Examining the internal-external determinants of international joint venture (IJV) marketing performance in Thailand

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ABSTRACT

This study focuses on examining the influence of firm-specific and environmental characteristics on International Joint Venture (IJV) marketing performance in Thailand. The study examines the influence of such characteristics on overall performance perceptions, economic performance and strategic marketing output performance objectives. The data for the study were collected from a self-administered mail survey in Thailand. The critical determinants of IJV marketing performance in Thailand were identified as marketing mix strategy adaptation factors, market characteristics and IJVs market orientation.

INTRODUCTION

Although the marketing literature on IJVs is a sizeable and growing body of work on performance and related issues, there is a paucity of studies on at least four critical issues relating to the growth of IJVs in the South East Asian economies. Firstly, the key determinants of IJV marketing performance; secondly, their relative significance; thirdly, the measurement of the marketing performance of IJVs as opposed to overall business performance; and finally, the importance of market orientation to the overall marketing performance of IJVs. The present study seeks to fill a part of the gap in the existing literature. More specifically, the research focuses on identifying the determinants of IJV marketing performance in Thailand.

In the international business literature there have been studies conducted to identify determinants of IJV performance in general (see, Beamish, 1984; Cullen, Johnson, and Sakano, 1995; Lee and Beamish, 1995). However, the literature does not adequately cover the issues relating to the marketing performance of IJVs. In the international business literature, studies on marketing performance are largely confined to those firms involved in direct or indirect exporting (Cavusgil and Zou, 1994; Chetty and Hamilton, 1993; Dominguez and Sequeira, 1993). There is very little empirical evidence on the marketing performance of IJVs. Schaan (1983) studying the relationship between parent control and IJV success in Mexico, suggested that, “More research is needed to identify other factors which may be important in explaining JV success” (P.344). Given that successful marketing performance is critical to overall successful business performance (Crocombe, 1991) and the deficiency in the level of empirical evidence on the marketing performance of IJVs it was decided to undertake such a study in order to enhance the already significant body of IJV literature.
International Joint Venture Developments

An IJV is defined as an equity sharing arrangement in which a foreign corporation and a local firm (either private or government owned) pool their resources, share risks and operational control to operate an independent business unit on a continuous basis for profit and/or to achieve other strategic objectives (Geringer and Hebert, 1991). Interestingly, the IJV market entry mode represents two opposing trends, firstly, 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; Gomes-Casseres, 1989). Secondly, it is also a fragile entity, where it has been repeatedly argued that the failure rate of IJVs is above thirty percent, and it is often markedly higher compared to other alternative forms of market entry and operation. The significance of a robust growth trend is somewhat overshadowed by the incidence of high failure (Beamish, 1984; Gomes-Casseres, 1988; Lane and Beamish, 1990;) and JV failure is often costly and extremely frustrating for both partners (Cullen, Johnson, and Sakano, 1995). Gomes-Casseres (1989) offers two explanations for reasons of instability in any JV, being that, the partners simply made a mistake in forming a JV when it may not have been the best thing to do, or they joined up with the wrong partner. Also, their initial decision could have been right, but conditions changed so that the JV was no longer useful.

Country Contexts for IJV Research

Given the growth in the use of IJV’s and the accompanying academic interest in this area one ponders the lack of interest in Asia. IJV’s in Asia are an important dimension of contemporary business, for example, Thailand, as an Asia/Pacific country market is important because of its: (i) strong economic growth, (ii) investment boom since 1980, and (iii) its importance as a future market for Australian companies. Prior to the economic and political crisis of 1997 Thailand had seen economic growth rates averaging between 8 to 10 percent for the previous ten years and solid foreign investment, especially in the area of IJVs (Economist Intelligence Unit, 1994). In 1994 and 1995 in Thailand, economic growth rates of 8.4 percent and 8.6 percent respectively were achieved (Far Eastern Economic Review, August 17 1995). After the economic and political crisis of 1997 had passed economic growth had climbed back to 6.6% by the end of 2000 indicating Thailand had returned to a high growth economy (Far Eastern Economic Review, Nov 9, 2000).

