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The critical elements for successful international joint venture (IJV) marketing performance in Thailand

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Abstract

This research provides empirical evidence on at least three principal issues: firstly, the salient factors influencing the marketing performance of International Joint Ventures (IJVs) in Thailand; secondly, which factors are relatively more important than the others; and finally, the importance of marketing orientation to the overall marketing performance of IJVs. The primary data for this study were collected from a mail questionnaire survey of 1,047 Thai-Foreign IJVs in Thailand. From the application of the exploratory factor analysis and the discriminant analysis the factors being able to discriminate significantly between high and low marketing performance were identified as being conflict, commitment, marketing orientation, and organisational control. The factors were found to be statistically reliable implying that the factor structures identified in this study are strong and they are applicable to a cross section of industries.

Introduction

Although the literature on International Joint Ventures (IJVs) is already sizeable and steadily growing, there is a paucity of studies relating to the growth of IJVs in the South East Asian economies. The present study seeks to fill a part of the gap in the existing literature. More specifically, the research problem involves identifying those critical elements inherent in an IJV that will determine its marketing performance success or failure in Thailand.

In general, an IJV is 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. A “factor” is a source variable that affects the outcome eg., economic performance. IJV performance is a measure of effectiveness of an IJV unit in attaining the relevant objectives or meeting the basic expectations of its parents.

The major objectives of this study are (i) to identify the key factors influencing the marketing performance of IJVs, and (ii) to identify the significance of the factors in determining IJV marketing performance success or failure in Thailand. Based on the IJV experiences of foreign based corporations (i.e. corporations based in Japan, U.S., Australia, Europe, and a number of developing countries) and Thai based companies, firstly, the study attempts to identify a range of salient factors influencing the marketing performance of IJVs in Thailand. Finally, by taking into consideration several background characteristics of the firms being studied, it proceeds to evaluate the relative significance of the identified factors in determining high or low IJV marketing performance. In exploring the factors influencing the marketing performance of IJVs in Thailand this study focuses on the importance of marketing orientation as a significant factor influencing the marketing performance of IJVs in Thailand.

Literature Review

Broadly viewed, the IJV phenomenon represents two opposing trends. First, judged by the number of entries, it is becoming increasingly popular as a strategic mode of overseas market entry and expansion. In recent years an increasing number of global corporations have become involved in IJVs at home and overseas. The composition of firms adopting it represents a whole spectrum of sectors, industries, and product groups (Beamish, 1984; Dymsza, 1988; Lee and Beamish, 1995; Makino and Beamish, 1995).

The second trend, the disconcerting one, relates to the high fragility of these arrangements. Empirical studies as well as inquiries of general interest have repeatedly found 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 (Gomes-Casseres, 1988). The significance of a robust growth trend is somewhat overshadowed by the incidence of high failure (Beamish, 1984; Gomes-Casseres, 1988; Killing, 1982; Lane and Beamish, 1990;) and IJV failure is often costly and extremely frustrating for both partners (Beamish, 1984; Cullen, Johnson, and Sakano, 1995; Geringer and Hebert, 1991). Therefore, given the increased use of the IJV as a market entry mode and their fragile nature it makes sense to find out what causes some IJVs to fail and others to succeed. This research question is the principal focus of this study. That is, what are the key factors that determine high or low IJV marketing performance in Thailand.
Methodology

The setting of this study is Thailand where the subject of IJV marketing performance is explored through an empirical investigation of those foreign corporations in IJV relationships with Thai companies in The Republic of Thailand. The IJVs studied came from a wide cross-section of industries, including agriculture; mining; light industries such as gems, jewellery and textiles; machinery and transport equipment; electrical and electronic industries; chemical industries; and services. The list of companies making up the sample was provided by the Thai Board of Investment (BOI).

The major steps followed to accomplish the research objectives are outlined as follows. First, on the basis of an extensive review of prior literature, a wide range of potentially important variables that are likely to influence the performance of IJVs in Thailand were identified. Second, from the initial list, those variables that were specifically related to marketing performance were identified and isolated. For the purpose of a mailed questionnaire survey, the list of marketing performance variables was far too inclusive. The number of variables was, therefore, systematically reduced to a smaller subset of the original list of variables based on the importance of the respective variable as identified in the literature review.

