

2009

International joint venture marketing performance and manifest conflict in a developing country context

Craig C. Julian
Southern Cross University

Publication details

Post-print of: Julian, CC 2009, 'International joint venture marketing performance and manifest conflict in a developing country context', *International Journal of Trade and Global Markets*, vol. 2, no. 1, pp. 41-58.

Published version available from:

<http://dx.doi.org/10.1504/IJTG.M.2009.023032>

ePublications@SCU is an electronic repository administered by Southern Cross University Library. Its goal is to capture and preserve the intellectual output of Southern Cross University authors and researchers, and to increase visibility and impact through open access to researchers around the world. For further information please contact epubs@scu.edu.au.

**INTERNATIONAL JOINT VENTURE (IJV) MARKETING PERFORMANCE AND
MANIFEST CONFLICT IN A DEVELOPING COUNTRY CONTEXT**

Craig C. Julian, PhD

School of Commerce and Management,

Faculty of Business and Law,

Southern Cross University

Paper submitted for review to: International Journal of Trade and Global Markets.

Send all correspondence to:

Dr. Craig C. Julian

Senior Lecturer in Marketing

School of Commerce and Management,

Faculty of Business and Law,

Southern Cross University,

P.O. Box 42,

Tweed Heads N.S.W. 2485

Phone: 61 7 55069371

Fax: 61 7 55069370

Email: crgjulian@yahoo.com.au

craig.julian@scu.edu.au

**INTERNATIONAL JOINT VENTURE (IJV) MARKETING PERFORMANCE AND
MANIFEST CONFLICT IN A DEVELOPING COUNTRY CONTEXT**

Craig C. Julian, PhD

School of Commerce and Management,

Faculty of Business and Law,

Southern Cross University

ABSTRACT

This study examines the relationship between manifest conflict and marketing performance via the international joint venture (IJV) market entry mode in Thailand. The primary data for the study were collected from a self-administered mail survey of 1,047 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 203 firms that were engaged in agricultural, mining, light industries, metal-working, electrical, chemical and the services industries. From the application of the exploratory factor analysis and the discriminant analysis it was concluded that a significant negative relationship existed between manifest conflict and marketing performance in the case of the IJVs in Thailand that were studied. That is, when manifest conflict was present between the partners it resulted in lower levels of marketing performance than when it was not.

INTRODUCTION

Although the literature on International Joint Ventures (IJVs) is already sizeable and steadily growing, there is a paucity of studies on critical issues relating to the marketing performance of IJVs in the South East Asian economies. 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). In the international business literature there are many studies that identify important determinants of IJV performance in general (e.g., Dhanarj and Beamish, 2004; Ding, 1997). However, the literature does not adequately cover the issues relating to the marketing performance of IJVs. In the international business literature studies on marketing performance are largely confined to those firms involved in direct or indirect exporting (e.g., Julian, 2003; Lu and Julian, 2007; Cavusgil and Zou, 1994) with very little empirical evidence on the marketing performance of IJVs. Given that successful marketing performance is critical for flourishing business performance (Crocombe, 1991) and the paucity of empirical studies on the marketing performance of IJVs, it was considered necessary to undertake this study.

Furthermore, with the globalization of markets and increasing domestic 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 understand the antecedents of IJV marketing performance in the different economic regions of the world as firms in different countries may tend to emphasise different types of performance measures for cultural, economic or sectoral reasons (Zou, Taylor, and Osland, 1998).

The focus on South East Asia is also important, as there is considerable impetus by business and governments to develop links with South East Asian business. Given the growth in the use of IJV's and the accompanying academic interest in this area one ponders the limited interest in South East Asia. IJV's in South East Asia are an important dimension of contemporary business, for example, Thailand, as a South East Asian country market is important because of its: (i) strong economic growth, (ii) investment boom since 1980, and (iii) its importance as a future market for Australian companies. 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% and 8.6% 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 been experiencing 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 South East Asian 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 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. This is especially so if one considers the restrictions placed on foreign investment by Thai and other South East Asian country government legislation, restricting most foreign investment to that of some form of IJV with only minority equity participation available to the foreign investor (Julian, 2005). Therefore, the IJV presents an ideal opportunity for many Australian firms to take advantage of the opportunities provided by the ever-expanding Thai market. Consequently, the understanding by Australian firms, of the key antecedents of IJV marketing performance in Thailand will be critical to the long-term future success of those Australian firms in IJV relationships in Thailand and for those firms contemplating IJV relationships in the future. Manifest conflict is a well-known antecedent of general business performance (Fey and Beamish, 2000) and is likely to be a key predictor variable of IJV marketing performance and is worth investigating further.

The objective of this study is to examine the empirical relationship between manifest conflict and IJV marketing performance in a developing country of South East Asia to see if the study's findings are consistent with the findings of previous studies conducted in a developed

country context. From the IJV experiences of foreign-based corporations (i.e. corporations whose headquarters are in Japan, U.S., Australia, Europe, and a number of developing countries) with Thai based companies, firstly, the study develops a measure of manifest conflict from the literature that can be used to assess the empirical relationship between manifest conflict and IJV marketing performance. Finally, it proceeds to evaluate the relationship between manifest conflict and IJV marketing performance in Thailand.