Thailand has also been experiencing an investment boom since 1980. Thailand’s booming economy had increased average consumer disposable income and spending power and
consumers were not hesitating to spend it. The consequence of this positive investment environment and the return to a high growth economy is that it will provide an ideal economic climate for the future growth in IJV activity. As far as Thailand's importance as a future market for Australian firms is concerned, the recent trend is for the ASEAN countries to trade more with each other and their nearby neighbours than say with some of their traditional trading partners e.g., North America. This trend is part of a general trend in the Asia/Pacific Region that has seen intra-regional trade increase 10 percent as a percentage of total trade in the past decade. It now accounts for more than a third of the total. In the case of Thailand, the perception that more and more trade is sourced in the region is breeding trade policies that focus on promoting closer regional economic cooperation with its neighbours (Stier and Mills, 1994). Thailand is coming to rely less on its traditional markets (Far Eastern Economic Review, August 17 1995).

This trend has important consequences for Australian firms, in that opportunities to trade with Thailand that may have not been previously available may now present themselves. For those companies considering foreign investment, Thailand, still has all the ingredients to provide foreign investors with a strong and stable investment climate and the IJV is still one of the best foreign investment alternatives available. This is especially so if one considers the restrictions placed on foreign investment by Thai and other Asia/Pacific country government legislation, restricting most foreign investment to that of some form of IJV with only minority equity participation available to the foreign investor (Baker and McKenzie, 1993). Therefore, the IJV presents an ideal opportunity for many Australian firms to take advantage of the opportunities provided by the ever-expanding Thai market. Consequently, the understanding by Australian firms, of the key factors that influence the marketing performance of IJVs in Thailand will be critical to the long-term future success of those Australian firms in IJV relationships in Thailand and for those firms contemplating IJV relationships in the future.

Issues for IJV Theory and Application

There are a number of overriding economic and political reasons for the rise in the popularity of IJVs. A number of researchers (Beamish, 1984; Dymsza, 1988) have identified a variety of reasons behind MNC’s decisions to enter into IJV agreements. These include; entering new and potentially profitable markets, sharing heightened economic and political risks in new business ventures, government suasion and economies of scale.

From a foreign corporation’s perspective, an IJV offers the opportunity of entering promising new markets where other forms of market entry (e.g., as a wholly-owned subsidiary) may be barred. Other country markets may be characterised by less formal barriers to entry. Still,
foreign firms may find it difficult to penetrate these markets without local marketing expertise and as such a joint venture partner may provide the know-how or established local distribution channels through which to market the new product (Harrigan, 1988). The use of the IJV as a foreign market entry mode has also helped in reducing the significant political and economic risks generally associated with foreign projects. These political and economic risks can be due to a variety of factors, including unstable local governments, fluctuating currencies, and perennially strained communications and transportation infrastructures in host countries. By reducing the amount of capital resources required in a given project, IJVs help foreign firms reduce the element of financial risk (Dymsza, 1988).

Governments may not actually require joint venture participation by MNCs, but government pressure for local participation usually exists in some form e.g., the choice of suppliers, the choice of markets, the repatriation of profit etc. Government suasion being identified here as the direct or indirect imposition of restrictions on foreign investors by a host country government (Blodgett, 1991). In many industries advantages connected with the size of operations exist. One such advantage results from economies of scale. A decreasing unit cost is linked to an increasing level of activity per time period. Economies of scale pertain not only to manufacturing but to other functions as well, notably R&D and sales (Ganitsky, Rangan, and Watzke, 1991). A JV with another firm allows a company to benefit from these economies of scale in a way not possible if it remained completely independent (Anazawa, 1994; Datta, 1988; Dymsza, 1988).

