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# The market orientation-marketing performance relationship – the empirical link in international joint ventures

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**THE MARKET ORIENTATION-MARKETING PERFORMANCE RELATIONSHIP: THE EMPIRICAL LINK IN INTERNATIONAL JOINT VENTURES**

**ABSTRACT**

This study examines the relationship between market orientation and International Joint Venture (IJV) marketing performance in Thailand. The primary data for the study were collected from a self-administered mail survey of 831 Thai-Foreign IJVs in Thailand. The sample consisted of 161 firms that were primarily engaged in agricultural, metal-working, electrical and chemical industries. From the application of the exploratory factor analysis, multiple regression analysis and the discriminant analysis it was concluded that market orientation is a key antecedent of IJV marketing performance.

**Key words:** International Joint Ventures, Market Orientation, Marketing Performance

**INTRODUCTION**

The degree of market orientation enjoyed by a firm is a recognised antecedent of business performance success (Ahmed and Krohn, 1994; Pitt and Jeantrout, 1994). Market 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 contentment is the obvious manifestation of an organisation imbued with market orientation. Greater consumer satisfaction, eventual competitive advantage over

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competitors, and the resultant increase in profits are the likely results of an organisation whose employees have been thoroughly trained in market orientation (Ahmed and Krohn, 1994). Determining the degree of market orientation within an organisation can be discerned by seeking information from employees.

Market oriented firms are skilled at learning about the articulated and unarticulated needs of their customers, and at satisfying those needs in a way that is superior to how competitors satisfy those needs (Kohli and Jaworski, 1990). Customers are the primary stakeholders for market oriented businesses. Employees are treated well because they are the customer value creators. Shareholders benefit because a market orientation is valuable, rare, and difficult to imitate, the necessary conditions for a sustainable competitive advantage (Porter, 1985). Thus, a market orientation benefits at least three stakeholder groups: customers, employees and shareholders.

On the one hand, market orientation has been identified as a significant variable impacting firm performance (Narver and Slater, 1990). However, on the other hand the results of other studies on how market orientation influences firm performance are not so conclusive suggesting that market orientation does not directly influence firm performance but rather impacts performance via other mediating variables (Pelham, 1997). Furthermore, some studies found positive and significant relationships (Desphande and Farley, 1998) whilst other studies reported non- significant relationships (Greenley, 1995), and even other studies found that market orientation was

only related to firm performance for certain subjective measures (Rose and Shoham, 2002) and other studies even suggested that market orientation had a negative impact on performance (Cadogan and Cui, 2004). As such, the evidence of a significant relationship between market orientation and firm performance is still far from conclusive.

Additionally, it is interesting to note that most previous research on market orientation has been conducted with respect to a firm's performance in the domestic market with limited research being conducted on the relationship between market orientation and marketing performance in an international context (Cadogan *et al.,* 1999). Dalgic (1994) suggested that further conceptual and empirical research needs to be conducted on future models of market entry mode performance with market orientation being included as an important antecedent variable. Only in recent years have researchers explored market orientation in an international context (Cadogan and Cui, 2004). However, the empirical evidence of a significant relationship between market orientation and market entry mode performance still remains inconclusive at best (Julian, 2005).

Cadogan *et al.* (2005) argued that the relationship between market orientation and marketing performance in an international context is of great interest to the international marketer. Furthermore, such a study is needed because of the importance of international operations to business survival and general economic well being (Deshpande and Farley, 2004). As most research on the

relationship between market orientation and marketing performance in an international context has been conducted using the export mode of market entry in a developed country context and given the paucity of studies on this relationship in IJVs in a developing country context this prompted the need for such a study. As such, the objective of the study is to examine the relationship between market orientation and IJV marketing performance in international joint ventures in Thailand, a developing country of the Asia Pacific Region.

## LITERATURE REVIEW

The central element of market orientation is a customer focus (Kohli and Jaworski, 1990). Whilst a customer focus involves obtaining information from customers about their needs and wants it goes beyond customer research. Being customer oriented involves taking actions based on market intelligence not on verbalised customer opinions alone. Market intelligence is a broader concept than customer focus in that it includes consideration of external market factors such as competition and regulations that affect customer needs and preferences and current as well as future needs of customers. These extensions do not challenge customer focus they reflect broader more strategic concerns related to customers (Kohli and Jaworski, 1990).

