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ABSTRACT

This study examines the relationship between the foreign market characteristics of access to raw materials, capital resources and the necessary channels of distribution, knowledge of local business practices, government intervention, industry price competition and the transfer of up-to-date technology and International Joint Venture (IJV) marketing performance in Thailand. The primary data for the study were collected from a self-administered mail survey of 831 Thai-Foreign IJVs in Thailand. The criteria for inclusion in the sample was that no joint venture partner could have less than 20 percent equity participation and no partner could have more than 80 percent equity participation (Makino and Beamish, 1998). The sample consisted of 161 firms that were primarily engaged in the agricultural, metal-working, electrical and chemical industries. From the multiple regression analysis it was concluded that a significant negative relationship existed between the identified foreign market characteristics and IJV marketing performance in Thailand. That is, inadequate access to raw materials, capital resources and the necessary channels of distribution, intense industry price competition, a lack of knowledge of local business practices, government intervention, and

inadequate transfer of up-to-date technology had a significant negative effect on IJV marketing performance.

INTRODUCTION

Foreign market conditions can offer both opportunities and threats to foreign firms. The adopted strategy used by firms entering foreign markets must be devised in such a way that it enables the firm to match its strengths with available market opportunities and also so it minimizes the firm's strategic weaknesses thereby enabling the firm to overcome existing market threats (Cavusgil and Zou, 1994). As such, strategy tends to be conditioned by foreign market characteristics. The foreign market characteristics that have been identified previously as affecting marketing strategy formulation and performance include the following: access to capital resources and low cost raw materials (Julian, 2005); the policies of host country governments (Griffith, Zeybek and O'Brien, 2001); technology transfer (Beamish and Delios, 1997); the availability of suitable distribution and communication channels (Makino and Delios, 1996); knowledge of local business practices (Johnson, Cullen, Sakano and Brosnan, 2001), and, industry price competition (Cavusgil and Zou, 1994).

Some empirical evidence supports the relationship between foreign market characteristics and performance when applied to an export venture (Cavusgil and Zou, 1994). However, with the exception of Julian (2005), there appears to be limited empirical evidence to support the relationship between marketing performance and foreign market characteristics when applied to an international joint venture (IJV). As such, the objective of this study is to examine the empirical relationship between the foreign market characteristics of access to raw materials, capital resources and the necessary channels of distribution, knowledge of local business

practices, government intervention, industry price competition and the transfer of up-to-date technology and IJV marketing performance in Thailand. The particular theoretical perspective adopted here is that the relationship between foreign market characteristics and marketing performance could be applied to any form of market entry strategy, including an IJV. This perspective is adopted on the principle of strategy-environment coalignment (Venkatraman and Prescott, 1990), which states that the "fit" between strategy and its context, whether it is the external environment or organizational characteristics, has significant positive implications for firm performance (Cavusgil and Zou, 1994).

Broadly defined an IJV is an equity sharing arrangement between two companies (one local, one foreign) that pool their resources, share risks and operational control to operate an independent business unit on a continuous basis to attain strategic objectives (Geringer and Hebert, 1991). IJV marketing performance in this study is defined as the degree to which the IJV's marketing objectives, both economic and strategic, with respect to a product/service are achieved in a developing country market (that developing country market being Thailand) through planning and implementation of a specific marketing plan. An IJV usually has a number of marketing objectives, which can be economic (i.e. profits, sales, return on investment, costs, return on assets etc.) and/or strategic (market expansion, access to raw materials, technology transfer, economies of scale, gaining a foothold in a foreign market, blocking a competitor etc.). Subsequent to the formulation and implementation of its marketing plan, some of the IJVs marketing objectives can be achieved fully, others only marginally, and others none at all. The extent to which an IJV's strategic and marketing objectives are achieved will therefore be a gauge of its marketing performance.

There appears to be no uniform definition of marketing performance in the literature. There has been a variety of marketing performance measures adopted by previous researchers. These include sales growth (Cavusgil and Zou, 1994), market share, profitability (Geringer and Hebert, 1991), technology transfer, durability, organisational learning, access to markets etc (Johnson, Black and Sakano, 1993).

The most frequently used marketing performance measures appear to be economic in nature. However, as an IJV is a hybrid formed from two separate organisations, which may have completely different marketing objectives for the IJV and different time frames in this study both economic and strategic measures of marketing performance and subjective and objective measures of marketing performance have been used.

Thailand was selected as the developing country market from which to draw the sample because of its: (i) strong economic growth, (ii) investment boom since 1980, and (iii) its importance as a future market for Australian companies (Julian and O'Cass, 2002). Prior to the economic and political crisis of 1997 Thailand had seen economic growth rates averaging between 8 to 10 percent for the previous ten years and solid foreign investment, especially in the area of IJVs (Economist Intelligence Unit, 1994). In 1994 and 1995 in Thailand, economic growth rates of 8.4 percent and 8.6 percent respectively were achieved (Far Eastern Economic Review, August 17 1995). After the economic and political crisis of 1997 had passed economic growth had climbed back to 4.8% by the end of 2000 and was 2.2%, 5.3%, 7.0%, 6.2% and 4.5% in 2001, 2002, 2003, 2004 and 2005 respectively indicating Thailand had returned to a high growth economy (Asian Development Bank, 2006).

Thailand has also experienced an investment boom since 1980. Thailand's booming economy had increased average consumer disposable income and spending power and consumers were not hesitating to spend it. The consequence of this positive investment environment and the return to a high growth economy is that it will provide an ideal economic climate for the future growth in IJV activity. As far as Thailand's importance as a future market for Australian firms is concerned, the recent trend is for the ASEAN countries to trade more with each other and their nearby neighbours than say with some of their traditional trading partners e.g., North America (Julian, 2005). This trend is part of a general trend in the Asia/Pacific Region that has seen intra-regional trade increase as a percentage of total trade in the past decade. It now accounts for more than a third of the total. In the case of Thailand, the perception that more and more trade is sourced in the region is breeding trade policies that focus on promoting closer regional economic cooperation with its neighbours (Julian, 2005).