IJVs, therefore, offer a unique opportunity of combining the distinctive competences and the complementary resources of participating firms. Such combinations provide a wide range of benefits - benefits that neither participant might be able to attain on their own. The benefits associated with IJVs are counterbalanced by a wide range of problems. The failure rate of IJVs, in general, is high (Gomes-Casseres, 1989). The problems in IJVs are heightened when the partners are of different nationalities and cultures and when collaboration occurs at the base of each firm’s competitive advantage. More specifically, some of the main problems include, significant differences in the major goals of the parties, differences between the partners concerning marketing, desire for control and transfer pricing conflicts.

The foreign corporation and the local partner in an IJV may have significant differences in their goals with respect to that business. These significant differences could be due to the size and type of companies involved; their particular business, industry, and products; their international and other experience, and many other factors (Douglas and Craig, 1989; Dymsza, 1988; Hladik, 1988). For example, a foreign corporation may desire to enter into a
viable operation through an IJV that will yield a target rate of return on investment in the medium and long term. Therefore, it strives to reinvest a substantial portion of earnings in the venture in order to expand the operation and increase its return over this time horizon. The local partner, on the other hand, often enters into the IJV to earn a good immediate rate of return on its investment. Therefore, it strives for maximum pay-out of dividends. As a result, the partners may experience a stalemate that could interfere with the successful management of the business (Anderson, 1990; Dymsza, 1988).

Another related area of difficulty for the IJV and its participants involves the differences between the partners over marketing-related issues. A JV between a marketing-oriented foreign corporation and a local firm can fail because of major differences between the parties about marketing policies and procedures. Many highly marketing oriented foreign corporations try to avoid IJVs. However, when they do enter into them because of the requirements of host governments, strive to adopt their own marketing systems, based upon product differentiation, aggressive promotion and emphasis upon trademarks and brand names (Cavusgil and Zou, 1994). Some foreign corporations work for standardisation of their marketing mixes globally, but they do adapt some aspects of marketing to the national environment and institutional setting (Douglas and Craig, 1989). They consider control of the key elements in the marketing mix in a JV crucial in their type of business. Having a dissimilar experience in their own country, the local partner may strive to adopt different marketing programs and procedures, with less emphasis on marketing orientation, product differentiation, promotion and trademarks. As a result, the partners may encounter serious conflicts in marketing management which result in stalemates in decision making and, ultimately, failure of the IJV (Blodgett, 1991; Dymsza, 1988).

A further difficulty for IJV participants involves control of the IJV (Beamish, 1985; Dymsza, 1988; Sohn, 1994). This is particularly true if the IJV is involved in the development of new products for world markets. In many high technology industries, strategic flexibility and the desire to remove bureaucratic interference have favoured majority control over 50:50 partnerships (Dymsza, 1988; Geringer and Hebert, 1989). At the strategic level, a firm attempting to coordinate its operations in a global market may seek to ensure that the IJV fits in with these other activities. Without majority control of the venture, this may cause problems. At the personal level, human nature can also be an important factor in the creation and success of IJV efforts. Where ownership control of the IJV is concerned, personal and corporate pride and nationalistic feelings can block involvement in important new ventures where the firm does not have majority control (Phatak and Chowdhury, 1991).
Finally, with respect to transfer pricing, major conflicts can erupt between partners in IJVs with respect to purchase of raw materials, intermediates, and components of the affiliate from the foreign partner and issues of transfer pricing. The local partner may believe that the foreign partner is charging excessive prices and aims to earn additional income from selling the necessary materials to the affiliate. It has been shown that if the foreign partner aggressively presses for continued sales of these materials to the affiliate, despite the fact that the local partner finds alternative suppliers at a lower cost, serious conflicts could arise between the partners of the IJV, which can disrupt their relationship and contribute to the failure of the venture (Dymsza, 1988).

