THE CHARACTERISTICS AND PERFORMANCE OF INTERNATIONAL JOINT VENTURES IN THAILAND

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Abstract

The importance of strategic alliances in the form of international joint ventures (IJVs) is growing in the present international business environment where competition is on a global scale. A review of the IJV literature, especially in developing countries, shows an over-emphasis on China and the NIEs (the first tier newly-industrialising economies: Taiwan, Singapore, Hong Kong, and South Korea). To date, relatively little attention has been paid to the ASEAN4 countries (the high-performing economies of the Association of Southeast Asian Nations: Thailand, Malaysia, the Philippines, and Indonesia), even though since the 1990s this region has had one of the fastest growing economies in the world. This study provides new empirically based insights into the under-researched phenomenon of IJV formation in the South East Asian region.

The study takes Thailand as an example of the ASEAN4 countries. Drawing on an unpublished official database of international joint ventures (IJVs) and a survey of managers of IJVs operating in Thailand, the study sets out to identify recent trends in Thai international joint ventures (IJVs), explore the motives and contributions of firms that participate in such IJVs and examine some of the factors that influence their performance.

The study provides for the first time an in-depth analysis of a key dimension of Foreign Direct Investment (FDI) in Thailand. Recent trends in Thai IJVs were found to be an upward path for IJV formation in the post 2000 period and the continued dominance of Japanese manufacturing companies as investors. Similarly key motives were found to differ markedly between foreign and local investors, while among the factors affecting performance were found to include IJV commitment, organisational learning and similarities in organisational culture.

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List of Abbreviations

Terminology	Abbreviation
Analysis of Variance	ANOVA
Association of Southeast Asian Nations	ASEAN
Board of Investment, Thailand	BOI
Equity Joint Ventures	EJVs
European Union	EU
Exploratory Factor Analysis	EFA
Foreign Direct Investment	FDI
Gross Domestic Product	GDP
International Joint Ventures	IJVs
Kaiser-Maiser-Olkin Measure of Sampling Adequacy	KMO
Multinational Enterprises	MNEs
The First Tier Newly-Industrialising Economics	NIEs
Non-equity Joint Ventures	NEJVs
Organisation for Economic Co-operation and Development	OECD
Research and Development	R&D
United Nations Conference on Trade and Development	UNCTAD
World Trade Organisation	WTO

Chapter 1

Introduction to the Study

1.1 Introduction

A recent OECD (2000) report states that strategic alliances between firms, especially multinational enterprises (MNEs), have substantially increased over the last three decades. Strategic alliances are co-operative business activities formed by two or more independent firms for various strategic purposes (Yoshino and Rangan, 1995). For instance, Holt (1998: 288) argues that MNEs attempt to seek ‘upstream value chain’ from their partners, especially in developing countries, and also try to fulfil their ‘downstream value chain activities’ from allies in developed countries, and that these are among the main strategic reasons for forming strategic alliances. Daniels *et al.* (2004: 415), on the other hand, generally view strategic cooperative motives of firms from two perspectives: general and international. The first type includes spreading and reducing costs, specialising in competencies, avoiding or countering competition, securing vertical and horizontal links, learning from other companies and so forth, whilst the latter category consists of gaining location-specific assets, overcoming government constraints, diversifying geographically, and minimising exposure in risky environments.

Dunning (1993) argues that recent trends of strategic alliances are interesting and different from those of the past in several aspects, including: 1) their growing significance as an inter-organisational form for participating firms to enhance competitiveness and to generate innovation-led growth; 2) the range, depth and closeness of the interactions among co-operating partners; and 3) the effect that such alliances are having upon corporate and overall industrial performance. Accordingly, strategic alliances now seem to be a powerful mechanism for combining competition and co-operation and for industrial restructuring on a global basis.

Hamel *et al.* (1989: 133) argue that companies nowadays are obliged to learn to cooperate with their rivals in order to 'win'. Contractor and Lorange (1988: 5) also acknowledge this notion in that "today, we are in a more negotiated, circumscribed, competitive world, at least as far as several industries are concerned. In many situations, an international firm is better seen as a coalition of interlocked, quasi-arms-length relationships". Hence, there is a significant need for, in addition to the academic study of the subject, executives and managers in firms to understand the nature of strategic alliance activity; they have to learn the arts of competing and cooperating as equally valid aspects of corporate strategy.

Growing interest in strategic alliances was evident in the 1980s, since there was a surge in the formation of international joint ventures (IJVs) at that time. This mode of governance is a form of strategic alliance. A large number of researchers (for example, Harrigan, 1988, 2003; Buckley, 1994; Lee and Beamish, 1995; Glaister and Buckley, 1998) assert that IJV study is one of the fastest growing subjects in the international business literature. They also claim that IJV formation is the entry mode used by nearly half of all MNEs from developed countries to enter developing countries. Despite the apparent growth in both the incidence of IJVs and academic interest in the matter, to date, few studies have been undertaken in the context of the ASEAN4 countries (the high-performing economies of the Association of Southeast Asian Nations, Thailand, Malaysia, the Philippines, and Indonesia, referred to hereafter as the ASEAN4), especially Thailand. This is despite the fact that the economies of these four countries have developed dramatically, and that IJV formation in this region has also grown significantly in the past three decades (Julian *et al.*, 2004; OECD, 2004; Julian and O'Cass, 2004; UNCTAD, 2007).

Davidson (1980) argues that accessing new markets is a prime strategic reason for MNE's deciding to invest abroad. Market size considerably influences their decision making. Indro and Richards (2007) cite the World Bank statistics report on average GDP per capita growth for over 200 countries in the 1990s, which shows the ASEAN4 as being among the top 15 countries with the highest growth rate. This evidence may indicate an "increasing standard of living that potentially gives these countries' citizens greater purchasing power" (Indro and Richards, 2007: 178). Accordingly, the ASEAN4 are likely to represent significant business opportunities for MNEs due to their market size. This rationale is supported by the UNCTAD report (2006), which points out that rapid economic growth in this region has contributed to a continuing increase in foreign direct investment (FDI) inflows. The importance of the region in the world economy and its high growth rate has made it more attractive to 'market-seeking FDI' (UNCTAD, 2006: 50).

FDI inflows to Thailand have increased substantially since the second half of the 1980s, after the currency appreciation in Japan and the first tier newly-industrialising economies (NIEs): Taiwan, Singapore, Hong Kong, and South Korea. During 1986-1989, Thailand attracted on average US$ 1 billion per year of net FDI inflows, accounting for around 7 percent of private sector investment. From 1990 to 1996, FDI hovered around a plateau of over US$ 2 billion per annum (Bank of Thailand, 1991, 1993, 1995, 1997). In 1997, FDI inflows showed a dramatic increase, totalling US$ 3.6 billion in 1997, US$ 5.1 billion in 1998, US$ 3.6 billion in 1999, US$ 3.1 billion in 2000, and leaping to US$ 8.0 billion in 2001. Since 2001, FDI inflows to Thailand have increased remarkably, totalling US$ 10 billion in 2002, US$ 11 billion in 2003, US$ 13 billion in 2004, US$ 15 billion in 2005, and reaching US$ 20 billion in 2006, an all-time record for FDI inflows to Thailand (Bank of Thailand, 1999, 2000, 2002, 2004, 2007). A recent UNCTAD (2007) report also indicates that, of the ASEAN4 countries, Thailand is the major recipient of FDI.

On the basis of such evidence, one can expect an increase in interest in the phenomenon of IJV formation in the ASEAN4, since IJV formation is a subset of FDI. This study takes Thailand as a representative example for studying IJV in the ASEAN4 context. This is not to suggest that Thailand is at the heart of the ASEAN4. It is rather because Thailand's foreign investment policies and regulation in response to foreign direct investment, and especially to IJV formation, and the country's economic situation are similar to those of the other members of the ASEAN4.

In brief, the growing importance of IJV formation, a form of strategic alliances, together with the lack of research in the field of IJV formation in the ASEAN4 region (which is one of the fastest growing economies in the world) provides the rationale for carrying out this research.

1.2 The Aim and Objectives of the Study

The aim of the study is to examine a number of aspects of international joint venture (IJV) activity in the context of the ASEAN4 countries by using Thailand as a representative example. The specific objectives of the study are as follows:

1.2.1 To ascertain the characteristics of the activities, distribution, and trends of international joint ventures in Thailand. Specifically, the study investigates IJV formation, with analyses by sector, country of origin of foreign parent companies, and equity participation of the venture.

1.2.2 To determine the strategic motives of IJV parent companies in forming IJVs, and to identify factors which affect location choice decisions by foreign firms when considering IJV formation. An attempt is made to establish why foreign and Thai parent companies establish IJVs in the first place; to explain the host country location factors taken into account; and, more specifically, why foreign firms choose Thailand as a location for IJV formation.

1.2.3 To examine the contributions which parent companies provide to IJVs and analyse the relationship between those contributions and the characteristics of IJV operation in the context of Thailand as a Southeast Asian country. The IJV entity is seen as evolving over time, and the strategic positions as well as the resources supplied by IJV parent companies influence this process and also the way in which the IJV operates. Hence, an effort has been made to study the impact of IJV parent companies' contributions on the characteristics of how IJVs develop and operate.

1.2.4 To assess IJV performance in the context of the ASEAN4 countries, particularly Thailand. Since the literature has shown that each performance assessment approach has limitations in respect of evaluating IJV performance, an eclectic approach has been adopted for this study. The relationship between approaches has also been examined. An attempt is also made to establish whether IJV performance varies with strategic motives of parent companies in forming IJVs and characteristics of IJV operation.

1.2.5 To analyse the determinants which influence IJV performance in Thailand as a developing country. This is because a number of IJV researchers argue that IJV management is difficult to carry out successfully and that IJVs tend to produce fragile relationships, with a particularly high failure rate in developing countries. An attempt is made to identify factors potentially affecting IJV performance in the context of the ASEAN4, especially Thailand.

1.3 The Significance of the Study

Previous studies (Anderson, 1990; Hu and Chen, 1996; Luo, 1997; Calantone and Zhao, 2000; Yan and Gray, 2001) have indicated that the trend towards an increase in numbers and strategic importance of IJVs from the 1980s until the present day is likely to continue vigorously. Research into IJVs in developing economies has, however, concentrated disproportionately on such countries as China, India, and the NIEs (Lee and Beamish, 1995; Osland and Cavusgil, 1996; Luo, 1995, 1997; Luo and Chen, 1997; Liu *et al.*, 1999; Calantone and Zhao, 2000; Luo *et al.*, 2001; Pothukuchi *et al.*, 2002). To date, relatively little attention has been paid to the ASEAN4 countries, even though since the 1990s this region has had one of the fastest growing economies in the world (OECD, 2003, 2004). Accordingly, this is an important and under-researched area. It is important to recognise that the ASEAN4 countries are different from other developing countries in a number of respects, such as FDI policy and attractiveness as a location for FDI. The results of previous IJV studies of other regions may not therefore be relevant to the present situation of the ASEAN4. Accordingly, this study has set out to present new data and new empirical insights into IJV formation in the ASEAN4 context, and especially in Thailand.

In addition, an official dataset from the BOI (Thailand Board of Investment) has enabled this study to empirically provide a new and original understanding of the patterns, distribution, and trends of IJV formation in Thailand. Unlike any of the previous studies of IJV formation, for the first time an official database has been used for studying IJVs in the ASEAN4 region. A thorough review of the IJV literature (for example, Morris and

Hergert, 1987; Glaister and Buckley, 1994; Garcia Canal *et al*., 2003) has established that, to date, the economic and business press have been widely used for creating the database for this type of research. A number of researchers have pointed out the weaknesses of such a method (for example, Marangozov, 2005). In order to ensure greater reliability and to minimise a number of possible distortions, this study has therefore made it a major priority to obtain a database prepared and updated by a government institution.

Needless to say, it has to be borne in mind that governments sometimes choose to distort or be selective in their provision of sensitive data. While conscious of this possibility, the present researcher judges that the official statistics of the government of Thailand in this area are reliable, and believes that the same is probably true of other governments of the ASEAN4 countries.

Furthermore, this study has provided new insight into IJV activities in the ASEAN region especially Thailand in various aspects. These, for instance, include the principal strategic motives inducing foreign and local parent companies to form the IJV mode of strategic alliance. An explanation of the use of IJVs is derived from the theory relating to how strategic behaviour influences competitive positioning of the firm, and a number of researchers (for example, Contractor and Lorange, 1988; Harrigan, 1988; Glaister and Buckley, 1996) have attempted to identify the strategic impetus behind IJV formation. This has included access to markets, cost and risk sharing, economies of scale, access to new technologies, and so forth. These researchers claim that understanding the strategic motivation of IJV formation is the most important initial stage for understanding subsequent IJV behaviour as a whole. Despite the fact that studies on the strategic motivations of IJV formation are prevalent in the literature (Tallman and Shenkar, 1990; Yan and Gray, 1994; Demirbag *et al*, 1995; Dacin *et al*, 1997; Dong and Glaister, 2006), very little has so far been undertaken in respect of such developing countries of the ASEAN4 as Thailand.

A body of empirical knowledge in respect of IJV performance assessment in the Southeast Asian environment of Thailand has been established by this study. This was a response to the observation in international business literature (Makino and Delios, 1996; Indro and

Richards, 2007) that few attempts had been made in this respect, leading to an incomplete picture of IJV performance evaluation in the context of the ASEAN4. Also, this is a pioneering attempt to evaluate IJV performance in the ASEAN4 context using an eclectic approach (that is, an approach which measures IJV performance using a variety of indicators). Such an approach has been adopted because of disagreement among many IJV researchers, who continue to dispute over an appropriate measure for assessing IJV performance. They argue that each currently available IJV performance evaluation tool has its weaknesses (Geringer and Hebert, 1991; Luo, 1997; Glaister and Buckley, 1998; Lasserre, 1999; Pangarkar and Lee, 2001; Pothukuchi *et al.*, 2002). In order to overcome these limitations of the various individual approaches, this study has adopted an eclectic approach to the measurement of IJV performance in Thailand. This includes objective measurement (assessment of stability, duration, and survival), subjective measurement (a general assessment of the degree of perceived satisfaction), and composite measurement (multi-perceptual assessment of numerous aspects).

To sum up, this study moves the focus away from China, India and the NIEs, presenting new empirically based insights into the under-researched phenomenon of IJV formation in Thailand, one of the ASEAN4 countries. On the basis of research into unpublished, official and survey sources rather than the business press, it provides an original contribution to the knowledge and understanding of IJV establishment in the region. It gives insights into such aspects as the strategic motives behind IJV formation, IJV performance assessment, and so forth.