This trend has important consequences for Australian firms, in that opportunities to trade with Thailand that may have not been previously available may now present themselves. For those companies considering foreign investment, Thailand, still has all the ingredients to provide foreign investors with a strong and stable investment climate and the IJV is still one of the best foreign investment alternatives available (Julian, 2005).

LITERATURE REVIEW

One of the major reasons for using the equity joint venture organization form is a need for the attributes or assets of the other partner. Assets include such things as cash, capital resources and raw material sources (Julian, 2005). The understanding that access to capital resources and low cost raw material access is one of the major reasons the JV form of organization

structure has been used is built around the theory of internalization (Beamish and Banks, 1987). The internalization theory posits that due to the transaction costs that must be borne as a result of conducting business in imperfect markets it is more efficient (less expensive) for the firm to use internal structures rather than market intermediaries to serve a foreign market. According to Williamson's (1975) reasoning these market imperfections arise from two environmental conditions: uncertainty and a small number of market agents. When these conditions coexist with two sets of human factors, opportunism and bounded rationality, he argues that the costs of writing, executing, and enforcing arm's-length complex contingent claims contracts with market intermediaries are greater than the costs of internalizing the market (Beamish and Banks, 1987).

As far as the policies of host country government's are concerned, one of the principal market characteristics likely to influence the marketing performance of IJVs in developing countries is the policies of host country governments (Yan, 1998). Changes in the power, roles, and policies of host country governments are the most crucial of all the uncontrollable forces affecting the future success of IJVs. In the borderless world of the 1990's and beyond (Ohmae, 1989), IJVs will encounter more opportunities to deal with the diminished power and roles of individual governments, but will be challenged to understand and respond promptly and adequately to their emerging new structures and coordinated cross-national policies (Ohmae, 1989).

Indeed, the influence of host country governments on IJV performance has been the focus of many studies (Griffith, Zeybek and O'Brien, 2001; Makino and Delios, 1996; Yan, 1998). On the one hand, frequently when a developing country is involved, government pressure may lead a foreign corporation to take on a local partner. The host country government also may

exercise influence over the choice of suppliers and over marketing, once the venture is established. Or it may impose exchange controls, which can have an important impact on an IJV's reinvestment, financing, and repatriation decisions. On the other hand, frequently when developed countries are involved, tariffs, quotas, or non-tariff barriers may make it imperative for a foreign firm to rely more on local production than on exporting. In both cases, laws or pressure from the government can play a significant role in the marketing performance of the IJV.

Restrictions imposed on foreign corporations in IJV relationships by host country governments has been identified by many researchers as being a significant factor influencing the performance of those IJVs (Griffith, Zeybek and O'Brien, 2001; Vanhonacker and Pan, 1997). Host country governments may not actually require JV participation by foreign corporations, but government pressure usually exists in some form.

If the government is an active partner in the JV (which is the case with many developing countries, especially those countries of the Asia/Pacific Region), it means an important diminution of bargaining power to the foreign corporation, since the government that owns equity in the venture also has the power to regulate the venture's activities. Blodgett (1991) found that one of the crucial factors in relative bargaining power that influences performance is host country government restrictions. In addition, when import substitution policies are pursued, the host country government can be expected to have strong motivation to increase control over the venture once operations have commenced. But even when the local partner is a private enterprise, the host country government exerts control as a shadow partner by imposing and enforcing regulations that interfere with the venture's operations e.g., the choice of suppliers, the choice of markets, the repatriation of profit, duty paid on certain

products/industries, and the percent of local labour content required. Therefore, interference by host country governments is likely to have a significant influence on the marketing performance of the IJV.

As far as technology transfer is concerned, apart from host country government reasons, the transfer of modern and innovative technology is one of the principal reasons why local firms and foreign partners enter into JV arrangements (Beamish and Delios, 1997; Yan, 1998). In fact, access to modern and up-to-date technology is widely recognised as the principal reason why local firms in developing countries enter into JV arrangements with foreign corporations from developed countries (Lee and Beamish, 1995). Failure to deliver to the IJV the technology initially promised by the foreign partner(s) when entering into the IJV agreement could cause conflict between the foreign and local partners and this conflict together with the lack of the required technology could have a negative influence on the marketing performance of the IJV (Julian, 2005).

When it has not had a chance to become standardized in widely available machinery, technical knowledge has strong tacit content. It resides predominantly in the development staff rather than in the machinery itself. Against such an asset, particularly if it is protected by continuous innovation, it is difficult to make competitive inroads and those firms that have access to such technology have a significant competitive advantage over those that don't. Such a competitive advantage is likely to make a significant contribution to marketing performance. Researchers have placed it highest in potential dominance among resources that might be provided by a JV partner (see Julian, 2005). The biggest competitive gains in a partnership come from mastery of the manufacturing processes. Technology, as a proprietary asset, gives a firm control through possession of asymmetric information. As such, a MNC

can draw considerable leverage in JV bargaining when it possesses technology that the host country governments need, because host country governments usually seek technology transfer above all the other resources that a MNC can provide. Firms from developed countries with zero-equity positions in JVs in developing countries still can dominate a JV as long as they control advanced technology (see Julian, 2005).

