International joint venture (IJV) marketing performance: alternative approaches to performance measurement

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Abstract

This paper assesses IJV marketing performance in the Republic of Thailand, as opposed to general business performance. Furthermore, the paper develops an objective measure to assess IJV marketing performance and compares two different types of measures for measuring IJV marketing performance, a subjective measure and an objective measure, and finds both measures to be significantly correlated. The objective measure of IJV marketing performance is a composite measure that includes strategic objectives for establishing an IJV. The objective measure assesses the respondents’ satisfaction with the achievement of the strategic objectives and the subjective measure is a perceptual measure. The data for this study is from a sample of 161 IJVs located in the Republic of Thailand with the sample coming from a wide cross-section of industries including agriculture, mining, light, metal-working, electronics, chemical and the services industries.

Introduction

Most JVs should not be evaluated using the standard operating procedures that corporate headquarters uses to evaluate wholly owned divisions with conventional business objectives. One important reason is that the interests of the JV and the parents are often in conflict (Robson et al., 2002). For example, a venture may enjoy excellent market acceptance and provide a high return on investment, which is good
performance from one parent’s viewpoint. Yet another of the parents may be unhappy because the venture refuses to use one of its divisions as a supplier (Julian, 2005). From one parent’s perspective, then, the JV is performing poorly. Indeed, the same venture may be rated very differently depending on the viewpoint adopted. Parents that evaluate performance strictly in accordance with their own interests, as they do with subsidiaries, risk alienating their partners (Anderson, 1990). Performance evaluation, therefore, requires incorporating multiple viewpoints, if only to forecast the partners’ reactions and future behaviour (Beamish, 1993).

JVs are different from wholly owned divisions in another important way: their organisational politics are much more complicated. Because JVs have multiple parents, they may be viewed as “outsiders” by parent personnel, who question their commitment to the corporation. Thus, JVs are more likely to become scapegoats and “political footballs,” especially when the parent itself has performance problems. Divisions of the parent may find it easy to blame the JV for their own shortcomings. Hence, JVs are particularly vulnerable players in the game of corporate politics (Anderson, 1990; Geringer and Hebert, 1991; Julian, 2005).

Why not use profitability indicators as a method of evaluating JV performance? Profitability is an excellent index of performance. What makes JVs so different? The answer lies in the JV’s setting. While they may be used for many purposes, JVs are especially popular in risky, uncertain situations, for it is there that firms are most likely to concede some control if that will spread risk and expand expertise (Robson et al., 2002). But when risk and uncertainty are high, profitability by itself is a poor measure of the JV’s value. For start-up, in high-risk businesses, profits, if any, are in
the future, and high costs are in the present (Anderson, 1990; Cullen et al., 1995; Julian, 2005).

Furthermore, many JVs operate in settings where current financial results are bound to suggest poor performance. Yet the venture may be making satisfactory progress to longer-term goals, or meeting current goals that are not financial in nature. Standard operating procedure, then, will misstate the venture’s performance (see Robson et al., 2002). When then are financial criteria appropriate and what other measures should be used when evaluating JV performance? That is the primary objective of this paper. To develop a composite measure, as an objective measure for measuring IJV marketing performance, which includes both economic and strategic objectives for establishing an IJV, and then comparing the outcomes using the composite measure with a perceptual measure of IJV marketing performance to determine the composite measure’s suitability as a measure of IJV marketing performance. The economic and strategic objectives included in the composite measure are as follows: profitability, return on investment, market share, sales, cost effectiveness, product/service quality, technological superiority, price competitiveness, customer satisfaction, risk reduction, access to a high growth domestic market, low cost raw materials and labour force, economies of scale, erecting barriers to entry and organisational learning (see Julian, 2005; Robson et al., 2002).

**Literature Review**

Several researchers have noted the problems in evaluating the performance of IJVs (Anderson, 1990; Beamish and Delios, 1997; Geringer and Hebert, 1991; Julian,
1998) with a number of researchers arguing that the package approach is the correct way to evaluate a business, even though it is cumbersome and difficult (Julian, 1998; Venkatraman and Ramanujam, 1986). An obviously intuitive approach is the “financials.” However, as Geringer and Hebert (1991) point out, the numbers are often included in and confounded with parent company performance reports, or not reported at all. Furthermore, even if available, financial data may not be appropriate or even interpretable, therefore, invalidating the use of financial performance indicators as a sole measure of performance (Robson et al., 2002). Empirical support is provided by a study that finds that traditional accounting figures, including profitability measures, are statistically not enough to distinguish excellent firms from ordinary firms (Chakravarthy, 1986).