The idea that market intelligence pertains not just to current needs, but to future needs as well echoes Houston's (1986) assertion and reflects a departure from conventional views (e.g., "find a need and fill it") in that it urges organizations to anticipate needs of customers and initiate steps to meet them. The notion that market intelligence includes anticipated customer needs

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is important because it often takes years for an organization to develop a new product offering (Kohli and Jaworski, 1990).

Though assessment of customer needs is the cornerstone of market orientation, defining customers may not be simple. In some cases, businesses may have consumers (i.e., end users of products and services) as well as clients (i.e., organizations that may dictate or influence the choices of end users). As such, it is critical for organisations to understand the needs and preferences of not just end customers but also retailers through whom their products are sold. This sentiment reflects the growing power of retailers over manufacturers and increased competition among manufacturers due to the proliferation of brands (Kohli and Jaworski, 1990).

The generation of market intelligence relies not just on customer surveys, but on a host of complementary mechanisms. Intelligence may be generated through a variety of formal as well as informal means (e.g., informal discussions with trade partners) and may involve collecting primary data or consulting secondary sources. The mechanisms include meetings and discussions with customers and trade partners (e.g., distributors), analysis of sales reports, analysis of worldwide customer databases, and formal market research such as customer attitude surveys, sales response in test markets, and so on.

Importantly, intelligence generation is not the exclusive responsibility of a marketing department. For example, R&D engineers may obtain information

at scientific conferences, senior executives might uncover trends reported in trade journals, and so on. Industrial products companies have indicated that it was routine for their R&D personnel to interact directly with customers to assess their needs and problems and develop new business targeted at satisfying those needs (Kohli and Jaworski, 1990).

The generation of market intelligence does not stop at obtaining customer opinions, but also involves careful analysis and subsequent interpretation of the forces that impinge on customer needs and preferences. Equally important, the field findings suggest that the generation of market intelligence is not and probably cannot be the exclusive responsibility of a marketing department (Kohli and Jaworski, 1990; Webster, 1988). Rather, market intelligence is generated collectively by individuals and departments throughout an organization. Mechanisms, therefore, must be in place for intelligence generated at one location to be disseminated effectively to other parts of an organization.

Intelligence dissemination requires the participation of virtually all departments in an organization--R&D to design and develop a new product, manufacturing to gear up and produce it, purchasing to develop vendors for new parts/materials, finance to fund activities, and so on. As such, market intelligence need not always be disseminated by the marketing department to other departments. Intelligence may flow in the opposite direction, depending on where it is generated. Effective dissemination of market intelligence is

important because it provides a shared basis for concerted actions by different departments (Kohli and Jaworski, 1990).

A formal intelligence dissemination procedure is obviously important, however, despite sparse treatments of the effects of informal information dissemination in the literature, "hall talk" is an extremely powerful tool for keeping employees tuned to customers and their needs (Kohli and Jaworski, 1990). The emphasis on intelligence dissemination parallels acknowledgement of the important role of "horizontal communication" in service organizations (Zeithaml *et al.,* 1988). Horizontal communication is the flow of information that occurs both within and between departments (Daft and Steers, 1985) and coordinates people and departments to facilitate the attainment of overall organizational goals. Horizontal communication of market intelligence is one form of intelligence dissemination within an organization.

Another element of market orientation is responsiveness to market intelligence. An organization can generate intelligence and disseminate it internally, however, unless it responds to market needs, very little is achieved. Responsiveness is the action taken in response to intelligence that is generated and disseminated (Kohli and Jaworski, 1990).

The field findings indicate that responsiveness to market intelligence takes the form of selecting target markets, designing and offering products/services that cater to their current and anticipated needs, and producing, distributing, and

promoting the products in a way that elicits favourable end-customer response. Virtually all departments--not just marketing--participate in responding to market trends in a market oriented company (Kohli and Jaworski, 1990).

For an organization to achieve consistently above normal marketing performance, it must create a sustainable competitive advantage (SCA) (Aaker 1989, p. 91; Narver and Slater, 1990; Porter 1985, p. xv). That is, it must create sustainable superior value for its customers. The logic of SCA is that for a buyer to purchase offering X, the buyer must perceive that the expected value to him of that offering (i.e., that proposed solution to his need) exceeds the expected value to him of any alternative solution (Narver and Slater, 1990).