Third, the variables were then incorporated into a preliminary questionnaire and pre-tested through a medium of personal interviews with the Managing Directors of 10 Foreign-Thai IJVs located in Thailand. Input from this pre-test was used for two purposes: to further cut down the number of variables and to refine the questionnaire. On the basis of the pre-test a final, more condensed and specific list of variables was identified to measure the marketing performance of IJVs in Thailand.

Finally, the final questionnaire was mailed to a sample of 1,047 IJV’s in Thailand provided by the Thai Board of Investment (BOI). The final questionnaire was forwarded by mail from Australia to the Managing Director of the IJV in Thailand. The self-administered mail survey consisted of a questionnaire with a covering letter mailed to the respondent from Australia and the return by mail of the completed questionnaire in the stamped self-addressed envelope provided to a Professorial colleague of the researcher at Bangkok University. As soon as the last remaining questionnaires had been returned the researcher collected the available questionnaires from Bangkok University. The covering letter together with each instruction and corresponding statement of the questionnaire had both an English and Thai translation.

Results

An exploratory factor analysis with varimax rotation was conducted to identify the principal factors influencing the marketing performance of IJVs in Thailand. Prior to conducting an exploratory factor analysis a reliability analysis was conducted on all statements. Cronbach’s Alpha for all statements was 0.81 indicating strong reliability for exploratory research. The data were considered suitable for factor analysis as the Bartlett Test of Sphericity was significant (2083.2278; 0.00000) and the Keyser-Meyer-Olkin (KMO) measure of sampling adequacy (0.75873) was greater than 0.60 (Coakes and Steed, 1997).

With eigenvalues greater than 1, seven factors and two statements were initially identified. The results of the exploratory factor analysis are summarised in Table 1. The seven factors and two statements explained 64.7 percent of respondent variation on issues about the marketing performance of IJVs in Thailand. The first four factors were the dominant factors, all with eigenvalues greater than 1.5, and explaining 46.3 percent of respondent variation on issues about the marketing performance of IJVs in Thailand. The remaining three factors and two independent statements accounting for only 18.4 percent of respondent variation on issues about the marketing performance of IJVs in Thailand. The seven factors being identified as market characteristics, conflict, commitment, product characteristics, firm-specific characteristics, marketing orientation and organisational control. The two independent statements were identified as being related to managerial control and adapting to foreign market needs.
Having identified the key factors influencing the marketing performance of IJVs the next step in the analyses was to differentiate between two groups of IJVs i.e. between the high and low IJV marketing performance groups. Discriminant analysis was used for this purpose. In this study on the marketing performance of IJVs in Thailand the interest is to classify the IJVs into low and high marketing performers to see if the discriminating variables will distinguish between the groups. Group 1 consisted of all those IJVs that were classified as low marketing performers. Group 2 consisted of all those IJVs that were classified as high marketing performers.

To distinguish between the groups the researcher selected a collection of potentially discriminating variables that measure characteristics on which the groups were expected to differ. In this study, the discriminating variables were identified as country of origin of the principal foreign partner, equity structure of the principal foreign partner, the industry the IJV operates in, sales volume of the IJV, age of the respondent, the seven factors and the two independent statements previously identified from the exploratory factor analysis. Table 2 contains a summary of the results of the discriminant analysis.

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 the sales volume of the IJV (SALESVOL), conflict, commitment, the industry the IJV operates in (INDUSTRY), managerial control, marketing orientation, adapting to foreign market needs and organisational control are all significant at the 95 percent confidence interval (p < .05) in discriminating between the high and low marketing performance groups.
Conclusions

The primary objective of this study has been to furnish empirical evidence on three principal issues: firstly, the salient factors influencing the marketing performance of IJVs in Thailand; secondly, which factors are relatively more important than the others; and, finally, the importance of marketing orientation to IJV marketing performance. The study accomplishes all objectives with a reasonable measure of success. It makes both exploratory and confirmatory contributions to the IJV literature. It identifies a few factors that have previously remained, at least empirically, mostly obscure e.g., adapting to foreign market needs and marketing orientation. Finally, new evidence has been produced confirming the salience of previously identified factors e.g., commitment and conflict.

References


