2002

The effect of firm and marketplace characteristics on international joint venture (IJV) marketing performance

Craig C. Julian  
Griffith University

Aron O'Cass  
University of Newcastle

Publication details


Published version available from:  
http://dx.doi.org/10.1108/13555850210764918
The Effect of Firm and Marketplace Characteristics on International Joint Venture (IJV) Marketing Performance

Craig Julian
School of Marketing & Management
Griffith University-Gold Coast

Aron O’Cass
School of Marketing & Management
Griffith University-Gold Coast

Paper submitted for review to: Journal of Asia Pacific Marketing & Logistics

Key words: International Joint Ventures, Marketing Performance

Send all correspondence to:
Dr. Aron O’Cass
School of Marketing & Management
Griffith University
PMB 50 Gold Coast Mail Center
Gold Coast 9726 Queensland Australia

Phone: 61 07 5552 8139
Fax: 61 07 5552 8085
Email: a.ocass@mailbox.gu.edu
The Effect of Firm and Marketplace Characteristics on International Joint Venture (IJV) Marketing Performance

ABSTRACT
This study examines the determinants of International Joint Venture marketing performance in Thailand. The data for the study were collected from a self-administered mail survey of 1,047 Thai-Foreign IJVs in Thailand, yielding 203 useable responses from firms that were primarily engaged in agricultural, metal-working, electrical and chemical industries. From the application of the exploratory factor analysis and the discriminant analysis the critical determinants of IJV marketing performance in Thailand were identified as market characteristics, conflict, commitment, marketing orientation, and organisational control.

INTRODUCTION
Although the literature on International Joint Ventures (IJVs) is already sizeable and steadily growing, 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 in this environment; secondly, their relative significance; thirdly, the measurement of the marketing performance of IJVs as opposed to overall business performance; and finally, the importance of marketing orientation to the overall marketing performance of IJVs. The present study seeks to fill a part of the gap in the existing literature, specifically through identifying the key determinants of IJV marketing performance in Thailand.

In the international business literature there are a number of studies that identify important determinants of IJV performance in general (eg., Cullen, Johnson, and Sakano, 1995; Johnson, Cullen, Sakano and Bronson, 2001; Lee and Beamish, 1995; Madhok, 1995;
Makino and Beamish, 1995). However, the international business literature does not adequately cover issues relating to the marketing performance of IJVs, and in this context studies on marketing performance are largely confined to those firms involved in direct or indirect exporting (Cavusgil and Zou, 1994; Cavusgil, Zou, and Naidu; 1993; Chetty and Hamilton, 1993; Dominguez and Sequeira, 1993; Styles, 1998; Zou, Taylor and Osland, 1998). In relation to IJVs, Schaan (1983) studied the relationship between parent control and IJV success based on a small sample of IJVs located in Mexico, and suggested that, “More research is needed to identify other factors which may be important in explaining JV success” (P.344). Whilst this view was expressed in 1983 this is still a relevant comment today and one that drives this study. 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.

**Critical Issues for IJVs**

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, sharing risks and operational control to operate an independent business unit on a continuous basis for profit and/or to attain some strategic objective (Geringer and Hebert, 1991). Broadly viewed, the IJV market entry mode represents two opposing trends. First, judged by the number of entries, it is becoming increasingly popular as a mode of market entry and expansion (Makino and Beamish, 1998; Vanhonacker and Pan, 1997). In recent years an increasing number of global corporations have become involved in IJVs at home and overseas, covering many sectors, industries, and product groups (Griffith, Zeybek and O’Brien, 2001). The second issue, relates to the fragile nature of IJVs, and it has been repeatedly argued that the failure rate or instability rate of IJVs is above thirty percent, and it is often markedly higher compared to other alternative forms of market entry and operation (Makino and Beamish, 1998). Gomes-Casseres (1989) offered two explanations for reasons of
instability in any JV, arguing that the partners simply made a mistake; forming a JV when it may not have been the best thing to do, or they joined up with the wrong partner. Further, that 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 (Makino and Beamish, 1998; Yan, 1998) and JV failure is often costly and extremely frustrating for both partners (Cullen, Johnson, and Sakano, 1995).