The value of a seller's offering to a buyer is the difference between what the buyer perceives as the offering's expected benefits and what the buyer perceives as its expected total acquisition and use costs (Zeithaml, 1988). A seller, any seller, has numerous alternative opportunities for creating additional buyer value through increasing a buyer's benefits and/or decreasing a buyer's total acquisition and use costs (e.g., Forbis and Mehta, 1981; Narver and Slater, 1990).

The desire to create superior value for customers and attain a SCA drives a business to create and maintain the culture that will produce the necessary behaviours. Market orientation is the organization culture (i.e., culture and

climate), (Deshpande and Webster 1989) that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business (Kohli and Jaworski, 1990; Narver and Slater, 1990; Webster, 1988).

A market oriented seller understands that, through the numerous means of creating additional benefits for buyers as well as the numerous types of reductions in the buyers' total acquisition and use costs, there are many potential sources of SCA (Aaker, 1988; Hall, 1980; Porter 1985). Thus, a market oriented business continuously examines these alternative sources of SCA to see how it can be most effective in creating sustainable superior value for its present and future target buyers. To maximize its long-run performance, the business knows it must build and maintain a long-run, mutually beneficial relationship with its buyers. Accordingly, a market-oriented seller decides how best to share with its buyers the superior value it creates for them (Narver and Slater, 1990).

Kotler (1991) presented a model of three types of strategic market orientation; external marketing, internal marketing, and interactive marketing, and explained how they are applied in the marketplace. *External marketing* describes how a company's marketing mix strategy consisting of product, price, promotion and place (distribution) is used to create a beneficial exchange relationship between producer and consumer. The emphasis is on improving marketing relationships between the company and its customers by adopting and utilising effective marketing mix strategies. However, this

traditional marketing approach is no longer sufficient to retain customers in today's rapidly changing global marketplace (Kotler, 1991; Waterschoot and Van Den Bulte, 1992). Rather, two other marketing orientations - internal marketing and interactive marketing - are needed in order to meet the needs of today's companies effectively (Lu *et al.,* 1994).

*Internal marketing* is a concept that emphasises team management. The company should encourage and motivate employees in non-marketing departments to work as a team and support employees in marketing related areas (e.g., sales, marketing and customer service) who have frequent contact with customers. The emphasis of internal marketing is on the management of relationships between marketing and non-marketing personnel. Systems marketing, which is a current practice within the broader context of internal marketing, involves the interaction between the company's management and employees, and its customers. Here, emphasis is placed on pre-selling, selling, and post-selling activities (Lu *et al.,* 1994).

*Interactive marketing* measures the level of efficiency of the marketing department in contacting and addressing customers' needs. Database marketing can be used to illustrate this concept. Here, information on customers such as personal and/or organisational interests, goals and objectives is maintained in a database. The premise is: *"the more information a company has about its customers, the better it interacts with them and, therefore, the better their needs are satisfied"* (Lu *et al.,* 1994: P. 43). A typical example is a company that has a customer service department that maintains

a database on customer complaints, needs and, perhaps, expectations. This information can be used to improve work processes.

These three types of strategic marketing orientation proposed by Kotler (1991) can be adapted and further developed to support a company's vision and long-term goals and objectives in the global marketplace. As a result a number of marketing effectiveness studies have been undertaken (e.g., Pitt and Jeantout, 1994). The studies were based on the rationale that one of the practical ways of advancing the regeneration and growth process in companies is to isolate the best marketing practices at the individual firm level and to analyse their components. The research objective of these studies gives the impression of being twofold: first to isolate better-performing companies and to examine the contribution that marketing has made to their performance; and, second, to identify the better marketing practices used by these companies. Four such studies were undertaken in Singapore (Ghosh *et al.,* 1993), Australia (Kwan and Yau, 1992), New Zealand (Taylor, 1993) and, Taiwan (Lai *et al.,* 1992).

The importance of effective marketing in industrial competitiveness is well established (Kohli and Jaworski, 1990). In a report on the findings of a major survey of U.K. companies, Hooley and Lynch (1985) and Hooley *et al.* (1984), commented that the profile of the most successful organisations was effectively a summary of conventional wisdom on marketing excellence. Kiel *et al.* (1986) conducted a similar survey in Australia and came up with the same conclusion. The National Economic Development Organization's

(NEDO) report (1982) on transferable factors in Japan's rapid growth indicated that Japan's economic success was largely due to the strong emphasis on marketing for worldwide sales. Numerous books on marketing expounded the importance of the process. Kotler (1991) believed that stronger company marketing skills can potentially launch a new era of high economic growth and rising living standards. Closeness to the customer (Peters and Waterman, 1982); the customer as king (Rodgers, 1986); emphasis on the central importance of dedication of the business to sensing, serving and satisfying the customers in a well-understood target market (Kotler, 1991); and that it will be marketing skills that distinguish the amateur from the professional players in the global market (Kotler, 1991); are some of the themes which point to the recognition given to marketing in the literature (Ghosh *et al.,* 1994).