THEORETICAL FRAMEWORK

A review of early IJV research (e.g., Killing, 1983), suggests that the amount of conflict inversely affects IJV performance. More recently, some IJV scholars have provided empirical support (Fey and Beamish, 2000; Hebert, 1994; Johnson, Cullen, Sakano, and Bronson, 2001). Based on a study of Japanese-Thai IJVs, Tillman (1990) showed that the amount of conflict significantly inversely affected IJV performance. Similarly, Hebert (1994) found a significant inverse relationship between conflict and performance when studying Canadian IJVs and Canadian domestic JVs. In addition, Habib (1987) developed a measure of conflict in the IJV context. Other IJV scholars have also provided anecdotal evidence relating to IJV conflict as part of larger studies.

Some of the best-known models for understanding managers' actions have been based on the need for developing stable relations between social units (see Julian, 2005). As a result, such models have often tried to downplay the importance of conflict. However, researchers (see Fey and Beamish, 2000) have recognized that conflict must be dealt with since it is inherent in relationships. Inter-organizational relationships like IJVs result in conflicting desires of parent firms for cooperation and autonomy. Parent firms form IJVs because they see benefits

in cooperating with their IJV's other parent. However, at the same time, firms do not want to lose too much autonomy. As a result, in inter-organizational relationships like IJVs, some level of conflict is likely since organizations normally strive to maintain their autonomy even in relationships where they desire cooperation (Fey and Beamish, 2000).

Researchers have always had difficulty reaching a consensus about conflict. Several models of conflict have been developed (see Pondy, 1967). In addition, there have been several attempts to experimentally test models of interorganizational conflict (Fey and Beamish, 2000). Models of interorganizational conflict have also been tested in the field (e.g., Brown and Day, 1981).

Pondy (1967) provides probably the most widely accepted model of conflict (Fey and Beamish, 2000). His work tried to integrate scholars' views on the subject and was initially developed for the study of intraorganizational conflict. Others (e.g., Brown and Day, 1981) have argued that it is applicable to interorganizational conflict as well. Pondy's (1967) model of conflict viewed conflict as consisting of five stages: latent, perceived, affective, manifest, and aftermath.

Latent conflict referred to conditions that are likely to be sources of conflict, such as differing goals in an IJV. Parent firms may have different goals, but the parents may not be aware that their goals actually differ. Unfortunately, this is often the case in the early stages of an IJV if insufficient discussion took place between parent firms before the IJV was formed. Once parent firms recognize that their goals differ, perceived conflict exists (Pondy's second type of conflict). Perceived conflict refers to the participants' perception of the extent of conflict that exists. Affective conflict, in addition to the perception of conflict, includes feelings such

as hostility, tension, and stress which are necessary, but not sufficient, conditions for conflictful behaviour to exist. When one parent begins to feel angry that the other parent has goals that do not coincide with its goals, affective conflict exists. Manifest conflict is the action dimension of conflict characterized by overt conflictful behaviour when two or more parties express disagreement. In IJVs, manifest conflict occurs when parent firms argue about what the IJV should do as a result of their differing goals. Finally, aftermath is the dimension of conflict where conflicts are either resolved or suppressed. In the aftermath phase parent firms either come to a compromise about their differing goals, terminate the IJV, or suppress the disagreement for the short-term (Fey and Beamish, 2000).

Like most of the past IJV conflict literature (Fey and Beamish, 2000; Habib, 1987; Hebert, 1994; Tillman, 1990), this study on IJV marketing performance in Thailand focused on manifest conflict, that is, the action dimension of conflict (Fey and Beamish, 2000; Habib, 1987). Also, this study defined conflict as “overt behaviour arising out of a process in which one unit seeks the advancement of its own interests in its relationship with the others” (Schmidt and Kochan, 1972: p.363). Support for this definition of conflict has been received from Fey and Beamish (2000), Habib (1987) and Hebert (1994).

Conflict among parties involved in an inter-organizational relationship tends to cause frustration and unpleasantness which results in dissatisfaction (Anderson, 1990; Julian, 2005). Since managers, like most people, wish their jobs to be enjoyable, this frustration, unpleasantness, and dissatisfaction is likely to contribute to managers losing interest in, or in extreme cases even terminating, their IJVs. Also, conflict between parties involved in an IJV requires more parent firm management time. This in turn requires, from the parent firms’ point of view, the IJV to make a higher return (or perform better in some way) to justify the

continuation of the IJV. Of course, conflict between parties involved in an IJV also limits IJV success by preventing the IJV from being able to accomplish much by blocking decision making (Julian, 2005). Such circumstances may also limit an IJV's ability to respond to environmental changes and, thus, to be successful (Hebert, 1994). Conflict may also result in the unwillingness of parent firms to contribute resources that the IJV needs to achieve its goals (Killing, 1983). Holding back such needed resources would obviously adversely affect IJV performance and survival. In conclusion, the existence of conflict requires managers to spend valuable time and effort in resolving or managing the conflict, preventing this time from being spent in more productive ways.

