and Kuan 1993; Moini 1995) (1995). Export market competitiveness has also been found a negative impact on export performance (Cavusgil and Zou 1994).

- **Domestic Market Attractiveness**

Some researchers reported a positive relationship between domestic marketing attractiveness and export performance (Atuahene-Gima 1995; Katsikeas *et al.* 1996), but Madsen (1989) found a negative effect of domestic market attractiveness on export sales.

In light of the previous evidence, the present study seeks to draw more definitive conclusions regarding firm's characteristics and the export involvement of firm. This study is further expected to show the relationship of these variables with export marketing strategy and the consequent export performance.

2.8.2 Models of Export Performance

Numerous empirical studies have examined the interrelationship between the determinants of export performance and their outcomes, and the findings suggest an interesting association with export operations. Some export performance models are reviewed below support the contention that the use and satisfaction with export promotion programs can be a determinant of export performance. The most relevant models are presented below.

2.8.2.1 The Cavusgil and Zou Model

Cavusgil and Zou (1994) proposed that firms could achieve better performance in international markets through deliberate marketing strategy implementation. They also showed that various internal and external factors have an indirect influence on export performance through export marketing strategy. They found that marketing strategy has emerged as the key success factor in export marketing. The study has therefore substantiated the empirical link between marketing strategy and performance in the context of export market ventures.

2.8.2.2 The Katsikeas, Piercy and Ioannidis Model

Katsikeas, Piercy and Ioannidis (1996) integrated key firm characteristics, export commitment and export-related perception variables. They further divided the key variables, into parts relevant exporting. For instance firm characteristic was divided into firm size and export experience. Export commitment was shown by the existence of a separate export department, foreign market entry and customer selection criteria, regular export market visits, and export planning and control. Export–related perception variables were divided into three categories: export stimuli, exporting problems and competitive advantages.

2.8.2.3 The Leonidou, Katsikeas and Samiee Model

Leonidou, Katsikeas and Samiee (2002) conducted a meta-analysis of empirical studies on the export marketing strategy-performance relationship. They proposed that export models are based on two distinct groups of variables. The first group includes variables relating to managerial, organizational, and environmental factors. These factors directly affect the second group which includes export targeting and export marketing strategy factors. The second group of factor is linked directly to export performance. The firm's export performance consists of economic and non-economic measures.

2.8.2.4 The Marandu Model

Marandu (1995) developed a model where the export performance that a firm attained was conceptualized as a joint function of both macro and micro level factors. Macro factors exert a general influence and thus constitute the environment of a firm. Micro factors consist of characteristics of the firm itself, i.e., its strategy, structure, and caliber of management. Though Marandu (1995) described that all factors possibly influence the export performance of a firm, his model was limited to the bivariate relationships between managers' extent of awareness, usage of, and satisfaction with thirteen export promotion services and the export performance of firms. He found that the level of usage of export promotion services does have a positive impact on export performance, i.e., export intensity is positively influenced by the extent of satisfaction with export promotional services. This may indicate that the more satisfied the managers are with a program, the more it will contribute to the firm's export intensity.

2.8.3 Measures of Export Performance

The methodology of evaluation and impact measurement is multi-faceted and thus very complex (Seringhaus and Rosson 1990). The complexity and difficulty of assessing export performance is further revealed by the diversity of approaches and measures employed in both conceptual and empirical research (Cavusgil and Zou 1994). There is no universally accepted criterion for export success, and organizations pursue, measure, and judge export performance on various dimensions (Gencturk and Kotabe 2001). The one common finding in more recent research is that multiple measures are necessary to capture unique and valuable factors of performance (Constantine, Leonidas, and Neil 2000; Diamantopoulos 1999; Shoham 1998; Styles 1998; Zou and Stan 1998).

Researchers recommend a multidimensional view of performance in which efficiency, effectiveness, and competitive position represent the dimensions considered to be of particular importance for export success. Efficiency captures the relationship between the organizational resources employed and organizational outputs achieved. The most common indicator of efficiency used in the literature is export profitability (Samiee and Walters 1990). Effectiveness reflects the success of a business compared with competitors in the market. Measures of effectiveness include market share and export sales growth (Samiee and Walters 1990). Competitive position refers to the overall strength of a firm that arises from its distinctive competencies, management styles, and pattern of resource deployment.