Yet, despite the recognition of the important role of marketing competitiveness in industrial success, there is strong evidence that marketing remains an area of significant weakness for companies. Doyle *et al.* (1985), in comparing Japanese and British strategies, observed that British companies were often financial or production-oriented, rather than marketing focused. The NEDO (1981a) report stressed the constraining effects of the widespread lack of commitment to marketing. On this same theme, NEDO (1981b, 1982) reported evidence that a number of innovations have not met commercial expectations because they had been based excessively on *"technology push",* deriving from technical departments, with insufficient assessment of market needs as a starting point for product development. Hooley and Newcomb

(1983) also drew attention to the prevalence of production orientation and a lack of marketing perspective among many companies. Taylor (1993) observed that, in New Zealand, until very recently, little was known about how New Zealand organisations actually went about marketing.

Therefore, the importance of market orientation to marketing performance success cannot be underestimated. Ghosh *et al.* (1994) compared the marketing practices among the better performers in Australia, New Zealand, and Singapore and the importance of market orientation to successful marketing performance was evident. In the three countries (Australia, New Zealand and Singapore), better performing companies claimed a much stronger market orientation than their less successful counterparts, with 89 percent of New Zealand's better performers identifying with this approach, followed by Singapore (88 percent) and Australia (79 percent). Additionally, the Ghosh *et al.* (1994) study identified that a higher proportion of the better performers in all three countries tended to have a stronger commitment to marketing's role within the organisation, by adopting marketing as a guiding philosophy for the whole organisation.

Further support for market orientation as a significant determinant of marketing performance was given by Pitt and Jeantrout (1994). Pitt and Jeantrout (1994) described the results of a study of customer expectations management practices of a sample of British firms. Their study related customer expectations management practices to some organisational success criteria and proposed a checklist for organisations to use in

evaluating their own expectations management practices. The most significant conclusion to come from the Pitt and Jeantrout (1994) study was that market orientation was the only significant individual factor to come from the study. The authors were able to conclude that there was a significant relationship between market orientation with regard to expectations management practices and relative market share (an accepted economic and strategic indicator of marketing performance). Pitt and Jeantrout (1994) concluded that firms with a higher relative market share would appear to be those which understood the impact of pricing on customer expectations; who regularly contact customers to understand their needs; and who generally have a better understanding, gained through research, of what their customers expect; or put simply those firms who had a higher relative market share had a greater market orientation than their competitors.

Therefore, empirical evidence has been provided in the literature that the level of market orientation evident in an organisation could have a significant influence on its marketing performance. However, market orientation as an antecedent of performance in an international context seems to have been largely overlooked by the international marketing literature. By including market orientation as an antecedent of performance in a joint venture marketing performance model, it is argued, will enhance our understanding of the antecedents of IJV marketing performance and will make a worthy contribution to the body of knowledge. This is because market orientation is a proven indicator of enhanced performance in a domestic context but its relationship with performance in an international context is still open for

debate, especially when the investigation is conducted in a developing country like Thailand. In addition, knowledge of the impact of market orientation on performance in an international context will provide a solid foundation for the sustainable competitive advantage of a firm in foreign markets, subsequently, enhancing the firm's overall performance (Hunt and Morgan, 1995; Kohli and Jaworski, 1990; Narver and Slater, 1990).

As indicated earlier, most previous studies on market orientation have been conducted on the firm's domestic operations with limited empirical research being conducted on the impact of market orientation in an international context, whether in relation to export ventures or international joint ventures (Cadogan *et al.,* 1999; Julian, 2005). Only in the last few years have researchers explored issues relating to market orientation in an international context (e.g., Akyol and Akehurst, 2003; Cadogan and Cui, 2004; Julian, 2005; Rose and Shoham, 2002).