Country Context for IJVs
Given the growth in the use of IJV’s and the accompanying academic interest in this area, one wonders why with the exception of Makino and Beamish (1995) and associates why little research has been conducted on IJVs in South East Asia. That is, in the ASEAN Countries of Thailand, Singapore, The Philippines, Malaysia, Indonesia, Brunei, Vietnam, Laos and Myanmar. IJV’s in South East Asia are an important dimension of contemporary business. For example, Thailand was selected as the Asia/Pacific country market in which to measure the marketing performance of IJVs because of its strong economic growth, investment boom since 1980 and its importance as a future market for firms. 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 made significant recovery from the economic crisis of 1997. A similar performance for the Thai economy was expected for 2001 with economic growth of around 6.1 percent being forecast, 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 percent (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 (Osland and Cavusgil, 1996). 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). 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, now accounting for more than a third of total trade. In the case of Thailand, the perception that more and more trade is being sourced in the region is breeding trade policies that focus on promoting closer regional economic cooperation with its neighbours.

Thailand is coming to rely less on its traditional markets (Far Eastern Economic Review, 1995) and this has important consequences for firms operating in the region, in that opportunities to trade with Thailand that may have not previously existed 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.
Reasons Behind IJV Establishment

There are a number of overriding economic and political reasons for the rise in the popularity of IJVs. A number of researchers (Beamish and Inkpen, 1995; Blodgett, 1991; Tallman and Shenkar, 1994) have identified a variety of reasons behind MNC’s decisions to enter into IJV agreements, including:

- Entering new and potentially profitable markets.
- Sharing heightened economic and political risks in new business ventures.
- Government suasion.
- Economies of scale.
- Pooling organisational know-how to realise synergistic benefits.

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. A joint venture partner may provide the know-how or established local distribution channels through which to market the new product (Beamish, 1993). Also, the use of the IJV as a foreign market entry mode can help in reducing the significant political and economic risks generally associated with foreign projects (Johnson, Cullen, Sakano and Bronson, 2001). 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 (Griffith, Zeybek and O’Brien, 2001; Osland, 1994; Vanhonacker and Pan, 1997). By reducing the amount of capital resources required in a given project, IJVs help foreign corporations reduce the element of financial risk.
Further, governments may not actually require joint venture participation by multinational corporations (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 (Makino and Delios, 1996; Osland, 1994; Yan, 1998). Government pressure being identified here as the direct or indirect imposition of restrictions on foreign investors by a host country government (Blodgett, 1991). As a bargaining resource, the implicit or explicit role of host country governments as a gatekeeper to the investment process resides in the country’s right of sovereignty. Therefore, government pressure is an enduring asset and is not readily appropriated by international law. Beamish (1988) found that 57 percent of joint ventures between U.S. and MNCs and entities in developing countries were formed because of government pressure, while only 17 percent of the joint ventures of U.S. MNCs and firms in other developed countries were formed for that reason. Third world indigenisation programs, by injecting a political factor into the bargaining power of a local entity, have had an important impact on how the developed world MNCs operate overseas and MNCs have formed IJVs in order to maintain good relations with host country governments. Given the significance of markets and their nature it is hypothesised that:

H1: Market characteristics will be a significant determinant of IJV marketing performance.

In many industries advantages connected with the size of operations exist. One such advantage results from economies of scale, and 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). As far as pooling organisational know-how to realise synergistic benefits is concerned, certain resources in the economy are not always available through free markets. Technology and distribution networks are not always available for sale, and in
such cases the need for access to these resources can only be satisfied through a JV. A typical case occurs when one firm possesses a product, which it wants to market abroad. A JV with local partners can then offer access to an efficient distribution network together with knowledge of local business practices and institutions (Makino and Delios, 1996; Yan, 1998). In such a case there is a high degree of complementarity between the partners.

The local partner, on the other hand, usually enters the JV with a different set of objectives. For example, such a venture might be attractive because it provides access to technology which would otherwise be difficult to develop or buy (Beamish, 1993). In fact, transfer of technology probably constitutes the single most important reason why firms in developing countries seek JVs with organisations in technologically-advanced countries (Beamish and Delios, 1997). As such, it is hypothesis that:

H2: Firm-specific characteristics will be a significant determinant of IJV marketing performance.

