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(IJV) Marketing Performance in Thailand**

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# **The Impact of Firm and Environmental Characteristics on International Joint Venture (IJV) Marketing Performance in Thailand**

## **EXECUTIVE SUMMARY**

International Joint Ventures (IJVs) have become an important means of market entry for many firms, particularly those seeking entry into Asia (Lin & Germain, 1999). This study examines firm and environmental characteristics that impact the marketing performance (overall satisfaction with and economic) of International Joint Ventures (IJVs) in Thailand. The data for this study were collected via a mail survey of 1,047 Thai-Foreign IJVs in Thailand. The analysis indicated that IJV marketing performance was influenced by market characteristics, commitment, marketing orientation, and organisational control and that these variables differentially impact overall satisfaction with marketing performance and economic performance.

## **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 performance of IJVs in the South East Asian economies, particularly the salient factors influencing the marketing performance of IJVs. 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). The focus on Asia is important as there is considerable impetus by business and governments to develop links with Asian business. As such, the motivation for this study is to identify the significant determinants of IJV marketing performance in a developing country of South East Asia and to see if the determinants of IJV

marketing performance that were identified were consistent with the findings of previous studies conducted in a developed country context. Therefore, the major objective of this study is to identify the key factors influencing the marketing performance of IJVs in Thailand.

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 proposes possible factors influencing the marketing performance of IJVs. Finally, it proceeds to evaluate the relative significance of the proposed factors in determining IJV marketing performance in Thailand. Thailand as a South East Asian Country market is an important country for business development and its role in IJVs because of: (i) strong economic growth, (ii) growth of exports, and (iii) growth in foreign direct investment (FDI) since 1980.

Prior to the economic and political crisis of 1997 Thailand had seen economic growth rates averaging between 8 to 10 percent for the previous ten years and solid foreign investment, especially in the area of IJVs (Economist Intelligence Unit, 1994). In 1994 and 1995 in Thailand, economic growth rates of 8.4 percent and 8.6 percent respectively were achieved (Far Eastern Economic Review, 1995). By 1996 economic growth had slowed to 6.7 percent, however, Thailand could still be classified as a high growth economy at this time and still suitable for foreign direct investment (FDI) of which the IJV is one of the principal forms (Stier and Mills, 1994). After the economic crisis in Thailand in 1997, Thailand experienced a major recession with economic growth rates declining to 0.6 percent and 0.1 percent for 1997 and 1998 respectively (Far Eastern Economic Review, 1998a and b). Since then Thailand has experienced marked improvement in the economy achieving economic growth rates of 4.0 and 6.6 percent for 1999 and 2000 respectively (Far Eastern Economic Review, 2000) indicating the economy had a made significant recovery from the economic crisis of 1997. A similar performance for the Thai economy was predicted for 2001 with economic growth of around 6.1 percent being predicted, indicating consumer confidence and FDI was gradually returning,

especially after Thaksin Shinawatra's electoral win in 2001 which boosted the Thai Stock Exchange by 7 percentage points (Far Eastern Economic Review, 2001a). This has positive consequences for foreign direct investment (FDI) of which the international joint venture is one of the principal forms. The consequence of this positive investment environment and a growing economy (Far Eastern Economic Review, 2001b) is that it will provide an ideal economic climate for the future growth in IJV activity (Economist Intelligence Unit, 1994; Julian and O'Cass, 2002).

As far as export growth is concerned, it is useful to note that the Thai economy has been chiefly export driven, and manufacturing has been mainly in the final process or assembly stage. In the 1980's, the country became a popular "*production platform*" – increasing the amount of imports, using cheap labour, and exporting much of the output (Economist Intelligence Unit, 1994; Far Eastern Economic Review, 1995).

In the 1990's, Thailand entered a new phase; by deepening its industrial roots through domestically producing the parts, components, machinery, and services to fuel the manufacturing engine. Tremendous opportunities were implicit in this process. This occurred as Thailand's domestic market approached 60 million, its per capita income had overtaken \$U.S. 2,000, and the entire region had become recognised as the world's major growth area. Exports climbed, investment rose and international reserves reached a record \$U.S.35 billion at the end of May 1995. Indeed, the biggest problem prior to floating the Baht in 1995 that the economy faced in the short term was that it was growing too fast. This economic expansion was being fuelled by strong domestic demand and surging exports (Stier and Mills, 1994).