For example, Rose and Shoham (2002) investigated 124 Israeli exporters from nine industries. By employing Jaworski and Kohli's (1993) market orientation construct, they examined the export performance (e.g., sales, change in sales, profits and change in profits) consequences of a market orientation (intelligence generation, intelligence dissemination and responsiveness) and the potential mediating impact of the competitive, technology, and foreign market environments. Their study found that a positive change in sales and profits was all significantly related to a market orientation. Specifically, a change in sales and profits was significantly and

positively related to intelligence generation, responsiveness and an overall market orientation in the export ventures that were studied. Additionally, the impact of market orientation on profits and a change in profits was stronger in technologically turbulent environments. As a whole, their study synthesized two important streams of research by establishing an empirical relationship between market orientation and performance in export ventures and examining the mediating impact of the environment on performance.

Akyol and Akehurst (2003) also studied the relationship between corporate market orientation and performance variations in export ventures. They examined 103 Turkish clothing exporting firms by employing Cadogan *et al.'s* (1999) measures (export market intelligence generation, export market intelligence dissemination and export market responsiveness). The result of their study suggests that a relationship between market orientation and performance does exist, and in the case of the Turkish clothing exporters, an improvement in the market orientation level is a significant contributor to enhanced performance.

As such, a powerful way to enhance the export marketing performance of firms is for them to adopt a market orientation in their export operations (Cadogan *et al.,* 2002). Specifically, for most firms, empirical studies indicated that higher levels of market orientation in the firms' export market is associated with higher levels of performance (e.g., Akyol and Akehurst, 2003; Cadogan *et al.,* 1999, 2002; Sundqvist *et al.,* 2000). Arguably, this could also be the case for the IJV market entry mode. That is why this study on IJV

marketing performance in Thailand was incorporated, to ascertain the significance of the impact of market orientation on IJV marketing performance success in Thailand and South East Asia.

## RESEARCH DESIGN

This study is based on the development and administration of a self-administered mail survey in Thailand. The major steps followed included, firstly, an extensive review of prior literature, to identify potentially important variables likely to influence IJV marketing performance.

Second, 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. The questionnaire was developed and pre-tested using a small sample of joint ventures with the final instrument in English and a Thai equivalent with a covering letter and instructions that was mailed to a census sample that included 831 firms who were ápriori identified as having a minimum of 20 percent equity participation and a maximum of 80 percent equity participation in the joint venture, yielding 161 useable questionnaires being returned accounting for an effective response rate of 19.38 percent and considered to be adequate. This response rate is normal for most mail surveys (Groves, 1990; McDougall *et al.,* 1994). Also similar response rates have been reported in prior international marketing research (Kaynak and Kuan, 1993) with sample sizes of 53 being reported (Mintu-Wimsatt and Calantone, 2000). A response rate of 19.38 percent also compares favourably with the response rates of McDougall *et al*

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(1994) with 11 percent; Zairi and Sinclair (1995) with 13 percent; and Koch and McGrath (1996) with 6.5 percent. Considering the sample was drawn from a developing country where the first language is not English, and where many of the respondent's primary language is not English, the response rate is even more acceptable. Every possible mechanism was incorporated into the study's methodology to ensure a higher response rate and 19.38 percent was the maximum response rate possible. Finally, it is acknowledged that U.S. based mail surveys achieve a higher response rate, however, according to Churchill (1987) a response rate above 10 percent is acceptable for mail surveys.

The questionnaire and covering letter were translated into Thai and then back-translated into English following the procedures outlined by Douglas and Craig (1983). The use of only two languages reduced the potential for errors resulting from multiple translations of the questionnaire. Minimizing the diversity of languages also helped insure construct equivalence and data comparability (Johnson *et al.,* 2001). During these stages, the potential influence of Thai cultural tendencies on questionnaire responses was addressed. The Thai and English versions of the questionnaire were pre-tested by personal interviews with the Managing Directors of 10 IJVs located in Thailand. In the pre-test, the measures performed consistently suggesting only minor refinement for the final version of the questionnaire. A major emphasis in all steps was on ensuring that the constructs being investigated were culturally equivalent and not bound to any particular culture (Johnson *et al.,* 2001).

Input from the pre-test was used to refine the instrument and to ensure the instrument possessed construct validity. 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.

Finally, to reach the most knowledgeable key informants, the questionnaire was directed to the Managing Director of the IJV. From the results of the pre-test, it was expected that the Managing Director would be the person most knowledgeable about the organisation's marketing performance. The case, where the Managing Director was not directly responsible for the 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.