Indicators of competitive position used in the export literature include overall quality and competence applied to firms' export activities (Kotabe and Czinkota 1992).

2.8.3.1 Financial and non-financial measures

The two principal modes of performance assessment identified in the literature are financial and non-financial indicators. Relevant financial measures of export performance would include: level of export sales, export intensity, export growth, and export profitability (Constantine *et al.* 2000). The most common financial measures of export performance used in academic studies have been exports as a proportion of sales, export profitability, and growth in export sales (Culpan 1989; Madsen, T.K. 1989; Naidu, G. M. and Prasad 1994; Samiee and Walters 1990). Researchers, in recent years, have also emphasized that achievement of non-financial objectives such as market share, competitive position, etc as measures of export performance (Cavusgil and Kirpalani 1993; Cavusgil and Zou 1994). Since there are some limitations involved in the use of financial variables as measures of export performance (Evangelista 1994; Katsikeas *et al.* 1996), the use of non-financial measures has increased in recent years. Non- financial measures are based on the systematic assessment by mangers of such items as: goal achievement (Cavusgil and Zou 1994; Katsikeas *et al.* 1996), satisfaction (Evangelista 1994), and perceived success (Cavusgil and Zou 1994; Louter *et al.* 1991).

The main limitation of the financial measures is that there is no standard for judging whether the measured performance is good or bad, high or low. The implicit assumption underlying such measures as export sales or exports as a percentage of total sales is that the higher these figures are, the more successful the company is in the export venture (Shamsuddoha and Ali 2006). This interpretation suffers from a number of limitations. First, it does not give any indication as to whether a firm has adequately responded to all the profitable export opportunities open to it (Cavusgil 1984). Second, it overlooks the fact that it is the firm's overall performance and not just export performance that matters. This view is strongly supported by Axinn, Sinkula and Thach (1994), while Dalli (1994) provides empirical evidence that export performance is not necessarily related to overall performance.

2.8.3.2 Subjective and Objective Terms

Both financial and non-financial measures can be operationalised in both objective (e.g. firm's profitability and sales level) and subjective (e.g. manager's perceptions) measures (Evangelista 1994). In vast majority of export marketing studies have utilized objective performance indicators (Katsikeas *et al.* 1996). In most studies financial measures (sales, profit, growth) have been associated with objective terms such as percentage, and non-financial measures (goal achievement, success and importance) have been associated with subjective terms (e.g., managers' perceptions) (Katsikeas *et al.* 1996).

There are some problems with the use of objective measures in assessing export performance. It can be difficult to access readily available and valid archival data. Objective measures of performance can be difficult to obtain due to the reluctance of private firms to disclose figures, which are deemed confidential (Appiah-Adu 1999). Several empirical studies though, support the reliability and validity of the use of non-financial and subjective terms to assess export performance (Dess and Jr 1984). Further, the use of method of subjective performance assessment allows better comparability across different industrial sectors and situations, with varying standards of acceptable performance (Pelham and Wilson 1996).

2.9 Context Discussion

The objective of this section is to provide a general background of Thailand, and an overview of Thailand's information and situation with regard to export promotion.

2.9.1 Country Profile

The population of Thailand is approximately 65.00 million, with an annual growth rate of about 0.14 percent. The population includes descendants of ethnic Chinese, Malays, Khmer, Lao, Vietnamese, Indians, and others. GNP at current prices was approximately 8,167,518 million baht (2007).

2.9.2 Thailand's Export Situation[1]

2.9.2.1 Export growth

In 2006, the Thai economy grew 5.0 percent, with exports being a major factor in this performance. Export growth was helped by strong growth in the world economy, particularly in Europe, China, Singapore, Hong Kong, Taiwan, Indonesia, and Malaysia, and a drop in the price of oil. Private sector expenditures and investments slowed, even though public confidence improved with a declining inflation rate and stable interest rates. Thailand's total international trade in 2006 had a value of US$236.6 billion with exports totaling US$129.7 billion (54.8 percent) , up 16.9 percent from 2005, the highest rate of growth ever. Imports totaled US$126.9 billion, an increase of 7.3 percent, resulting in a trade surplus of US$2.8 billion, compared to a trade deficit of US$7.2 billion in 2005.