1.4 The Organisation of the Study

Chapter 2 analyses the pattern of foreign direct investment in the ASEAN4 countries. It outlines the volume of FDI in the ASEAN4 economy, trends, country of origin, and sectoral distribution. The chapter also presents and discusses changing FDI policies, and investment promotion in the ASEAN4 in response to economic and industrial development in these four countries. This review of the literature underpins Chapter 5.

Chapter 3 reviews the literature relating to theoretical perspectives on IJV formation. This includes strategic behaviour theory; organisational knowledge and learning theory;

transaction cost theory; and the resource-based view. It also reviews the literature about the characteristics of the activity, distribution, and trends of IJV formation; strategic motivation in establishing IJVs; host country location factors; contribution of parent companies to IJVs; IJV performance measurement; and IJV performance determinants. Chapters 5 to 8 are underpinned by these reviews of the literature.

The research methodology for this study is set out in Chapter 4, which first briefly discusses the alternatives in order to justify the choices in the present study. Aspects covered in the chapter include also the methods and procedure in collecting data, the data analysis method, and the validity and reliability of the research.

Chapter 5 presents the analysis of IJV database. It describes and analyses the characteristics of the variety, distribution, and trends of IJV activities in Thailand. A brief description of the official government database and its advantages over a dataset established on the basis of information solely from the economic and business press is also presented in this chapter. This chapter also analyses an issue related to factors affecting MNEs' decision to choose Thailand as their host country for IJV formation.

The data analyses from a survey are presented in Chapters 6 to 8. Chapter 6 explores factors motivating foreign and local Thai parent companies to form the IJVs. This chapter also investigates the variations of the relative importance of strategic motives according to industrial sector of IJVs and country of origin of foreign parent companies. Exploratory factor analyses (EFA) are conducted to produce the parsimonious set of distinct strategic motives.

Chapter 7 examines the contributions which parent companies provide to IJVs and analyse the relationship between those contributions and the characteristics of IJV operation. Correlation analysis and regression analysis based on factor scores from the EFA are used to analyse these relationships.

Chapter 8 assesses IJV performance in the context of the ASEAN4 countries, especially Thailand. It also explores the relationship between each performance evaluation approach. Furthermore, this chapter also examines the multivariate determinants of IJV performance in Thailand. Correlation analysis and multiple regression analysis are adopted to analyse the issue.

Chapter 9 presents the conclusions. It provides a re-statement of the aim and objectives of the study, followed by a summary and discussion of the major research findings. It identifies the overall contribution of the research, the policy implication of the findings, limitations of the study, and identifies areas for future research.

Chapter 2

Foreign Direct Investment in ASEAN

2.1 Introduction

A recent OECD (2004) report states that during the 1990s, ASEAN (the Association of Southeast Asian Nations) countries were collectively among the world's largest recipients of foreign direct investment (FDI). ASEAN is a geo-political and economic organisation of 10 countries located in Southeast Asia, and was formed on 8 August 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand. Since then, membership has expanded to include Brunei, Burma (Myanmar), Cambodia, Laos, and Vietnam. The economy of this region has grown considerably in the past three decades (OECD, 2003, 2004), especially the ASEAN4 countries of Thailand, Malaysia, the Philippines, and Indonesia. Foreign investors have been a driving force behind this region's economic development. In addition, at a time of financial crisis in Asia in 1997, FDI played an important role in reviving the region's economies and was an essential source of foreign capital during the crisis. Foreign firms have by no means been the only actors, but they have played an important role in developing the industrial sectors of ASEAN host countries, especially those sectors (automotive, electronics) with the fastest export growth.

For many years, the countries of the ASEAN4 were among the most open to foreign investment in the developing world. They were quick to recognise the powerful role that foreign investors could play in fuelling export-led growth, and were well placed to attract such investment during the years of regional structural adjustment in the late 1980s. In addition, after the financial crisis which affected the whole region, FDI inflows into the ASEAN4, and especially Thailand, continued to grow rapidly, partially reflecting the fact that many foreign investors bought out their joint venture partners, recapitalised their affiliates, and entered new sectors which had been opened up in response to the crisis. It is instructive to look at the FDI experience of the various ASEAN4 countries and the role of foreign investors in their economic development.

The purpose of this chapter is to describe and analyse, on the basis of the literature, the pattern of FDI, and to review changing government policies towards FDI in the ASEAN4 countries. This will serve as a frame of reference for the following outcome chapters of this study, especially Chapter 5. This chapter is organised as follows: Section 2.2 presents the pattern of FDI in the ASEAN4 countries, while Section 2.3 focuses on FDI policies in those countries. The impact of FDI on ASEAN4 development is set out in Section 2.4, and the final Section 2.5 provides a summary and concluding remarks.

2.2 The Pattern of FDI in the ASEAN4

2.2.1 Trends and Country of Origin of FDI Inflows

With the exception of the Philippines, which, as Thomsen (1999) has pointed out, did not generally welcome foreign investors until the 1990s, the ASEAN4 have all been major recipients of foreign direct investment. The period of most intense foreign investment activity occurred in the late 1980s when firms from Japan and the NIEs (the first tier newly-industrialising economies of Taiwan, Singapore, Hong Kong, and South Korea) were looking for production bases abroad to counteract domestic currencies which were appreciating after the Plaza Accord[1]. A number of UNCTAD (2004, 2005, 2006) reports show that the trend of FDI inflows into the ASEAN4 has continued to rise overall since the 1990s, although there were fluctuations in the early 2000s.

Since the mid-1990s, roughly one third of FDI inflows into the ASEAN4 countries have come respectively from Asia, Europe and the rest of the world, principally North America. Table 2.1 shows these FDI inflows by country of origin between 1995 and 2001. The data show that Thailand is the largest FDI recipient, accounting for approximately 52% of total FDI inflows in the ASEAN4, while FDI flowing to Malaysia and the Philippines is about 22% and 18% of the total respectively. Indonesia receives roughly 8% of the total inflows of these four countries.

[1] The Plaza Accord was an agreement signed on September 22, 1985 by the then G5 Nations (France, West Germany, Japan, the United States and the United Kingdom). The G5 agreed to devalue the US dollar in relation to the Japanese yen and German deutschmark by intervening in currency markets.

The share of each source region has varied over time and between the ASEAN4 countries. Over this period, Japanese and NIEs firms have tended to favour Thailand, followed by Malaysia, whilst European firms have invested extensively in Thailand, Indonesia, and Malaysia. American firms have invested mainly in Malaysia, Thailand and the Philippines.

An OECD (2004) report points out that some of the variation in investment patterns can be explained by the differing profile of investors from each region. Asian investors include a number of comparatively small enterprises seeking low-cost offshore production platforms. These firms are often forced offshore by rising labour costs or appreciating currencies in their home countries and, given their limited resources, seek to minimise search costs by choosing locations in neighbouring countries or in those with which they have a cultural affinity.

Table 2.1: FDI inflows into ASEAN by source country during 1995-2001 (USD million; percent)

Source	ASEAN		Indonesia	Malaysia	Philippines	Thailand
EU	36,528	26%	3,351	2,888	1,726	3,684
Other Europe	11,713	8%	728	67	97	443
United States	24,349	17%	-1,368	5,399	2,818	4,067
Canada	2,836	2%	234	-114	3	19
Japan	22,151	16%	1,069	1,207	2,291	6,645
ASEAN**	15,257	11%	136	2,422	1,026	3,903
NIEs*	11,693	8%	344	342	912	3,035
Other	17,832	13%	-206	54	1,242	6,750
World	**142,359**		**4,288**	**12,265**	**10,115**	**28,546**

NB: * Hong Kong; Taiwan; South Korea
** All countries in ASEAN including Singapore
Source: ASEAN Statistics Yearbook 2003.

The large Asian MNEs are more likely to resemble investors from Europe and North America. Many of them pursue complex strategies of diversifying value chains across countries, while at the same time supplying local markets through their own affiliates. In other words, they consider an array of factors including market size, openness to foreign trade, quality of enabling environment and availability of domestic competencies, all of which favour the more developed economies. These companies are often more interested in the quality of the labour force than labour costs. This putative link between investor size and nationality, and changing patterns of investment over time in this region helps to explain changes over time in the origin of investment for individual ASEAN4 countries.

In Malaysia, for instance, Japanese and Taiwanese firms were the largest investors in the early 1990s as they sought what was then a low-wage location for their offshore production. In 1990, these two countries accounted for no less than 60 percent of approved foreign projects. Their share has since fallen almost every year, and since 1998 has averaged only 17 percent of approvals. Faced with rising labour costs in Malaysia, many of these firms chose to expand more rapidly in other countries. They have since been replaced by European and American firms; investors from the United States and Germany have represented 41 percent of approvals since 1998. They have sought a relatively skilled workforce and access to the ASEAN market.

Given its historical links with the United States, the Philippines traditionally received mostly American investment from firms seeking to supply the local market behind high tariff barriers. Since the mid-1990s when the Philippines launched its programme of export processing zones, these zones have attracted a massive share of investment, more than 50% of which comes from Asia.

In Thailand, roughly half the FDI inflows into the country came from within the region itself (evenly divided between Japan, the NIEs, and ASEAN). Thailand was the most favoured place to receive the massive FDI inflows from Japan and the NIEs in the late 1980s, which were searching for lower wage costs and more competitive exchange rates. The role of the petroleum sector in Indonesia explains the relative prominence of European firms, while Japanese firms are the second most important source of FDI inflows, using this country as a low-cost offshore production platform.

It can be seen that not all the foreign investment in ASEAN4 countries comes from outside the region: roughly one tenth originates from other ASEAN members. The share ranges from 3 percent in Indonesia, 10-15 percent in the Philippines and Thailand, to 20 percent in Malaysia. In almost all cases, this intra-regional activity represents investment by firms operating from Singapore.

2.2.2 FDI Inflows by Sector

FDI inflows into the ASEAN4 by sector in 1999-2001 are shown in Table 2.2. The data shows that manufacturing is the most important source of FDI inflows into these countries. An OECD (2004) report indicates that Japanese trading companies (*sogo shosha*) and European financial firms were among the major investors in ASEAN4 countries. Like many investors, they appear to have been driven by local and regional market considerations, including providing services to other foreign investors already in the region.

Within manufacturing, the electronics sector has been by far the most important recipient of foreign investment, which is one reason why this sector now accounts for a third of goods exported from ASEAN4 countries. In the Philippines, electronic parts and products account for 58 percent of all projects, and electrical machinery accounts for another 13 percent. The electronics industry has also been a leading investor in Malaysia, particularly around Penang. Almost 90 percent of US manufacturing investment in Malaysia is in computers and electronic products, compared to one half in the Philippines.

However, in the case of Thailand, FDI inflows into the machinery and transportation sector exceeded those in the electronics sector after 1997, and the increase, especially from Japanese investors, appears related to the clearly successful development of the automotive industry in Thailand. Overall, the Thai government has applied very different policies to develop these two industries. Trade and FDI liberalisation policies have been applied to the electronics industry in the context of overall liberalisation of FDI, but closed or protectionist policies have been generally applied towards the automotive sector.

Table 2.2: FDI inflows into ASEAN4 by sector during 1999-2001 (USD million)

Sector	Japan	US	EU	ASEAN	Other Asia
Agriculture, fishery and forestry	-18	-4	96	71	-21
Mining and quarrying	157	707	1,178	732	21
Manufacturing	1,439	3,526	2,484	1,059	792
Construction	-267	-327	3	27	-88
Trade/Commerce	2,858	1,081	1,848	181	589
Financial services	-1,862	1,507	5,858	95	915
Real estate	-415	67	-16	-231	32
Other services	489	552	335	928	587
Other sectors	116	214	1,407	366	324
Total	**2,496**	**7,322**	**13,192**	**3,227**	**3,152**

NB: Source: ASEAN Statistics Yearbook 2003.

2.3 FDI Policies in the ASEAN4

2.3.1 Changing FDI Policies

Import substitution policies were pursued in all four countries in the 1960s, in keeping with the prevailing development view that government intervention was necessary to promote industrialisation. Strategic sectors were protected from foreign competition through high tariffs. In some sectors, foreign investment was proscribed, and in most it was heavily circumscribed. Foreign investors were limited to minority shares in companies, and were required to transfer technology and sometimes to divest after a number of years.

The switch to export promotion policies began at different times in different countries. Malaysia started to promote exports as early as the 1970s, although for both Malaysia and Thailand, the real export push began only in the mid-1980s. Indonesia and the Philippines converted to the export-oriented approach in the late 1990s. Thomsen (1999); Felker and Jomo (2000) assert that the following external factors were important in encouraging a change in FDI policies in the ASEAN4 countries: the example of the successful and outward-orientated approach of the NIEs; the prolonged commodity slump in the 1980s; and the opportunities offered by exchange rate realignments after 1985. Currency realignments, the switch to export promotion, including FDI liberalisation, and the rapid inflow of FDI from Japan and the NIEs all combined to account for the dramatic export-led recovery of the ASEAN4 economies after 1985.

Rather than replacing import substitution, export promotion was superimposed on the pre-established structure. The restrictions on FDI for the domestic markets remained largely intact; indeed, some of them are enshrined in national constitutions. There has nevertheless been some relaxation in the implementation of these policies, often on a temporary basis, as a result of the financial crisis in 1997, but the basic regulatory structure for domestic-orientated investment remains in place.

2.3.2 Investment Promotion in the ASEAN4

Export-orientated firms, particularly those locating in export processing zones, are given numerous incentives in all four countries, including automatic approvals, land ownership, full control of the affiliate, tax holidays, and duty free imports of components. Thomsen (1999: 22) comments that "from a regulatory point of view, investors wishing to export most of what they produced would find the ASEAN4 countries almost as open as OECD countries".

All four countries have a priority list of activities for which both domestic and foreign investors receive special promotional privileges. Sometimes this list includes specific sectors which the government would like to promote, but in many cases the priorities relate to particular attributes of the investment rather than the sector itself. For instance, in the case of Thailand, five priority target industries have been identified for aggressive promotion: agro-industry, fashion, automotive assembly, information communication technology including electronics, and high value-added services (BOI, 2005). Thus, investors wishing to export most of their output or to transfer technology will generally be favoured.

Incentives can take two forms. The first are tax incentives for a defined period. Malaysia, Thailand and the Philippines all offer such fiscal incentives. Indonesia has been more reticent in this area, although certain industrial sectors may benefit from incentives. The second type of incentive represents exemptions from various restrictions on inward investment as well as from import duties on capital goods and raw materials and other trade barriers. These incentives have been fully implemented in all four countries.