In this study CEOs were used as the key informants. CEOs have been used as key informants in similar research (Li and Calantone, 1998). Although some researchers have advocated the use of multiple informants (Hogarth and Makridakis, 1981), others have found that CEOs provide data that is as reliable and valid as multiple informants (Zahra and Covin, 1993). Data on strategy gathered from middle and lower managers have been argued to have questionable validity because these managers typically do not have access to information about how the total system operates (Snow and Hrebiniak, 1980). CEOs possess the most comprehensive knowledge of the characteristics of

the organization, its strategy and inter-organizational relationships (Weerawardena *et al.,* 2006).

The instrument contained items identified by the literature intended to measure market orientation and IJV marketing performance (Kohli and Jaworski, 1990; Julian, 2005). The measure of market orientation was adapted from Kohli and Jaworski (1990). Statements were included in the questionnaire to assess some of the different aspects of market orientation that included determining if customer expectations of the product/service provided are a measure against which the IJV evaluates its performance. How regularly the IJV's senior management contacted its customers to determine their needs and to better understand their business. How frequently the IJV's senior management conducts research among its customers in order to find out what they expect of its products/services. How regularly the IJV's senior management attempts to assess the impact that the prices of its products/services have on customer expectations and whether IJV management has a good idea of customer expectations.

IJV marketing performance was assessed using a composite measure specifically developed for this study. Using the literature and the pre-tests of the research instrument, sixteen strategic objectives were preset in the research instrument that corresponded with each of the measures of marketing performance. Towards the end of the research instrument, respondents were asked to indicate the relative importance attached to each objective by allocating a constant-sum (100 points) to the individual objectives

proportional to their importance. The researcher computed the extent to which the initial strategic objectives were achieved as the weighted sum of the importance of the initial strategic objectives. The two indicators were summed into a composite scale for measuring the marketing performance of IJVs in Thailand.

## DATA ANALYSIS

Prior to conducting the data analysis the issue of non-response bias is addressed. An 'extrapolation procedure' technique was used to assess non-response bias. This assumes that the groupings of actual respondents by an identified criterion are similar to the 'theoretical' non-respondents (Armstrong and Overton, 1977). Frequencies and independent $t$-tests were used to determine whether significant differences existed between the sample of 161 Thai-Foreign IJVs and the target population of 831 Thai-Foreign IJVs based on the IJV's industry classification. From the analyses that were conducted using both frequencies and independent $t$-tests no significant difference was identified between the sample and the target population for this classification variable. Therefore, the results suggest that as there appears to be no significant difference between respondents and non-respondents then the sample can be considered sufficient to draw conclusions about Thai-Foreign IJVs for the issues under study.

The data were initially analysed using principal components analysis to assess the psychometric properties of the instrument assessing the concept of market orientation identified as determining if customer expectations of the

product/service provided are a measure against which the IJV evaluates its performance. How regularly the IJV's senior management contacted its customers to determine their needs and to better understand their business. How frequently the IJV's senior management conducts research among its customers in order to find out what they expect of its products/services. How regularly the IJV's senior management attempts to assess the impact that the prices of its products/services have on customer expectations and whether IJV management has a good idea of customer expectations. The primary concern was interpretability of the construct. All items loaded appropriately and no cross loadings above .2 were identified with only factor loadings of above .5 being accepted (Table 1). The market orientation scale was reviewed using factor analysis to establish that it was unidimensional. The final reliability for the scale was .72 suggesting acceptable reliability. As such, the measure was judged adequate to examine the relationship between market orientation and IJV marketing performance.

**Table 1 - Summary of Principle Components Analysis**

| Factor Name | Dominant Statements | Factor Loadings |
|---|---|---|
| Market Orientation | The IJV frequently conducts research among its customers in order to find out what they expect of its products/services. | 0.79 |
| | The IJV regularly contacts customers to determine their needs and to better understand their business. | 0.58 |
| | IJV customer expectations of the product/service provided are a measure against which the IJV evaluates performance. | 0.56 |
| | The IJV regularly assesses the impact that the prices of its products/services have on customer expectations. | 0.50 |
| | The IJV has a good idea of what its customers expect. | 0.50 |

The results of the principle components analysis is summarised in Table 1. Mean factor scores were then obtained for the factor of market orientation. The mean score for the factor of market orientation was 5.398 with a standard deviation of 1.178. This indicates that respondents often agreed with statements identifying that the IJV's senior management was aware of the needs and wants of its customers and the impact that the prices of its products/services have on customer expectations. That is, respondents often agreed with statements identifying that the IJV frequently conducts research among its customers in order to find out what they expect of its products/services, that the IJV regularly contacts customers to determine their needs and to better understand their business, that customer expectations of the product/service are a measure against which the IJV evaluates its performance, that the IJV regularly attempts to assess the impact that the prices of its products/services have on customer expectations and that the IJV has a good idea of what its customers expect.