Excellent firms are also distinguished by their operating characteristics and methods, suggesting the need to view performance as a combination of many factors. In support of this position, a conference board survey of top executives found strong sentiment that financial measures assess only one facet of performance and that a number of other factors, many of them qualitative, must also be considered (Anderson, 1990; Berdrow and Beamish, 1999; Das and Teng, 2000; Geringer and Hebert, 1991; Julian, 1998; Mjøen and Tallman, 1997; Yan and Zeng, 1999).

Several studies have measured partner satisfaction with the IJV as opposed to direct financial performance (e.g., Johnson et al, 1993). The Johnson et al. (1993) study was broad based and included financial performance given that it is “highly unlikely that a manager would feel satisfied in an IJV relationship that does not maintain at least some minimum level of economic performance” (Johnson et al., 1993: 33). The
Johnson *et al.* (1993) study encompassed such IJV goals as technology transfer, access to markets, sharing of risks and equitable division of rewards (Barringer and Harrison, 2000; Blodgett, 1991; Kumar and Seth, 1998; Robson *et al.*, 2002). Their satisfaction measure focused on the broad based evaluation of the IJV and the IJV relationship rather than performance.

Ding (1997), Griffith *et al.* (2001) and Lee and Beamish (1995) also used a perceptual measure of a parent’s satisfaction with an IJV’s performance (e.g., “To what extent has the IJV met the expectations of your firm?”). The main advantage of this type of measure is its ability to provide this type of information regarding the extent to which the IJV has achieved its overall objectives. Additionally, these three authors, as well as Julian (1998; 2005), utilised subjective performance measures for a number of individual dimensions of the IJV. Nevertheless, these types of measures remain subjective and are thus exposed to serious limitations and biases. Many research methods, such as those based on archival or other secondary data sources, do not generally permit collection of these types of data, instead requiring the use of objective performance measures. Furthermore, the consistency between subjective and objective measures of IJV performance is relatively unknown and, while often assumed, has not been formally tested. However, Dess and Robinson’s (1984) finding that subjective and objective measures were correlated for traditional organisational forms suggests that this relationship may be found for IJVs as well. Geringer and Hebert (1991) provided empirical support for the Dess and Robinson (1984) finding that subjective and objective measures of organisational performance were significantly correlated for the IJV organisation form.
Support for the package approach in evaluating an IJV’s performance is also provided by Venkatraman and Ramanujam (1986), who argue that business performance, is a subset of the overall concept of organisational effectiveness. According to Venkatraman and Ramanujam (1986), the narrowest conception of business performance centres on the use of simple outcome-based financial indicators that are assumed to reflect the fulfilment of the economic goals of the firm. Venkatraman and Ramanujam (1986) refer to this concept as financial performance, which has been the dominant model in empirical research (Hofer, 1983). Typical of this approach would be to examine such indicators as sales growth, profitability (reflected by such ratios as ROI, return on sales, return on equity and return on assets) and earnings per share (Hofer, 1983; Koh and Venkatraman, 1991; Luo and Chen, 1997).

A broader conceptualisation of business performance would include emphasis on indicators of operational performance (i.e. non-financial) in addition to indicators of financial performance. According to Venkatraman and Ramanujam (1986), under this framework, it would be logical to treat such measures as market share, new product introduction, product quality, marketing effectiveness, manufacturing value-added, and other measures of technological efficiency within the domain of business performance as performance measures. Other objective measures of IJV performance would typically include duration of the IJV, instability, ownership, and re-negotiation of the JV contract (Anderson, 1990; Kumar and Seth, 1998; Lee and Beamish, 1995; Luo, 1999; Olk, 1997; Yan and Zeng, 1999).

Financial indicators may also not identify the extent to which the IJV has achieved its objectives (Anderson, 1990). IJVs may be formed for a variety of objectives e.g.,
technology transfer, joint research, materials access, reduction of risk, new markets or economies of scale (Barringer and Harrison, 2000; Blodgett, 1991; Kumar and Seth, 1998; Makino and Delios, 1996; Robson et al., 2002). Many IJVs also operate in contexts where measures of short-term financial performance might suggest the venture is performing poorly. For example, IJVs formed to develop radical new technologies or new markets are not likely to generate a financial profit for many years, if at all. In such situations, a financial or objective measure is unlikely to accurately capture an IJV’s relative performance versus objectives. As Anderson (1990) noted, financial measures evaluate only one dimension of performance.