It is interesting to note, however, that a small amount of conflict may be healthy for the joint venture since it may force management to evaluate their decisions more carefully (Cosier and Dalton, 1990). Cosier and Dalton (1990) suggest that a small amount of structured conflict enhances the effectiveness of strategic decision-making. Thus, a small amount of conflict may be useful for a joint venture. For example, managers may find after some thought that the other party's plan is superior, or they may simply benefit from refining their plan in the process of thinking more carefully through their plan's logic.

The causes of inter-organizational conflict have also been investigated in the general conflict literature. The most commonly cited causes of conflict are: (1) competition for scarce resources; (2) desire for autonomy; (3) goal divergence; and (4) perceptual incongruities (see Fey and Beamish, 2000; Julian, 2005). Many different causes of conflict in IJVs have also been suggested in the IJV-specific literature. For example, the need for scarce resources possessed by parent A has been shown to make parent B more careful how it acts and thus results in reduced conflict (Hebert, 1994). Further, much IJV literature has discussed the fact

that conflict often results from the IJV's desire to be more autonomous from its parents depending on the need parent firms feel to control the IJV (Gray and Yan, 1997). In addition, problems resulting from differences in parent goals have been frequently discussed in the IJV literature (Beamish, 1988; Julian, 2005). Finally, the fact that perceptual differences often result in conflict has been much discussed in the IJV literature dealing with cultural differences (Lane and Beamish, 1990; Lyles and Salk, 1997). In general, there is a high degree of overlap between the general conflict literature and the IJV-specific conflict literature (Fey and Beamish, 2000).

Perceptual incongruities are an important cause of conflict and often a manifestation of differing organizational climates. Building on this point, when firms have different organizational climates they often have different customs about how communication flows in the organization, the extent to which teams are used, the extent to which formal control is used, the degree the firm is willing to take risks, the level of formality present in an organization, and so forth. These and other differences stemming from differing organizational climates make conflict more likely to emerge in a joint venture where participating firms have different organizational climates (Fey and Beamish, 2000). Further, several authors have suggested that inter-firm diversity can significantly impede firms' ability to work together effectively (e.g., Parkhe, 1991). The more similar parties in a dyad are, the more likely a favourable outcome (Harrigan, 1988). Harrigan (1988) also argued that it is more important that cooperating firms have similar corporate cultures than similar national origins.

The self-governance feature found in inter-firm cooperative agreements like IJVs complicates such relationships since cooperation, whilst desirable, is not automatic. Each party's self-

interest (Williamson, 1985) can lead to individually rational actions that produce a sub-optimal outcome (Parkhe, 1993). The drive of self-interest and the resulting sub-optimal outcomes often results in conflict between the involved parties (Fey and Beamish, 2000).

The Fey and Beamish (2000) study provided evidence for the importance of monitoring and trying to minimize inter-party IJV conflict to ensure superior IJV performance (especially long-term success or IJV survival). In addition, the Fey and Beamish (2000) study indicated that conflict and performance are highly correlated. Given this high correlation it is understandable that, conflict was an important outcome variable of IJV activity to monitor in and of itself. In fact, such a correlation should not be surprising since Beamish (1984) and Schaan (1988) previously observed that lack of conflict was one of the measures of success used by IJVGMs. Further, other IJV scholars (e.g. Hebert, 1994; Lee and Beamish, 1995; Tillman, 1990) have also shown that there is a negative relationship between conflict and IJV performance (Fey and Beamish, 2000).

As was discussed previously, it seems reasonable to argue that a small amount of conflict can benefit IJV performance if properly managed. However, the empirical findings do not support that view. As is evident from the literature (Fey and Beamish, 2000; Hebert, 1994; Lee and Beamish, 1995) performance and conflict appear to have a strictly linear (inversely correlated) relationship. That is, high levels of conflict result in low levels of performance. Therefore, it may be as Pondy (1967: p. 310) concluded, “in general, however, conflict can be expected to be negatively valued.”

As such, the key role of conflict in inter-organizational relations has been widely acknowledged (e.g., Dant and Schul, 1992; Julian, 2005). Issues such as disagreement over obligations to the system, dissatisfaction over the allocation of scarce resources, incompatible goals from the relationship, and ineffective communication between partners can lead to conflict in inter-organizational relationships (Julian, 2005). Inter-organizational conflict is episodic in nature and appears as a state of tension between two or more participants in the relationship. It can be present below the surface in latent forms or it can be present in overt confrontations, that is, in manifest forms (Pondy, 1967). Manifest conflict can range from passive resistance to open, overt confrontations (Habib, 1987; Julian, 2005).

Whilst some researchers have suggested that conflict may actually benefit relationships the empirical findings are weak. While conflict inevitably occurs in any human relationship, the critical issue is its resolution and management. If kept to a functional level, conflict can serve as a problem-solving mechanism (Dant and Schul, 1992), as a spur innovation, and as a mechanism to “*clear the air*” and keep the relationship healthy in general (Cullen, Johnson, and Sakano, 1995).