A multiple regression analysis was then conducted to analyse the relationship between the dependent variable and market orientation. The dependent variable was IJV marketing performance. The results of the multiple regression analysis are presented in Table 2 and they quite clearly show that market orientation was a significant predictor of IJV marketing performance in Thailand. Therefore, the market orientation of the IJV's senior management was a significant predictor of IJV marketing performance in Thailand and this market orientation had a positive impact on IJV marketing performance in Thailand.

**Table 2 - Multiple Regression Analysis**

| Variable | Coefficient | T-Statistic | Sig T | Significance at .05 |
|---|---|---|---|---|
| Market Orientation | .190572 | 2.336 | .0208 | Yes |

Further analysis was undertaken to see if there was a significant relationship between the concept of market orientation at different levels of IJV marketing performance. Therefore, a discriminant analysis was conducted on the construct of market orientation and IJV marketing performance with IJV marketing performance being categorised into low and high performers. The objective of discriminant analysis was to statistically distinguish between the two groups. These groups were defined by the particular research situation. In this study on IJV marketing performance in Thailand the interest was to classify the IJVs into low and high marketing performers to see if the discriminating variables would distinguish between the groups. Group 1 consisted of all those IJVs that were classified as low marketing performers (i.e. those IJVs that had a marketing performance score of 400 or less using the composite measure of IJV marketing performance). Group 2 consisted of all those IJVs that were classified as high marketing performers (i.e. those IJVs that had a marketing performance score of 401 or greater using the composite measure of IJV marketing performance).

Table 3 contains a summary of the results of the discriminant analysis that related group membership to the concept of market orientation. The univariate ANOVAs indicate whether there is a statistically significant difference among the dependent variable means for each independent variable. From Table 3 it is quite apparent that when conducting a discriminant analysis, market

orientation was a significant predictor of group membership when the groups were classified as low and high marketing performers.

**Table 3 - Summary of Univariate ANOVAs for the Discriminant Analysis**

| Variable | Wilk's Lambda | F | Significance |
|---|---|---|---|
| Market Orientation | .95794 | 5.7083 | .0183 |

The discriminant analysis (see Table 4) also shows that there were actually 44 IJVs in Group 1 (low marketing performers) and 88 IJVs in Group 2 (high marketing performers). Using the discriminant function, Table 4 provides an indication of the success rate for predictions of membership of the grouping variable's categories using the discriminant functions developed in the analysis and that the overall success rate is 72.2 percent.

From Table 4 it is also clear that the high marketing performers are the most accurately classified, with 75.0 percent of the cases correct. Low marketing performers are the least accurately classified with 72.7 percent of the cases correct. Notice that 27.3 percent of the incorrectly classified high marketing performers should be re-classified as low marketing performers and that 25.0 percent of the incorrectly classified low marketing performers should be re-classified as high marketing performers.

**Table 4 - Classification of Results using the Discriminant Function**

| Actual Group Membership | No. of Cases | Predicted | Group Membership |
|---|---|---|---|
| | | Group 1 (Low Marketing Performers) | Group 2 (High Marketing Performers) |
| Group 1 (Low Marketing Performers) | 44 | 32 (72.7%) | 12 (27.3%) |
| Group2 (High Marketing Performers) | 88 | 22 (25.0%) | 66 (75.0%) |

Percent of *"grouped"* cases correctly classified: 72.2%

## DISCUSSION

As is evident from the principle components analysis, multiple regression analysis and discriminant analysis that were conducted, the market orientation of the IJV's senior management was a significant predictor of IJV marketing performance (see multiple regression analysis) and a significant discriminator of high and low IJV marketing performance (see disciminant analysis) in Thailand. That is, the market orientation of the IJV's senior management over such issues as the IJV frequently conducts research among its customers in order to find out what they expect of its products/services, that the IJV regularly contacts customers to determine their needs and to better understand their business, that customer expectations of the product/service are a measure against which the IJV evaluates its performance, that the IJV regularly attempts to assess the impact that the prices of its products/services have on customer expectations and that the IJV has a good idea of what its customers expect all contributed significantly in being able to predict IJV marketing performance success in Thailand. Furthermore, if the IJV's senior

management were market oriented in relation to issues of the like identified above this market orientation increased the likelihood of high IJV marketing performance being achieved.