Although incentives across the ASEAN4 countries are broadly similar, there are qualitative differences. A number of previous studies (Chia and Whalley, 1995; Thomsen, 1999; OECD, (2004) indicate that, of all the countries, Thailand places the greatest emphasis on the location of investment as part of a policy of regional decentralisation, in order to relieve congestion in the Bangkok area and to spur growth in outlying regions. Both Thailand and Malaysia are shifting away from their previous emphasis on export promotion towards greater targeting of strategic sectors. In contrast, Indonesia and the Philippines still actively promote investment in labour-intensive export sectors in order to activate national pools of under- and unemployed labour.

2.4 The Role of FDI in ASEAN4 Development

Thomsen (1999: 23) argues that the role of FDI in development is as 'multi-faceted' as FDI itself. On one level, FDI has been seen as having a potential to contribute to development and global economic welfare similar to any other form of capital flow, by channeling resources from countries where they are abundant to those where they are scarce. Thus, inflows of capital in the form of FDI allow host countries to invest in productive activities beyond what could be achieved by domestic savings alone. Unlike other forms of capital flows, FDI proved remarkably resilient during the financial crisis.

The 1997 crisis brought into relief the importance of FDI as a stable source of finance for development compared with other forms of international capital flows. The OECD (2004) report shows that total net FDI inflows to Asia fell from US$ 110 billion in 1996 to only US$ 14 billion in 1997, while FDI inflows to the ASEAN4 remained unchanged. Indeed, in some ASEAN4 countries, inflows actually increased. One can only imagine the shock to the regional economy if such FDI flows had not been sustained under these circumstances.

On another level, the benefits of FDI resemble those from trade, especially in sectors producing goods and services which tend not be traded internationally. Thus, foreign firms can potentially enhance the level of competition in an economy and bring in ideas, innovation, expertise and other forms of technology which the host economy would not necessarily have created on its own. Multinational enterprises (MNEs), with their global network of affiliates, can also channel exports from the host country to affiliates elsewhere in the form of intra-firm trade. Through this mechanism, FDI permits an international division of labour within the MNEs which, owing to high transaction costs, might not otherwise occur.

The success of ASEAN4 countries amply demonstrates how FDI can play a major role in bringing about rapid, export-led growth. Rapidly rising exports have fuelled the world's fastest growth rates in these four countries. For instance, in Thailand exports have been the main engine of economic growth, particularly since the mid-1980s. Historically one of the world's leading rice exporters, it has become a major exporter of manufactured goods, with these rising from only one third of total exports in 1980 to over 80 percent by 1997. This shift in exports is mirrored in the structural transformation of the Thai economy, from agriculture to industry. While agriculture's contribution to GDP was three times that of manufacturing in 1960, by the early 1990s, it was less than half as important as manufacturing. The Malaysian experience is similar to that of Thailand, with exports growing quickly after the mid-1980s. Although the substantial currency depreciation at the time was a major catalyst, investment liberalisation was an important complementary factor.

In addition, one of the potentially most enduring benefits in developing countries from FDI inflows is the transfer of technology. Exports can drive rapid economic growth over a long period, but technology transfer can do much more to promote sustainable development by enhancing indigenous capabilities. In this area, the record from decades of FDI in the ASEAN4 is not encouraging. A number of researchers (Tran Van Tho, 1991b, Saad, 1995; Thomsen, 1999) find that technology transfer to the ASEAN4 countries from FDI has been rather limited. In Indonesia, technology transfer has taken place mainly through on-the-job training and has been limited to basic technological capabilities, while in Thailand according to the study of TDRI (1998) technology transfer from FDI has been only moderate.

One reason for the poor performance in technology transfer is considered to be that the capacity of local workers to absorb foreign technologies is weak. Because much of the technology and know-how which has been transferred has come through on-the-job training, policy initiatives in this area could have a significant impact. Local capabilities are fostered in the long run by educational policies which enhance the capacity of local workers to assimilate foreign technology and know-how. Reforms in the ASEAN4 are occurring in this area, but any improvement will take a long time to filter through the economy.

A second and more important mechanism for technology transfer arises through the linkages between firms, as local firms co-operate with foreign investors either as joint venture partners or as suppliers. One way to enhance the ability of local firms to absorb technology is to improve the level of training of the workers themselves. Presently, government policies of the ASEAN4 countries are attempting to influence this exchange more directly by increasing the scope for collaboration between foreign and domestic firms.

FDI policies of the ASEAN4 can directly hinder technology transfer from foreign investors. Many of the policies adopted in the ASEAN4 towards FDI are designed, implicitly or explicitly, to develop indigenous capabilities. These include any or all of the following requirements: local joint venture partners; divestiture of foreign control after a certain period of time; local content levels which force investors to purchase a high share of inputs locally; expatriate personnel limits, including on the board of directors; and compulsory licensing and other forms of mandatory technology transfers. The ASEAN4 countries have adopted most of these strategies at one time or another. Some remain in place, particularly for domestic market orientated investment.

Policies such as these may have several unintended consequences. They may discourage potential inward investors who are unwilling to be bound by such conditions. Proprietary technologies and other intangible assets are the backbone of most firms, and they are understandably reluctant to share with others who might one day become rivals. Thus, the more the technology required to produce an item, the less likely the investor will be to locate in a country which imposes the types of restrictions mentioned above. This is implicitly recognised by the ASEAN4 countries in their efforts to attract export-orientated firms. Such investors typically face few restrictions on their activities. Local content requirements sometimes encourage FDI in components producers, but the fundamental problems of linkage with local firms remain.

These policies may also limit the eagerness of firms which do decide to invest because of the risk of leakages to potential rivals. The most common policy in the ASEAN4 countries concerns joint venture requirements. A number of researchers have found that such requirements do not achieve the objective of enhancing technology transfers. For instance, according to FIAS (1995: 30) "Limits on foreign investor ownership have also had the perverse effect of reducing the investor's incentive to make a success of the projects."

According to Pornnavalai (1997), IJV has been the main form of FDI in Thailand during the past three decades (the 1970s-1990s) as a result of the Thai government's requirement that foreign firms must form IJVs with the local partners and limits foreign investor ownership of IJV firms in the following circumstances: (a) if the IJV concentrates on the Thai market, manufacturing products mainly for the local market, foreign partner firms may not hold venture equity in the IJV of more than 49% of the total; in the non-manufacturing sector, foreign firms cannot hold more than 40% of the IJV's total equity; (b) in an IJV where at least 50% of the total output is exported, foreign firms may hold a majority share of the equity; (c) if a firm exports 100% of its products, foreign firms may hold 100% of the equity. In this case it would not, of course, be an IJV. It is likely that in most cases, however, even a firm exporting 100% of its products overseas might still need a local partner to provide indigenous knowledge or marketing know-how.

Such limits have only served to weaken the quality of FDI. In their efforts to boost technology transfer from foreign investors, the ASEAN4 countries have subsequently attempted to relax or rescind the foreign equity restriction in joint ventures. In the case of Thailand, after 1999, the Foreign Business Act replaced the Alien Business Law. This new legislation has no foreign equity restriction in joint ventures.

Similar conclusions have been reached in respect of other policies designed to increase technology transfer. Kokko and Blomstrom (1995) observe a negative relationship between technology inflows and host country technology transfer requirements. In Indonesia and the Philippines, divestiture requirements are reputed to have reduced investment and product- and process-technology flows and have done little to enhance domestic capabilities.

Technology transfer requirements and other regulations concerning FDI are just a first layer of policies impinging on technology transfers. On a much broader level, the emphasis of host countries on export promotion may also have been an obstacle. Export-orientated investors are often less willing to establish links with local companies because of the need for high quality inputs at competitive prices in order to compete in world markets. Most of these inputs come from other foreign firms, either through imports or from home-country suppliers which have also invested in the host country.

A number of previous studies suggest that domestic market-orientated investment might be better placed to transfer relevant technologies to the host economy. For instance, an early but comprehensive study by Reuber *et al.* (1973) found that export-orientated projects purchased only one half as much of their inputs locally as other projects. In addition, technology adaptation was much less in the former than the latter, in large part because local market-orientated firms had to adapt their products to specific demands of local consumers.

In this light, then, it was argued that technology transfer might be enhanced by a neutral policy environment which permitted equal access for foreign investors to both domestic and export markets. A gradual elimination of barriers to imports would of itself help to alleviate the most adverse effects of the existing dualist FDI policy, by removing one of the principal distortions within the ASEAN4 economies. However, this would still not eliminate the discriminatory treatment of different types of foreign investors found in the FDI regulations of most of the ASEAN4 countries. The reassessment of development strategies in the light of the 1997 crisis was seen as providing an opportune moment for switching to a more open and balanced regulatory framework for FDI.

2.5 Summary and Concluding Remarks

During the 1990s, FDI flow to ASEAN (the Association of Southeast Asian Nations) increased dramatically and rose to a world record level. This was particularly true of the ASEAN4 countries of Thailand, Malaysia, the Philippines, and Indonesia (OECD, 2004). It can be seen that FDI has played an important role in economic development in the region.

This chapter presents and analyses the FDI situation in the ASEAN4 countries on the basis of the existing literature. Analysis of the pattern of FDI in the ASEAN4 indicates that Thailand has been the largest FDI recipient, accounting for about half the total FDI inflows in the ASEAN4, followed by Malaysia, the Philippines, and Indonesia respectively. FDI in this region began to take off in the late 1980s and early 1990s at a time when Japanese and NIEs firms (especially Taiwanese firms) were seeking offshore production platforms as a result of rising labour costs and appreciating currencies in their home countries. FDI inflows into the ASEAN4 have continued to rise from 1995 until the present day, although there were fluctuations in the early 2000s.

Since the mid-1990s, the major FDI inflows into the ASEAN4 have come from Asia, Europe, and North America. Throughout this period, Japanese and NIEs firms have generally tended to prefer Thailand, followed by Malaysia, while European firms have invested extensively in Thailand, Indonesia, and Malaysia. US firms have invested more in Malaysia, Thailand and the Philippines. FDI in the manufacturing sector is dominated by projects in electronics, with significantly more investment in that sector than in any other manufacturing activity in the ASEAN4. However, in Thailand since 1997 FDI inflows into the machinery and transportation sector have been greater than into the electronics sector. The increase in this sector, especially from Japanese investors, appears related to the clearly successful development of the automotive industry in Thailand.

In addition, analysis of FDI policies of the ASEAN4 indicates that to a substantial extent these have been an integral part of overall development strategies. Import substitution policy was replaced by export promotion policy in the early 1970s, although the real export push began only in the mid-1980s. Firms wishing to export most of their output are often treated as favoured investors. They are given numerous incentives in all four countries, including automatic approvals, land ownership, full control of their affiliate, tax holidays and duty free importing of components. In contrast, foreign investors interested in providing goods and services to the local market face numerous restrictions on their activities, including an outright prohibition in some sectors.

The financial crisis of 1997 added impetus to FDI liberalisation in the ASEAN4 by allowing greater access to the domestic market for foreign investors, including through the acquisition of local firms and relaxation or rescinding of foreign equity restriction in joint ventures. Such liberalisation is to be welcomed, but it is unlikely by itself to foster greater foreign investor confidence or to put future development on a more sustainable basis. Sustainable development depends on the quality of investment received more than on the quantity. The experience of countless developing countries over the past few decades suggests that benefits from inward direct investment are not automatic: they depend crucially on the overall policy environment in which the firm invests. Policies towards foreign investment in the ASEAN4 can be seen with hindsight to have created distortions which hampered the traditional mechanisms through which foreign investors transfer technology and other know-how to the local economy.

Foreign investors have not been the only exporters from the ASEAN4, but they have been well represented in those sectors with the fastest export growth. Through export-orientated FDI, ASEAN4 countries were able to move quickly towards a manufacturing-based economy in which economic growth was driven by rapidly expanding exports. The record of export performance speaks for itself, but so too does the manifest failure in many cases to translate export success based on FDI into something more durable. Not only have exports been limited to a small number of products (usually intermediate ones) and sectors, but to varying degrees these export sectors have been virtual foreign enclaves within host countries. Investments in these enclaves have often been characterised by a poor record of technology transfer.

The dualist policy of aggressively promoting export-orientated investment while protecting the local economy from both imports and market-seeking inward investment is seen as having ultimately undermined the very benefits it was intended to achieve. To export successfully to world markets, foreign investors have had to purchase inputs principally from abroad or from other foreign investors in the host country. Many of the most successful export sectors in the ASEAN4 are highly import dependent, and this has limited the impact on exports of massive devaluations in these economies.

Outward orientation through foreign investment promotion remains a viable development strategy which will continue to yield rapid economic growth. Indeed, the potential role of foreign firms may have increased since the 1997 crisis. At the same time, however, selective incentives based on the degree of export orientation have been shown in the light of the crisis to have created a dual economy in which technological transfers were few. These transfers, rather than exports per se, should evidently be the focus of investment policies.

Whatever problems it may have created, however, one undoubted result of the regulation imposed by the Thai and other ASEAN4 governments on foreign direct investment has been to promote the explosive growth of IJVs as the major form of FDI in their countries.

Chapter 3

Review of the Literature on International Joint Ventures

3.1 Introduction

The previous chapter illustrated the pattern and environment of FDI in the ASEAN4 countries, particularly Thailand, providing the setting for this research. That review of the background aimed also to facilitate a better understanding of the literature and of the empirical analysis presented in later chapters. The purpose of the present chapter is to define international joint ventures (IJVs) and review the literature relevant to the subject of our study. The review first covers theories relevant to explaining the rise of IJV formation, which include the transaction cost theory, the organisational knowledge and learning theory, the resource-based view, and the strategic behaviour theory. This examination of aspects of each theory leads on to identification of strategic behaviour theory as the theory most appropriate and useful to the aim and objectives of the study, and an explanation is given of why this is so.

The chapter further reviews the literature on characteristics of the activities, distribution, and trends of IJV formation. These include the strategic reasons why parent firms establish IJVs; host country location factors (that is, factors affecting MNEs' choice of location when considering IJV formation); the contribution parent firms make to the IJV; IJV performance assessment; and IJV performance determinants. The review of this literature underpins the empirical analyses in Chapters 5 to 8.