Other factors including qualitative ones’, must also be examined in order to adequately evaluate IJV performance. Thus, despite poor financial results, liquidation or instability, an IJV may have been meeting or exceeding its parents’ objectives and thus be considered successful by one or all of the parents. Conversely, an IJV may be viewed as unsuccessful despite good financial results or continued stability.

Therefore, in this paper IJV marketing performance is assessed using both financial and strategic indicators as well as a perceptual measure of IJV marketing performance. The strategic indicators used to assess IJV marketing performance include: product/service quality, technological superiority, price competitiveness, customer satisfaction, risk reduction, access to a high growth domestic market, low cost raw materials and labour force, economies of scale, erecting barriers to entry and organisational learning. The financial indicators used to measure IJV marketing performance include profitability, return on investment, market share, sales, and cost effectiveness.
It is evident from even a cursory glance at the IJV literature that the literature on IJVs is already sizeable and steadily growing and there are many studies that study IJV performance from a number of different perspectives (see Robson et al., 2002). However, the IJV literature lacks an empirical study on the measurement of IJV marketing performance as opposed to the measurement of overall business performance. Broadly construed, this study seeks to provide empirical evidence on that issue. More specifically, the basic research problem involves the measurement of IJV marketing performance.

Limited empirical research has been conducted on IJV marketing performance. With the exception of Berg (1991), Blodgett (1991), Ganitsky et al. (1991), Julian (2005) and others, most studies on marketing strategy and performance are 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 consider the issue of IJV marketing performance.

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, with the IJV under review involved in the marketing of specific products/services in Thailand. Second, incorporated in the proposed framework is a theoretical conceptualisation 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 are collected based on responses to a self-administered mail survey from a senior executive within the IJV entity itself.

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. 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, and erecting barriers to entry. The problems associated with using solely financial measures to measure the performance of an IJV have already been noted. 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 considers 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 emphasised by Robson et al. (2002), Millington and Bayliss (1997), Luo and Chen (1997) and Liu and Pak (1999). Increasingly, firms have treated international markets as strategic as well as economic opportunities. Given intense international 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 conceptualisation and measurement of marketing performance and the simplistic nature of research approaches employed in previous studies. Both Madsen (1987) and Aaby and Slater (1989) observe that marketing performance has been conceptualised and operationalised in many different ways by different researchers. They point out that researchers previously have made little effort to identify 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) (see Hu and Chen, 1996; Makino and Delios, 1996). 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 conceptualisation of marketing performance and factors internal and external to the IJV.

The proposed framework incorporates three key features. Firstly, the unit of analysis is the IJV that 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. 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 due to the existing marketing performance literature being 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 (Madsen, 1989); sales growth (Madsen, 1989); market share and profitability (Anderson, 1990); technology transfer (Blodgett, 1991); instability (Yan and Zeng, 1999); organisational learning (Berdrow and Beamish, 1999); and access to markets (Barringer and Harrison, 2000). However, the most frequently used performance measures appear to be economic in nature. As an IJV is a hybrid formed from two separate organisations, which may have completely different marketing objectives for the IJV the intention in this study is to use 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., access to raw materials, economies of scale and erecting barriers to entry). The extent to which the IJV’s strategic and economic objectives were achieved was therefore a measure of its marketing performance.

**Methodology**

The study was based on the development and administration of a self-administered mail survey. The questionnaire was finalised after a pretest by personal interviews in 10 IJVs located in Thailand. The final questionnaire contained a list of statements relating to the factors influencing the marketing performance of IJVs in Thailand and a list of measures of marketing performance. 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 experts 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 ensure 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).

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 organisation’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 organisation.

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, including agriculture, mining, light industries, metal working, electronic, chemical, and services. The list of companies making up the sample was obtained from the Thai Board of Investment. 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). A response rate of 19.38 percent compares favourably with the response rates of McDougall et al. (1994) with 11 percent; Zairi and Sinclair (1995) with 13 percent;
and Koch and McGrath (1996) with 6.5 percent. Similar response rates had also been achieved in the international marketing literature (Kaynak and Kuan, 1993; Li and Ogunmokun, 2000).

Given that an adequate response rate was achieved the next procedure was to check for non-response bias. 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 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.