Therefore, the problems associated with IJVs are quite significant and contribute substantially to the frequent demise of the venture. Given the benefits and costs associated with using the IJV structure it makes sense to determine what makes a JV fail or succeed? This study addresses this issue, identifying the key factors determining IJV marketing performance in a developing country context. As a result of the arguments raised in the literature relating to IJVs, their internal characteristics and the environment they operate in we hypothesise that:

H1: The marketing performance of IJVs in Thailand will be:
   a) negatively influenced by market characteristics.
   b) positively influenced by organisational synergy between the partners.
   c) negatively influenced by marketing mix strategy adaptation.
   d) positively influenced by the market orientation of senior management.

H2: These characteristics will differentially affect overall performance, economic performance, and strategic marketing output performance.

H3: Internal characteristics, perceptions of the environment, and performance indicators will differ across IJV industry type and country of origin of the IJV partner.

Research Design
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. 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 (BOI, 1996). 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 (BOI, 1996). 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).

Measurement

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 with the marketing performance of the IJV. The statements
tapped satisfaction with the overall performance and also economic performance via sales
and market share. Also strategic marketing output performance was also tapped via
product/service quality, technological superiority, price competitiveness and the satisfaction of
customer expectations.

Market Characteristics: Statements were included in the questionnaire to measure specific
market characteristics, such as 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 adapted from Blodgett, (1991). The transference of
much needed new technology drawn from Lecraw (1984), the influence of host country
government intervention drawn from Beamish, (1984) and the influence of industry price
competition adapted from Christensen, da Rocha and Gertner (1987).

Conflict: 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: measured via items adapted from Beamish (1984) and 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.

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

**Managerial Control:** Managerial control was measured by the extent of the managerial control exerted by one of the partner’s over the IJV entity.

**Organisational Synergy:** Organisational synergy is a composite variable comprised of conflict, commitment and control. The theoretical perspective adopted here is that the greater the control by the foreign partner the higher the conflict between the partners and the lesser the commitment of the partners to the IJV (Beamish, 1984). The conflict between a foreign corporation and a local partner to control major policies and decisions constitutes a major reason for the failure of certain IJVs (Blodgett, 1991). From all of the literature, cooperation seems to be a core condition for success in a cooperative venture (Phatak and Chowdhury, 1991). Beamish (1984) argued that the greater the cooperation between the partners the greater their commitment to the venture. Partner commitment to the venture reduces the foreign partners’ need for majority control. By reducing their control through a reduction of equity in the venture the foreign partner is providing greater incentive for the local partner. Thereby, reducing the likelihood of conflict between the local and foreign partners over divergent goals.

**Product Characteristics:** measured specific product characteristics and were adapted from Cavusgil and Zou (1994). The product characteristics 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:** measured certain firm-specific characteristics such as the influence the unit value of the IJV’s products/services has and the effect of the uniqueness of the IJV’s products/services were adapted from Cavusgil and Zou (1994). Customer expectations as a measure against which the IJV evaluates its performance was drawn from Pitt and Jeantrot (1994).

**Adapting to Foreign Market Needs:** Adapting to foreign market needs was measured by the extent to which the foreign partner’s were willing to adapt the IJV’s products/services to meet the needs of the local Thai market.
Marketing Mix Strategy Adaptation: The marketing mix strategy adaptation variable, as with organisational synergy, is a composite variable comprised of product characteristics, firm-specific characteristics and adapting to foreign market needs. It was designed to incorporate the key aspects of the marketing mix strategy that had to be adapted to accommodate the peculiar requirements of the Thai market.

Market 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 of 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).

RESULTS
Prior to analysing the data to test the hypotheses we examined the characteristics of the IJV respondent firms of the sample. As indicated in Table 1 this is achieved by analysing the country of origin of the principle foreign partner, the equity percentage of the principle foreign partner, the year the IJV was formed, the industry classification of the IJV and the sales volume of IJVs in Thailand.