The historical growth in Thailand's economy has increased average consumer disposable income and spending power even taking into account its recent economic trouble. Private investment in Thailand rose 11 percent in 1995, after an 8.2 percent gain in 1994. This had the effect of pushing up Thailand's import bill, since most capital goods, such as the

machinery and tools used in factories, were imported, helping to enlarge Thailand's productive capacity, raising export earnings and helping the economy shift from labour-intensive manufacturing to higher value-added products (Far Eastern Economic Review, 1995).

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 (Beamish, 1993). Consequently, understanding the factors that influence the marketing performance of IJVs in Thailand will be critical to the long-term future success of those firms in IJV relationships in Thailand and for those firms contemplating IJV relationships in the future.

## **LITERATURE REVIEW**

Broadly viewed, the IJV phenomenon represents two opposing trends. First, judged by the number of entries, it is becoming increasingly popular as a mode of market entry and expansion. In recent years an increasing number of global corporations have become involved in IJVs at home and overseas. The composition of firms adopting it covers many sectors, industries, and product groups (Anderson, 1990; Blodgett, 1991; Ding, 1997; Gomes-Casseres, 1989; Vanhonacker and Pan, 1997). The second trend, relates to the fragile nature of IJVs, in that the failure rate or instability rate of IJVs is above thirty percent (see Makino and Beamish, 1998), and it is often markedly higher compared to other alternative forms of market entry and operation (Gomes-Casseres, 1989). Gomes-Casseres (1989) offers two explanations for reasons of instability in any JV. First, the partners simply made a mistake: they formed a JV when it may not have been the best thing to do, or they joined up with the wrong partner. Second, their initial decision was right, but conditions changed so that the JV was no longer useful. The significance of a robust growth trend is somewhat overshadowed by the incidence of high failure (Beamish, 1993; Lane and Beamish, 1990) and JV failure is often costly and extremely frustrating for both partners (Cullen, Johnson, and Sakano, 1995; Ding,

1997; Geringer and Hebert, 1991). Therefore, given the increased use of the IJV as a market entry mode and their observed fragile nature, it is important to understand what causes some IJVs to fail and others to succeed. That is, what are the key factors that determine IJV marketing performance, particularly in a South East Asian country context.

It is important in this context to identify that IJVs have been set up for a variety of reasons and as such satisfaction with performance and economic performance is important. There is very little information on how firms monitor and weigh their JV's performance. Whilst many researchers have suggested a variety of ways to measure JV performance (Anderson, 1990; Geringer and Hebert, 1991; Inkpen, 1992; Lee and Beamish, 1995) the most comprehensive data comes from a survey of 1688 Japanese firms engaged in at least one IJV with 5 percent or more equity ownership (Makino and Beamish, 1995). Makino and Beamish (1995) typically tend to evaluate performance using economic performance and termination rates. However, as JVs are very different in structure to most organisations, reverting to the familiar, routine assessment of economic performance and rate of termination may be comfortable, but using such narrow indicators of performance is unlikely to produce accurate assessments of JV performance as some JVs, for example, may be set up for a restricted duration e.g. joint ventures that have been set up to conduct research and development (see Hladik, 1988).

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. 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. 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. Performance evaluation requires incorporating multiple viewpoints, if only to forecast the partners' reactions and future behaviour.

Why not use profitability indicators solely 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. 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; Chua and Kin-Man, 1993; Cullen, Johnson, and Sakano, 1995; Ding, 1997).

Ding (1997), Beamish and Delios (1997) and Lee and Beamish (1995) used a perceptual measure of satisfaction with an IJV's performance. 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. Furthermore, these three authors utilised subjective performance measures for each of a limited 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, Geringer and Hebert's (1991) finding that subjective and objective measures were correlated for the IJV organisation form has led to this study considering both overall performance using the IJV entity's satisfaction with performance and economic performance measured by sales and market share.

This discussion now reviews the literature surrounding some of the key factors influencing IJV performance. The factors influencing IJV performance being reviewed include: market characteristics, conflict, commitment, product characteristics, firm-specific characteristics, marketing orientation and organisational control. As far as market characteristics are concerned, some of the principal market characteristics likely to influence the marketing performance of a venture in a foreign market include:- the policies of host country governments (Beamish, 1988; Blodgett, 1991); technology transfer (Beamish, 1988; Gomes-Casseres, 1989); and, the availability of suitable distribution and communication channels (Jacque, 1986; Makino and Delios, 1996).