Therefore, technology transfer, particularly when it is characterised by rapid innovation, may be considered a highly dominant contribution to the JV. Technology transfer is what most local firms from developing countries seek when entering a JV agreement with a foreign firm from a developed country, failure of the foreign corporation to deliver the promised technology is likely to have a negative influence on IJV marketing performance (Julian, 2005).

As far as the availability of certain distribution and communication channels is concerned, the importance of access to suitable distribution channels as a motive for both international and domestic JVs is apparent from even a cursory reading of the literature (Makino and Delios, 1996; Yan, 1998). A global company expanding across national boundaries often finds itself in the position of entering new markets. Obtaining distribution can be a major obstacle to establishing a position in a new market (Keegan, 2002). This obstacle is often encountered when a company enters a competitive market where brands and supply relationships are already established. There is little incentive for an independent channel agent to take on a new product when established names are accepted in the market and are satisfying current demands (Keegan, 2002). The global company seeking to enter such a market must either provide some incentive to channel agents, establish its own direct distribution system, or enter into a strategic alliance (e.g., an IJV) with a local firm that has a comprehensive

distribution network. The provision of incentives to independent channel agents and the establishment of a direct distribution system as channel strategies have several disadvantages. Firstly, the provision of special incentives to independent channel agents can be extremely expensive. The company might offer outright payments as either direct cash bonuses or contest awards for sales performance. In competitive markets with sufficiently high prices, incentives could take the form of gross margin guarantees. Both incentive payments and margin guarantees are expensive. The incentive payments are directly expensive. The margin guarantees can be indirectly expensive because they affect the price to the consumer and the price competitiveness of a manufacturer's product.

Secondly, the alternative of establishing a direct distribution system in a new market also has the disadvantage of being expensive. Sales representatives and sales managers must be hired and trained. The sales organisation will inevitably be a heavy loser in its early stage of operation in a new market because it will not have sufficient volume to cover its overhead costs. Therefore, any company contemplating the establishment of a direct sales force, even one assigned to distributors, should be prepared to underwrite losses for this sales force for a reasonable period of time.

The alternative of entering into a strategic alliance or some form of IJV with a local firm with a comprehensive distribution network gives the global company access to a suitable distribution network and knowledge of the local business environment. At the same time it reduces the risk associated with entering the new market and is less expensive than the other channel strategies. Therefore, this strategy has significant appeal to a global company and is often cited as one of the principal reasons why foreign firms enter into IJVs in developing countries (Julian, 2005).

Related areas of expertise that may be placed in this category are marketing skills. Foreign firms may also find it difficult to penetrate international markets without local marketing expertise. A joint venture partner may provide the know-how or established local distribution channels through which to market the product that may not have been available without the local JV partner. As industries evolve, their distribution and communication channels must improve to provide closer and more efficient contacts between suppliers and customers. This long-term imperative may require considerable short-term investments. Though foreign partners might favour such investments, the local partner(s) will oppose such an investment if the change in channel arrangements clashes with their traditional concepts, limited resources, bargaining power base, and/or short-term expectations. The greater the divergence in the IJV partner's objectives and time frame to achieve those objectives, the greater the difficulty for an IJV to take advantage of opportunities and cope with challenges created by changes in its industry's channels, and the greater their need to compromise, given the local partner's reluctance to change - which is a short term view. As a consequence, IJV partners need to address the eventual changes in the IJV's roles and relationships with the marketing channels as these changes and the availability of suitable marketing channels not controlled by one or several of its competitors can have a significant influence on the marketing performance of the IJV (Makino and Delios, 1996; Yan, 1998).

Knowledge of the local business environment is an asset often avidly sought by a global company that is establishing a position in a foreign market, especially for the first time. This knowledge has economic value and can take several forms. It usually involves familiarity with economic, political and business conditions e.g., marketing channel availability that managers of a global firm may be unaware of. The country may be burdened with inadequate infrastructure, a large public sector, an ambivalently-regarded colonial history, and

intransigent ethnic hostilities. Political connections play a part also. Having a local partner may ease relations between the global company and a suspicious host country government, which may perceive a joint venture as less threatening than a wholly-owned subsidiary of a foreign firm. The public relations benefit often extends to local labour relations and to worker morale as well. In concrete terms, a local partner may provide advantages in obtaining contracts, access to favourable tax treatment, a chance to avoid various non-tariff barriers, and a means of entry into relationships with local businesses and officials. Such connections with the local environment are often an essential precondition to a venture's success (Blodgett, 1991).

The other market characteristic identified in previous studies as having an influence on marketing performance is competitive industry pricing strategies (Cavusgil and Zou, 1994). Competitive industry pricing strategies have been described as one of the strategies by which firms adapt to or fit the idiosyncracies of the foreign market (Cavusgil and Zou, 1994). Some empirical evidence also supports the positive relationship between marketing performance and competitive pricing (Cavusgil and Zou, 1994). Cavusgil and Zou's (1994) findings suggested that companies can seek competitive pricing to maintain an advantageous position in the export market.

Therefore, the importance to IJV marketing performance of certain market characteristics like access to capital resources and low cost raw materials, host country government policies, technology transfer, access to suitable marketing channels, knowledge of local business practices and competitive industry pricing should not be underestimated.

Since the early 1980's research on IJVs and IJV performance has been considerable. However, limited empirical research has been conducted on the *marketing performance* of IJVs. With the exception of Julian (2005) and a few others, most studies on marketing strategy and performance are as applied to indirect/direct export firms. With the globalization of markets and competition, foreign markets have become increasingly viable and natural opportunities for growth-oriented domestic firms. Considering the growth in IJVs as a form of market entry it is therefore, of practical, as well as of theoretical importance, to address the issue of *"What are the factors that contribute to the success or failure of IJVs?"* Therefore, in an effort to add significant knowledge to the IJV literature this study seeks to determine the relationship between the foreign market characteristics of access to raw materials, capital resources and the necessary channels of distribution, knowledge of local business practices, government intervention, price competitiveness and the transfer of up-to-date technology and International Joint Venture (IJV) marketing performance in Thailand.