3.2 Definition of International Joint Ventures

Joint ventures are legally and economically separate organisational entities created by two or more parent organisations which collectively invest capital and other resources to pursue certain strategic objectives (Pfeffer and Nowak, 1976). A generally similar approach is proposed by Kogut (1988), who defines joint ventures as being when two or more firms pool a portion of their resources within a common legal organisation. Stuckey (1983) has a slightly sharper definition, seeing a joint venture as "the organisational and legal entity created when two or more separate groups jointly participate as co-owners of a producing organisation" (Stuckey, 1983: 149). A definition emphasising the financial implications proposes that a joint venture is a new organisation which has shared equity and is undertaken by two or more companies (Beamish and Banks, 1987), while Harrigan gives a more organic definition of a joint venture as a separate entity with two or more active firms as parents, where the emphasis is on the "child" (Harrigan 1984: 7).

Subsequently, joint ventures have been subdivided into two categories: equity joint ventures (EJVs) and non-equity joint ventures (NEJVs). Geringer (1991) defines EJVs as being where two or more legally prominent companies are each involved in the decision-making processes of a jointly owned entity. Killing (1988) regards EJVs as typical joint ventures, created when two or more partners join forces to establish a new corporate entity in which each has an equity position, and accordingly expects a proportional share of dividend as compensation, and proportional representation on the board of directors.

As regards NEJVs, Contractor and Lorange (1988) explain this kind of collaboration as contracts between companies intending to collaborate in some specific manner. The agreement does not create a new corporate entity, but will establish a regulatory framework to manage distribution of resources, expenditures and returns, and the allocation of work. Exploration consortia, research partnerships and co-production agreements are examples of NEJVs.

Further, a joint venture is regarded as an international joint venture (IJV) if at least one partner has its headquarters outside the venture's country of operation, or if it has an important level of operation in more than one country (Geringer and Herbert, 1989). Shenkar and Zeira (1987) also define IJVs as "a separate legal organisational entity representing the partial holdings of two or more parent firms, in which the headquarters of at least one is located outside the country of operation of the joint venture. This entity is subject to the joint control of its parent firms; each of which is economically and legally independent of the other" (Shenkar and Zeira, 1987: 547).

This study focuses on EJVs in which at least one parent company is from Thailand and at least one is from a foreign country. The Thailand Board of Investment (BOI) helpfully made available a database of international equity joint ventures (IEJVs) for this study.

3.3 The Theoretical Perspective on International Joint Ventures and Conceptual Framework of the Study

In the international business literature, researchers have proposed a number of theoretical approaches to explaining IJV formation, with the emphasis on conceptual and empirical evidence. These views can be summarised into four major theoretical approaches: the transaction cost theory, the organisational knowledge and learning theory, the resource-based view, and the strategic behaviour theory.

The first approach, transaction cost theory, was initiated by Coase (1937) and considerably developed by Williamson (1975, 1985, 1988). This approach emphasises cost minimisation considerations. The second approach, organisational knowledge and learning theory, is derived from organisational theory and is premised mainly on the assumption that firms learn or seek to retain their capabilities by accessing knowledge from a partner. The third approach of a resource-based view (RBV) focuses on firms' resources. A number of researchers (Wernerfelt, 1984; Das and Teng, 2000; Tsang, 2000) argue that this perspective takes a more internally focused view and aims to account for creation, maintenance and renewal of competitive advantage in terms of the resource side of the firms. The fourth approach, the strategic behaviour theory, focuses on strategic motivations, competitive position, and the impact of positioning on profitability. The fundamental logic of this approach in explaining the IJV formation is an attempt to maximise profits through improving a firm's competitive position in relation to rivals (Kogut, 1988).

3.3.1 Transaction Cost Theory

The transaction cost theory is grounded in economic analysis and was initiated by Ronald Coase (Coase, 1937; 1988). The basic unit of analysis is the economic transaction, which is defined as an exchange of goods or services between two parties. Coase (1937) divides transactions into the two major categories of "market" and "hierarchy" in accordance with their organisational form. The deciding factor is whether a particular transaction can be undertaken at lower cost through the market or internally within a firm ("hierarchy"). If the costs of undertaking the transaction via the market are high, then the firm can gain economic benefits by "internalising" the transaction within its own organisation (Buckley and Casson, 1988). Coase's theory was subsequently considerably developed by Williamson (1975, 1985) with his "transaction cost economics" theoretical framework by examining the relationship between uncertainty with regards to how the parties may behave, and transaction costs. In the view of this theory, organisations will tend to favour the IJV as an alternative mode if it incurs lower transaction cost than other modes of governance.

Williamson (1975, 1985) suggests that firms decide how to transact after considering how best to minimise total production and transaction costs. Production costs may vary between one firm and another depending on the scale of operations and proprietary knowledge. Transaction cost refers to the expenses incurred in writing and enforcing contracts, haggling over terms and contingent claims, deviating from optimal kinds of investments in order to increase dependence on a party or to stabilise a relationship, and in administering a transaction (Williamson, 1975, 1987). He establishes an organisational failure framework by explaining that, "first of all, markets and firms are alternative instruments for completing a related set of transactions. Second, whether a set of transactions ought to be executed across markets or within a firm depends on the relative efficiency of each mode. Third, the costs of writing and executing complex contracts across a market vary with the characteristics of the human decision-makers involved with the transaction on the one hand, and the objective properties of the market on the other. Fourth, although the human and environmental factors that impede exchanges between firms (across a market) manifest themselves somewhat differently within the firm, the same sets of factors apply to both" (Williamson, 1975: 8). A presumption of market failure is warranted where it is observed that transactions are shifted out of a market and into a firm, whereas a presumption of internal organisational failure is warranted for transactions that are unshifted (continuing to be market-mediated). Therefore, the organisational failure framework is a symmetrical term meant to apply to market and non-market organisations alike (Williamson, 1975; 1985).

Williamson (1975; 1985) points out that the choice of mode of governance between the market and hierarchies is determined by a set of related environmental and human factors. These factors lead to circumstances under which complex contingent claims contracts are costly to write, execute, and enforce. Encountering such difficulties, and considering the risks that simple (or incomplete) contingent claims contracts pose, a firm may decide to bypass the market and resort to hierarchical modes of organisation. Transactions that might otherwise be conducted in the market are instead performed internally and governed by administrative process.

Two environmental factors which lead to prospective market failure are uncertainty and small numbers-exchange relations. Two human factors are 'bounded' rationality and opportunism. Williamson (1975; 1985) indicates that a combination of the human environmental factors need not obstruct market exchange, unless the factors interact. He emphasises that the pairing of uncertainty with bounded rationality and a combining of small numbers with opportunism are especially damaging.

Bounded rationality results, according to Williamson, from the fact that "the capacity of the human mind for formulating and solving complex problems is very small compared with the size of the problems whose solution is required for objectively rational behaviour in the real world" (Williamson, 1975: 9). Simon (1957) long ago identified neurophysiological and language limitations which restrict rationality**.** Opportunism refers to a lack of candour or honesty in transactions, and includes "self-interest seeking with guile" (Williamson, 1975: 26).

According to Goffman (1969: 105), quoted by Williamson (1975), opportunistic behaviour involves making "false or empty, that is, self-disbelieved, threats and promises" in the expectation that individual advantage will thereby be realised. Highly opportunistic behaviour can lead firms to experience diminishing performance levels (Coase, 1937). Buckley (1988) claims that the opportunism of individuals may influence them to act in their own interests rather than the organisation's, and this leads to the arising of potential costs of monitoring and enforcing agreements and contracts.

There can be situations where "a small number of agents/amount of bargaining" are present, where only a few or even just one buyer and one seller exist (Williamson, 1975, 1985; Ouchi, 1979, 1980). Klein *et al.* (1978) argue that in small number conditions, the cost of switching partners will be high and one party can be held to ransom by another. Under these circumstances competitive pressure will vanish, creating a small number of suppliers who behave opportunistically to claim higher costs and supply poor quality work. Williamson (1975, 1985) asserts that when opportunism is combined with a small-numbers condition, the trading situation will be greatly improved if allocation of resources takes place on a basis of 'hierarchy' or 'internal organisation'. The transaction costs arise because of conducting business in imperfect markets. Accordingly, it can be more efficient for firms to use internal structures rather than market intermediaries (Beamish and Banks, 1987).

A hierarchical, internal solution has many attractions, given the problems which affect contracts because of bounded rationality and the possibility of opportunistic behaviour where small-scale operations are concerned. Internal organisation can be a way of overcoming information "impactedness", defined as a condition which arises mainly as a result of uncertainty and opportunism, as well as bounded rationality. According to Williamson, information impactedness is present when the true circumstances underlying the transaction are known to one or more parties but cannot be discovered by others without expense. It need not be a problem for a market-based solution if the parties do not behave in an opportunistic manner; or if there is no problem of bounded rationality; or if sufficient competition is present because of a large numbers situation. If all of these are absent, however, hierarchy rather than market may be the best way to curb opportunism. Internal organisation may minimise the problem of bounded rationality with its accompanying dangers of opportunistic behaviour. Williamson (1975) argues that it is, nevertheless, mainly the incentive, auditing and dispute settling benefits of internal organisation which reduce information problems.

Williamson (1985) also emphasises the importance of "asset specificity", by which he means durable investments made in support of particular transactions, "the opportunity cost of which investment is much lower in best alternative uses or by alternative users should the original transaction be prematurely terminated" Williamson (1985: 55). He argues that parties whose mutual trade is supported by substantial investment in transaction-specific assets are effectively operating in a bilateral relationship. As such, "Harmonising the contractual interface that joins the parties, thereby to effect adaptability and promote continuity, becomes the source of real economic value" (Williamson, 1985: 30). In effect, transactions heavily dependent on asset specificity will be more economically dealt with through hierarchy. There is, of course, a risk of high costs arising with a hierarchy transaction mode because of such bureaucratic costs as planning, control, measuring and co-ordination (Williamson, 1975; 1985).

To apply the transaction cost framework to IJV formation, a number of researchers (for example, Beamish and Banks, 1987; Hennart, 1988; Kogut, 1988; Buckley and Casson, 1988) argue that in a situation where both market and hierarchy modes would cause excessive costs, a transaction mode in the form of IJVs may be an appropriate alternative. An IJV mode is a specific type of bilateral governance based on transactional reciprocity, and can serve to reduce the defects of both market and hierarchy modes (Williamson, 1985).

Hill and Kim (1988) argue that the IJV creates dedicated assets from at least one of the partners and these assets are protected by a reciprocal long-term exchange agreement. The IJV thus creates a 'mutual hostage' situation, which may mitigate the risks of opportunism (Kogut, 1988). In addition, Hayes and Wheelwright (1984) assert that in some situations, an IJV solution can simultaneously incorporate long-term reciprocity and retain the benefits of market contracting, like economies of scales or economies of scope, which are of considerable importance in manufacturing.

To explain transaction cost theory in an international context, Hennart (1988) claims that, in global business environments, MNEs which sell their products overseas must first decide on the production site: whether to produce at home and export to the foreign markets, or to locate their production abroad. This decision is based on a comparison of delivery costs. It reflects the relative production costs of the home location compared with a foreign location, plus transport costs and tariff and non-tariff barriers to trade.

Whether MNEs organise their interdependence with investors in host countries through market or hierarchical means is the second decision. Transaction cost theory can be applied here. Firms have to compare and choose a governance structure which will minimise their transaction costs. They have to rely either on the price mechanism operating through market transactions, or on hierarchy seeking alignment of corporate goals and performance. A decision in favour of the hierarchy mode, due to high transaction costs in the situation of an imperfect market, leads to the establishment of a wholly-owned subsidiary of the MNE (Buckley and Casson, 1988). However, Kogut (1988) argues that forming wholly-owned subsidiaries often entails a significant amount of investment and other resource input. Accordingly, where equity partnership incurs lower transaction costs than other organisational modes, the IJV may be selected as more appropriate.

Williamson considers the IJV approach to be a hybrid occupying a position between the two extremes of the market-hierarchy continuum, and to provide stronger incentives and adaptive capabilities than hierarchies, while also providing more administrative control than markets (Williamson, 1985). In other words, MNEs need to decide whether they should establish wholly-owned subsidiaries (hierarchy mode), conclude contractual agreements with local agents (market mode), or establish IJVs (hybrid mode) on the basis of which option will minimise their transaction costs.

To summarise, then: the central contention of the transaction cost theory is that transactions can be classified by organisational form. Coase presented the idea that the market and the firm are alternative ways of organising similar kinds of transaction, and that one or the other may prove to have a lower cost depending on the circumstances of the transaction. The theory was further developed by Williamson (1975; 1985) who introduced the classification of “markets” and “hierarchies”. This defines a set of human factors and a set of environmental factors which, taken together, establish the efficiency of a particular form of contracting. The human factors are bounded rationality and opportunism. The environmental factors are uncertainty and small numbers. There are the further conceptual tools of information impactedness, which is compounded from uncertainty and opportunism, and asset specificity. Where these factors are problematical they may encourage a firm to bypass the market and resort to hierarchical modes of organisation.

In other words, transaction cost theory describes the market as a mode of economic transaction with certain in-built risks. Market transactions become risky when information relevant to a contract is asymmetrically distributed between the parties, or when contracts cannot spell out all the contingencies which might arise during the duration of the contract (Williamson, 1975). This kind of information disparity is likely to encourage opportunistic behaviour in the party enjoying the advantage, and particularly in “small numbers” bargaining situations where competition is limited. Guarding against opportunism may lead to such extra costs as monitoring and enforcement. Hierarchy is seen as the solution to market failure in this situation, mitigating transaction risks. (Williamson, 1975; 1985) Where the parties to a transaction operate within a single hierarchy, incentives to opportunistically exploit information disparity and asset specificity are reduced.

In transaction theory terms, where both the monitoring costs associated with a market transaction and the bureaucratic costs of a hierarchy transaction are excessive, the IJV transaction mode may be an attractive compromise.

Transaction cost theory has been criticised as having limited applicability in at least two major respects when applied to such collaborative strategies such as IJVs. First, it has been suggested that the theory’s single-party, cost-minimisation emphasis neglects the inter-dependence of the partners in an IJV. Second, it is seen as placing too much emphasis on the structural features of trading at the expense of other important aspects. Zajac and Olsen (1993) suggest that the proliferation of collaborative arrangements has more to do with anticipated gains than anticipated losses incurred in attempting to restrict opportunistic behaviour.

Further, it is sometimes complained that the theory assumes it is a simple matter to separate production and transaction costs, which is often not the case. It can be very difficult in practice to measure, or even to define, transaction costs. In his study of the automotive industry Dyer (1997) suggested that the mode of governance affects not only transaction costs but also production costs in ways which are difficult to identify and quantify. The exact costs associated with a strategic choice are difficult to calculate, so that the theory probably needs to be supplemented by the use of other analytical tools. (Kogut, 1988; Dunning, 1993)

Although transaction cost theory emphasises bounded rationality, it makes little allowance for other factors which affect decision-making. There is an unspoken assumption that a company's sole objective is to maximise profit and minimise cost, but in reality there can be conflicts of interest between managers, and the interests of managers and shareholders do not necessarily coincide completely. The power of individuals within an organisation can have an important impact on decision-making.