Unfortunately, managers have rarely been able to capitalize on any positive results of conflict (Cullen, Johnson, and Sakano, 1995). Research indicates, nearly without exception, that conflict has severe negative repercussions in international joint ventures (Cullen, Johnson, and Sakano, 1995). For example, Kaufman and Stern (1988) found that retained hostilities remaining from conflictful episodes inhibited the development of advantageous relational norms between firms. Conflict makes cooperation difficult. Without cooperation, the achievement of goals such as organizational learning and technology transfer would be nearly impossible. Conflict erodes satisfaction because participants in these relationships may be

unable to keep up morale and function effectively on a day-to-day basis in such a dysfunctional situation.

Conflict erodes trust and cooperation in the relationship. Without trust, the potential for opportunism [described by Williamson (1985) as self-interest seeking with guile and by John (1984) as distortion or withholding of information to the advantage of the opportunistic party], shirking of obligations in the relationship, or failure to deliver on promises greatly increases. As conflict escalates and partners' feelings of retained hostility (Kaufman and Stern, 1988) dominate the relationship, opportunistic behaviour becomes standard operating procedure and the likelihood of poor IJV performance is further enhanced. Lane and Beamish (1990) suggest that the problems and failures in IJVs are due to conflict between the partners. Moreover, even with adequate economic performance, empirical evidence suggests that conflict between the partners reduces satisfaction in the inter-organizational relationship (Anderson and Narus, 1984) leading to lower perceived performance by the IJV partners.

Transaction cost theory also suggests that relationships, where conflict is evident between the parties, are economically less efficient (Beamish and Banks, 1987; Julian, 2005). Conflict erodes trust, increases the potential for opportunistic behaviour, and reduces the likelihood of partners dedicating the necessary idiosyncratic assets to the relationship. In addition, conflict management and the need to safeguard assets sap resources that might otherwise make the operation more efficient.

Therefore, greater conflict between the IJV partners creates both social and economic costs for the IJV relationship. These social and economic costs have been identified by previous researchers (Lee and Beamish, 1995) as contributing significantly to poor overall IJV

business performance. As marketing performance makes a significant contribution to overall business performance (Crocombe, 1991) these social and economic costs caused by conflict are also likely to impact IJV marketing performance in a negative manner thereby necessitating further investigation into the relationship between manifest conflict and performance.

METHODOLOGY

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). To ensure valid and reliable measures, questionnaire development followed several steps. First, the relevant literature was reviewed to identify existing measures of the constructs. Second, to ensure content validity, several IJV managing directors reviewed the questionnaire and provided input for revision. Third, the questionnaire and covering letter were translated into Thai and then back translated into English following the procedures outlined by Douglas and Craig (1983). The use of only two languages reduced the potential for errors resulting from multiple translations of the questionnaire. Minimising the diversity of languages also helped insure construct equivalence and data comparability (Johnson *et al.*, 2001). During these stages, the potential influence of Thai cultural tendencies on questionnaire responses was addressed. Fourth, the Thai and English versions of the questionnaire were pre-tested by personal interviews with the Managing Directors of 10 IJVs located in Thailand. In the pre-test, the measures performed consistently suggesting only

minor refinement for the final version of the questionnaire. A major emphasis in all steps was on ensuring that the constructs being investigated were culturally equivalent and not bound to any particular culture (Johnson *et al.*, 2001).

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 organisation'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 causes of IJV partner conflict that appeared to dominate the literature. These statements measuring IJV partner conflict

tapped the extent of manifest conflict between the IJV partners was evident and were adapted from Habib (1987). They assessed the conflict between the partners over the roles and functions performed by each of the partners, such as the staffing policies for the IJV, and the terms and conditions of the IJV contract.

IJV marketing performance was assessed using a composite measure of 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 1,047 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 including agriculture, mining, light industries, metal-working, electronics, chemicals and services. After a follow-up with a second round mailing 203 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 203 Thai-Foreign IJVs and the target population of 1,047 Thai-Foreign IJVs based on the classification criterion of equity participation of the principal foreign partner. With the exception of the equity participation grouping of "*between 50% and 59%*" 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 country of origin of the principal foreign partner, equity percentage of the principal foreign partner, IJV formation by year, nationality of the respondent, and their industry classification. As far as the country of origin of the principal foreign partner (see Table 1) was concerned, knowledge of the country of origin of the principal foreign partner helps understand the nature and

structure of IJV formation. In this sample of 203 Thai IJVs, by far the three largest contributors of IJV formation were Japan (providing the principal foreign partner in 49.6 percent of cases), Western Europe (providing the principal foreign partner in 19.9 percent of cases), and the Newly Industrialised Economy (NIE) of Taiwan (providing the principal foreign partner in 12 percent of cases). Between them Japan, Western Europe and Taiwan provided the principal foreign partner in 80.6 percent of cases for this study. This is an important contribution, especially in the case of Japan, which provided almost half of the principal foreign IJV partners for this study.

Knowledge of equity participation by foreign corporations in IJV relationships helps to understand the IJV climate and structure (see Table 1). As with previous studies (Makino and Beamish, 1998), this sample of 203 Thai-Foreign IJVs revealed a similar trend with 64.0 percent of the sample showing the principal foreign partner as having equity participation of 49 percent or less. This continuing trend of minority equity participation by the principal foreign partner demonstrates that it is likely to be commonplace for the principal foreign partner to have minority equity participation in IJVs in Thailand and other South East Asian nations. This is in part due to the Alien Business Law (1972) that restricted majority equity participation by foreign firms in certain industries and is an important finding as it may influence how IJV marketing performance was perceived, especially by the foreign partner or non-Thai respondents.