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Three distinctive features should be noted at the outset. *First*, the unit of analysis is an individual IJV between, at least, one foreign firm and a local Thai firm. The IJV under review being involved with the marketing of specific products/services in Thailand. *Second*, incorporated in the proposed framework is a theoretical conceptualization that marketing performance is determined by the coalignment between the marketing mix variables and the internal and the external environments of the firm. Furthermore, marketing performance is conceived as the accomplishment of strategic as well as economic objectives. *Finally,* data will be collected based on responses to a self-administered mail survey from a senior executive within the IJV entity itself.

Most previous marketing performance studies have been involved with explaining the success or failure of a firm's direct/indirect exporting activities and have not considered the marketing performance of IJVs in a developing country context. This study seeks to overcome this deficiency in the marketing performance and IJV literature. These previous studies typically attempt to identify key factors that contribute to successful direct/indirect export marketing. Among the key success factors highlighted are marketing strategy; management attitudes; and other firm, industry, product, and market factors (see Cavusgil and Zou, 1994).

Previous research into the key success factors of direct/indirect exporting firms in foreign markets identifies a link between marketing strategy and performance (Cavusgil and Zou, 1994). A similar linkage between marketing strategy and performance is also evident when evaluating the marketing performance of IJVs (Julian, 2005). However, there are several issues that undermine the strength and nature of this relationship. The first is the level of analysis. With few exceptions, previous studies have either been conducted at the foreign partner level or the local partner level or both (Lee and Beamish, 1995). As a result, performance success factors were conceptualized as firm-specific characteristics. An underlying theoretical justification for firm-level studies is the theory of internalization (Beamish and Banks, 1987), which states that, in an imperfect market, firms should internalize the firm-specific advantages, both tangible and intangible, to extract maximum economic rent. Because firm-specific advantages are derived not only from the development and marketing of a particular product but also from the total learning process of the firm, it is possible to investigate marketing performance at the firm level.

Though previous studies contributed to our knowledge of factors influencing export marketing performance and overall JV performance, there are notable limitations associated with firm-level investigations of IJV marketing performance. Considerable variations in marketing strategy and performance often exist across various product-market ventures depending on the foreign market and the structure established for the IJV. It is also unrealistic to expect that the same structure in all foreign markets will lead to the same marketing performance results.

The second issue is the failure of previous studies to incorporate strategic considerations in the performance of IJVs. Previous studies have viewed marketing performance simply as a means of realising the economic goals of the firm/IJV entity. Marketing performance has been measured in terms of sales or profits, with no deliberate attempt to relate it to a firm's strategic or economic objectives, such as gaining a foothold in a foreign market, collaborative R&D, blocking a competitor etc. The problems associated with using solely financial measures to measure the performance of an IJV have already been addressed in the literature. Short term profit motives are not the sole reason for establishing IJVs and by using solely economic measures a JV may be rated as performing poorly when actually it is achieving the objectives of the parents for which it was established. Therefore, this study will consider both economic and strategic measures of performance in determining the marketing performance of the IJVs being studied.

The need for strategic considerations in marketing theory has also been emphasized by Day (1994). Increasingly, firms have treated international markets as strategic as well as economic opportunities. Given intense intra-national competition, it is believed that international marketing research can be enriched if marketing performance enquiries incorporate strategic

as well as economic considerations into the marketing performance of IJVs. This implies that marketing performance measurement in an IJV should be viewed as the IJV entity's strategic response to the interplay of internal and external forces and its ability to achieve set objectives by the parents, both economic and strategic.

The final issue relates to the diversity of conceptualization and measurement of marketing performance and the simplistic nature of research approaches employed in previous studies. Marketing performance has been conceptualized and operationalized in many different ways by different researchers. Different methodological issues relate to measurement difficulties, sampling, validity, or particular technical problems. Data collection methods have ranged from unstructured personal discussions to structured mail surveys to in-depth interviews, and analytical approaches have ranged from simple frequencies to sophisticated multivariate techniques. As a result, confusing and even contradictory findings have surfaced in the literature (e.g., the effect of firm size on marketing performance). These discrepant findings hinder not only practice, but also theory development of marketing performance measures. Hence, there is a need for an integrated approach to marketing performance enquiry. Such an approach must deal with the measurement as well as the conceptualization of marketing performance and factors internal and external to the firm.

The conceptual framework postulated here is that IJV marketing performance is determined by internal forces and external forces. This is because for various states the IJV operates in certain marketing mix variables (e.g., product, price, promotion, and distribution) adopted by the IJV must be adapted so that the marketing mix variable-environment coalignment will enable positive marketing performance to be achieved.

The proposed framework incorporates three key features. *Firstly*, the unit of analysis is the IJV which can be a single or multi product venture. The objective is not to determine the performance of certain products or product lines but to determine the overall marketing performance of the IJV entity. *Secondly*, the framework posits that marketing performance involves both economic and strategic considerations. *Finally*, the framework is presented in general terms, with marketing performance being determined by internal and external forces and represented by broad categories of variables. This is because the existing marketing performance literature is not very helpful in terms of suggesting specific constructs or measures for the proposed conceptualisation.

There is no uniform definition of marketing performance in the literature. A variety of marketing performance measures have been adopted by previous researchers. These performance measures include sales and sales growth (Cavusgil and Zou, 1994); market share, profitability (Geringer and Hebert, 1991); technology transfer (Blodgett, 1991); durability (Makino and Beamish, 1998); organisational learning (Johnson, Black, and Sakano, 1993); access to markets etc (Johnson, Black, and Sakano, 1993). However, the most frequently used performance measures appear to be economic in nature. As an IJV is a hybrid formed from at least two separate organizations, which may have completely different marketing objectives for the IJV this study uses both economic and strategic measures of marketing performance.