The responses to the set of statements designed to measure the marketing performance of IJVs in Thailand were scored from 1 to 7 (extremely dissatisfied to extremely satisfied). Using the literature and the pre-tests of the research instrument, objectives for establishing an IJV were preset in the research instrument that corresponded with each of the measures of marketing performance. These objectives were designed to measure economic performance and strategic marketing output 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 extent to which the initial objectives were achieved was computed as the weighted sum of the importance of the initial objectives. The two indicators were summed into a composite scale for measuring the marketing performance of IJVs in Thailand. Economic performance was measured via respondent’s satisfaction with profitability, return on investment, sales, market share and cost effectiveness objectives. Strategic marketing output performance was measured via respondents’ satisfaction with the achievement of strategic objectives such as product/service quality, technological superiority, price competitiveness, gaining access to a high growth domestic market, low cost supply of raw materials and labour force, risk reduction, organisational learning, erecting barriers to entry, economies of scale and customer satisfaction. Respondents also indicated their overall level of satisfaction with the marketing performance of the IJV on a 7-point rating scale (1 = unsuccessful to 7 = successful).

Results

The data were initially analysed using principal components analysis to assess the psychometric properties of the composite measure assessing IJV marketing performance when measured via economic performance and strategic output performance. The primary concern was interpretability of the two different measures contained in the composite measure of IJV marketing performance i.e. the economic measure and the strategic measure. All items loaded appropriately onto the two different measures and no cross loadings above .2 were identified with only factor loadings of above .5 being accepted. Each scale for economic performance and
strategic output performance was reviewed using factor analysis to establish that they were unidimensional. The final reliabilities for both scales were greater than .70 in all cases. As such, both measures used in the composite measure of IJV marketing performance demonstrated high internal consistency and reliability.

The composite measure of IJV marketing performance computed the extent to which each of the economic and strategic objectives were achieved by multiplying the level of satisfaction associated with the achievement of each objective by the points allocated (a constant-sum of 100 points) to the importance of each objective. The level of satisfaction associated with the achievement of each objective (measures of marketing performance) was measured from 1-7 on a seven-point Likert Scale, with 1 being identified as extremely dissatisfied and 7 being identified as extremely satisfied. Thus, the weighted score of marketing performance for an IJV will fall between 100 and 700.

Table 1. - IJV Marketing Performance in Thailand (using the Composite Index of IJV Marketing Performance)

<table>
<thead>
<tr>
<th>Marketing Score</th>
<th>Performance Score</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 - 400</td>
<td>Low Performers</td>
<td>44</td>
<td>27.3</td>
<td>27.3</td>
</tr>
<tr>
<td>401 - 500</td>
<td>Medium Performers</td>
<td>60</td>
<td>37.3</td>
<td>64.6</td>
</tr>
<tr>
<td>501 - 700</td>
<td>High Performers</td>
<td>57</td>
<td>35.4</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>161</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

As the mid-point of the seven-point Likert Scale was identified as being 4 (or 400 using the composite measure), IJVs were classified as being low marketing performers if they had a composite marketing performance score of 400 or below; they were classified as being medium marketing performers if they had a composite
marketing performance score of between 401 and 500; and they were classified as being high marketing performers if they had a composite marketing performance score of above 500.

Marketing performance scores in the composite index ranged from a minimum of 128 to a maximum of 700 with a mean score of 419, a median score of 457, and a standard deviation of 162. This indicates that overall the majority of companies (72.7 percent of companies) were identified as having medium or high marketing performance. It was also evident after analysing Table 1 that the dispersion of marketing performance scores identifying whether the IJV was a low marketing performer, medium marketing performer or high marketing performer were evenly spread across the sample. From Table 1 it is apparent that 27.3 percent of the sample or 44 IJVs were identified as low marketing performers; 37.3 percent of the sample or 60 IJVs were identified as medium marketing performers; and 35.4 percent of the sample or 57 IJVs were identified as high marketing performers. This indicates that the IJVs in this sample were well represented at each level of marketing performance.