3.3.2 Organisational Knowledge and Learning Theory

The second perspective on IJV formation is offered by the organisational knowledge and learning theory. This paradigm views IJVs as a means by which firms can learn or seek to retain their capabilities by obtaining knowledge from a partner. An IJV mode is a propeller of learning to facilitate inter-firm knowledge transfer in the interests of the parent firms. Hennart (1988) sees the transference of knowledge as an area particularly at risk of market failure. Buyers are reluctant to pay for something so ill-defined, and sellers are anxious that buyers will renege on a contract once they are in possession of the knowledge they need. Kogut (1988) feels this is something which transaction cost theory also fails to account for. He suggests that the rationale behind IJV formation may be a firm's desire to learn or to retain their capabilities. What is being sought in an IJV is a knowledge base or competency not easily transferred across the boundaries of a firm.

The IJV is a vehicle by which “tacit knowledge” is transferred. Other forms of transfer, such as licensing, are impossible, not because of market failure or high transaction costs, but because the very knowledge being transferred is organisationally embedded (Kogut, 1988).

Polanyi (1958) is clearly aware that individual knowledge, know-how and skills are not always easily communicated. He remarks that it is “a well-known fact that the aim of a skilful performance is achieved by observance of a set of rules which are not known as such to the person following them.” Polanyi (1958: 49) He continues that, in the exercise of individual skill, many of the actions involved are not the result of deliberate choices but automatic responses, much like those which enable a cyclist to stay on his bike.

Teece (1977) argues that much in the routine operation of a business firm is done automatically in response to signals coming from within the organisation or its environment. It is accordingly not more easily communicable, indeed probably less so, than individual capabilities. He sees this “routinisation” in an organisation as itself the most important store of its specific operational knowledge. Teece points out that organisational knowledge ensures not only that all the members know their routines, but also that they know when to perform them. The individual must be able to interpret incoming messages from other members of the organisation and from the environment, and then to utilise the information to select an appropriate routine from his own repertoire. To view organisational memory as merely the sum of the memories of individual members is accordingly to overlook the complex linking by shared past experiences which have established the highly specific communication system underlying routine performance.

Teece insists that while there is good reason to believe that remembering by doing may often be more cost effective than committing routines to paper, it makes it much more difficult to effect a market exchange of such knowledge in order to transfer it to a different organisation. Transferring key personnel can take the process part of the way, with the individuals becoming consultants or teachers of their routine knowledge, but more often what is needed is the transfer of organisational as well as individual knowledge. Teece concludes that, while an individual may understand a part of the company jigsaw extremely well, and may indeed understand where the piece fits into the puzzle as a whole, removed from its organisational context that individual's knowledge may be of little value.

Kogut (1988) points out that the market is best replaced by the IJV mode not where tacitness is a cost stemming from opportunism, but rather from the need to replicate experiential knowledge which is not well understood. More generally, tacitness is an aspect of the capital stock of knowledge within a firm. He argues that there is an important distinction between this "knowledge capital" embodied in particular individuals, which may be tradeable in the labour market, and knowledge capital embodied in organisations as skills and routines. The only way of obtaining the latter may be to replicate or take over the organisation itself.

To put it more simply, there are two types of knowledge: explicit knowledge and implicit knowledge. The first is relatively easily transferred between firms. A market transaction may function as an instrument to acquire and assimilate this kind of knowledge (Inkpen, 1998). Hence, knowledge can be transferred through whole industries and become accessible to most firms regardless of whether they form IJVs. The second type of knowledge is highly embedded in host firms and thus may be extremely difficult to access through a market transaction. There is, accordingly, a need to transfer such tacit knowledge by establishing a closer and more interactive relationship with the firms who possess it (Hamel, 1991; Lyles and Salk, 1996). From this standpoint, IJVs can be the means that makes it possible for knowledge and skills to be transferred from one partner to another.

The organisational knowledge and learning theory perspective, then, views IJVs primarily as a means by which firms may acquire organisational knowledge which it is otherwise difficult to obtain. Some forms of knowledge cannot be readily transferred by way of a market transaction, so the need arises to establish IJVs so that "tacit" knowledge and skills can be transferred from one partner to another. From the viewpoint of this theory, establishing an IJV will make good sense if either of two conditions are met: a) one or both firms desire to acquire the other's organisational know-how, or b) one firm wishes to maintain its existing organisational capabilities while benefiting from another firm's more up-to-date knowledge.

The organisational knowledge and learning approach has been citicised for being excessively abstract, and probably more applicable to knowledge-intensive industries (Kogut, 1988). Furthermore, the applicability of the theory to analysing the strategic alliances which are IJVs is also seen as being limited by cursory analysis of the role of knowledge in alliance relationships and the presumption that the goal of alliances is to facilitate organisational learning. This emphasis on learning – the acquisition of knowledge fails to recognise the central attribute of the strategic alliance as an organisational mode which can reconcile the benefits of knowledge specialisation with those of flexible integration. The theory is said to lack "clear specification of the role of knowledge in alliance formation"(Grant and Baden-Fuller, 2004: 77).

Robson *et al* (2002) argue that learning is not a key factor for many firms engaged in IJVs; hence, learning outcomes may have little effect on IJV business performance. They add that, "quantitative study on the topic has not been able to elucidate how learning processes unfold over time" (Robson *et al*, 2002: 389). Also, Huber (1991) argues that this theoretical approach lacks the depth of cumulative work and fails to synthesise the work of different organisational learning research groups.

3.3.3 Resource-Based Theory

A third rational explanation of the IJV formation rests on the possession and development of firm's resources. Resource-based theory has recently appeared as an alternative approach to understanding the IJV formation. Penrose (1959) pioneered this approach, which views a firm as equivalent to a broad set of resources which it owns. When Penrose's book was first published in 1959, inter-firm collaboration was relatively rare, but interest in resource-based theory has recently been revived by Wernerfelt (1984: 172) who defines resources as "those (tangible and intangible) assets which are tied semi-permanently to the firm". Das and Teng (2000) argue that, unlike traditional industrial organisation economics which draw heavily on analysis of the competitive environment, the resource-based view focuses on analysis of the various resources possessed by the firm.

Because many of these are firm-specific and not perfectly mobile or imitable, firms are continuously heterogeneous in terms of their resource bases. Sustained resource heterogeneity thus, becomes a possible source of competitive advantage for a firm, which can lead to economic rents or above normal returns.

Leiblein (2003) argues that resource-based theory provides two principal conceptual insights. First, it recognises that factor markets exist in which firms may develop or acquire the resources necessary for product-market competition. Second, resources which lead to persistent performance differentials are much broader in nature and more difficult to accumulate than the tangible assets and factors of production typically emphasised in neo-classical economic theories.

The assumptions underlying the resource-based view fall into two broad categories. The first set holds that firms are profit-maximising entities directed by 'boundedly rational' managers (Conner, 1991; Rumelt, 1984). Consequently, managers are assumed to lack the knowledge, foresight, and skills to accurately predict and plan for all the various contingencies which may arise in their search for profitable opportunities. The second set of assumptions suggests that firms must make up-front investments for the opportunity to engage in the process of creating new resources, whose eventual value is inherently ambiguous and uncertain (Lippman and Rumelt, 1982). These assumptions lead to the critical concepts of resource heterogeneity and resource immobility. The idea of resource heterogeneity is that competing firms possess different bundles of resources, while the concept of resource immobility suggests that many of these resource differences will persist over time.

Das and Teng (2000) refer to imperfect mobility as a difficulty, involving appreciable costs, when attempting to move certain resources from one firm to another. According to Dierickx and Cool (1989), factor markets are often incomplete and imperfect, so that many resources are either not tradeable at all or not perfectly tradeable. They offer as an example the fact that such resources as a firm's reputation and organisational culture are not simply tradeable. Many resources, such as the tacit knowledge of firms, lose much of their value if moved from their current organisational context and used in conjunction with other resources.

Whereas imperfect mobility concerns barriers to acquiring resources from their owners, imperfect imitability and imperfect substitutability refer to barriers to obtaining similar resources from elsewhere (Barney, 1991; Peteraf, 1993). Das and Teng (2000) cite Lippman and Rumelt (1982) regarding the concept of causal ambiguity, a lack of clarity about which resources are responsible for competitive advantage. Causal ambiguity makes the connection between resources and competitive advantage less clear, and thus constrains a firm's ability to imitate its competitors and/or to employ substitutes. Reed and DeFillippi (1990) categorise three resource characteristics that give rise to causal ambiguity: tacitness, complexity, and specificity.

Resource-based theory has been applied to IJV formation for two main reasons: exploitation of resources, and development of resources. Firms have to form IJVs if they want to exploit the resources of their partners since these resources cannot be found in the market (because of the imperfect condition of the factor market mentioned above). This motive is directly related to the nature of the firm as a rent-seeking institution. The rent earned by a firm is defined as a return in excess of the firm's opportunity cost (Tollison 1982). Harrigan and Newman (1990: 425) argue that a virtue of IJV formation is that "often they make use of a resource which hereto has been left dormant because it was not coupled with the necessary handmaiden". The exploitation of such 'dormant' resources creates rents because their opportunity costs are zero. Many more IJV formations are, however, motivated by the desire of at least one partner to make a better use of its competitive advantage. Penrose (1959) comments that firms tend to expand whenever profitable opportunities exist. A firm may therefore want to exploit its competitive advantage in a different country and/or industry.

Resource-based theory is concerned not only with efficient utilisation of a firm's resources, but also with their efficient development. Development of resources is another principal reason for forming IJVs (Tsang 2000; Das and Teng, 2000; Leiblein, 2003). In this case, Tsang (2000) argues that rent generation is not an immediate objective. Rather, the objective is to manage and develop the resources in a rational manner, to acquire and develop resources that are needed, and to dispose of those that do not fit into a firm's core competence (Prahalad and Hamel, 1990). By so doing, a firm's long term competitiveness is strengthened. A firm's whole portfolio of resources is taken into account when such IJVs are formed. That is, within the constraint of bounded rationality, the entrepreneur has to consider global efficiency, and is therefore seen by resourced-based theory as having an important role to play (Tsang, 2000).

Ohmae (1989: 145) argues that "today's products rely on so many different critical technologies that most companies can no longer maintain cutting-edge sophistication in all of them. Tapping external sources of know-how becomes a must. Suppose a firm wants to obtain a specific capability possessed by another firm. It is usually not wise for the former to acquire the latter just for the sake of obtaining the capability. The very essence of capabilities is that they cannot be readily acquired through markets (Kogut and Zander, 1992; Teece *et al*, 1997). It makes more sense to learn the capability from its owner.

An IJV is formed from resources contributed by its partners, with the result that there is intimate interaction and communication between the staff of the parent companies. This flow of information offers a great opportunity for learning, which encompasses not only resources within the IJV but which also, to some degree, extends to the resources of the parent firms. Tsang (2000) points out two key factors which affect how successful learning is. The first is the degree of specificity of the resource to a firm. If a resource is highly "firm-specific", it is difficult to transfer it to another firm without a major loss of value. It is difficult to acquire a highly firm-specific resource through learning, since the learner may be unable to disentangle the intricate linkages of the resource from its owner's other routines. The second factor affecting the success of learning is the learner's ability to absorb, his ability to "recognise the value of new information, assimilate it, and apply it to commercial ends". (Cohen and Levinthal, 1990: 128) Mowery (1989: 26) asserts that the "ability of a junior firm to utilise or exploit the technological assets contributed by a technologically advanced firm to a collaboration depends on the development of in-house research and engineering capabilities that aid the firm in absorbing these assets".

As can be seen, resource-based theory emphasises analysis of the resources which firms possess rather than analysis of the competitive environment. Since a number of resources are firm-specific and non-transferable, firms can gain competitive advantage and enhance performance if they gain access to their partners' unique resources by forming an IJV. Nevertheless, the theory assumes that a firm can be profitable in a highly competitive market providing it can exploit advantageous resources. This is not necessarily the case. This theory ignores external factors concerning the industry as a whole. The industry structure as well as other external factor analysis should also be considered. Furthermore, for this theory a prominent source of sustainable competitive advantage is causal ambiguity. While this is undeniably true, it leaves an awkward possibility that the firm is not able to manage a resource it does not know exists, even if a changing environment requires it (Lippman & Rumelt, 1982). Through such external change the initial sustainable competitive advantage could be nullified or even transformed into a weakness (Priem and Butler, 2001a; Peteraf, 1993; Rumelt, 1984).

Furthermore, the concept 'rare' seems to be obsolete. Although prominently present in this research framework, the concept that resources need to be rare to be able to function as a possible source of a sustained competitive advantage is unnecessary (Hoopes *et al*, 2003). Because of the implications of the other concepts (e.g. valuable, inimitable and non-substitutability) any resource that follows from these characteristics is inherently rare. Priem and Butler (2001b; 57) further crticise that the resource-based view is 'tautological' or self-verifying. This paradigm has defined competitive advantage as a value-creating strategy that is based on resources that are, among other characteristics, valuable. However, Priem and Butler (2001a: 31) argue that this reasoning is circular and therefore 'operationally invalid'.

3.3.4 Strategic Behaviour Theory

The fourth powerful perspective for IJV formation stems from theories on how strategic behaviour influences the competitive positioning of the firm. In this paradigm, the IJV mode has been considered as strategic alternative, which can maximise profits as well as improves a firm's competitive position in relation to rivals.

Harrigan (1987, 1988) and Kogut (1988) argue that a number of competitive environmental factors (e.g., competition on a global scale, the rapid dispersion of technology, and resource mobility across a country) have driven the creation of IJVs. The nature of these factors leads to a development of strategic behaviour theory to explain the establishment of IJVs.

Lorange and Roos (1993) similarly argue that MNEs resort extensively to IJV formation to implement their strategies because of the current characteristics of the international business environment. First, increasing internationalisation with heightened competitive pressure stems from global scale and/or scope advantages. Firms feel a need to team up with partners to ameliorate resource shortages, to gain time, and so forth. Second, despite this internationalisation, firms need to remain strong in national markets and adapt to local needs and demands. Accordingly, they need a local partner. Third, rapid technological development leads to shorter product life cycles, calling for improved price response and demand response. Hence, firms need to have joint R&D, to have a sufficient resource base, to bring together scarce, eclectic competencies, and to leverage outputs for a broad commercial application. Fourth, higher demands for systemic solutions involve several types of competencies, product and/or service offerings and so forth, put together into packages to better satisfy the customer. Thus, firms need to bring together the best from several partners. Fifth, many new competitors may emerge in otherwise relatively traditional businesses, which often urgently requires proactive repositioning. Accordingly, firms need to build strong alliance networks, not only in order to move rapidly to the right position to generate business, but also as a defence.