In this study, marketing performance is defined as the extent to which the IJV's objectives, both economic and strategic, with respect to marketing a product/service in Thailand is achieved through the planning and execution of a specific marketing strategy. An IJV usually has a number of objectives set by the individual partners', which can be economic (i.e.

profits, sales, or costs) and/or strategic (i.e., market expansion, access to raw materials, technology transfer, economies of scale, gaining a foothold in a foreign market, blocking a competitor etc.). The extent to which the IJV's strategic and economic objectives are achieved is therefore a measure of its marketing performance.

RESEARCH DESIGN

This study is based on the development and administration of a self-administered mail survey in Thailand. The study sample consisted of Thai companies that participate in joint-venture relationships with non-Thai firms. Each firm included in the study must exhibit two characteristics. First, no partner may have greater than 80 percent equity participation in the venture. Secondly, each partner must have greater than 20 percent equity participation in the venture (Makino and Beamish, 1998). The major steps followed included, firstly, an extensive review of prior literature, to identify potentially important market characteristics likely to influence IJV marketing performance. Second, the items were then incorporated into a preliminary questionnaire and pre-tested through a series of personal interviews with the Managing Directors of 10 Foreign-Thai IJVs located in Thailand. Input from the pre-test was used to refine the instrument and to ensure the instrument possessed construct validity. Some refinement was undertaken, however, the changes were only minor and involved improving the wording of some of the questions and in which the sequence of words needed to be changed.

Finally, to reach the most knowledgeable key informants, the questionnaire was directed to the Managing Director of the IJV. From the results of the pre-test, it was expected that the Managing Director would be the person most knowledgeable about the organization's

marketing performance. The case, where the Managing Director was not directly responsible for the organization's marketing function it was expected that the Managing Director, as Chief Executive Officer, would re-direct the questionnaire to the appropriate executive within the organization.

In this study the Managing Director was used as the key informant. Managing Directors or CEOs have been used as key informants in similar research on innovation-based competitive strategy (Li and Calantone, 1998). Although some researchers have advocated the use of multiple informants (Hogarth and Makridakis, 1981), others have found that CEOs provide data that is as reliable and valid as multiple informants (Zahra and Covin, 1993). Data on strategy gathered from middle and lower managers have been argued to have questionable validity because these managers typically do not have access to information about how the total system operates (Snow and Hrebiniak, 1980). CEOs possess the most comprehensive knowledge of the characteristics of the organization, its strategy and inter-organizational relationships (Snow and Hrebiniak, 1980).

Statements were included in the questionnaire to assess specific foreign market characteristics that included access to capital resources and low cost raw materials, the policies of host country governments, technology transfer, the availability of suitable distribution channels, knowledge of local business practices and, industry price competition.

One of the major reasons for using the equity joint venture organisation form is a need for the attributes or assets of the other partner. Assets include such things as cash, capital resources and raw material sources (Beamish, 1993). The understanding that access to capital resources and low cost raw material access is one of the major reasons the JV form of organisation

structure has been used is built around the theory of internalization (Beamish and Banks, 1987). The internalization theory posits that due to the transaction costs that must be borne as a result of conducting business in imperfect markets it is more efficient (less expensive) for the firm to use internal structures rather than market intermediaries to serve a foreign market.

Restrictions imposed on foreign corporations in IJV relationships by host country governments has been identified by many researchers as a significant factor influencing the performance of those IJVs (Julian, 2005). Host country governments may not actually require JV participation by foreign corporations, but government pressure usually exists in some form. Third world indigenization programs, by injecting a political factor into the bargaining power of a local entity, have had an important impact on how the developed-world MNCs operate overseas.

If the government is an active partner in the JV (which is the case with Thailand given the military's role in society), it means an important diminution of bargaining power to the foreign corporation, since the government that owns equity in the venture also has the power to regulate the venture's activities. In addition, when import substitution policies are pursued, the host country government can be expected to have strong motivation to increase control over the venture once operations have commenced. But even when the local partner is a private enterprise, the host country government exerts control as a shadow partner by imposing and enforcing regulations that interfere with the venture's operations e.g., the choice of suppliers, the choice of markets, the repatriation of profit, duty paid on certain products/industries, and the percent of local labour content required. Therefore, interference by host country governments is likely to have a significant influence on IJV marketing performance.

Apart from host country government reasons, the transfer of modern and innovative technology is one of the principal reasons why local firms and foreign partners enter into JV agreements. In fact, access to modern and up-to-date technology is widely recognised as the principal reason why local firms in developing countries enter into JV arrangements with foreign corporations from developed countries (Blodgett, 1991). Failure to deliver to the IJV the technology initially promised by the foreign partner(s) when entering into the IJV agreement could cause conflict between the foreign and local partners and this conflict together with the lack of the required technology could have a significant negative influence on IJV marketing performance.

The importance of access to suitable distribution channels as a motive for both international and domestic JVs is apparent from even a cursory reading of the literature (Makino and Delios, 1996). In adequate access to suitable distribution channels is, therefore, likely to have a negative impact on performance (Keegan, 2002).