A single item measure of IJV marketing performance was also included as a subjective measure to determine the respondent’s overall perception of IJV marketing performance. This was done to make a comparison with the results achieved using the composite measure of IJV marketing performance as the composite measure was a completely new measure of IJV marketing performance never previously tested. Similar results for IJV marketing performance were found using either the single item measure or the composite measure. As the single item measure was a subjective measure and the composite measure was an objective measure this finding supports
Dess and Robinson’s (1984) finding that subjective and objective measures were correlated for traditional organisational forms and it supports Geringer and Hebert’s (1991) finding that subjective and objective measures were correlated for the IJV organisational form. The Correlation Matrix provided in Table 2 indicates strong correlations between the two performance measures of a single-item measure and a composite measure. Furthermore, each of the items that comprised the composite measure of IJV marketing performance, measuring economic performance and strategic output performance, were significantly correlated with the single item measure.

Table 2. Correlations of Export Marketing Performance Measures

<table>
<thead>
<tr>
<th></th>
<th>Composite Measure</th>
<th>Perceptual Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Composite Measure Measure</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Perceptual Measure</td>
<td>.377**</td>
<td>1.000</td>
</tr>
</tbody>
</table>

*Correlation is significant at the 0.01 level (2-tailed)*

The consistency between subjective and objective measures of IJV performance is relatively unknown and requires further empirical testing. Therefore, a further objective of the study was to test the finding that subjective and objective measures of IJV marketing performance were correlated for the IJV organisation form. The findings from this study suggest that subjective and objective measures of IJV marketing performance are correlated (see Table 2). This is further evidenced by the percentage of respondents falling into different categories of marketing performance being almost the same when the respondents were classified using either the single item measure or the composite measure of IJV marketing performance (see Tables 1 and 3).
For the single item measure a seven-point Likert Scale was used and respondents were asked to rate their satisfaction with the marketing performance of their IJV on a scale of 1 to 7 with 1 being unsuccessful and 7 being successful. The results of this measure of IJV marketing performance are reported in Table 3.

<table>
<thead>
<tr>
<th>Marketing Score</th>
<th>Performance</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 4 (Low Performers)</td>
<td>52</td>
<td>32.3</td>
<td>32.3</td>
<td></td>
</tr>
<tr>
<td>5 (Medium Performers)</td>
<td>56</td>
<td>34.8</td>
<td>67.1</td>
<td></td>
</tr>
<tr>
<td>6 - 7 (High Performers)</td>
<td>53</td>
<td>32.9</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
<td></td>
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</tr>
</tbody>
</table>

The single item measure of IJV marketing performance identified the respondent’s overall satisfaction with IJV marketing performance. Again the mid-point of this seven-point Likert Scale was identified as being 4. Therefore, IJVs were classified as being low marketing performers if they had a single item score of 4 or below; they were classified as being medium marketing performers if they had a single item score of above 4 but below 6, i.e. 5; and they were classified as being high marketing performers if they had a single item score of 6 or 7. In this measure of IJV marketing performance the score of 4 was used as a cut-off point to differentiate low marketing performers and medium marketing performers. Respondents who rated their satisfaction with IJV marketing performance as 4 are likely to exhibit a fair degree of uncertainty with their satisfaction to IJV marketing performance indicating a reasonable amount of dissatisfaction with IJV marketing performance and thus low IJV marketing performance.

The results generated using the single item measure of IJV marketing performance was comparable with the results generated using the composite measure of IJV
marketing performance. From Table 3 it is apparent that 32.3 percent of the sample or 52 IJVs could be identified as low marketing performers (a marketing performance score of 4 or less); 34.8 percent of the sample or 56 IJVs could be identified as medium marketing performers (marketing performance score of 5); and 32.9 percent of the sample or 53 IJVs could be identified as high marketing performers (a marketing performance score of 6 or 7).

**Discussion, Implications and Conclusions**

An International Joint Venture (IJV) is an interfirm organisation. It is a separate entity created by two or more other entities (parents or partners) and, essentially, represents a partnership arrangement between parenting firms. The IJV pursues its own goals and objectives but only within the constraints of the goals and strategies of its parents. It is simultaneously under two different management regimes. Composition of ownership, contractual arrangements, composition of the board of directors and senior management, and ongoing contributions of the parents are some of the elements that define the stake of the parents and the web of relationships between the IJV unit and each of its parents. For these reasons the IJV form of organisational structure represents a complex and unstable arrangement (Beamish and Delios, 1997; Yan and Zeng, 1999). It is often difficult to manage, control and integrate with the operations of the parent firms. In a sense, the instability of the arrangements between the parents manifests this complexity. It is often found that IJV failure is costly, frustrating, and disruptive for both the foreign firm and the domestic firm (Julian, 1998; 2005).
Since the 1970s the IJV has become an important mode of overseas market entry and in some countries, in specific industries, it is the only form of market entry available to the foreign firm. In view of the increasing use of the IJV entry mode, on the one hand, and the high failure rate, on the other, and the importance of marketing performance to overall business performance (Crocombe, 1991) the importance of developing a measure to examine IJV marketing performance can hardly be overstated.