Indeed, the influence of host country governments on IJV performance has been the focus of many studies (e.g., Beamish, 1993; Blodgett, 1991; Ganitsky, Rangan, and Watzke, 1991). On the one hand, frequently when a developing country is involved, government pressure may lead a foreign corporation to take on a local partner. The host country government also may exercise influence over the choice of suppliers and over marketing, once the venture is established. Or it may impose exchange controls, which can have an important impact on an IJV's reinvestment, financing, and repatriation decisions. On the other hand, frequently when developed countries are involved, tariffs, quotas, or non-tariff barriers may make it imperative for a foreign firm to rely more on local production than on exporting. In both cases, laws or pressure from the government can play a significant role in the marketing performance of the IJV (Beamish, 1993).

Apart from host country government reasons, the transfer of modern and innovative technology is one of the principal reasons why local firms and foreign partners enter into JV arrangements (Blodgett, 1991). In fact, access to modern and up-to-date technology is widely recognised as the principal reason why local firms in developing countries enter into JV arrangements with foreign corporations from developed countries (Beamish, 1993; Blodgett, 1991; Ding, 1997). Failure to deliver to the IJV the technology initially promised by the foreign

partner(s) when entering into the IJV agreement could cause conflict between the foreign and local partners and this conflict together with the lack of the required technology could have a negative influence on the marketing performance of the IJV (Beamish and Delios, 1997; Ding, 1997). Finally, as far as the availability of certain distribution and communication channels is concerned, the importance of access to suitable distribution channels as a motive for both international and domestic JVs is apparent from even a cursory reading of the literature (Makino and Delios, 1996).

Conflict between joint venture partners is another source of impact on joint venture performance. The presence of frequent and severe conflicts between partners is more likely to give rise to misunderstandings, distrust and anxiety, to reduce the level of cooperation, and to result in less than efficient integration of activities, thereby deteriorating the joint venture performance (Ding, 1997; Lewis, 1990). For example, Lewis (1990) found that the potential for confusion or conflict between joint venture partners increased directly with the degree of cultural distance between the host and home countries. Insensitivity to local partners' cultural expertise could adversely affect a venture's performance (Ding, 1997).

As far as commitment is concerned, one of several constructs found to be relevant to JV performance is commitment. Several researchers (Beamish, 1988; Cullen, Johnson, and Sakano, 1995; Schaan, 1983) have emphasised the role of commitment to JV success. Beamish (1988) found a strong correlation between commitment and performance in JVs, noting that most of the commitment characteristics in the high-performing ventures were related to the Multinational Enterprise's (MNE's) willingness to do something: adapt products; increase employment of nationals, visit and offer assistance, or supply special skills. Lee (1989) also found in his work on JVs from Korea that mutual confidence and close business relationships between local partners and Korean investors significantly influenced the level of satisfaction that Korean management felt about the performance of their ventures. Fey (1996) also noted the importance of long term commitment to IJV success in his study of Russian-

Foreign joint ventures. The Fey (1996) study indicated that it is beneficial to IJV success for both parents to be involved in the JV for the long term. It makes the JV easier to manage if one parent has more involvement than the other, but it is important that all parents make a real long term commitment to the JV. Having parents that are committed to the JV for the long term decreases the risk of shirking and increases the likelihood of mutual forbearance. Therefore, commitment of the IJV partners is a critical factor for IJV success.

As far as product characteristics are concerned, specific product characteristics can have a significant influence on the marketing strategy chosen for a specific venture in an international market (Cavusgil, Zou, and Naidu, 1993). Product attributes can affect the positional competitive advantage (Day and Wensley, 1988), which influences the choice of an offensive or defensive strategy (Cook, 1983). Arguably, the marketing performance of a specific venture in an international market is determined by the relevant marketing strategies and management's capability to implement them (Cooper and Kleinschmidt, 1985). Therefore, specific product characteristics can have a significant influence on the marketing performance of a specific venture in an international market.