As far as IJV formation by year was concerned, from Table 1 it was possible to identify two periods during which IJV formation exhibited distinctly different trends: (1) Between 1960 and 1985 out of a sample of 203 companies IJV formation was relatively low with only 24.8 percent of IJVs in the sample being formed during this period. This represents a very small

percentage of the total. This is especially the case when you consider that this period represents nearly three quarters (71 percent) of the total period (25 years) being examined; (2) Between 1986 and 1995 the growth rate of IJV formation in Thailand showed outstanding growth growing threefold over the previous 25 year period. During this 10-year period 75.2 percent of all IJVs in the sample were formed. This is quite a remarkable achievement considering there was a slowing in economic growth during this period.

As far as the nationality of the respondent was concerned, it was evident that the principal respondents in this research were Thai nationals. 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.

There was a relatively even spread of IJV activity across four industry groupings, namely, 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 is very small considering the nature of these industries.

Table 1

Country of Origin of Principal Foreign Partner								
ID	Europe	North America	Japan	Taiwan	Korea	ASEAN	Hong Kong	Total
Freq (%)	19.9	6.4	49.6	12.0	5.0	5.7	1.4	100

Equity Percentage of Principal Foreign Partner							
Equity (%)	21-29	30-39	40-49	50-59	60-69	70-80	Total
Freq (%)	19.4	9.3	35.3	13.0	5.0	18.0	100

IJV Formation By Year						
Year	1960-1970	1971-1980	1981-1985	1986-1990	1991-1995	Total
Freq (%)	5.4	8.7	10.7	53.7	21.5	100

Nationality of the Respondent									
ID	Europe	Nth America	India	Japan	Taiwan	Korea	Thai	China	Total
Freq (%)	10.1	4.7	0.7	8.1	3.4	0.7	70.3	2.0	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

The data were initially analysed using principal components analysis to assess the psychometric properties of the instrument assessing the causes of manifest conflict identified as the roles and functions performed by each of the partners, such as the staffing policies for the IJV, and the terms and conditions of the IJV contract. 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 IJV partner conflict scale was reviewed using factor analysis to establish that it was unidimensional. The final reliability for the scale was .87 suggesting strong reliability. As such, the measure was judged adequate to examine the relationship between manifest conflict and IJV marketing performance.

Table 2 - Summary of Principle Components Analysis

Factor Name	Dominant Statements	Factor Loadings
Conflict	There were serious disagreements between the partners regarding interpreting the terms of your IJV contract.	0.88
	There were serious disagreements over a partner's attempt to make changes in the terms of your IJV contract.	0.86
	There were serious disagreements between the partners over the hiring policies for your IJV.	0.78
	There were serious disagreements regarding the roles and functions to be performed by each partner in your IJV.	0.75
	At least one of the parents of your IJV considered the IJV arrangement unfair because of certain contractual provisions.	0.73

Table 3 – Principle Components Analysis - Final Statistics

Factor Name	Cronbach's Alpha	Eigenvalue	Percent of Variance
Conflict	0.87	4.55179	14.2

The results of the principle components analysis are summarized in Table 2 and Table 3. Mean factor scores were then obtained for the manifest conflict construct. The mean factor score for the factor of manifest conflict was 5.451 with a standard deviation of 1.435 indicating that respondents often agreed with statements identifying that different types of conflict were prevalent in the Thai IJVs being studied. That is, respondents often agreed with statements that there were disagreements between the partners regarding interpreting the terms of the IJV contract, over a partner's attempt to make changes to the IJV contract, over the IJV's hiring policies, regarding the roles and functions to be performed by each partner and at least one partner considered the IJV arrangement unfair because of certain contractual provisions.

Further analysis was undertaken to see if there was a significant relationship between the construct of manifest conflict and different levels of IJV marketing performance. Therefore, a discriminant analysis was conducted on the construct of manifest conflict and IJV marketing performance with IJV marketing performance being categorized into low and high performers.

The objective of discriminant analysis was to statistically distinguish between the two groups. These groups were defined by the particular research situation. In this study on IJV marketing performance in Thailand the interest was to classify the IJVs into low and high marketing performers to see if the discriminating variables would distinguish between the groups. Group 1 consisted of all those IJVs that were classified as low marketing performers (i.e. those IJVs that had a marketing performance score of 400 or less using the composite measure of IJV marketing performance). Group 2 consisted of all those IJVs that were

classified as high marketing performers (i.e. those IJVs that had a marketing performance score of 401 or greater using the composite measure of IJV marketing performance).

Table 4 contains a summary of the results of the discriminant analysis that related group membership to the manifest conflict construct. The univariate ANOVAs indicate whether there is a statistically significant difference among the dependent variable means for each independent variable. From Table 4 it is quite apparent that when conducting a discriminant analysis, manifest conflict was a significant predictor of group membership when the groups were classified as low and high marketing performers.