Table 1

Analysis of IJV characteristics indicated that for country of origin of the principle foreign partner (see Table 1) the three largest contributors of IJV formation in Thailand have been Japan, Western Europe, and the Newly Industrialised Economy (NIE) of Taiwan. This is an important contribution, especially in the case of Japan, which provided almost half of the principle foreign partners for the study. Examination of the characteristics of the IJVs indicated that 64% of the foreign partners held less than 50% equity in the IJVs. The results also indicated that the majority of IJVs were implemented post 1985. Table 1 identifies two periods during which IJV formation exhibited distinctly different trends. Firstly, between 1960 and 1985 IJV formation was relatively low with only 24.8 percent of IJVs in the sample being formed during this period. Secondly, between 1986 and 1995 the growth rate of IJV formation in Thailand showed outstanding growth growing threefold over the previous 25 year period. During this 10-year period 75.2 percent of all IJVs in the sample were formed.
Also the IJVs were found to be evenly spread across four industry groupings. Those industry groupings being Agriculture (with 24.1 percent of IJV activity); Metal-Working Industries (with 20.7 percent of IJV activity); Chemical Industries (with 19.3 percent of IJV activity); and Electrical Industries (with 16.6 percent of IJV activity). Together the industry groupings of Agriculture, Metal-Working, Chemical and Electrical accounted for 80.7 percent of IJV activity in the sample. The remaining industry groupings of Mining, Light Industries, and Service Industries were surprising in their limited IJV activity. Table 1 indicates that 80.6 percent of the sample companies had sales volumes less than $U.S.50 million with 45.2 percent of the sample having sales volumes less than $U.S.10 million. This means that these companies could be classified as small-medium sized enterprises (SMEs). Therefore, the companies in this sample are predominantly SMEs and the results of the study should only be applied to SMEs.

Results for Hypotheses
To examine the internal and external characteristics an exploratory factor analysis with varimax rotation was then conducted. The performance measures were also factor analysed. All items loaded onto their correct dimensions and all factor loadings ranged between .4 and .8 for the factors. Each dimension had a Cronbach's Alpha of 0.67 or greater indicating high reliability and the items were then computed into composite variables to test the hypotheses. Mean factor scores were obtained for the composite variables, the factors and performance measures and the results are reported in Table 2.

Table 2

The composite variable with the highest mean score was that of marketing mix strategy adaptation with a mean score of 5.98 and a standard deviation of 1.04. This indicates that respondents agreed with statements identifying the stage of the product life cycle, the level of product and promotion adaptation, familiarity with the firm’s products, culture specificity of the firm’s products, the firm’s unique product features and its unique relationship with its customers as having a positive influence on the marketing performance of IJVs in Thailand. The factor with the next highest mean score was that of market orientation with a mean score of 5.39 and a standard deviation of 1.17. This indicates that respondents agreed with statements identifying knowledge of their customers as having a positive influence on the marketing performance of IJVs in Thailand.
After marketing orientation the factor with the next highest mean score was that of market characteristics. The mean score for market characteristics was 4.03 with a standard deviation of 1.48. This indicates that respondents often agreed with statements identifying certain market characteristics as having a negative influence on IJV marketing performance. These included inadequate supply of capital resources and raw materials, inaccessibility to distribution channels, lack of knowledge of Thai business practices by one of the foreign partners, the shortage of up-to-date technology, host country government intervention and industry price competition. The composite variable with the lowest mean score was that of organisational synergy. The mean score for organisational synergy was 3.94 with a standard deviation of 0.91. This indicated that respondents sometimes agreed with statements identifying the level of control exerted by one partner on the others, conflict between the partners and the resulting lack of commitment by the partners as having a negative influence on IJV marketing performance.