As far as firm-specific characteristics are concerned, a firm's capabilities and constraints (strengths & weaknesses) influence their choice of marketing strategy and ability to execute a chosen strategy (Aaker, 1988). The resources of a firm constitute its sources of sustainable competitive advantage (Day and Wensley, 1988) and these resources include size advantages (Reid, 1982), international experience (Douglas and Craig, 1989), extent of international business involvement and available resources (Terpstra, 1987). Possession of such resources enables a firm to identify the idiosyncracies in foreign markets, develop the necessary marketing strategies and implement them effectively, thus achieving higher marketing performance (Cavusgil and Zou, 1994). As a result, firm-specific characteristics are likely to have an impact on IJV marketing performance.

As far as marketing orientation is concerned, the degree of marketing orientation enjoyed by a firm is a proven determinant of business performance success (Ahmed and Krohn, 1994). Marketing orientation being defined as “the degree to which individuals are aware of the needs and wants of one’s customers, and how the firm might best meet those needs and wants” (Ahmed and Krohn, 1994: P.115). Focusing on immediate and long-term consumer commitment is the obvious manifestation of an organisation imbued with marketing orientation. Greater consumer satisfaction, eventual competitive advantage over competitors, and the resultant increase in profits are the likely results of an organisation whose employees have been thoroughly trained in marketing orientation (Ahmed and Krohn, 1994). Therefore, empirical evidence has been provided in the literature that the level of marketing orientation evident in an organisation could have a significant influence on its marketing performance and this is likely to be the case for the IJV organisation structure.

Finally, the effect of organisational control on JV performance has remained one of the controversial factors determining JV performance. While domination of one parent in the overall management of the JV was found most effective in some studies (Phatak and Chowdhury, 1991), shared management control was found effective in other studies (Beamish, 1993). Similarly, greater autonomy of the JV over operating decisions was expected to contribute to better performance (Anderson, 1990) but the empirical findings seem to be tentative. Cooperation seems to be a core condition for success of a cooperative venture (Ding, 1997; Phatak and Chowdhury, 1991). As such, this study also examines the impact of organisational control on IJV marketing performance.

Given the issues raised in the literature relating to IJVs the following research question is offered for testing in relation to IJVs in Thailand:

**RQ: To what extent is IJV marketing performance in Thailand at an economic level (measured by sales/market share) and overall satisfaction with performance influenced by:**

1. Market characteristics.
2. Conflict between the partners.
3. Commitment of the partners.
4. Product characteristics.
5. Firm-specific characteristics.
6. The marketing orientation of senior management.
7. The control one partner has over the other partners in the IJV organisation.

## **RESEARCH DESIGN**

This study is based on the development and administration of a self-administered mail survey in Thailand. The major steps followed included an extensive review of prior literature, to identify potentially important variables likely to influence the performance of IJVs. Following this, from the initial list, those variables that were specifically related to marketing performance were identified, isolated, and items were constructed to tap a list of constructs.

Third, the items were then incorporated into a preliminary questionnaire and pre-tested through a series of personal interviews with the Managing Directors of 10 Foreign-Thai IJVs located in Thailand. Input from the pre-test was used to refine the instrument and to ensure the instrument possessed construct validity (Churchill, 1987). Some refinement was undertaken, however, the changes were only minor and involved improving the wording of some of the questions and in which the sequence of words needed to be changed.

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 1,047 IJVs selected at random from the list of IJVs provided by the Thai Board of Investment (BOI, 1996). The IJVs studied came from a wide cross-section of industries, including agriculture; mining; light industries such as gems, jewellery and textiles; machinery and transport equipment; electrical and electronic industries; chemical industries; 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 compares favourably with the response rates of McDougall, Covin, Robinson and Herron (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).

The following scales were developed to explore those variables that appear to have an influence on IJV marketing performance.

**Market Characteristics:** Statements were included in the questionnaire to measure specific market characteristics. These include the adequacy of the supply of capital resources and raw materials to develop the Thai market effectively drawn from Beamish and Banks (1987). The availability of distribution channels (Jacque, 1986). The knowledge of Thai business practices by at least one of the foreign partners and the transference of much needed new technology drawn from Blodgett (1991). The influence of host country government intervention drawn from Beamish (1988). The influence of industry price competition adapted from Christensen, da Rocha and Gertner (1987).