Table 4 - Summary of Univariate ANOVAs for the Discriminant Analysis

Variable	Wilk's Lambda	F	Significance
Conflict	.93256	9.4010	.0026

Using the discriminant function, Table 5 provides an indication of the success rate for predictions of membership of the grouping variable's categories using the discriminant functions developed in the analysis and that the overall success rate was 74.24 percent. From Table 5 it is also clear that the high marketing performers are the most accurately classified, with 75.0 percent of the cases correct. Low marketing performers are the least accurately classified with 73.9 percent of the cases correct. Notice that 26.1 percent of the incorrectly classified high marketing performers should be re-classified as low marketing performers and that 25.0 percent of the incorrectly classified low marketing performers should be re-classified as high marketing performers.

Table 5 - Classification of Results using the Discriminant Function

Actual Membership	Group	Predicted	Group Membership
		Group 1 (Low Marketing Performers)	Group 2 (High Marketing Performers)
Group 1 (Low Marketing Performers)		73.9%	26.1%
Group 2 (High Marketing Performers)		25.0%	75.0%

Percent of “grouped” cases correctly classified: 72.24%

DISCUSSION

As is evident from the exploratory factor analysis and the discriminant analysis that were conducted manifest conflict between the IJV partners was a significant predictor of high and low IJV marketing performance (see discriminant analysis). That is, conflict between the partners over such issues as disagreements between the partners over the terms of the IJV contract, over a partner’s attempt to make changes to the IJV contract, over the IJV’s hiring policies, over the roles and functions to be performed by each partner and when at least one partner considered the IJV arrangement unfair will determine whether the Thai IJV’s marketing performance is low or high.

For example, the local partner or the host government may find royalties on licensing agreements excessive, when the foreign corporation contributes no new technology. Management fees may be considered unjustified, if local managers are not trained to take over managerial positions in the process. Particularly troublesome are allocations of a share of headquarters administrative costs by a foreign corporation to a JV affiliate. The local partner in a JV may want to revise licensing agreements, management contracts, and other

supplementary agreements, when they perceive that foreign corporations are not providing the technological, managerial, technical, and training inputs to justify the continued payments of royalties, management and technical fees, and other charges. As a result, serious conflicts between the foreign and local partners can erupt, which can lead to impasses and failures of IJVs (see Julian, 2005).

The roles and functions to be performed by each partner are also likely to be important determinants of IJV marketing performance success. Harrigan (1988) argued that ventures are more likely to succeed when partners possess complementary missions, resource capabilities, managerial capabilities, and other attributes that create a strategic fit in which the bargaining power of the venture's sponsors is evenly matched.

Another related area of difficulty for the IJV and its participants involves the differences between the partners over marketing-related issues. A JV between a marketing-oriented foreign corporation and a local firm can fail because of major differences between the parties about marketing policies and procedures. Many highly marketing oriented foreign corporations try to avoid IJVs, but when they do enter into them because of the requirements of host governments, strive to adopt their own marketing systems, based upon product differentiation, aggressive promotion and advertising, selling, and emphasis upon trademarks and brand names (Cavusgil and Zou, 1994). Some foreign corporations work for standardisation of their marketing mixes globally, but they do adapt some aspects of marketing to the national environment and institutional setting (Cavusgil and Zou, 1994). They consider control of the key elements in the marketing mix in a JV crucial in their type of business. Having a dissimilar experience in their own country, the local partner may strive to adopt different marketing programs and procedures, with less emphasis on product

differentiation, promotion, aggressive selling, and trademarks. The foreign corporation and the national partner may also differ on pricing practices, market segmentation, introduction of new products, and marketing expenditures. As a result, the partners may encounter serious conflicts in marketing management which result in stalemates in decision making and, ultimately, failure of the IJV (Blodgett, 1991; Dymsha, 1988).

Also, objectives of both partners in terms of marketing and technical development efforts may change unnoticeably over time, no matter how formalised the proposed policy for the JV is (Julian, 2005). The supposed risks of a JV go together with a tempered publicity: partners are reticent, JVs are often not registered, and the annual reports may quote their proceeds as “*other income*” (Anderson, 1990; Geringer and Hebert, 1991). This can contribute to a somewhat volatile relationship and the eventual failure of the IJV.

Therefore, if conflicts between the partners of the type previously mentioned are prevalent within the IJV these conflicts increase the likelihood of low IJV marketing performance occurring. As such, to a large extent the findings of this study with regard to the empirical relationship between manifest conflict and IJV marketing performance confirms previous study findings conducted in a developed country context that manifest conflict is a significant antecedent of IJV performance.

It is important for the management of any company to be aware of the possibility of these types of conflicts existing between the IJV partners when contemplating an IJV of any magnitude in a developing country of South East Asia. This study clearly indicated that it was important for the managers of IJVs to minimize their inter-organizational conflicts in order to improve the IJV’s marketing performance. Companies intending to enter into an IJV

arrangement with another company should be proactive enough by taking time to get to know their IJV partner in order to avoid any unnecessary misunderstandings and potential conflicts concerning the IJV contract and the roles and functions each partner is expected to fulfil for the successful marketing performance of IJVs in Thailand and South East Asia.