Relatedly, the characteristics of a firm’s product have also been identified as having a significant influence on marketing performance (Cavusgil, Zou and Niadu, 1993). The product’s attributes are argued to affect the positional (marketplace) competitive advantage of a firm (Day and Wensley, 1988), thereby influencing marketing performance. Product characteristics that have been argued to influence marketing performance include culture-specificity, strength of patent, age, unit value, uniqueness and service/maintenance requirements (Cavusgil and Zou, 1994). As such, it is hypothesised that:

H3: Product characteristics will be a significant determinant of IJV marketing performance.

The benefits associated with JVs are counterbalanced by a wide range of problems. The failure rate of JVs, in general, is high (Makino and Beamish, 1998). The problems in JVs
are heightened when the partners are of different nationalities and cultures and when collaboration occurs at the base of each firm’s competitive advantage. An overview of the main problems with IJVs identifies a few critical issues. That the JV is hard to direct, in its goals; it requires a formation period with hardship; and it is difficult to manage even when it starts operating (Makino and Beamish, 1998; Yan, 1998; Ding, 1997). More specifically, some of the main problems include:

- Significant differences in the major goals of the parties.
- Details of the joint venture contract.
- The foreign corporation’s global integration and the local partner’s national orientation.
- Differences between the partners concerning marketing.
- Desire for control.
- Transfer pricing conflicts.
- Conflict over decision making, managerial processes and style.

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; Geringer and Hebert, 1991; Vanhonacker and Pan, 1997). 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 (Ding, 1997; Johnson, Cullen, Sakano and Bronson, 2001).

A further area of concern that has lead to the failure of some IJVs involves the joint venture agreement or contract. The long period between the first steps abroad and the rounding up of JV negotiations usually requires much attention of top managers and their staff (Schaan and Beamish, 1988). The composition and functioning of the JV’s board and management, the informal and formal lines of communication, recruitment and compensation of key staff, and adaptation to political forces at hand all form potential built-in difficulties for the interacting companies (Geringer and Hebert, 1991). When the IJV agreement does not clearly specify the goals of each party, the resources contributed by the partners, their major responsibilities and obligations, their rights, the character of the business, their share of profits and mode of distribution, ways of resolving disputes, and other key aspects of the venture, disagreements can take place and disrupt the venture (Ding, 1997; Johnson, Cullen, Sakano and Bronson, 2001). Therefore, it is expected that conflict between the IJV partners will have a negative influence on IJV marketing performance. As such, it is hypothesised that:

H4: Conflict between the partners will be a significant determinant of IJV marketing performance.

A further problem with IJVs involves the foreign corporation’s global integration and the local partner’s national orientation. A number of IJVs fail because the foreign corporation strives for global integration of their business, while the local partner is emphasising the operations within their country (Calantone and Zhao, 2000; Ding, 1997). Many foreign corporations aim to maximise their profits or earn a target rate of return on their investments globally, rather than maximise their business in a particular country, including those in which they have IJVs. Accordingly, foreign corporations strive to integrate their IJV
affiliates with their system of enterprises around the world in production, finance, marketing, and management (Barkema and Vermeulen, 1997). Furthermore, since IJV affiliates in developing countries are generally a small part of the total international business of most foreign corporations, they may not grant high priority to them in resource allocation, management, and technological effort (Dymsza, 1988). On the other hand, an IJV involved in any sort of manufacturing commonly represents a major business involvement for the local partner. Thus, the national partner commits major capital and management effort to the IJV affiliate and expects comparable commitment from the foreign corporation in order to have a highly successful business. Serious conflicts can emerge when the local partner finds that the foreign corporation does not grant high priority to the IJV and does not commit sufficient resources and effort. These conflicts can become deeper causing the IJV to fail (Dymsza, 1988). Therefore, commitment of the IJV partners is a critical factor for IJV success and as such it is hypothesised that:

H5: Commitment of the partners will be a significant determinant of IJV marketing performance.