**Conflict:** Conflict was measured via statements that 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.

**Commitment:** Commitment was measured via items adapted from Lee and Beamish (1995). These items measured the commitment to the IJV by the foreign parent and the IJV partners' capital and resource contributions. They also measured the specific human resource contributions by the IJV partners.

**Product Characteristics:** Statements were included in the questionnaire to measure specific product characteristics and were adapted from Cavusgil and Zou (1994). These included the stage of the product life cycle the products/services are in, the level of product/service adaptation required, consumer familiarity with the IJV's products/services, promotional strategy standardisation and, the culture-specificity of the product/service.

**Firm-Specific Characteristics:** Statements were included in the questionnaire to measure certain firm-specific characteristics. These included the influence the unit value of the IJV's products/services had and the effect of the uniqueness of the IJV's products/services and they were adapted from Cavusgil and Zou (1994). A further statement that identified customer expectations as a measure against which the IJV evaluates its performance was also included and was drawn from Pitt and Jeantrout (1994).

**Marketing Orientation:** Marketing orientation was measured via statements concerning how regularly senior management contacts customers to determine their needs and to better understand their business, how frequently the IJV conducts research among its customers in order to find out what they expect from its products/services and how regularly the IJV

attempts to assess the impact that the prices of its products/services have on customer expectations. These statements were adapted from Pitt and Jeantrout (1994).

**Organisational Control:** Organisational control was measured via statements adapted from Dymsha (1988) tapping the control by one partner over the other partners in the IJV organisation. These statements measured the effect of transferring a large proportion of the IJV's outputs to a parent company and the sourcing of much of the input needs of the IJV from a parent company.

**Marketing Performance of IJVs:** The responses to the statements were scored from 1 to 7, extremely dissatisfied to extremely satisfied for the set of statements designed to identify the economic performance indicators of the marketing performance of IJVs in Thailand; and, for the overall satisfaction measure of the marketing performance of the IJV, from 1 to 7, unsuccessful to successful. The statements tapped satisfaction with the overall marketing performance of the IJV and also economic performance via sales and market share. Firms were classified as high marketing performers both economically and for satisfaction with performance if their mean score for each measure of marketing performance was 5 or greater in the 7-point scales. They were classified as low marketing performers if their mean marketing performance score for each measure of marketing performance was 4 or less in the 7-point scales.

## **RESULTS**

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.

An exploratory factor analysis with varimax rotation was conducted resulting in seven factors being identified, with all items loading onto their appropriate factors as summarised in Table 1. The factors explained 58.0 percent of the variance on firm and environmental characteristics of IJVs in Thailand and factor reliabilities were acceptable. The first four factors were the dominant factors, all with eigenvalues greater than 1.5, and explaining 46.3 percent of the variance and the remaining three factors accounted for 11.7 percent of the variance of firm and environmental characteristics of IJVs in Thailand.

**Table 1 - Exploratory Factor Analysis - Final Statistics**

Construct / Factor	Cronbach's Alpha	Eigenvalue	% of Var
(1) Market Characteristics	0.82	6.13459	19.2
(2) Conflict	0.87	4.55179	14.2
(3) Commitment	0.82	2.48185	7.8
(4) Product Characteristics	0.70	1.61636	5.1
(5) Firm-Specific Characteristics	0.61	1.29254	4.0
(6) Marketing Orientation	0.62	1.24390	3.9
(7) Organisational Control	0.67	1.21944	3.8

The preliminary results indicated that the psychometric properties of the scale were acceptable and as such it was appropriate to examine the research question.

## Results for Research Question

**To what extent is IJV marketing performance in Thailand at an economic level (measured by sales/market share) and overall satisfaction with performance influenced by:**

1. Market characteristics.
2. Conflict between the partners.
3. Commitment of the partners.
4. Product characteristics.
5. Firm-specific characteristics.
6. The marketing orientation of senior management.
7. The control one partner has over the other partners in the IJV organisation.

To explore the influence of specific firm and environmental characteristics on IJV marketing performance, we used 2-group discriminant analysis in order to determine which variables (firm and environmental characteristics) best distinguished between firms with high- versus low- marketing performance in Thailand. All variables were entered simultaneously in the discriminant analysis so as to determine which variables were the best discriminators, after controlling for all other variables (Jackson 1983). Firm and environmental characteristics were each measured on composite scales created by summing the items, respectively. In all analyses, the two groups were identified by splitting the groups at the median score for overall satisfaction with the success of IJV marketing performance and economic performance respectively.