Knowledge of the local business environment is an asset often avidly sought by a global company that is establishing a position in a foreign market, especially for the first time. This knowledge has economic value and can take several forms. It usually involves familiarity with economic, political and business conditions. The country may be burdened with inadequate infrastructure, a large public sector, an ambivalently-regarded colonial history, and intransigent ethnic hostilities. Political connections play a part also. Having a local partner may ease relations between the global company and a suspicious host country government, which may perceive a joint venture as less threatening than a wholly-owned subsidiary of a foreign firm. The public relations benefit often extends to local labour relations and to worker morale as well. In concrete terms, a local partner may provide

advantages in obtaining contracts, access to favourable tax treatment, a chance to avoid various non-tariff barriers, and a means of entry into relationships with local businesses and officials. Such connections with the local environment are often an essential precondition to a venture's success (Blodgett, 1991).

The other market characteristic identified in previous studies as having an influence on marketing performance is competitive industry pricing strategies (Cavusgil and Zou, 1994). Competitive industry pricing strategies have been described as one of the strategies by which firms adapt to or fit the idiosyncracies of the foreign market (Cavusgil and Zou, 1994). Some empirical evidence also supports the positive relationship between marketing performance and competitive pricing (Cavusgil and Zou, 1994). Therefore, intensity of price competition was included as a market characteristic along with the aforementioned market characteristics to determine the influence of market characteristics on IJV marketing performance.

IJV marketing performance was assessed using a composite measure of IJV marketing performance. Using the literature and the pre-tests of the research instrument, sixteen strategic objectives were preset in the research instrument that corresponded with each of the measures of marketing performance. Towards the end of the research instrument, respondents were asked to indicate the relative importance attached to each objective by allocating a constant-sum (100 points) to the individual objectives proportional to their importance. The researcher computed the extent to which the initial strategic objectives were achieved as the weighted sum of the importance of the initial strategic objectives. The two indicators were summed into a composite scale for measuring the marketing performance of IJVs in Thailand.

The questionnaire in English and Thai translation with a covering letter and instructions was mailed to a sample of 831 IJVs selected at random from the list of IJVs provided by the Thai Board of Investment. The IJVs studied came from a wide cross-section of industries. After a follow-up with a second round mailing 161 questionnaires were returned accounting for an effective response rate of 19.38 percent and considered to be adequate (Groves, 1990). This response rate is normal for most mail surveys (Groves, 1990; McDougall *et al.,* 1994). Also similar response rates have been reported in prior international marketing research (Kaynak and Kuan, 1993; Li and Ogunmokun, 2000) with sample sizes of 53 being reported (Mintu-Wimsatt and Calantone, 2000). In general, studies which survey U.S.- based ventures achieve a relatively higher response rate. Considering that the sample was drawn from a developing country where the first language was not English and where many of the respondents' primary languages were not English, the response rate was deemed to be acceptable.

DATA ANALYSIS

Prior to conducting the data analysis the issue of non-response bias is addressed. An 'extrapolation procedure' technique was used to assess non-response bias. This assumes that the groupings of actual respondents by an identified criterion are similar to the 'theoretical' non-respondents (Armstrong and Overton, 1977). Frequencies and independent *t*-tests were used to determine whether significant differences existed between the sample of 161 Thai-Foreign IJVs and the target population of 831 Thai-Foreign IJVs based on the IJV's industry classification. From the analyses that were conducted using both frequencies and independent *t*-tests no significant difference was identified between the sample and the target population for this classification variable. Therefore, the results suggest that as there appears to be no

significant difference between respondents and non-respondents then the sample can be considered sufficient to draw conclusions about Thai-Foreign IJVs for the issues under study.

A profile of the companies involved in the sample is now provided based on the nationality of the respondent, position of the respondent within the organization, industry classification of the IJV and the IJV's sales volume. As far as the nationality of the respondent and the position of the respondent within the organisation were concerned, from Table 1 it is evident that the principal respondents in this study were Thai nationals and Managing Directors or Senior Executives of their respective companies. In evaluating Table 1 and the nationality of the respondents, this study identified that 70.3 percent of respondents were Thai nationals indicating the importance of having the research instrument translated into Thai. A further 14.2 percent of respondents were of North Asian origin (i.e. from Japan, Taiwan, Korea, and China/Hong Kong). This meant that a very large percentage of the respondents (84.5 percent) were of Asian origin, an important finding in itself as it may have an influence on how IJV marketing performance was perceived.

In further evaluating Table 1 it was also evident that a very large percentage of the respondents were senior executives within their organisations and as such had an adequate level of knowledge on how the IJV was actually performing. This is evidenced by the data with 56.2 percent of respondents being classified as managing directors of their respective organisations and a further 29.5 percent of respondents being classified as senior executives within their respective organisations, indicating that 85.7 percent of respondents were senior executives within their organisations. Those respondents that were classified as senior executives were further identified as directors, vice presidents, presidents, general managers, production managers, and factory managers, indicating that the sample respondent had an

adequate level of knowledge on how the IJV was actually performing in relation to the dimensions of this study.

As far as industry classification of the IJV was concerned, from Table 1 it was evident that there had been an even spread of IJV activity across four industry groupings. Those industry groupings being agriculture (with 24.1 percent of IJV activity); metal-working industries (with 20.7 percent of IJV activity); chemical industries (with 19.3 percent of IJV activity); and electrical industries (with 16.6 percent of IJV activity). Together the industry groupings of agriculture, metal-working, chemical and electrical accounted for 80.7 percent of IJV activity in the sample. The remaining industry groupings of mining, light industries, and service industries were surprising in their limited IJV activity. Light industries and service industries especially, the light industries classification incorporated many of the smaller firms, and having such a broad classification, it was expected that many of the IJVs would come from this classification. As far as the service industries were concerned, as Thailand moves rapidly towards developed country status it was expected there would be many more IJVs formed in the service industries classification, especially in the industries of transportation, hospitality, and finance. However, jointly the industry groupings of mining, light industries, and service industries only accounted for 19.3 percent of IJV activity which was very small considering the nature of these industries.