The strategic behaviour approach recognises the drive to lower transaction costs as a motive for forming an IJV, but this alternative view stresses how strategic behaviour influences a firm’s competitive positioning; it emphasises how competitive positioning affects the asset value of firms which adopt the IJV mode of governance. Firms which do business through an IJV can maximise profit by improving their competitive position vis-à-vis competitors (Kogut, 1988). Similarly, Killing (1983) asserts that firms are engaged in IJV formation to enable them to attain strategic objectives in their market and environment, with an aim to improve their competitive position.

Linking IJV formation to strategic positioning, a number of researchers (Vernon, 1983; Killing, 1983; Harrigan, 1985, 1986; Vickers, 1985; Contractor and Lorange, 1988) emphasise that the IJV mode is an effective choice for implementing change in a firm's strategic position. Many IJVs are motivated by strategic behaviour aimed at deterring entry or eroding competitors' positions. For example, Kogut (1988) cites the work of Vickers (1985) which presents the IJV as a research partnership to deter entry by competitors through pre-emptive patenting. Vickers points out that in oligopolistic industries, the best arrangement might be for one of the firms to invest in patentable research in order to forestall entry by rivals. Vernon (1983) also views IJVs as a form of defensive investment enabling firms to hedge against strategic uncertainty, especially in industries of moderate concentration where collusion is difficult, despite the benefits of interdependence between firms.

Bleeke and Ernst (1991) suggest that, from a strategic behaviour perspective, IJV formation is more likely to be explained by firms' need to expand their markets and to improve their competitive position. Global strategies are a recognition that competition is no longer restricted by national boundaries, so a firm needs to have an approach which will enable it to face challenges and discover how to gain competitive advantage by integrating its operations in a variety of geographical locations. Lyons (1991) interprets the strategic behaviour of IJV partners in terms of Porter's models of markets and industry structures. The main contribution of Porter (1990) is his suggestion that any industry can be analysed in terms of five main forces. These are: the relative strength of buyers or customers; the relative strength of sellers or suppliers of goods or labour; the relative ease of market entry by potential new competitors; the potential availability of substitutes; and rivalry between the competing firms. Lyon (1991: 130) suggests that these forces interact and, together, can change the character of an industry. He goes on to say that the changes resulting from movement towards a converging global market will nevertheless leave significant variations between nations and that such issues as association with a locality, the logistics of manufacturing and distribution, population density, climate, and political and religious differences will continue to be of importance. A result of this is that corporate strategies are gradually being modified for aggressive, defensive, or collaborative purposes. In his view, the strategic alliance underlying the formation of an IJV is the way in which many organisations are reacting to the pressures of globalisation, which demand structural changes. From this perspective, strategic behaviour theory predicts that the main criterion for choosing IJV partners will be whether this will improve the competitive positioning of the parties, either by denying competitors potential allies or opportunities for collusion (Harrigan 1984, 1985; Hamel, 1991; Lyons, 1991).

This view is similar to the arguments of Dunning (1993). He asserts that the international business environment has dramatically changed over the past two decades. Firms respond to challenges such as cost reduction pressure, rapid technology innovation, and slow market growth by seeking new markets for their products. Firms are obliged to re-formulate their business strategies and embark on strategic actions such as a strategy of cooperation in order to increase market power vis-à-vis their existing and/or potential competitors. Dunning (1993, 1997) argues that there are two considerations which might logically lead to international joint venture formation: 1) how to successfully enter targeted markets and gain an advantage over rivals; 2) how to develop capabilities to serve difficult markets dispersed around the world more effectively than other international competitors.

As regards the first consideration, a number of market entry barriers are identified in the international business literature. These include increasing protectionism and political intervention by the governments of host countries; and a lack of local knowledge, market expertise and management discipline in the early stages of a company’s overseas market expansion (Killing, 1983; Glaister and Buckley, 1996). If the foreign firm can overcome these entry barriers, the resultant advantage over its rivals may enable it to reap significant economic benefits.

A number of researchers (Kogut, 1988; Gomes-Casseres, 1989) claim that international joint ventures help foreign firms to bypass a number of problems of entering overseas markets and to lower local political barriers, especially in developing host countries where the government is actively involved in regulating FDI by overseas firms. Many host governments insist that foreign firms should form partnerships with local companies before being granted permission to start operating in their countries (Ahn, 1980; Higginbottom, 1980; Beamish, 1985, 1993; Connolly, 1984; Millin, 1984). This is supported by previous studies (for example, Harrigan 1987) which showed a positive link between market entry difficulty and the number of IJVs formed. Gomes-Casseres (1988) pointed out that new subsidiaries of MNEs are more likely to form IJVs in ‘restrictive’ countries than in ‘open’ countries.

In addition, by forming international joint ventures, foreign firms can access local operating expertise and other complementary skills, enabling them to match the local competitive advantage of their indigenous rivals (Markino and Delios, 1996). Connolly (1984) also argues that foreign firms may find it difficult to penetrate overseas markets without local market expertise. The local partner may provide know-how and/or established local distribution channels through which to market the product, which might not otherwise have been available.

In respect of the second consideration, of how to develop capabilities to serve difficult markets dispersed around the world more effectively than other international competitors, Bartlett and Ghoshal (1989) and Doz and Hamel (1995) argue that there are inevitably going to be limitations on the market expertise or technologies which a particular firm can call upon within itself. The challenge of globalisation can only be met if a firm can learn to bring together learning on a global scale, responsiveness to local conditions, and efficiency in servicing a global market. It is essential for a firm to find a way of adding to its own internal capabilities in order to gain competitive advantage and develop the skills needed to administer networks which are constantly expanding.

IJV formation can contribute towards a solution of this issue since it is the only viable way for firms to access capabilities from their strategic partners (Fiol and Lyles, 1985; Lorange and Roos, 1993; Inkpen, 1998). Furthermore, Barkema *et al* (1997) argue that IJV formation can be instrumental in helping firms develop the skills required by global networks which enable them to leverage their core competence and emerge one step ahead their competitors.

A number of researchers (Harrigan, 1988; Lorange and Roos, 1993) have attempted to explain IJV formation in a more differentiated manner. Harrigan (1988) provides a two-by-two matrix to illustrate strategic linkages between the rate of growth of demand and the factor of demand uncertainty in terms of IJV formation. This is presented in Table 3.1.

Table 3.1: Effect of demand uncertainty and growth on the IJV formation, assuming firms will cooperate, *Ceteris Paribus*, (Source: Harrigan, 1985, 1988)

	Rapidly growing demand	**Slowly growing, stagnant or declining demand**
Demand uncertainty is high	*More IJVs* Many vertical IJVs to pioneer markets, reduce supply bottlenecks or share supplying plant capacity until critical mass is reached.	*More IJVs* Many horizontal IJVs to consolidate industry capacity and revitalize players
Demand uncertainty is low	*Fewer IJVs* Many temporary non-equity sourcing agreements to satisfy component demand or reach more customers faster	*Fewer IJVs* Few fade-out IJVs between horizontal competitors as a gradual means of divesting

Harrigan (1988) explains that IJVs will be used more frequently where demand is uncertain or business risks are high, particularly when demand is growing rapidly or is declining. The forming of IJVs may enable firms to be more responsive to variations in customer demand, provided parents design their alliances effectively. Further, the IJV approach may be used to ease a firm out of a declining or troubled industry where excess capacity will plague all ongoing firms (Harrigan, 1985). When demand is growing rapidly, other things being equal, Harrigan (1985, 1988) points out that IJV managers need freedom to subcontract production or make other accommodations to satisfy customers. However, when demand is declining, IJVs must coordinate their endgame strategy closely with their parents' activities in order to serve the most attractive customer niches without disrupting industry-wide price levels.

Where demand is growing rapidly, vertical IJVs, whereby parents share the outputs of their IJV 'child', or use their child to absorb their own respective outputs, will be particularly useful as a means of utilising large plants economically or of reaching target customers to alleviate their fears concerning the viability of a new product or process. Firms will use horizontal arrangements later to consolidate excess capacity and focus competitors' attention (to alleviate wasteful price cutting when demand growth slows). Horizontal IJVs are embraced when firms would otherwise battle for market share at the expense of each other because demand has become saturated or is primarily for replacement purposes.

On the other hand, where demand is growing more slowly, demand uncertainty will be lower, and IJVs will also be particularly appropriate in such a setting if significant economies of scale are available at large production volumes, particularly if cost reduction is becoming the key to effective competition (Harrigan, 1985, 1988). IJVs allow firms which were formerly rivals to retain the most efficient parts of their assets in building a new, world-scale competitive entity. The IJV approach may also be used to permit firms to divest their assets incrementally in situations where they face such high exit barriers that no buyers could afford to purchase them outright.

As demand slows, stagnates, or declines, Harrigan argues that it will become necessary for some firms to cooperate in order to prevent destructive price wars. IJVs are preferable to non-equity arrangements in such settings if businesses are of high strategic importance because they facilitate divestiture (as well as diversification) when firms must adapt to changing industry conditions. Firms will then seek to acquire partners' shares to increase their control over joint activities and destroy excess capacity, so that the assets will not be resurrected by new firms and continue to plague their troubled industry (Harrigan, 1985).

In addition, a number of researchers have attempted to identify strategic motivation of IJV formation. For instance, Contractor and Lorange (1988) point out that IJV formation can fulfil a number of strategic organisational goals. These include risk reduction, economies of scale and/or rationalisation, complementary technologies and patents, co-opting or blocking of competition, overcoming government-mandated investment or trade barriers, initial international expansion, and vertical quasi-integration. Harrigan (1985) classifies the strategic rationales for setting up an IJV entity into three categories: internal drive (such as risk sharing, economies of scale, and better information and practices);

competitive drive (such as influence over industry evolution, timing advantages, and globalisation); and strategic drive (such as synergies, technology or other skills transfer, and diversification).

Lorange and Roos (1993) characterise strategic motives of IJV formation by looking at each prospective partner's strategic position from two dimensions. One dimension concerns the strategic importance of the particular business within which IJV formation is being contemplated and how it fits the overall portfolio of that partner. The second dimension has regard to the firm's relative position in the business it is in: whether it is a leader or more of a follower.

Table 3.2 Strategic Motives for the IJV Formation (Source: Lorange and Roos, 1993)

	Business Market Position as Leader	**Business Market Position as Follower**
Strategic Importance in Parent's Portfolio as Core Activities	Defend	Catch up
Strategic Importance in Parent's Portfolio as Peripheral Activities	Remain	Restructure

Table 3.2 shows the emerging strategic position framework. Focusing on the two strategic positioning dimensions, four strategic motives for IJV formation emerge.

First, when the strategy of IJV formation is core within the parent firm's overall portfolio, and the firm enjoys relative leadership in this business, then typically the motives for embarking on IJV formation are defensive. Lorange and Roos (1993) argue that two major rationales for IJV formation in this case are accessing new markets and/or technology, as well as securing resources. Second, when the business still falls within the core area of a firm's portfolio, but the firm is more of a follower in its business segment, the primary motive for IJV formation is often to catch up. It may be highly critical for a firm to strengthen its competitive position in order to make it viable.

Third, when the business plays a relatively peripheral role in the overall portfolio, but the firm is a leader, the main rationale for forming IJVs is to remain. In this case, the firm decides to form IJVs in order to get maximum efficiency out of the firm's position. Lastly, if the firm is more of a follower in the business area and if the particular business plays a relatively peripheral role in the parent's portfolio, the main strategic motive for IJV formation is to restructure the business. The firm's goal might also be "to restructure the business with an eye toward creating some strength and value which might enable the parent eventually to unload this business" (Lorange and Roos, 1993: 9).

Brieftly, strategic behaviour theory explains IJV formation on the basis of how it influences the competitive positioning of the firm (Kogut, 1988; Gomes-Casseres (1988). Forming IJVs with local firms, managing facilities jointly and producing the product line co-operatively as a fast way to achieve overseas market expansion and manage a global network, reflects the strategic behaviour of foreign firms building and securing their competitive position in the process of globalisation. The strategic behaviour theory has, however, been criticised for failing to take full account of the internal constraints of firms. Specifically, it is said that it offers little insight into the subsequent management of IJVs. The implementation of IJV strategy has had little attention and most of its research is said to have come up with only a few abstract concepts, like the compatibility of partners, complementarity of capabilities, and so forth (Kogut, 1988; Hamel and Prahalad, 1989; Bleeke and Ernst, 1991).

Moreover, its critics see this approach as being erroneous in its explicit or implicit assumption that the firms in a given industry are homogeneous. In the real world, no two firms have identical resources and technologies (Kogut, 1988; Dyer, 1997). "Firm homogeneity is unrealistically assumed" (Robson *et al* 2002: 389).

3.3.5 The Theoretical Approach of This Study

The above four theoretical perspectives illustrate different yet ultimately reconcilable views of IJV formation. By integrating these cross-disciplinary analyses, understanding of the strategic alliance of IJV formation can be advanced.

The transaction cost theory rationalises that organisations tend to select the IJV as the mode of governance when it involves lower transaction costs compared to alternative modes (market or hierarchy), while the organisational knowledge and learning approach stresses the learning premise in IJV operations and believes that a need for knowledge acquisition leads to IJV formation. Under the resource-based view, firms can gain competitive advantage and enhance performance if they gain access to their partners' unique resources by forming an IJV. The strategic behaviour theory places more emphasis on profit maximisation and takes the view that IJV formation is appropriate only if it improves a firm's competitive position vis-à-vis its rivals.

However, these four perspectives suffer from different weaknesses discussed in the previous section: transaction cost theory concentrates on the concept of cost reduction and neglects the function of profit generation of firms. Moreover, it is not able to integrate strategic considerations into its explanation and prescriptive or predictive assessment method. The organisational knowledge and learning theory is considered too abstract and probably mainly applicable to firms in knowledge intensive business. The resource-based view is considered "tautological" and "operationally invalid" especially in its treatment of the concept of competitive advantage. Furthermore, it ignores external factors affecting the industry as a whole. The strategic behaviour paradigm is accused of failing to take into account the internal constraints of firms, and is susceptible to all the criticism directed at generic strategy. In particular, it offers little insight into the subsequent management of an IJV.