STUDY LIMITATIONS AND CONCLUSIONS

Whilst this study has shed some light on the relationship between manifest conflict 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 antecedents of 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 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, especially the industries of agriculture, metal working, chemical and electrical industries. 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 and should be conducted in a different developing country of South East Asia to see if the results are generalizable across countries.

REFERENCES

- Anderson, E. (1990), 'Two firms, one frontier: On assessing joint venture performance'. *Sloan Management Review*, Winter, p.19-30.
- Anderson, E. and Narus, J. (1984), 'A model of the distributors' perspective of distributor-manufacturer relationships'. *Journal of Marketing*, vol. 48, fall, p.62-74.
- Armstrong, J.S. and Overton, T.S. (1977), 'Estimating non-response bias in mail surveys'. *Journal of Marketing Research*, vol. 14, August, p. 396-402.
- Asian Development Bank (2006), 'Key Indicators 2006', www.adb.org/statistics
- Beamish, P.W. (1984), Joint venture performance in developing countries'. Unpublished PhD Dissertation, University of Western Ontario, Ontario, Canada.
- Beamish, P.W. (1988), *Multinational joint ventures in developing countries*, Routledge, New York.
- Beamish, P.W. and Banks, J.C. (1987), 'Equity joint ventures and the theory of the multinational enterprise'. *Journal of International Business Studies*, vol. 18, summer, p.1-16.
- Blodgett, L. L. (1991), 'Toward a resource-based theory of bargaining power in international joint ventures'. *Journal of Global Marketing*, vol. 5, 1/2, p.35-54.
- Brown, J.R. and Day, R.L. (1981), 'Measures of manifest conflict in distribution channels'. *Journal of Marketing Research*, vol. 18, p.263-274.

- Cavusgil, S.T. and Zou, S. (1994), 'Marketing strategy-performance relationship: An investigation of the empirical link in export market ventures'. *Journal of Marketing*, vol. 58, no. 1, p. 1-21.
- Cosier, R. and Dalton, D. (1990), 'Positive effects of conflict: A field assessment'. *International Journal of Conflict Management*, January, p.81-92.
- Crocombe, G. (1991), *Upgrading New Zealand's competitive advantage*, Oxford University Press, New Zealand.
- Cullen, J.B., Johnson, J.L. and Sakano, T. (1995), 'Japanese and local partner commitment to IJVs: Psychological consequences of outcomes and investments in the IJV relationship'. *Journal of International Business Studies*, vol. 26, no. 1, p.91-115.
- Dant, R.P. and Schul, P. (1992), 'Conflict resolution processes in contractual channels of distribution'. *Journal of Marketing*, vol. 56, January, p.38-54.
- Dhanarj, D, & Beamish, P. W. (2004), 'Effect of equity ownership on the survival of international joint ventures'. *Strategic Management Journal*, vol. 25, 295-305.
- Ding, D. Z. (1997), 'Control, conflict and performance: A study of U.S. – Chinese joint ventures'. *Journal of International Marketing*, vol. 5, no. 3, 31-45.
- Douglas, S.F. and Craig, C.S. (1983), *International Marketing Research*, Prentice-Hall, New Jersey.
- Dymsza, W. A. (1988), 'Successes and failures of joint ventures in developing countries: Lessons from experience', In F.J.Contractor and P. Lorange (eds.) *Cooperative Strategies in International Business*, Lexington, Massachusetts: Lexington Books, pp 403-424.
- Economist Intelligence Unit (1994), *Country Report*, Economist Intelligence Unit.
- Far Eastern Economic Review (1995), 'Economic Monitor: Thailand', 17 August 1995.
- Fey, C.F. and Beamish, P.W. (2000), 'Joint venture conflict: The case of Russian joint ventures'. *International Business Review*, vol. 9, p.139-162.

- Geringer, J. M. and Hebert, L. (1991), 'Measuring performance of international joint ventures'. *Journal of International Business Studies*, vol. 22, no. 2, p.249-263.
- Gray, B. and Yan, A. (1997), 'Formation and evolution of international joint ventures: Examples from US-Chinese partnerships', In P.W. Beamish and J.P. Killing (eds.) *Cooperative Strategies: Asian Pacific Perspectives*, San Francisco, CA: The New Lexington Press, pp. 57-88.
- Groves, R.M. (1990), *Survey errors and survey costs*, John P. Wiley and Sons, New York.
- Habib, G.M. (1987), 'Measures of manifest conflict in international joint ventures'. *Academy of Management Journal*, vol. 30, no. 4, p.808-816.
- Harrigan, K.R. (1985), *Strategies for Joint Ventures*. Lexington, Maryland, Lexington Books.
- Harrigan, K.R. (1988), 'Strategic alliances and partner asymmetries'. *Management International Review*, Special Issue, p.53-72.
- Hebert, L. (1994), 'Division of control, relationship dynamics, and joint venture performance'. Unpublished PhD Dissertation, University of Western Ontario, Canada.
- Hogarth, R.M. and Makridakis, S. (1981), 'Forecasting and planning: An evaluation'. *Journal of Marketing*, vol. 49, Fall, p.11-12.
- John, G. (1984), 'An empirical investigation of some antecedents of opportunism in a marketing channel'. *Journal of Marketing Research*, vol. 21, August, p.278-289.
- Johnson, J.L., Cullen, J.B., Sakano, T. and Bronson, J.W. (2001), 'Drivers and outcomes of parent company intervention in IJV management: A cross-cultural comparison'. *Journal of Business Research*, vol. 52, p.35-49.
- Julian, C.C. (2003), 'Export Marketing Performance a Study of Thailand Firms'. *Journal of Small Business Management*, vol. 41, no. 2, p. 213-221.