Having identified the mean score and standard deviation of the key predictor variables the mean score and standard deviation for the key performance measures were also identified. The mean scores and standard deviations for all performance measures suggest that the respondents were satisfied with the economic and overall performance of their IJV together with the strategic outputs that were produced. However, the respondents were more satisfied with the overall performance of their IJV and the strategic outputs that were produced than they were with the economic performance of the IJV. The overall performance and strategic output measures had a mean and a standard deviation of 4.86 and 1.34 respectively for overall performance and 4.77 and 0.85 respectively for strategic market outputs. This is compared to the mean and standard deviation for economic performance of 4.55 and 1.39 respectively. Economic performance was a composite measure of sales and market share.

Having identified the key factors influencing the marketing performance of IJVs the next step was to differentiate between the performance categories.

**Hypothesis Results**

**H1: The marketing performance of IJVs in Thailand will be:**

- e) negatively influenced by market characteristics.
- f) Positively influenced by organisational synergy between the partners.
- g) negatively influenced by marketing mix strategy adaptation.
- h) positively influenced by the marketing orientation of senior management.
A multiple regression analysis was conducted to examine the relationship between the overall marketing performance of IJVs in Thailand as the dependent variable and the four variables: “marketing mix strategy adaptation”, “market characteristics”, “market orientation”, and “organisational synergy” as explanatory variables. As indicated in Table 3 the analysis resulted in an $R^2 = 0.145$ suggesting that the four variables “marketing mix strategy adaptation”, “market characteristics”, “market orientation”, and “organisational synergy” together explained 14.5 percent of the variation in the overall marketing performance of the IJVs as explanatory variables, with an F statistic of 6.62 which is significant at $p < .001$ indicating that the independent variables do help explain the variation in overall performance. The results also show that the four variables - “marketing mix strategy adaptation”, “market characteristics”, “market orientation”, and “organisational synergy” had a significant influence on the overall marketing performance of IJVs in Thailand with t-values that are significant ($< -1.96$ or $> 1.96$) at .05 or less.

Table 3
About Here

H2: These characteristics will differentially affect overall performance, economic performance, and strategic marketing output performance.

A multiple regression analysis was then conducted to examine the relationship between the marketing performance of IJVs in Thailand when measured by sales and market share as the dependent variable and the four variables: “marketing mix strategy adaptation”, “market characteristics”, “market orientation”, and “organisational synergy” as explanatory variables. The results presented in Table 4 indicated that the analysis resulted in an $R^2 = 0.06$ suggesting that the four variables “marketing mix strategy adaptation”, “market characteristics”, “market orientation”, and “organisational synergy” together explained 6 percent of the variation in the marketing performance of the IJVs when measured by sales and market share as explanatory variables, with an F statistic of 2.44 which is significant at $p < .05$ indicating that the independent variables do help explain the variation in overall performance. The results also show that only one variable - “market characteristics” has a significant influence on the sales and market share achieved by the IJV, with a t-value of –2.00, significant at .05.

Table 4
About Here
The final multiple regression analysis conducted examined the relationship between the strategic outputs produced by the IJV such as product/service quality, technologically superiority, price competitiveness and satisfaction of customer expectations as the dependent variable and the four variables: “marketing mix strategy adaptation”, “market characteristics”, “market orientation”, and “organisational synergy” as explanatory variables. Table 5 indicates that the analysis resulted in an $R^2 = 0.12$ suggesting that the four variables “marketing mix strategy adaptation”, “market characteristics”, “market orientation”, and “organisational synergy” together explained 12 percent of the variation in the marketing performance of the IJVs when measured by strategic outputs as explanatory variables, with an F statistic of 5.20 which is significant at $p < .001$ indicating that the independent variables do help explain the variation in overall performance. The results also show that only two variables - marketing mix strategy adaptation (t-value 2.56, $p < .05$) and market orientation (t-value 2.58, $p < .05$) have a significant effect on the strategic outputs performance produced by the IJVs in Thailand.

Table 5

To allow for comparison of the differences Table 6 provides a summary of the results of the three regression analyses undertaken for hypothesis 1 and 2.