Finally, as far as the sales volume of the IJV's products/services was concerned, with the exception of the sales volume categories of between $U.S.50 and $U.S. 75 million and between $U.S.75 and $U.S.100 million there was a fairly even spread of IJV activity across all sales volume categories from below $U.S.5 million to over $U.S.100 million. The important issue here is one regarding company size. Firstly, 80.6 percent of the sample

companies had sales volumes less than $U.S.50 million with 45.2 percent of the sample having sales volumes less than $U.S.10 million. This means that these companies could be classified as small-medium sized organisations. Finally, the reasonably small percentage (10.4 percent) of companies having sales volumes in excess of $U.S.100 million indicates that these companies could be classified as reasonably large organisations. The important finding here is that the companies in this sample are predominantly small-medium sized organisations and the results of the study should only be applied to small-medium sized organisations.

Table 1

Nationality of the Respondent

ID	Europe	Nth America	India	Japan	Taiwan	Korea	Thai	Chinese	Total
Freq (%)	10.1	4.7	0.7	8.1	3.4	0.7	70.3	2.0	100

Position of the Respondent Within the Organisation

ID	Managing Director	Marketing Manager	Office Manager	Accountant	Senior Executive	Clerical	Total
Freq (%)	56.2	6.8	3.4	1.4	29.5	2.7	100

Industry Classification of the IJV

Industry	Agric	Mining	Light	Metal	Electrical	Chemical	Service	Total
Freq (%)	24.1	4.2	10.3	20.7	16.6	19.3	4.8	100

Sales Volume of IJVs in Thailand

($U.S. million)	Below 5	5-10	10-25	25-50	50-75	75-100	Over 100	Total
Freq (%)	18.1	27.1	22.2	13.2	4.8	4.2	10.4	100

The data were initially analyzed using principal components analysis to assess the psychometric properties of the instrument assessing foreign market characteristics identified as access to capital resources and low cost raw materials, the policies of host country governments, technology transfer, the availability of suitable distribution channels,

knowledge of local business practices and, the intensity of price competition. The primary concern was interpretability of the construct. All items loaded appropriately and no cross loadings above .2 were identified with only factor loadings of above .5 being accepted (Table 2). The market characteristics' scale was reviewed using factor analysis to establish that it was unidimensional. The final reliability for the scale was .82 suggesting strong reliability. As such, the measure was judged adequate to examine the relationship between market characteristics and IJV marketing performance.

The results of the principle components analysis is summarized in Table 2. Mean factor scores were then obtained for the market characteristics construct. The mean factor score for the factor of market characteristics was 4.604 with a standard deviation of 1.303. This indicates that generally respondents agreed with statements identifying market characteristics as having a negative influence on the marketing performance of IJVs in Thailand e.g., a shortage of capital resources, a shortage of raw materials, inaccessibility to distribution channels, a lack of knowledge of Thai business practices, inadequate technology transfer, Thai Government intervention, and the intensity of price competition.

Table 2 - Summary of Principle Components Analysis

Factor Name	Dominant Statements	Factor Loadings
Market Characteristics	There was a lack of access to suitable distribution channels.	0.73
	There was a shortage in the supply of the necessary capital resources to develop the Thai market effectively.	0.71
	There was a shortage in the supply of the necessary raw materials for the production process.	0.70
	There was a lack of knowledge of Thai business practices by at least one of the foreign partners.	0.65
	The level of price competition in your industry was intense.	0.62
	There was inadequate transference of up-to-date technology from at least one of the foreign parent companies.	0.58
	There was Thai Government intervention in the operation of your IJV.	0.56

A multiple regression analysis was then conducted to analyze the relationship between the dependent variable and the set of market characteristics. The dependent variable was IJV marketing performance. The results of the multiple regression analysis are presented in Table 3 and they quite clearly show that market characteristics' was a significant predictor of IJV marketing performance in Thailand. The negative T-Statistic and coefficient indicate that a shortage in the necessary supply of capital resources and raw materials, a lack of access to suitable distribution channels, a lack of knowledge of Thai business practices, intense price competition, inadequate technology transfer and Thai government intervention had a significant negative effect on IJV marketing performance in Thailand.

Table 3 - Multiple Regression Analysis

Variable	Coefficient	T-Statistic	Sig T	Significance at .05
Market Characteristics	-.225404	-2.999	.0031	Yes

DISCUSSION

As is evident from the exploratory factor analysis and the multiple regression analysis that were conducted market characteristics is a significant predictor of IJV marketing performance. It is important for the management of any company to be aware of these market characteristics when contemplating an IJV of any magnitude in a developing country of South East Asia. This study clearly indicated that it was important for managers of IJVs to be aware of the market characteristics of a foreign market that could influence a firm's marketing performance. Availability of capital resources, raw materials and distribution channels; transfer of up-to-date technology; knowledge of local business practices; the level of government intervention; and knowledge of industry price competition are very important for the successful marketing performance of IJVs in Thailand and South East Asia. Companies intending to enter into an IJV arrangement in Thailand and other South East Asian countries need to ensure the availability and existence of the above if they are to succeed in those markets.

Beamish and Banks (1987) identified the importance to IJV performance of access to an adequate supply of capital resources and low cost raw materials. The understanding that access to capital resources and low cost raw material access is one of the major reasons the JV form of organization structure has been used is built around the theory of internalization (Beamish and Banks, 1987). The internalization theory posits that due to the transaction costs that must be borne as a result of conducting business in imperfect markets it is more efficient (less expensive) for the firm to use internal structures rather than market intermediaries to serve a foreign market. This study also found support for the market characteristics of access

to capital resources and low cost raw material access as having a significant influence on IJV marketing performance.