In the first set of discriminant analyses, we examined overall satisfaction with marketing performance perceptions. However, in order to reveal any potential differences, additional analyses were performed using the economic performance indicator separately. In both analyses, the discriminant functions were significant (Chi Square [overall satisfaction with marketing performance] = 20.97,  $df = 7$ ;  $p = .005$ ; Chi square [economic performance] = 13.50;  $df = 7$ ;  $p < .06$ ). Table 2 gives the correlations between each discriminating variable and its respective discriminant function (either satisfaction with overall marketing performance or economic performance). For satisfaction with overall marketing performance the strongest

predictors were market characteristics, conflict, commitment, marketing orientation and organisational control. For economic performance, measured by sales and market share, market characteristics, commitment and marketing orientation were the strongest predictors. Organisational control was only moderately significant for economic performance.

**Table 2 Discriminant Analyses—Structure Matrix**  
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**Table 2 Discriminant Analyses—Structure Matrix**

<b>Characteristics</b>	<b>Satisfaction with Performance</b>	<b>P&lt;</b>	<b>Economic Performance</b>	<b>P&lt;</b>
Market Characteristics	-.435	.05	-.443	.005
Conflict	-.551	.01	-.132	ns
Commitment	.602	.005	.709	.005
Product Characteristics	-.207	ns	-.255	ns
Firm Specific Characteristics	.217	ns	.453	ns
Marketing Orientation	.622	.005	.438	.05
Organisational Control	-.426	.05	-.264	.06*

(\* approaching significance)

To assess how effectively the derived discriminant functions were able to classify cases, we generated a confusion matrix and applied the jackknife (leave-one-out) method for classification (Crask & Perreault 1977). For satisfaction with overall marketing performance and firm and environmental characteristics, 72% of the grouped cases were correctly classified. For economic performance and firm and environmental characteristics, 67.1% of the grouped cases were correctly classified.

Largely, the results indicate that IJV marketing performance at an economic level and also at an overall satisfaction level in Thailand is influenced by market characteristics, by commitment of the partners and by the marketing orientation of senior management. Also, by the control one partner has over the other partners in the IJV organisation in relation to satisfaction with overall marketing performance and moderately for economic performance.

## **DISCUSSION AND ACADEMIC IMPLICATIONS**

This study was founded on the premise that many ASEAN countries, particularly Thailand, are an important focus of business, particularly IJVs. Importantly, Thailand as a South East Asian Country market is an important country for business development and its role in IJVs because of: (i) strong economic growth, (ii) growth of exports, and (iii) growth in FDI since 1980. The IJV entry strategy possesses two distinct features in that firstly, it is popular as a mode of market entry and expansion covering many sectors, industries, and product groups (Anderson, 1990; Blodgett, 1991; Ding, 1997; Gomes-Casseres, 1989; Vanhonacker and Pan, 1997). Also it is a very fragile entity, in that the failure rate or instability rate of IJVs is above thirty percent, and it is often considerably higher than other alternative forms of market entry and operation (Beamish, 1993; Makino and Beamish, 1998).

These issues were considered worthy of investigation and as such the study has provided valuable insights into this market entry mode in Thailand, finding that for economic performance and satisfaction with overall marketing performance the strongest predictors were market characteristics, commitment, marketing orientation and organisational control. As far as market characteristics were concerned the measures of market characteristics identified in this study support the findings of Beamish (1988), Beamish and Banks (1987), Blodgett (1991), and Jacque (1986). That a lack of raw materials and capital resources (Beamish and Banks, 1987), inadequate distribution channels (Jacque, 1986), outdated technology (Blodgett, 1991) and Thai government interference had a negative influence on both satisfaction with overall IJV marketing performance and economic performance.

In relation to commitment the measures of commitment used in this study were adapted from Lee and Beamish (1995). Several researchers (Beamish, 1988; Cullen, Johnson and Sakano, 1995; Lee and Beamish, 1995; Sarkar, Cavusgil and Evirgen, 1997) have emphasised the role of commitment to IJV success. Beamish (1988) found a strong correlation between

commitment and performance in IJVs noting that most of the commitment characteristics in the high performing ventures were related to the Multinational Enterprise's (MNE's) willingness to do something: adapt products, increase employment of nationals, visit and offer assistance, or supply special skills and resources. This study's findings support the findings of Beamish (1988) for both satisfaction with overall IJV marketing performance and for economic performance assessment.