Exports grew in all categories: processed agricultural products by 19.5 percent; agricultural goods by 13.9 percent; and other products by 26.7 percent. Industrial goods accounted for 66.3 percent of the total, while processed agricultural products accounted for 14.7 percent. Exports of major agricultural products increased nearly across the board both in quantity and value, example include natural rubber (quantity up by 3.7 percent and value by 45.4 percent), cassava (quantity up by 37.8 percent and value by 32.6 percent), and food products (quantity up by 7.3 percent and value by 10.6 percent), such as frozen and processed shrimp; processed and canned foods; fresh, frozen, canned, and processed vegetables and fruits; and frozen and processed chicken. Rice exports increased in value by 10.2 percent, but the volume was down slightly, which was the same case with sugar. Industrial goods exports that grew over 20 percent including automotive vehicles and parts (20.9 percent), construction materials (21.7 percent) and rubber products (31.4 percent). Industrial goods exports that grew between 10-20 percent included electronics, gems and jewelry, printed materials and paper, cosmetics, pharmaceutical sand medical instruments, and toys. Industrial goods exports that grew less than 10 percent include

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[1] This section is based on information from Department of Export Promotion at website:www.thaitrade.com and website: www.depthai.go.th

electrical appliances, textiles, plastic pellets and products, luggage, leather goods and shoes, and utensils and decorations.

2.9.2.2 Export Markets

Exports to both established and new markets continued to grow with new markets growing by 24.7 percent and accounting for a larger share of the market at 43.2 percent, while established markets grew by 11.7 percent, accounting for a lower share of the market at 56.8 percent. This shift reflects a policy of broadening Thailand's export markets by opening new markets, thereby, reducing dependence on just a few established markets.

Those new markets showing the fastest growth rate included Latin America (36 percent), Eastern Europe (35.9 percent), Australia (30.7 percent), Indochina and Burma (27.7 percent), China (27.7 percent), the Middle East (27.1 percent), Taiwan (23.7 percent), and Canada (19.6 percent). Established markets, such as the US, the EC, Japan, and ASEAN, all grew. The only exception was Indonesia, which had both economic downturns and political changes.

2.9.2.3 Export Performance and Market Breakdown

The 2008-2009 global economic slowdown will almost certainly reduce exports and export growth during this period. However, the preceding data reflect the overall importance of exports to the Thai economy. This importance is also reflected on the high importance that the Thai government places on export development

The Ministry of Commerce has set an export growth target for 2007 of 12.5 percent with a value of US$145 billion (Table 2.3). These figures were arrived at jointly by the government and private sectors, taking into account the following factors:

- The global economic downturn continued from the second half of 2006, but the important economies continued to grow, if at a slower rate. The US economy slowed to 2.7 percent, compared to 3.3 percent in 2005. EU countries grew more slowly at 1.9 percent, down from 2.6 percent in 2005. Japan slowed to 2.3 percent from 2.8 percent in 2005, while China slowed to 9.6 percent compared to 10.4 percent in 2005.

• The Thai government and private sectors worked together to expand existing markets and to penetrate new markets, such as China, India, the Middle East, and Africa, as Thai products and services continue to gain in popularity.

The Thai government promoted a policy of enhancing standards and increasing recognition of Thai products and services to boost competitiveness, while seeking the maximum benefits from FTAs with China, India, Australia, and New Zealand.