Another related area of difficulty for the IJV and its participants involves the differences between the partners over marketing-related issues (Ding, 1997; Calantone and Zhao, 2000). A JV between a foreign corporation and a local firm can fail because of major differences between the parties about marketing policies and procedures (Ding, 1997; Simonin, 1997). The degree of marketing orientation enjoyed by a firm is a proven determinant of business performance success (Ahmed and Krohn, 1994; Ghosh, Schoch, Taylor, Kwan, and Kim, 1994; Lu, Madu, Kuei, and Winokur, 1994; Pitt and Jeantrouit, 1994; Wilson and McDonald, 1994). Marketing orientation is 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” (Ahmad and Krohn, 1994: P.115). Focusing on immediate and long-term consumer contentment 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).

Many marketing oriented foreign corporations try to avoid IJVs, but when they do enter into them because of the requirements of host governments (Barkema and Vermeulen, 1997; Vanhonacker and Pan, 1997), strive to adopt their own marketing systems, based upon product differentiation, aggressive promotion and advertising, selling, and emphasis upon trademarks and brand names (Cavusgil and Zou, 1994). Some foreign corporations work for standardisation of their marketing mixes globally, but they do adapt some aspects of marketing to the national environment and institutional setting (Cavusgil and Zou, 1994; Douglas and Craig, 1989). They consider control of the key elements in the marketing mix in a JV crucial in their type of business (Calantone and Zhao, 2000; Ding, 1997). Having a dissimilar experience in their own country, the local partner may strive to adopt different marketing programs and procedures (Barkema and Vermeulen, 1997), with less emphasis on marketing orientation, product differentiation, promotion, aggressive selling, and trademarks. The foreign corporation and the national partner may also differ on pricing practices, market segmentation, introduction of new products, and marketing expenditures. As a result, the partners may encounter serious conflicts in marketing management which result in stalemates in decision making and, ultimately, failure of the IJV (Lewis, 1990) and as such, it is hypothesised that:

H6: The marketing orientation of senior management will be a significant determinant of IJV marketing performance.

Another difficulty for IJV participants involves control of the IJV (Beamish and Inkpen, 1995; Ding, 1997; Johnson, Cullen, Sakano and Bronson, 2001; Lee and Beamish, 1995; 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 (Calantone and Zhao, 2000; Ding, 1997), however, the evidence is
inconclusive.

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. However, Beamish (1993) found that unsatisfactory
performance was associated with dominant control. Based on a sample from the PRC,
Beamish (1993) found that shared/split joint ventures had greater success. The unique
economic structure, politics, and culture in PRC were far removed from the experience of
most western firms and managers as to make dominant control extremely risky. Similarly,
the lack of technology and managerial skills on the part of Chinese managers made
dominant control by them equally risky. As a result, dominant control by either partner
increased the probability of poor performance. Beamish’s (1993) findings also received
further support from Yan and Gray (1994), and, as such, it is hypothesised that:

H7: The organisational control one partner has over the other partners in the IJV
organisation will be a significant determinant of IJV marketing performance.

Finally, major differences with respect to management processes, style of
management, and corporate culture between the foreign corporation and the local
partner can lead to serious conflicts which contribute to the failure of IJVs (Calantone
and Zhao, 2000; Ding, 1997). For example, a foreign corporation may seek to impose
its process of strategic and operational planning, an information and control system,
budgeting, and accounting on the JV affiliate. The local partner may not have any
experience with these processes and consider them inappropriate. A foreign
corporation may emphasise a more participatory style of management, delegation of
responsibility to subordinates, profit centres, and periodic evaluation of performance. The local partner which is often a family-owned business in developing countries may have a more authoritarian style of management, with no delegation of responsibility to subordinates and very little formal planning and control (Barkema and Vermeulen, 1997). Although such differences in management processes and style can sometimes be harmonised through a learning process in the JV, they can often disrupt the venture and cause it to fail and as such it is hypothesised that:

H8: The lack of effective managerial control over the IJV by any of its parents will be a significant determinant of IJV marketing performance.