As far as marketing orientation was concerned the measures of marketing orientation used in this study were adapted from the Pitt and Jeantrout (1994) study. This study's findings support the findings of the Pitt and Jeantrout (1994) study that the marketing orientation of senior management will have a positive effect on satisfaction with overall IJV marketing performance and also on economic performance. This study's findings confirmed the importance of understanding the impact that the prices of products/services have on customer expectations, the importance of conducting research in order to understand what your customers expect from your firm's products/services and the importance of regularly contacting customers to determine their needs.

Finally, in relation to organisational control, the measures of organisational control used in this study were adapted from Dymrza (1988). This study's findings support the findings of Dymrza (1988) that major conflicts can erupt between the partners in an IJV with respect to the purchase of materials, intermediates and components. If the foreign corporation insists on the IJV purchasing raw materials from it when the local partner finds other sources at competitive or lower prices serious conflicts could arise between the partners leading to the demise of the venture. The reverse could also occur when the foreign corporation wants to repatriate much of the profits earned by the IJV back to its home country. If the foreign corporation insists on repatriating most of the profits earned by the IJV back to its home country serious conflicts could arise between the partners leading to the demise of the venture. Therefore, from the findings of this study and the Dymrza (1988) study organisational control by one partner over

the others in the IJV arrangement, in relation to the purchase of raw materials and the repatriation of profits, can have a negative influence on the satisfaction with overall IJV marketing performance and also on economic performance.

## **MANAGERIAL IMPLICATIONS**

The four factors discriminating significantly between high and low IJV marketing performance in Thailand were market characteristics, commitment, marketing orientation and organisational control. It is important for the management of any company to be aware of these factors when contemplating an IJV of any magnitude in a developing country.

With regards to market characteristics, this study clearly indicated that it is important for managers of IJVs to be aware of the market characteristics of a foreign market that can influence a firm's marketing performance. Availability of capital resources, raw materials and distribution channels; transfer of up-to-date technology; knowledge of local business practices; and knowledge of industry competition are very important for the successful marketing performance of IJVs in Thailand. Companies intending to enter into an IJV arrangement in Thailand need to ensure the availability and existence of the above if they are to succeed in this market.

This study has shown that joint venture partners must make commitments of: providing key senior management people; supplying special skills; visiting and offering assistance; furnishing additional equity or loan capital when needed; and, general commitment to the Thai market. The management of a company needs to be committed to the foreign market they are entering and to their IJV partner for successful marketing performance of their IJV.

As far as marketing orientation is concerned, the study findings have shown that marketing orientation must be with reference to senior management's knowledge of its customers. That

is, for senior management to understand what its customers expect from its products and services and for senior management to be in regular contact with its customers. The senior management of a company needs to be marketing oriented when operating in a foreign market for successful marketing performance of their IJV.

Finally, with regard to organisational control, this study clearly indicated that it is important for managers of IJVs to minimise the transference of the IJV's output to a parent company and to minimise the sourcing of the IJV's input needs from a parent company for marketing performance success. Companies intending to enter into an IJV arrangement should take the time to allow the IJV to operate as a stand alone entity instead of using it as a means of generating additional revenue from out-of-date products or as a subsidiary to generate greater profits for head office.

## **LIMITATIONS AND FUTURE RESEARCH DIRECTIONS**

A logical extension of the current study would be to test the stability of the factors across time. A similarity between the factor structures identified in the replication study and the factor structures obtained here would indicate that the present ones are stable across time. Another extension of the current study would be to test the stability of the factor structures developed in this study on the basis of a sample of IJVs based in other ASEAN Countries e.g., Indonesia, Malaysia, Singapore and The Philippines. Also a high similarity between the factor structures obtained from the replication study and those obtained from the present one would indicate that the factor structures of this study are stable across countries within South East Asia and the conclusions of this study would then be applicable to other countries in South East Asia and not just Thailand as is the case here. Such a finding would provide support to the claim of generalisability of the factor structures identified in this study.