As such, this study makes a major contribution to the IJV literature, firstly, by evaluating IJV marketing performance as opposed to general business performance. Secondly, it develops a quantitative measure in which to examine IJV marketing performance. Finally, it evaluates IJV marketing performance in a developing country context, specifically Thailand.

Firstly, this study has evaluated IJV marketing performance in Thailand as opposed to general business performance. There have been many studies conducted on IJV performance, however, nearly without exception all these studies focus on the general business performance of the IJV without looking specifically at the IJV’s marketing performance. Marketing performance is arguably one of the most important components of general business performance to measure as it represents such a large percentage of total business performance (Crocombe, 1991). Previous studies have looked at narrow measures of business performance, principally the financial indicators, termination rates, duration, and instability and have only considered factors or indicators that were likely to influence general business performance not marketing performance e.g., conflict, control, trust, and commitment. This study
attempts to overcome this void in the literature and looks specifically at the marketing performance of IJVs in Thailand.

One of the most important issues identified from the IJV literature is how is the performance of an IJV to be evaluated? At first glance the answer seems quite obvious. Use the financial indicators, after all an IJV is a strategic business unit and should be assessed like any other strategic business unit and the financial indicators are the most appropriate performance indicators to use when evaluating performance. The reason why the financial indicators should not be the sole indicator of performance lies in the setting of the IJV. An IJV is a hybrid with a minimum of two parents and it is likely each parent has different sets of objectives for the IJV and will assess IJV performance or marketing performance based on the achievement of those objectives. The financial indicators may not identify the extent to which the IJV has achieved its objectives as IJVs may be formed for a variety of objectives e.g., technology transfer, reduction of risk, access to low cost raw materials and labour force, economies of scale etc. As a consequence the financial indicators may not give a true indication of how the IJV is actually performing. How should IJV performance or marketing performance be measured? Previous studies have used a variety of different measures to measure IJV performance with the ultimate outcome being a lack of consensus on how an IJV’s performance should be evaluated.

Therefore, this study sought to overcome some of the limitations of previous studies on IJV performance and incorporated a number of different measures of marketing performance into a composite measure of marketing performance that could be used by other researchers. The objective of this measure of marketing performance was to
develop an objective and quantitative measure of marketing performance that incorporated the majority of objectives for IJV formation. Using the literature and the pre-tests of the research instrument, strategic objectives were pre-set 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 composite index was computed as the extent to which the initial objectives were achieved by multiplying the level of satisfaction associated with the achievement of each objective by the points allocated to the importance of the same objective. The combined score for each of the objectives were then added together to give a composite index score for each IJV for measuring IJV marketing performance in Thailand. The results of this measure of marketing performance were encouraging, if not conclusive, the implications being that this measure of IJV marketing performance should be tested again on a larger sample before it is accepted as a reliable measure of IJV marketing performance. However, this study has developed an objective measure of IJV marketing performance that is highly correlated with a subjective measure of marketing performance. Thereby, leading to the conclusion that the objective measure developed for this study could be used by other researchers interested in examining IJV and other market entry mode’s marketing performance (see Julian, 2003).

Finally, this study makes a major contribution to the IJV literature by evaluating IJV marketing performance in Thailand, a developing country of Southeast Asia. In the international business literature there are many studies that look at IJV performance in developing countries (Beamish, 1993; Lee and Beamish, 1995; Yan and Gray, 1994).
There are also a few studies that look at IJV performance in Asia (Lee and Beamish, 1995; Makino and Beamish, 1998). However, with the exception of Makino and Beamish (1998) there have been very few conclusive empirical studies conducted on IJV performance or marketing performance in the ASEAN economic region of the world. Given some of the cultural and religious factors unique to this economic region arguably some of the factors likely to influence IJV marketing performance in Thailand and the composition of firms that are successful and unsuccessful could be unique to this economic region thereby necessitating a measure of IJV performance that incorporates a wide range of different perspectives from different studies conducted in different regions of the world. Therefore, this study makes a major contribution to the IJV literature by specifically studying IJV marketing performance in this economic region and this country.

References