Finally, because of its international experience a firm can know the differences in environmental conditions and is more likely to select the most attractive market for the venture and adapt the marketing strategy to accommodate the specific needs of the market (Cavusgil and Zou, 1994). An inexperienced firm seeks the closest match between its current offerings and foreign market conditions so that minimal adaptation is required (Douglas and Craig, 1989). When a product can meet universal needs, a standardised strategy is facilitated (Cavusgil and Zou, 1994), however, if a product only meets unique needs, greater adaptation of product and promotion will be required to meet customers’ product use conditions (Cavusgil, Zou and Naidu, 1993) and to educate customers in using and maintaining the product. Also, when a culture-specific product is exported to a foreign market, the cultural base on which the product is developed may not match the cultural base in the foreign market. To be viable, the product must be adapted to the cultural requirements of the foreign market (Cavusgil and Zou, 1994) and, as such, it is hypothesised that:

H9: Adapting the IJV’s products/services to meet the needs of the local Thai market will be a significant determinant of IJV marketing performance.
Research Design
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). Following an extensive review of literature, a wide range of variables that could influence the marketing performance of IJVs were identified and included in a preliminary questionnaire. The questionnaire was finalised after a pretest by personal interviews in 10 Foreign-Thai 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 1,047 IJVs selected at random from the list of IJVs provided by the Thai Board of Investment (BOI, 1996). 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).

Scale Development
The respondents were requested to complete two sets of Likert-like scales, one for each of the components of the research i.e. the factors argued to influence the marketing performance of the IJV and the measure of the marketing performance of the IJV.

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, 1 to 7 unsuccessful to successful. The statements tapped satisfaction with the overall performance and also economic performance via profitability, return on investment, sales and market share.
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 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). The influence of industry price competition adapted from Christensen, da Rocha and Gertner (1987).

Firm-Specific Characteristics: Statements measured 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 were adapted from Cavusgil and Zou (1994). Customer expectations as a measure against which the IJV evaluates its performance were drawn from Pitt and Jeantrout (1994).

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 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.
Product Characteristics: Statements 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.

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 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).

Organisational Control: 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.

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.
RESULTS

Prior to analysing the data, a check for non-response bias was conducted, via an ‘extrapolation procedure’. 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 then conducted to identify the factor structures of the firm and marketplace characteristics of IJVs in Thailand. The results of the exploratory factor analysis are summarised in Table 1, indicating seven factors and two statements that explained 64.7 percent of the variation of IJVs firm and marketplace characteristics in Thailand.
Table 1 - Exploratory Factor Analysis of Firm & Marketplace Characteristics

<table>
<thead>
<tr>
<th>Variables</th>
<th>Reliability</th>
<th>Eigenvalue</th>
<th>% of Var</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Market Characteristics</td>
<td>.82</td>
<td>6.13</td>
<td>19.2</td>
</tr>
<tr>
<td>(2) Conflict</td>
<td>.87</td>
<td>4.55</td>
<td>14.2</td>
</tr>
<tr>
<td>(3) Commitment</td>
<td>.82</td>
<td>2.48</td>
<td>7.8</td>
</tr>
<tr>
<td>(4) Product Characteristics</td>
<td>.70</td>
<td>1.61</td>
<td>5.1</td>
</tr>
<tr>
<td>(5) Firm-Specific Characteristics</td>
<td>.61</td>
<td>1.29</td>
<td>4.0</td>
</tr>
<tr>
<td>(6) Marketing Orientation</td>
<td>.62</td>
<td>1.24</td>
<td>3.9</td>
</tr>
<tr>
<td>(7) Organisational Control</td>
<td>.67</td>
<td>1.21</td>
<td>3.8</td>
</tr>
<tr>
<td>(8) Managerial Control</td>
<td>1.07</td>
<td>1.07</td>
<td>3.4</td>
</tr>
<tr>
<td>(9) Adapting to Foreign Market Needs</td>
<td>1.05</td>
<td>1.05</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Results for Hypotheses 1 to 9

To examine the impact of firm and marketplace characteristics on performance categories (i.e. between the high and low IJV marketing performance groups), discriminant analysis was used. Interest was in classifying the IJVs into low and high marketing performers to see if the discriminating variables will distinguish between the groups. In this study, the discriminating variables were identified as the seven factors and the two independent statements. Table 2 contains a summary of the results of the discriminant analysis.