Table 6

As can be seen from the summary of the regression results the marketing performance of IJVs in Thailand is significantly influenced in a negative direction by market characteristics and organisational synergy and significantly influenced in a positive direction by marketing mix adaptation and market orientation. Furthermore, these characteristics differentially affect overall performance, economic performance and strategic marketing output performance. Therefore, from the hypotheses that were set for testing H1 was partially accepted and H2 was fully accepted.

H3: Internal characteristics, perceptions of the environment, and performance indicators will differ across IJV industry type and country of origin of the IJV partner, equity and year established.

A series of analysis of variances were computed using industry type, country of origin of the principle foreign partner, equity percentage of the principle foreign partner and year established as the independent variables and market characteristics, marketing mix.
adaptation, market orientation, organisational synergy and performance indicators as the dependent variables. The results indicated no significant difference except for year established by economic performance, market share/sales by year established and market characteristics by industry type.

Differences were found between IJVs established between 1986 and 1990 and 1991 to 1995 for economic performance. The mean for economic performance for those established between 1986 and 1990 was 4.47 and for 1991 to 1995 was 3.55, significant at .05 with a mean difference of .92 (F = 4.10, p < .005). Also differences were found for performance on market share/sales for those established between 1971 and 1980 and 1991 to 1995. The mean score for market share/sales for those IJVs established between 1971 and 1980 was 4.96 and those established between 1991 and 1995 was 3.64, significant at .05 with a mean difference of 1.32. Also differences were found on this variable for IJVs established between 1986 and 1990 with a mean of 4.77 and those between 1991 and 1995 with a mean of 3.64, significant at .005 with a mean difference of 1.13 (F = 5.24, p < .001). Differences were also found between industry type, for primary industry and manufacturing. The difference was found in market characteristics with market characteristics for primary industry IJVs having a mean score of 4.47 and for manufacturing IJVs market characteristics had a mean score of 3.73, significant at .05 with a mean difference of .74 (F = 3.32, p < .05).

Except for these few difference the perceptions of internal, external and performance indicators did not differ for year the IJVs were established, the equity of the foreign partner, the country of origin of the foreign partner or the industry the IJV was operating within.

As a result H3 was only partially accepted as little differences were found.

**DISCUSSION AND LIMITATIONS**

The four key predictors of IJV marketing performance in Thailand were marketing mix strategy adaptation, market characteristics, market orientation and organisational synergy. 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. As far as marketing mix strategy adaptation is concerned, the study findings have shown that managers of IJVs should make efforts to adapt their products/services to meet the needs of the local Thai market for marketing performance success. Specifically, product/service adaptation, promotion adaptation, consumer familiarity to the product/service, stage of the product life cycle, culture specificity of the product/service and product/service differentiation require management’s attention.
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.

As far as market orientation is concerned, the study findings have shown that market 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 market oriented when operating in a foreign market for successful marketing performance of their IJV.

Finally, in relation to organisational synergy, this study has 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. Furthermore, it is important for managers of IJVs to minimise the inter-organisational conflicts in order to improve the IJV’s marketing performance. That joint venture partners must make commitments of providing key senior management people, supplying special skills, visiting and offer assistance, furnishing additional equity or loan capital when needed and demonstrate a general commitment to the Thai market for marketing performance success in Thailand.

The major limitation of the study centred around single versus multiple respondents. The most basic issue in IJV performance evaluation is the question of whose performance to assess. Parents have their own objectives in creating IJVs, and obviously to measure a venture’s performance against these objectives is relevant. But it is not the only basis for measuring results. Anderson (1990) argues IJVs should be measured primarily as stand alone entities seeking to maximise their own performance, not the parents. Further, encouraging the IJV to stand-alone promotes harmony among the parents and increases the chance of survival and prosperity. Other researchers argue that using only the IJV entity to assess IJV performance represents an incomplete method for assessing IJV performance (Beamish, 1984; Schaan and Beamish, 1988). Since IJVs are jointly owned, it is reasonable to examine whether both parties (local and foreign) are satisfied with performance. Because one partner is a local
partner and one partner is a foreign firm, one could expect differences in how performance may be assessed (Beamish, 1984).