Table 2.3

Thailand's Export Performance and Market Breakdown during 2005-2007

	Value (US$)			Growth rate (%)			Share of Whole (%)		
Market	2005	2006	2007**	2005	2006	2007**	2005	2006	2007**
Established	66,015	73,708	79,194	9.5	11.7	7.4	59.5	56.8	54.3
1. US	16,997	19,454	20,621	9.6	14.5	6.0	15.3	15.0	14.1
2. Japan	15,097	16,431	17,334	11.8	8.8	5.5	13.6	12.7	11.9
3. EC (15*)	14,294	16,874	17,717	3.5	18.0	5.0	12.9	13.0	12.1
4. ASEAN (5*)	19,627	20,950	23,521	12.5	6.7	12.3	17.7	16.1	16.1
New, other	44,939	56,036	66,768	23.9	24.7	19.2	40.5	43.2	45.7
Total	110,953	129,744	145,962	14.9	16.9	12.5	100	100	100

* *Countries ** Target*

2.9.3 Information of Thailand's Department of Export Promotion

The Department of Export Promotion under Ministry of Commerce is functions as the developer of policy recommendations and action plans on issues related to trade and marketing. The Department thus provides strategic directions and measures for promoting Thailand's exports. When first established in 1952, it was named the "Department of Economic Relations". The department then changed its name to the "Department of Commercial Relations" in 1972. In 1989, the department was re-named the "Department of Export Promotion (DEP)"to reflect a clear picture of the department's activities and responsibilities, and it uses this name at the present time.

At present, based on the most comprehensive and up-to-date exporter directories currently available (2005-2006), the Department of Export Promotion listed there is 9,725 Thai firms as being exporters at that time.

2.9.3.1 Duties of Department of Export Promotion

The Department is entrusted with the following duties and responsibilities to:

1. Promote and expand the market for Thai exports in goods and services by penetrating new markets and to preserve existing ones.

2. Develop and perform activities that promote trade and increase the competitiveness of the export sector, for instance, the expansion of production bases overseas.

3. Reinforce the ability of Thai exporters to deliver goods and services that are of international standards and meanwhile increasing the competitiveness of Thai exporters to further penetrate the international market.

4. Build a positive image of Thai goods and services and thereby increases the market's confidence in Thai product, in terms of quality and prompt delivery of service.

2.9.3.2 Functions of Department of Export Promotion

Functions of the Department are to:

1. Formulate policy recommendations and action plans on issues related to trade and marketing and in this process; provide strategic directions and measures for promoting export.

2. Provide Thai manufacturers and exporters as well as foreign importers with trade information services and to strengthen the role of information technology in export promotion.

3. Utilize the media and public relations as a mechanism for promoting Thai products.

4. Improve the knowledge and skills of the private sector personal in the field of international trades ensuring that competitiveness in the export sector is adequately enhanced.

5. Reinforce coordination and cooperation with the relevant international institutions and organizations in support of export expansion.

2.10 Conclusion

The literature on the internationalization process and the export involvement process show that the export activities of a firm are developed through a gradual process moving from the first stage to the last stage over a period of time. Each specific stage has different problems and distinctive needs. Therefore, different educational and export promotion programs are needed to address the needs of firms at different stages of the export process. This study employs Internationalization Theory to discern the export promotion programs required at each stage, and relates export performance at the different stages to these programs.

From the literature review of export promotion and export performance in different studies, can be argued that there are no clear- cut findings with regard to many aspects of these subjects. There are inconsistencies in terms of the effect of the various determinants on export performance. Moreover, most researchers of export promotion focus their studies on awareness and usage of export promotion programs. It is argued here that perceived export problems and satisfaction with export promotion programs can be independent determinants in a comprehensive export performance model though the extant literature on export performance mostly neglects them as independent variables impacting export performance.

In addition, few studies have linked export promotion programs with any internal determinants of firm export performance. This study proposes that there is a link between export promotion programs and such other determinants as firm characteristics and attitude toward exporting problems which eventually influence export marketing strategy and performance. Research is needed to examine both the direct and indirect effects of export promotion programs on firm export performance.

Some research design limitations employed in previous studies and there has been a lack of consensus with regard to how export performance should be measured. In addition, some studies have used inappropriate analytical methods to examine the relationships between export performance and related factors.

Regression has been the most popular analytical approach adopted by researchers, as well as a diverse set of other approaches such as the t-test and chi-square test, ANOVA and discriminant analysis. Based on the contributions and limitations of studies reviewed, this study will address the mentioned perceived gap by usinį objective and strategic measures to assess export performance. Moreov sophisticated technique will be employed in the statistical analysis.