Table 2 - Summary of Univariate ANOVAs for Discriminant Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Wilk’s Lambda</th>
<th>F</th>
<th>Significance</th>
<th>Structure Matrix</th>
<th>Support Of Hypotheses</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Market Characteristics</td>
<td>.96</td>
<td>6.08</td>
<td>.05</td>
<td>-.415</td>
<td>Yes</td>
</tr>
<tr>
<td>H2 Conflict</td>
<td>.95</td>
<td>8.01</td>
<td>.005</td>
<td>-.476</td>
<td>Yes</td>
</tr>
<tr>
<td>H3 Commitment</td>
<td>.92</td>
<td>13.61</td>
<td>.001</td>
<td>.620</td>
<td>Yes</td>
</tr>
<tr>
<td>H4 Product Characteristics</td>
<td>.98</td>
<td>1.74</td>
<td>Ns</td>
<td>-.223</td>
<td>No</td>
</tr>
<tr>
<td>H5 Firm-Specific Characteristics</td>
<td>.98</td>
<td>2.97</td>
<td>Ns</td>
<td>.290</td>
<td>No</td>
</tr>
<tr>
<td>H6 Marketing Orientation</td>
<td>.92</td>
<td>13.20</td>
<td>.001</td>
<td>.611</td>
<td>Yes</td>
</tr>
<tr>
<td>H7 Organisational Control</td>
<td>.97</td>
<td>4.36</td>
<td>.05</td>
<td>-.351</td>
<td>Yes</td>
</tr>
<tr>
<td>H8 Managerial Control</td>
<td>.99</td>
<td>.10</td>
<td>Ns</td>
<td>-.054</td>
<td>No</td>
</tr>
<tr>
<td>H9 Adapting to Foreign Market Needs</td>
<td>.99</td>
<td>1.51</td>
<td>Ns</td>
<td>.207</td>
<td>No</td>
</tr>
</tbody>
</table>
Table 2 shows the univariate ANOVAs of the discriminant analysis. The univariate ANOVAs indicate whether there is a statistically significant difference among the dependent variable of marketing performance for each independent variable. From Table 2 it is evident that the independent variables of market characteristics, conflict, commitment, marketing orientation and organisational control are all significant at the 95 percent confidence interval (p < .05) in discriminating between the high and low marketing performance groups.

In the analysis, the discriminant function was significant (Chi Square [performance] = 31.07, df = 9; p = .001, wilks’ lambda .82). There is support for firm and marketplace characteristics being strong discriminators of IJV marketing performance. To assess how effectively the derived discriminant functions were able to classify cases, a confusion matrix was generated applying the jackknife (leave-one-out) method for classification. For performance (high-low), Market Characteristics, IJV Conflict, Partner-IJV Commitment, the IJVs Product Characteristics, IJV Firm-Specific Characteristics, IJV Marketing Orientation, Organisational Control, Managerial Control and Adapting to Foreign Market Needs, 69% of the grouped cases were correctly classified.

As a result of the discriminant analysis and the hypotheses offered for testing, five of the variables were significant in discriminating between high and low IJV marketing performance in Thailand. H1, H4, H5, H6 and H7 were supported with H2, H3, H8 and H9 not supported. Market characteristics, conflict, commitment, marketing orientation and organisational control were found to be statistically significant in discriminating between high and low IJV marketing performance whilst firm-specific characteristics, product characteristics, managerial control and adapting to foreign market needs were found to have no effect.
DISCUSSION AND IMPLICATIONS

The five factors discriminating significantly between high and low IJV marketing performance in Thailand were market characteristics, conflict, 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.

As far as market characteristics are concerned this study has shown 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 conflict is concerned this study has clearly indicated that it is important for the managers of IJVs to minimise the inter-organisational conflicts in order to improve the IJV’s marketing performance. Companies intending to enter into an IJV arrangement with another company should be proactive enough by taking time to get to know their IJV partner in order to avoid any unnecessary misunderstandings and potential conflicts concerning the IJV contract and the roles and functions each partner is expected to fulfil. The findings of this study support the findings of the Habib (1987) study that manifest conflict between the IJV partners can have a negative or disruptive influence on IJV marketing performance.
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. The study findings support the findings of the Beamish (1988) study. 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.

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. The study findings support the findings of the Pitt and Jeantrout (1994) study that marketing orientation is a significant factor influencing marketing performance when marketing orientation is in relation to senior management’s knowledge of its customers.

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. The findings of this study support the findings of the Dymsza
(1988) study that major conflicts can erupt between the IJV partners over the purchase of raw materials and components and the transference of the IJVs output to a parent company. These conflicts can disrupt the venture causing the IJV to eventually fail.

REFERENCES