Furthermore, this study also found support for Makino and Delios' (1996) finding that access to suitable distribution channels in a foreign market can have a significant influence on IJV performance. The importance of access to suitable distribution channels as a motive for both international and domestic JVs is apparent from even a cursory reading of the literature (Makino and Delios, 1996; Yan, 1998). A global company expanding across national boundaries often finds itself in the position of entering new markets. Obtaining distribution can be a major obstacle to establishing a position in a new market (Keegan, 2002). As such, distribution access is always an important issue to deal with in foreign markets and it was no exception in this study.

The importance of the transfer of up-to-date technology to IJV marketing performance was also noted supporting Beamish and Delios's (1997) finding. Apart from host country government reasons, the transfer of modern and innovative technology is one of the principal reasons why local firms and foreign partners enter into JV arrangements. In fact, access to modern and up-to-date technology is widely recognised as the principal reason why local firms in developing countries enter into JV arrangements with foreign corporations from developed countries (Beamish and Delios, 1997; Yan, 1998). Failure to deliver to the IJV the technology initially promised by the foreign partner(s) when entering into the IJV agreement could cause conflict between the foreign and local partners and this conflict together with the lack of the required technology could have a negative influence on the marketing performance of the IJV. This is the conclusion drawn from this study, that failure to deliver to

the IJV the technology initially promised had a significant negative influence on IJV marketing performance.

The influence of competitive pricing on marketing performance was also noted supporting Cavusgil and Zou's (1994) finding. Competitive industry pricing strategies have been described as one of the strategies by which firms adapt to or fit the idiosyncracies of the foreign market (Cavusgil and Zou, 1994). Cavusgil and Zou's (1994) findings suggested that companies can seek competitive pricing to maintain an advantageous position in the export market. This study found support for their finding identifying that the intensity of industry price competition had a significant negative influence on IJV marketing performance.

Finally, Griffith, Zeybek and O'Brien's (2001) findings that host country government restrictions have a significant influence on IJV performance received support in this study. One of the principal market characteristics likely to influence the marketing performance of IJVs in developing countries is the policies of host country governments (Griffith, Zeybek and O'Brien, 2001; Makino and Delios, 1996; Yan, 1998). Indeed, the influence of host country governments on IJV performance has been the focus of many studies (e.g., Griffith, Zeybek and O'Brien, 2001; Makino and Delios, 1996; Yan, 1998). Changes in the power, roles, and policies of host country governments are the most crucial of all the uncontrollable forces affecting the future success of IJVs. The host country government may also exercise influence over the choice of suppliers and over marketing, once the venture is established. Or it may impose exchange controls, which can have an important impact on an IJV's reinvestment, financing, and repatriation decisions. On the other hand, frequently when developed countries are involved, tariffs, quotas, or non-tariff barriers may make it imperative for a foreign firm to rely more on local production than on exporting. In both

cases, laws or pressure from the government can play a significant role in the marketing performance of the IJV. This study provided confirmation of this finding, identifying that Thai Government intervention into the operation of the IJV had a significant negative influence on its marketing performance.

As such, this study clearly indicated that it is important for managers of IJVs to be aware of the market characteristics of a foreign market that can influence a firm's IJV marketing performance. Access to raw materials, capital resources and the necessary channels of distribution, knowledge of local business practices, government intervention, industry price competition and the transfer of up-to-date technology are all very important for successful IJV marketing performance. Firms intending to be involved in an IJV in a developing country need to be aware of the importance of these issues for IJV marketing performance success.

CONCLUSION

In conclusion, the potential impact of market characteristics on marketing performance has received limited attention from researchers for a variety of different market entry modes. In the review of literature by Zou and Stan (1998), most of the studies on this subject have reported insignificant findings. An explanation for this is that these studies used the entire firm as their unit of analysis. A firm can export its products and services to various countries and have operations in different countries embedded with different market characteristics. As such, if a study focuses on a firm's total exports or a firm's total operations in all countries, the impact of those factors associated with each foreign market cannot be clearly defined as it is reasonable to conclude that the firm will not perform at the same level for each foreign market it enters. Therefore, by focusing on the IJV entity in a specific country and relevant

market characteristics for that country market this study has demonstrated that market characteristics have a significant impact on IJV marketing performance which is a significant contribution to both the IJV literature as well as the marketing performance literature.

STUDY LIMITATIONS AND CONCLUSIONS

Whilst this study has shed some light on the relationship between the different market characteristics prevalent in Thailand and IJV marketing performance some limitations of the study should be noted. First, caution should be exercised in inferring causality from the model tested. The cross-sectional nature of the data makes this inference tenuous. Second, as in every research study investigating model interrelationships, model specification is a major concern. The process of selecting the variables and specifying their interrelationships was based on and guided by available theory, prior empirical findings, and the stated purpose of the study. Model misspecification is still possible, especially due to the omission of other market characteristics impacting IJV marketing performance. Third, from a methodological perspective, a potential concern may be that the measures are all self-reported. Consequently, the relationships tested may be susceptible to the influence of common method variance. Efforts were made to minimize the problem by pre-testing the instrument and selecting the market characteristics and marketing performance measures that minimize item overlap. While utmost care was taken with the translation of the instrument, items still may be interpreted differently by individuals with different cultural and organizational backgrounds. Fourth, the findings can only be inferred to the industries included in the sample. Firms from other industries may experience different relationships between the criterion and predictor variables. Finally, the sample size was smaller than desired and the risk of misinterpreting the results due to sampling error increases with small sample sizes. A replication study should

have a larger sample size, include other market characteristics that are specific to the country market being investigated and should be conducted in a different developing country of South East Asia to see if the results are generalizable across countries.

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