Finally, the population of IJVs included in this study consists almost entirely of firms engaged in the agricultural, manufacturing, processing and extraction industries. Only 60 firms out of a total population of 1,047 were from the service sector and only 7 firms out of a total of 203 in the sample were from the service sector. This constitutes a limitation of the study considering the cross-sectional nature of the data. Therefore, the findings and conclusions drawn from this study can only be applied to firms engaged in the agricultural, manufacturing, processing, and extraction industries and not the services industries. It would be a useful contribution to the IJV literature if a similar study were conducted on a sample of IJVs engaged only in the service sector across a number of different ASEAN Countries e.g., Indonesia, The Philippines, Singapore, Thailand, and Malaysia to see if the results hold firm for firms in the services industries. This is especially the case considering the collapse of several finance companies in Thailand in early 1997 which triggered the Asian Financial crisis of 1997 (Julian, 2000). Service sector firms that enter into IJV agreements with some frequency in these countries are banks, insurance companies, finance companies, travel agencies, airlines, hotels, and advertising agencies.

## **CONCLUSION**

The primary objective of this study was to identify the key factors influencing the marketing performance of IJVs in Thailand and to see if the factors influencing IJV marketing performance in Thailand were consistent with the findings of previous studies conducted in a developed country context. Furthermore, to see if the determinants of IJV marketing performance in a developing country context were consistent with the findings of previous studies that focused on general business performance (See Beamish, 1988). Finally, to compare two different performance assessment measures to see if they produced different or similar results i.e. satisfaction with performance and economic performance measured by sales and market share. This study accomplished all four objectives with a reasonable

measure of success. It made both exploratory and confirmatory contributions to the IJV literature.

Firstly, it identified a few factors that have previously remained, at least empirically, mostly obscure e.g., market characteristics and marketing orientation. Whilst market characteristics has received attention in the export marketing literature as a determinant of performance it has received very little attention in the IJV literature because most IJV studies have focused on general business performance and not marketing performance and have been mainly concerned with inter-partner relations and their impact on performance as opposed to the performance of the IJV entity in the market it was operating in. This study focused on the IJV entity and identified market characteristics as a significant determinant of IJV marketing performance.

Secondly, new evidence has been produced confirming the significance of previously identified factors conducted in a developed country context e.g., commitment. Furthermore, commitment as a significant determinant of IJV marketing performance supports the findings of other studies conducted on general business performance that commitment is a key determinant of IJV performance.

Thirdly, this study evaluates the marketing performance of IJVs in Thailand as opposed to their 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. 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. This study evaluates how specific marketing-related factors and management-related factors influence the marketing performance of IJVs in Thailand e.g., market characteristics, conflict, commitment, product characteristics, firm-specific characteristics, marketing orientation and organisational control. Therefore, the conclusion that could be drawn is that the determinants of IJV marketing performance are highly correlated with the determinants of general business performance for the IJV.

Finally, this study examines IJV marketing performance from two different perspectives using two different measures of performance. IJV marketing performance was measured by satisfaction with overall performance and by economic performance measured by sales and market share and both measures of marketing performance produced similar results. That is, the key determinants of IJV marketing performance in Thailand using either measure of marketing performance were market characteristics, commitment, marketing orientation and organisational control. The significance of this finding is that managers of IJVs are unlikely to be satisfied with the performance of their IJV if they are not performing well, economically and that objective and subjective measures of performance are highly correlated supporting the findings of Geringer and Hebert, 1991. Furthermore, these findings give further credence to the conclusion that the economic indicators of performance are still a good indicator of performance, even for the IJV organisational structure.

This study, unlike most others has sought to identify and examine the relationships between the most salient variables and marketing performance in a single but comprehensive way. This study cannot rule out the existence of other dominant variables. For example, the level of trust between the partners, partners' needs and partners' contributions (Fey, 1996; Lee and Beamish, 1995). It also cannot claim that the scales that have been developed here are stable across time or samples. The strength of a study of this type lies in the validity or substance of

the variables measured through the survey and in uncovering what makes alliances successful. As identified in the methodology section, utmost care has been taken in identifying and selecting the variables, and systematic procedures have been followed at every step of the study. The analytical approach, the results and the nature of the study are likely to make a significant contribution to the IJV literature and how an IJV's performance should be assessed.

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