A number of researchers also argue that more than one perspective on IJV performance is required to increase confidence in the findings and for an IJV to be considered successful it needs to be rated as being successful by more than one partner (Schaan and Beamish, 1988). The theoretical perspective adopted in this study supports the view of Anderson (1990) that IJVs should be assessed as stand alone entities that is why overall assessment of performance, economic performance and strategic market output as a measure of performance were assessed separately. However, as data in this study was only collected from senior management of the IJV entity itself and neither the local or foreign partner’s perception of performance were considered this represents a major limitation of the study.

**IMPLICATIONS FOR FUTURE RESEARCH**

Several useful directions for future research can be suggested. Firstly, to test the stability of the factor structures developed here across other samples. Secondly, to study a more comprehensive sample from the service sector. Finally, to study the foreign partners’ point of view.

A logical extension of this research 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. 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 different national settings contributing to establishing reliable scales that can be used in more than one national setting. Furthermore, such a finding would encourage international researchers to use similar measurement instruments and compare findings across national settings leading to a more systematic development of international joint venture marketing performance theory.

The population of IJVs included in this study consists almost entirely of firms engaged in the agricultural, manufacturing, processing and extraction industries. Only 7 firms out of a total of 161 in the sample were from the service sector. 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 in Thailand. Service sector firms that enter into IJV agreements with some frequency in Thailand are banks, insurance companies, finance companies, travel agencies, airlines, hotels, and advertising agencies.
Finally, this study approached the issue of IJV marketing performance in Thailand from the IJV entity’s point of view through the eyes of the IJV Managing Director. It can only be anticipated that the salient factors identified here are versatile enough to remain stable if a similar study based on the responses from the foreign partners were conducted. Whether or not the factors are stable in this respect is an empirical question, and an important and interesting one. All of the items used in this questionnaire can be used in such a study and it is important to validate that the foreign partner’s perception of marketing performance is similar to that of the IJV entity.

CONCLUSIONS

The primary objective of this study has been to furnish empirical evidence on four principal issues. Firstly, the key determinants of IJV marketing performance; secondly, their relative significance; thirdly, the measurement of marketing performance of IJVs as opposed to overall business performance; and finally, the importance of marketing orientation to IJV marketing performance. The study accomplishes all objectives with a reasonable measure of success. It makes both exploratory and confirmatory contributions to the IJV literature. It identifies a few variables that have previously remained, at least empirically, mostly obscure e.g., market characteristics and marketing orientation. New evidence has been produced confirming the salience of previously identified constructs e.g., organisational synergy (a composite variable comprised of conflict, commitment and control). This study, unlike most others seeks 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. 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. 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. Both the analytical approach and the results of this study are likely to have a lasting effect on future thinking and empirical endeavours regarding IJVs.
REFERENCES


### Table 1 - Descriptive Statistics

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<th>Country of Origin of Principal Foreign Partner</th>
<th>Europe</th>
<th>North America</th>
<th>Japan</th>
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<th>ASEAN</th>
<th>Hong Kong</th>
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<td>%</td>
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<td>6.4</td>
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<td>12.0</td>
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<td>9.3</td>
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<td>%</td>
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R:.38 R²:.145  F 6.62  p:.001
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R = .24 R² = .06  F = 2.44  p = .05
Table 5 Regression Results for Performance

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R .34 R² .12 F 5.20 p .001
Table 6 Summary of Regression Results for Performance

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<th>DEPENDENT VARIABLES</th>
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<th>Model 2</th>
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Model 1 $R^2$ .145*  
Model 2 $R^2$ .06*  
Model 3 $R^2$ .12*