A number of conclusions can be drawn from this review. First, each theory tries to explain IJV formation from a different perspective, although several of the constructs employed are common to some of them due to overlapping theoretical domains. For instance, organisational knowledge and learning theory could be combined with the resource-based paradigm. Second, the applicability of each theory depends on situation-specific factors. For example, the organisational knowledge and learning theory is more appropriately applied to IJVs in a knowledge-intensive industry. Third, the theories should be regarded as complementary rather than as alternatives. The transaction cost theory emphasises how firms transact in a way which will minimise the sum of production cost and transaction cost, while strategic behaviour theory points out that firms transact in a way which will maximise profits by improving a firm's competitive position. The organisational knowledge and learning theory and resource-based view, on the other hand, concentrate on the internal factors of the firms as the source from which competitive advantage can be created. Finally, although the theoretical perspectives they provide are all relevant to developing a deeper understanding of IJVs, no single paradigm provides an adequate foundation for a general theory explaining the phenomenon of IJV formation. A useful future endeavour would be an attempt to integrate these diverse theoretical approaches, but in the meantime strategic behaviour theory is helpful in focusing the present research on one of its principle objectives: determining the underlying strategic motives for firms to embark on IJV formation. As discussed in the previous section, a number of researchers in this paradigm (see, for example, Contractors and Lorangese, 1988; Porter and Fuller, 1986; Harrigan, 1985) provide a catalogue of motivation for IJV formation from a strategic positioning perspective. These directly relate and underpin the subject of this study. The other theories can be seen as contributing partial insights into aspects of that motivation.

This research is also seeking to throw light on the extent to which companies' strategic choices produce outcomes which satisfy their objectives, and for this a focus on companies' strategic objectives is appropriate. Areas of study given special attention in accordance with the aim and objectives of the present thesis, with its focus on the ASEAN4 and in particular Thailand, as being pertinent to parent companies' strategic motivation in setting up IJVs are host country location factors, the parent companies' contribution to IJVs and the impact it has on performance, appropriate means of assessing IJV performance, and determinants of success or failure. Such a focused approach not only helps highlight research gaps but also pinpoints relevant theoretical constructs which might be useful for subsequent framework-building.

A number of earlier researchers (for example Contractor and Lorange, 1988; Harrigan, 1985) have pointed out the importance of studying the issue of the strategic motivations of parent companies which decide to embark on IJV formation. As Harrigan (1985: 12) warns, "despite their apparent eagerness for the freedom to co-operate, however, many managers follow a knee-jerk approach to such strategies; they jump in without thinking through their motivations or how the child will fit into their scheme for strategy implementation. Integration has rarely occurred (or has occurred badly)".

Porter and Fuller (1986) similarly argue that it is essential, given the trend for international joint ventures, to examine the economic inducements and the motives behind IJV establishment from a strategic management perspective. For a particular joint venture, of course, the motivations can be manifold (Porter and Fuller, 1986). IJVs are not all the same, and carefully identifying the motivation of decisions to embark on an alliance is seen by Killing (1983) and Beamish (1987) as crucial if an understanding is to be gained of the functioning of international joint ventures.

For companies too there are advantages in underpinning their behaviour and commercial decisions with a strategic behaviour theoretical approach. If their principal aim is to increase their market power and competitiveness in an age of globalisation, strategic cooperation through IJVs is important. To achieve global competitiveness, Rugman and Verbeke (1995, 2001) argue that host country specific advantages[2] have become of increasing strategic importance to MNEs. Similarly, Dunning (1988) asserts that MNEs need to seek out the strategic locations which offer the best economic and institutional facilities for making efficient use of their strengths. Firms which decide to expand abroad often take a carefully considered strategic decision to pair with local businesses to obtain particular competitive advantages, such as product market access (Barringer and Harrison, 2000). Host country location factors, both favourable and unfavourable, are therefore one of the central concerns of the present study, and are best examined in the context of strategic behaviour theory.

As far as the issue of parent companies' contributions is concerned, strategic behaviour theory places emphasis on the strategic goals and objectives pursued through the IJV, together with the various policies, structures, and plans elaborated to achieve them (Hofer and Schendel, 1978). Franko (1971) emphasises the importance of matching the strategy

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[2] The host country specific advantages refer to some benefits associated with locating certain activities in particular countries. These benefits may arise from (a) structural market imperfections such as government regulation, and (b) the potential to economise business costs by reducing risks and to benefit from local opportunities (Rugman and Verbeke, 1995, 2001).

of the parent organisations with the structures through which the venture is controlled during its development if successful performance is to be achieved. The strategic behaviour approach also draws attention to the need to establish strategic symmetry between the objectives of the parent firms, in terms of company missions, resources, management skills, and similar attributes which is crucial if a complementary and equitable business relationship is to be built (Harrigan, 1986, 2003).

As regards the contribution of the parent companies, strategic behaviour theory is compatible with the approach of viewing IJVs as organic forms which grow and develop naturally. Lorange and Roos (1993) argue that, just as in nature, an IJV must receive energy on an ongoing basis from its parents, so that it can grow from a dependent offspring into a functioning adult entity. In its early stages, an IJV needs "stimuli" if it is to grow and evolve. They suggest that comparing the birth and growth of an IJV with that of a child implies a need to follow how the strategic alliance's relationship with its parents changes over time - from total dependence in infancy to eventually becoming an independent, free-standing adult. (Lorange and Roos, 1993: 79) The usefulness of this biological comparison is discussed in a later chapter.

In respect of the issue of performance assessment, researchers adopting a strategic behaviour theory approach have considered IJV performance to be one of the key issues to be studied. As already mentioned, during IJV formation and development, emphasis is placed on achieving success by matching the strategy of the parent organisations with the structure for controlling the venture (Franko, 1971). Meyer (1991: 824) has noted that "true to its general management orientation, the field of strategy has consistently used firm level performance as the definitive dependent variable". One strategy researcher interviewed in Meyer's study went so far as to say that "research questions are inherently uninteresting or trivial unless they include an explicated linkage to performance" (1991: 825). Accordingly, strategic behaviour theory appears a promising approach to the study of IJV performance assessment.

The remaining issue is the matter of performance determinants. Robson *et al.* (2002: 408) point out that, "all key background and antecedent factors reflect the development of the strategic fit between the partners". Likewise, Lorange and Roos (1993) argue that IJV formation must be based on mutual cooperation between the parties involved, and that one of the most important issues for the success of an IJV is a strategic fit between the parent firms. Reflecting the approach of the strategic behaviour theory, the present study focuses on performance determinants.

Last but not least, the strategic behaviour theoretical explanation of IJV formation underpins the present study because it appears the best suited to the current international business environment where competition is on a global scale. This puts pressure on firms to collaborate with others through the medium of IJVs. Firms find themselves obliged to re-formulate their business strategies and ultilise IJV formation in order, in accordance with the values of strategic behaviour theory, to increase competitiveness and maximise profits.

3.3.6 Framework of the Study

The literature on international joint ventures has tended to focus on particular aspects of the entity. For instance, Glaister and Buckley (1996) and Boateng and Glaister (2003) place emphasis on the strategic motives of IJV formation, while Killing (1983) and Beamish (1985) stress the management dominance issue. The present IJV study is aiming, however, both to fulfil the objectives laid down in Chapter 1 and also to show the importance of the various issues of the study and how they are inter-linked. Figure 3.1 offers a framework for the study. It indicates with an unbroken line those linkages (for example, strategic motives behind IJV formation) which have been examined by previous research and which this study has also investigated, and with a dotted line, possible linkages which are being investigated by the present study. The separate elements of the overall picture which it is intended to bring together and integrate include the characteristics of the activities, distribution, and trends of IJV formation in ASEAN countries, particularly Thailand; the strategic inducement for parent companies to form IJVs; host country location factors; parent companies' contributions; and IJV performance assessment and performance determinants.

Since this study has obtained the official dataset of IJV formation in Thailand from the BOI (Thailand Board of Investment) it has been able to provide empirically a new and original understanding of the patterns, distribution, and trends of IJV formation in Thailand. This serves as a foundation for the thesis, fulfilling its first objective, namely "To ascertain the characteristics of the activities, distribution, and trends of IJV formation in Thailand", and systematically present an overall picture of the activities and distribution of IJV formation in the Southeast Asian region. The proposed research framework of this study accordingly includes this issue in order to analyse the overall picture of IJV formation in the context of Thailand.

As mentioned earlier in Section 3.2, according to Pfeffer and Nowak (1976), joint ventures are legally and economically separate organisational entities created by two or more parent organisations which collectively invest capital and other resources to pursue certain strategic objectives, while Harrigan gives a more organic definition of a joint venture as a separate entity with two or more active firms as parents, where the emphasis is on the "child" (Harrigan 1984: 7). Further, a joint venture is regarded as an international joint venture (IJV) if at least one partner has its headquarters outside the venture's country of operation, or if it has an important level of operation in more than one country (Geringer and Herbert, 1989). Accordingly, as shown in Figure 3.1, at least three parties have to be involved in the formation of an IJV: the foreign parent company, the local parent company, and the IJV itself. This study, like earlier research, is interested in investigating the strategic motives for establishing an IJV of both the foreign and the local parent companies and, as mentioned above, this is indicated in Figure 3.1 by an unbroken line.

As already noted, parent companies' strategic impetus to form IJVs is viewed as one of the most important issues of IJV study. Harrigan (1984, 1988) argues that the compatible or conflicting motives of the parent companies have important implications for IJV survival and performance. Accordingly, this study takes both parent companies' motives in forming the IJVs into the research framework, so as to explore and compare the importance of the motives of both, and to fufil the second objective of this research: to determine the strategic motives of parent companies in forming IJVs. The present research goes beyond this, however, and, as indicated in Figure 3.1 by a dotted line, attempts to answer the question of whether IJV performance does in fact vary with the strategic motives for IJV formation.

The host location factor (affecting the location choice of MNEs when forming an IJV) is another important issue in this study. As discussed in the previous section, firms utilise complex modes of inter-organisational collaboration (IJVs) in an attempt to increase competitiveness and maximise profits. Hence, it is important to concentrate on this, and host location factors have also been taken into the framework of this study in order to examine the relative importance of each location factor in inducing MNEs to form IJVs in the ASEAN region, particularly Thailand. Further, this will answer another research question of this study: which host country location factors influence the decision of foreign firms to invest in Thailand?

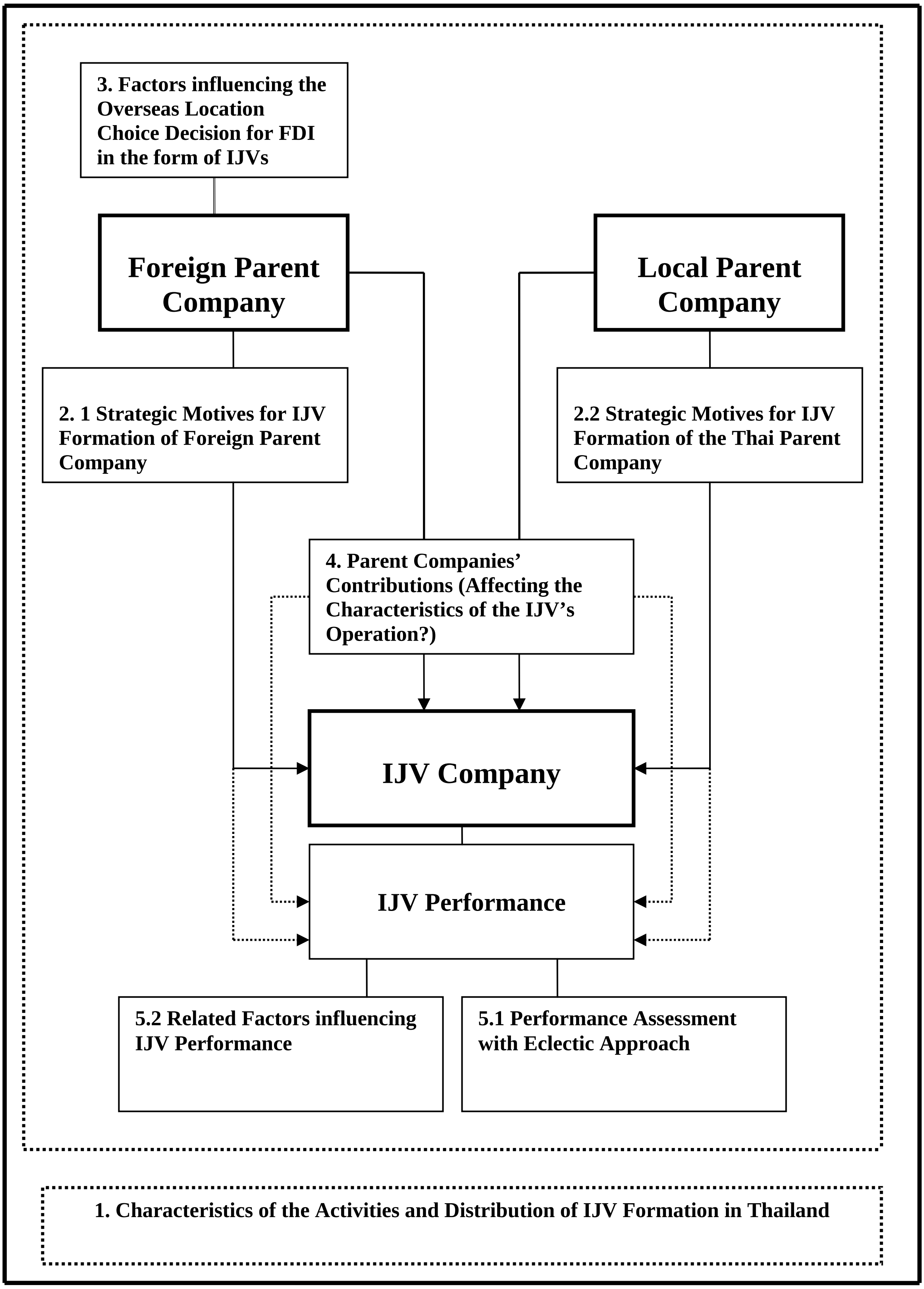
Especially in the initial stages of an IJV, the "child" needs to have resources contributed by both parents. As already noted, according to Lorange and Roos (1992), an IJV must "receive energy" on an ongoing basis from its parents if it is to be able to grow from dependence into fully viable adulthood. The next section will detail a number of contributions which parent companies make and which have been identified in the literature. While, however, the literature contains a number of studies of aspects of parent firms' contributions to IJVs (for example, Blodgett, 1991b; Kamminga and Van Der Meer-Kooistra, 2006), there are few studies into the effect of the parent companies' contributions on the characteristic operation of IJVs, especially in the ASEAN4 context. Examining the contributions of parent companies to IJVs and analysing the relationship between those contributions and the characteristics of IJV operation in the context of Thailand as a Southeast Asian country is accordingly undertaken in order to fulfil the third objective of this study. What is of interest is not only establishing the contributions which parent companies make, but, again as indicated in Figure 3.1 by a dotted line, discovering what impact their contributions have on the operating of the IJV. This is in order to provide new insight into IJV operation in the ASEAN context, and to establish a linkage between the characteristics of IJV operation and performance.