Julian, C.C. (2005), *International joint venture performance in South East Asia*, Edward Elgar, Cheltenham.

Julian, C.C. and O’Cass, A. (2002), ‘Examining the internal-external determinants of international joint venture (IJV) marketing performance in Thailand’. *Australasian Marketing Journal*, vol. 10, no. 2, p.55-71.

Kaufmann, P.J. and Stern, L.W. (1988), ‘Relational exchange norms, perceptions of unfairness and retained hostility in commercial litigation’. *Journal of Conflict Resolution*, vol. 32, September, p.534-552.

Kaynak, E. and Kuan, W. (1993), ‘Environment, strategy, structure and performance in the context of export activity: An empirical study of Taiwanese manufacturing firms’. *Journal of Business Research*, vol. 27, p.33-49.

Killing, J.P. (1983), *Strategies for joint venture success*, Praeger Publishers, New York.

Lane, H. and Beamish, P.W. (1990), ‘Cross-cultural co-operative behaviour in joint ventures in LDCs’. *Management International Review*, special issue, p.87-102.

Lee, C. and Beamish, P.W. (1995), ‘The characteristics and performance of Korean joint ventures in LDCs’. *Journal of International Business Studies*, vol. 26, no. 3, p.637-654.

Li, T., and Calantone, R. (1998), ‘The impact of market knowledge competence on new product advantage: Conceptualization and empirical evidence.’ *Journal of Marketing*, vol. 62, October, p.13-29.

Li, E. and Ogunmokun, G. (2000), ‘The effect of flexibility on export venture performance’. *Journal of Global Marketing*, vol. 14, no. 3, p.99-126.

Lu, V. N. and Julian, C.C. (2007), ‘The Internet and export marketing performance: The empirical link in export market ventures’. *Asia Pacific Journal of Marketing and Logistics*, vol. 19, no. 2, p.127-144.

- Lyles, M. and Salk, J. (1997), 'Knowledge acquisition from foreign parents in international joint ventures: An empirical examination in the Hungarian context', in P.W. Beamish and J.P. Killing (eds.) *Cooperative Strategies: European Perspectives*, San Francisco: CA: The New Lexington Press, pp. 325-355.
- Makino, S. and Beamish, P.W. (1998), 'Performance and survival of joint ventures with non-conventional ownership structures'. *Journal of International Business Studies*, vol.29, no. 4, pp.797-818.
- McDougall, P.P., Covin, J.G., Robinson, R.B. and Herron, L. (1994), 'The effects of industry growth and strategic breadth on new venture performance and strategy content'. *Strategic Management Journal*, vol. 15, p.537-554.
- Mintu-Wimsatt, A. and Calantone, R. (2000), 'Crossing the border: Testing a negotiation model among Canadian exporters'. *Journal of Business & Industrial Marketing*, vol. 15, no. 5, p.340-353.
- Parkhe, A. (1991), 'Interfirm diversity, organizational learning, and longevity in global strategic alliances'. *Journal of International Business Studies*, vol. 22, no. 4, p.579-601.
- Parkhe, A. (1993), Strategic alliance structuring: A game theoretic and transaction cost examination of interfirm cooperation'. *Academy of Management Journal*, vol. 38, no. 4, p.794-829.
- Pondy, L.R. (1967), 'Organizational conflict: Concepts and models'. *Administrative Science Quarterly*, vol. 12, p.296-320.
- Schaan, J-L. (1988), 'How to control a joint venture even as a minority partner'? *Journal of General Management*, vol. 14, no. 1, p.4-16.
- Schmidt, S.M. and Kochan, T.A. (1972), 'Conflict toward conceptual clarity'. *Administrative Science Quarterly*, vol. 19, p.359-370.

Snow C.C. and Hrebnick L.G. (1980), 'Strategy, distinctive competence and organizational performance.' *Administrative Science Quarterly*, vol. 25, no. 2, p.317-336.

Tillman, A. (1990), 'The influence of control and conflict on performance of Japanese-Thai joint ventures'. Unpublished PhD Dissertation, Nova University, CA.

Williamson, O.E. (1985), *The economic institutions of capitalism*, Free Press, New York.

Zahra S.A. and Covin J.G. (1993), 'Business strategy, technology policy and firm performance.' *Strategic Management Journal*, vol. 14, September, p.451-478.

Zou, S., Taylor, C.R. and Osland, G.E. (1998), 'The EXPERF Scale: A cross-national generalized export performance measure'. *Journal of International Marketing*, vol. 6, no. 3, p.37-58.