It is important for the management of any company to be aware of these measures of market orientation when contemplating an IJV of any magnitude in a developing country of South East Asia. This study clearly indicated 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 South East Asian country market for successful marketing performance of their IJV.

Therefore, the relationship between market orientation and performance can best be described as the ability of market-oriented firms to understand and satisfy customers' needs and wants in order to create a sustainable competitive advantage (Pelham, 1997). In other words, firms that know what their customer's needs and wants are, both currently and in the future, are able to develop long term strategies that maximise the firm's strengths and minimize its weaknesses enabling the firm to take advantage of existing opportunities and minimize potential and current competitor threats thereby creating superior value for customers and stakeholders alike. Such a strategic process is the means by which firms can achieve a sustainable competitive advantage.

Market orientation has been theorized to have a significant and positive effect on marketing performance in an international context as well as a domestic context. The results of this study confirm that a long-term competitive advantage and superior performance can be achieved by being equipped to respond to customer's needs and wants (Day, 1994). This finding suggests that market orientation is a necessary ingredient for successful IJV marketing performance. The impact of market orientation on IJV marketing performance in the Thai IJVs is consistent with previous research conducted on the export market entry mode (Cadogan *et al.,* 2002).

For higher IJV marketing performance the management of the Thai IJVs need to have a dedicated focus on customer orientation. In other words, the higher the IJVs' customer orientation, the higher their marketing performance. The logic behind this contention is that customer-oriented firms will have greater knowledge of their customers' needs and wants and through this knowledge it will enable management to better position the firm with respect to its competitors thereby yielding better marketing performance.

The present study has extended the literature on IJV marketing performance and market orientation in several areas. First, the results of this study suggest that the construct of market orientation with respect to customer orientation is a significant predictor of IJV marketing performance when measured by a composite measure of marketing performance that includes economic indicators, strategic indicators and a perceptual measure of performance in a developing country context. This leads to the conjecture that market

orientation is a significant predictor of marketing performance in an international context as well as a domestic context regardless of the market entry mode used and the stage of economic development for the national setting in which the study has been conducted. This finding supports much of the previous strategic marketing and strategic management literature (Porter, 1985) and is not surprising given market oriented firms create superior value for customers enabling the firms to achieve a sustainable competitive advantage, which in turn produces superior performance. Second, the constructs developed here can serve as a foundation for further research into IJV marketing performance. Third, the study has contributed to a more comprehensive understanding of the key success factors in IJVs with conclusive empirical evidence being furnished that market orientation is a key success factor in IJVs and should be included in multivariate models of IJV marketing performance. Fourth, the study provides conclusive evidence of the impact of market orientation on IJV marketing performance in a developing country context of which there was a substantial void in the literature. As a result, the study's findings provides empirical support for the notion that issues affecting marketing performance success in a developed country context are also applicable to the developing countries of South East Asia. Such a finding will enable comparison of findings from a developed country versus a developing country perspective. Finally, by isolating IJV marketing performance from general business performance it has enabled the identification of marketing-related factors impacting IJV success of which there is a substantial void in the literature.

# LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

Prior to discussing the directions for future research some of the study's limitations are noted. One of the limitations of this study is its cross sectional design. The results from this investigation should be considered in this light. Taking this study as a point of departure longitudinal research is encouraged to examine the effect of market orientation on IJV marketing performance over time. As such, future research should continue to monitor and evaluate the impact of market orientation in IJVs. Future research should also replicate this study in another developing country of South East Asia e.g., Indonesia to see if the findings of this study can be validated using another developing country as a sampling frame.

From a methodological perspective, a potential concern might be that all measures are self-reported. While regression modeling is a robust technique, future research could utilize multiple means by which to measure the variables in order to reduce common method variance. Efforts were made in this study to minimize the problem by pre-testing the instrument and selecting measures that minimize item overlap. While utmost care is taken in the development and administration of the instrument, respondents still might not interpret all questionnaire items uniformly. The sample size is also smaller than desirable. Future research should replicate the study with a larger sample. Finally, a replication of this study should examine whether the relationships between the variables still would hold true on an industry by industry basis.

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