Last but not least, there has been growing interest among researchers over the past three decades in IJV performance assessment and determinants[3] (Beamish, 1988; Dymsza, 1988; Fey, 1995; Lassserre, 1999; Sim and Ali, 2000; Luo *et al*, 2001; Yan and Gray, 2001; Luo, 2002). However, to date the literature indicates that there is no consensus among IJV researchers over an appropriate measure for evaluating IJV performance (Geringer and Hebert, 1991; Boateng and Glaister, 2002). There is also no agreement about IJV performance determinants, an area which remains chaotic and largely ambiguous (Robson *et al*, 2002). Previous studies often define, operationalise, and categorise IJV performance determinants in different, and sometimes contradictory, ways.

To overcome the limitations of these individual approaches, this research framework has adopted an eclectic approach to the measurement of IJV performance in Thailand. It includes both objective measurement (assessment of stability, duration, and survival), subjective measurement (a general assessment of the degree of perceived satisfaction), and composite measurement (multi-perceptual assessment of numerous aspects). The integration of these performance assessment approaches into this research framework will enable the present researcher to get a wider and clearer view of IJV performance evaluation in the Southeast Asian context of Thailand. Furthermore, as previously discussed, since this study is underpinned by strategic behaviour theory, background and antecedent factors have been studied to determine their influence on IJV performance, particularly in the ASEAN4 country context especially Thailand. Taken together, these approaches will fulfil the fourth and fifth objectives of this study: "To assess IJV performance in the context of the ASEAN4 countries, particularly Thailand"; and "To analyse the determinants which influence IJV performance in Thailand as a developing country".

[3]Examination of the international business literature reveals that IJV performance assessment and determinants have received focal empirical attention. These studies have been stimulated by two major trends. First, the proliferation of IJVs as critical elements in an organisation's business network and as strategic weapons for competing within core markets (Harrigan, 1986). Second, there is substantial evidence reporting unsatisfactory IJV performance (e.g., Beamish, 1993; Hill and Hellriegel, 1994); in fact, Beamish and Delios (1997) reveal that an average of two in five IJVs are perpetual strugglers or outright failures. Thus, understanding IJV performance dynamics is vitally important to managers interested in developing and maintaining this type of cultural strategic partnership, in addition to the academic study of this subject.

Figure 3.1: The Conceptual Framework for the Study



The following section reviews the literature related to variables shown in Figure 3.1: trends of IJV formation, strategic motives, location factors, parents' contributions, IJV performance assessment and determinants. This provides the context of research which has facilitated operationalisation of concepts in the present study.

3.4 The Growth, Distribution, and Trends of IJV Formation

3.4.1 Growth and Trends of IJV Formation

Since the early 1960s many researchers have commented on the growing popularity of IJV formation as a strategic mode of overseas market entry, especially among MNEs (Beamish 1985; Hergert and Morris, 1988; Madhok, 1995; Makino and Beamish, 1998; Julian, 2004). With significant fluctuations, the annual proportion of IJVs in new manufacturing subsidiaries grew from about 10 percent in the 1910s to over 50 percent in the early 1960s. Just as striking as this rising trend was a sharp decline in IJV formation for most of the 1960s. The annual proportion of IJVs in new subsidiaries fell continuously from 55 percent in 1961 to 31 percent in 1968 (Harrigan, 1988; Gomes-Casseres, 1989).

A closer look at the post-war period reveals other surprising trends. There appear to have been two and a half cycles in MNEs' use of IJVs at entry. From 1946 to 1951, the annual proportion of IJVs in new entries rose from 15 percent to over 50 percent; after that, it fell to 28 percent in 1955. Then came another rise to a peak of 55 percent in 1961, followed by a decline to 31 percent. A third increase began in 1969, with the share of IJVs reaching 41 percent in 1975 (Harrigan, 1988; Gomes-Casseres, 1989). Gomes-Casseres (1989) argues that one explanation for the increase in IJVs in some periods might be that foreign corporations were diversifying as they went abroad.

According to Anderson (1990), Blodgett (1991a, 1992), Gomes-Casseres (1989), Geringer and Herbert (1991), and Koot (1988), there have been more IJVs and other collaborative ventures announced since 1981 than in all the previous years combined. If in the past IJVs had been used to exploit peripheral markets or technologies, now the IJV approach is being seen as a crucial element of a business unit's network, and as a strategic weapon for competing within a firm's core markets and technologies (Julian, 2004).

Datta (1988) suggests that the increasing number of IJVs in the 1980s is partially attributable to changes which have taken place in the global business environment since the early 1970s. These changes include, firstly, significant erosion of the bargaining power of MNEs, especially in terms of technological know-how. As a result, many host governments insist that foreign companies form partnerships with local companies before they can be granted permission to set up operations in their countries (Ahn, 1980; Beamish, 1985, 1993; Connolly, 1984; Higginbottom, 1980; Millin, 1984).

Secondly, foreign corporations have begun to recognise that local firms can make a significant contribution to a venture through their intimate knowledge of what is often a complex and volatile local business environment (Hall, 1984; Beamish and Inkpen, 1995; Lee and Beamish, 1995; Madhok, 1995). Finally, the recent increase in overall IJV activity has probably resulted from a growing awareness among organisations in developed countries that the continuing globalisation of their market requires them to be more cost effective and efficient if they are to succeed globally (Levitt, 1983; Shanks, 1985; Jain, 1994). This, in turn, might require that operations be set up in other countries which provide cheaper raw materials and/or lower processing costs.

A number of studies (Datta, 1988; Oman, 1988; Goldenberg, 1989; Anderson, 1990; Beamish, 1993; Fey, 1995; Beamish and Delios, 1997; Makino and Beamish, 1998; Demirbag and Mirza, 2000; Indro and Richards, 2007) also indicate that the increasing use of the IJV as a market entry vehicle is likely to continue well into the twenty-first century. These researchers cite five main reasons for the rising popularity of IJVs. First, the governments of many countries, especially developing countries, still restrict foreign ownership. These restrictions play an important role in determining the establishment and structure of IJVs in developing countries. Second, many firms have found that host country partners in an IJV can help them enter new markets quickly by providing management expertise and local connections. Third, this help is particularly important because of intensifying global competition in many industries. Competitors are often willing to settle for IJVs in host countries where foreign corporations have previously insisted on wholly-owned subsidiaries. Fourth, firms from developed countries have become more attractive IJV partners as their technological capabilities and market presence have grown. Finally, in many industries, global scale is becoming a distinct advantage in R&D and production, leading all but the largest firms to consider IJVs as a way to achieve economies of scale and share risks.

3.4.2 Activity Distribution of IJV Formation

Many previous studies (Glaister, and Buckley, 1998; Demirbag and Mirza, 2000; Marangozov, 2005; Indro and Richards, 2007) have shown that foreign firms from the 'Triad' countries (the EU, USA, and Japan) are the key players in IJV formation. Marangozov (2005), investigating the distribution of IJV formation in Bulgaria, found that more than 50 percent of the foreign partners come from the Triad countries, especially the EU on account of geographical proximity and political and economic relations. Likewise, Glaister and Buckley (1998) found that more than 90 percent of IJVs established in the UK result from partnership between British firms and companies from the Triad countries.

Regarding the distribution of IJV formation by industrial sector, it can be drawn on previous empirical studies by Mariti and Smiley, 1983; Reynolds, 1984; Artisien and Buckley, 1985; Ghemawat *et al.*, 1986; Morris and Hergert, 1987; Osborn and Baughn, 1990; Auster, 1992; Shenkar and Zeira, 1992; Chung *et al.*, 1993; Schroath *et al.*, 1993; UNCTAD, 1994; Lyles and Salk, 1996; Hebert and Beamish, 1997; Valdes Llaneza and Garcia Canal, 1998; Glaister *et al.*, 1998; Tatoglu, 2000; and Barba Navaretti *et al.*, 2002. These have shown that the dominant sectors for IJV formation between companies in the Triad countries are chemicals, automobiles, and electronics. IJVs established between companies from the Triad countries and non-Triad countries focus mainly on the production of chemicals, of miscellaneous machines and equipment, of food and drink, and of textiles and clothing.

Other studies (Ahn, 1980; Higginbottom, 1980; Beamish, 1985, 1993; Cullen *et al.*, 1995) tell us that the equity participation is most often unequally distributed between IJV partners. Furthermore, this inequality normally favours the host country partner, especially in developing countries where government legislation restricts foreign companies to minority equity participation. They are further allowed to invest only in industries which are not considered essential to national security, and in industries where they have access to the latest technology.

3.5 Strategic Motivation for IJV Formation

Several researchers have identified a variety of strategic motives behind IJV formation. Harrigan (1985, 2003) suggests there are broadly three reasons. These are: internal necessity, competitive necessity, and strategic necessity. Hennart (1988) classifies the strategic purposes of IJV formation as: achieving economies of scale, reducing political risk, pooling knowledge, overcoming entry barriers into new markets, increasing global scope, and allaying xenophobic reaction when entering foreign markets. Contractor and Lorange (1988) identify such diverse strategic motives as risk reduction, economies of scale and/or rationalisation, complementary technologies and patents, co-opting or blocking competition, overcoming government-mandated investment or trade barriers, initial investment expansion, and vertical quasi-integration. Glaister and Buckley (1996) lay stress on the motives of product rationalistion and economies of scale, risk sharing, transfer of technology/exchange of patents, enhancing competitive advantage, complying with government policy, facilitating international expansion, consolidating market position, and vertical links. From the literature, then, it can be seen that the strategic motives for IJV creation identified by a number of researchers overlap and are interrelated. The present researcher can summarise them as detailed below.

3.5.1 Risk Limitation

Contractor and Lorange (1988: 11) point out that joint ventures can decrease the partners' risk by "(1) spreading the risk of a large project over more than one firm, (2) enabling diversification in a product portfolio sense, (3) enabling faster entry and payback, and (4) reducing sub-additivity cost (the cost to the partnership is less than the cost of investment undertaken by each firm alone)". Harrigan (1985) states that if the projects involve great uncertainties, expensive technological innovations, and high information cost, a joint venture is the proper mode of operation. Miller *et al.* (1996) argue that corporate managers from developed countries who have extensive international experience often regard developing country markets as naturally more risky than operations elsewhere. These perceived risks are compensated for by the prospects for higher long-term returns. Joint ventures can provide a mechanism by which companies can minimise their financial exposure and gain experience in new markets at the same time. Risk and cost sharing are thus one of the most important contributions of the local partner in their study (Miller *et al.*, 1996).

Mariti and Smiley (1983) and Porter and Fuller (1986) both confirm that the spreading of financial risk is a frequently cited fundamental motive for forming a joint venture. It is probable that firms with only moderate financial resources might deal with either an opportunity or a defensive challenge by seeking an alliance with partners able to help with spreading financial risk. Several other researchers (Friedmann and Kalmanoff, 1961; Mead, 1994; Glaister and Buckley, 1996) support the view that the primary motive behind the creation of a joint venture firm is to share out risk.

A possible financial and presentational reason is suggested by Herzfeld (1989: 13), who cites Reklau (1977) to the effect that "the joint venture form is occasionally used for purely financial purposes and can have the side-effect of removing certain assets and liabilities from the balance sheet of the company which is ultimately responsible for them".

3.5.2 Economies of Scale

Contractor and Lorange (1988: 12) define production rationalisation as ensuring that certain components or subassemblies are no longer made in two locations with unequal costs. Production of items is transferred to the lower-cost location in order to optimise the advantage of decreasing sourcing costs. Moreover, the volume of production is increased at this efficient location, and average unit cost is subsequently lowered as a result of economies of scale. Contractor and Lorange (1988) cite the case of General Motors joint ventures at diverse locations with a number of Japanese companies such as Isuzu and Suzuki which exemplify this mechanism. Harrigan (1985) elaborates that the partners of joint venture firms will share the output of these efficient, large-scale plants and attempt to further reduce production and related costs in such ways as avoiding wasteful duplication of facilities, utilising the full capacity of the production facilities, and sharing brands, distribution channels, broad product lines, and so forth.

3.5.3 Exchange of and Access to Technology and Management Know-How

One of the attractions of forming a joint venture firm, Contractor and Lorange tell us, is to combine the complementary technologies of each partner and, by pooling know-how and patents, hope to provide a superior product. They suggest that joint ventures should be seen as "vehicles to bring together complementary skills and talents which cover different aspects of the state-of-the-art know-how needed in high technology industries" (Contractor and Lorange, 1988: 13). Harrigan (1985) too emphasises that firms can be strengthened internally by embarking on joint ventures, since this kind of collaboration encourages each partner to offer their foremost technologies, for example, robotics, genetic engineering or solar energy, for the benefit of the joint venture firm. Joint ventures also provide opportunities for each partner to exchange their technical workers, avoiding costly and overlapping research and development projects. This can also prevent both partners separately going down the same blind alley (Harrigan, 1985: 30). Ghoshal (1987) contributes an argument to this motive by pointing out that, if technological needs cannot be supplied in-house, a company may gain from a joint venture with an overseas partner.

Viewed from the perspective of the partner from a developing country, Miller *et al.* (1996) have found that access to the technology of the partner from a developed country is the main motive for forming a joint venture company. In their study, Miller *et al.* discovered that more than 70% of respondents gave access to the foreign partner's advanced technology as the greatest attraction for them. In addition, joint ventures, especially with a partner from an industrialised country, are appreciated as a means of acquiring understanding of organisation, strategy formulation and implementation, marketing, manufacturing and other management knowledge which the developing country partner needs in order to update their know-how.

Joint ventures can also lead to technology transfer and to innovation in the joint venture firm's managerial practices. These may be modernised through contact with another firm's innovative information systems and administrative techniques when ventures bring together international partners. Firms may also become more flexible strategically, since joint ventures can facilitate better information exchange and enhance communication (Harrigan, 1985, 1988; Westney, 1988; Mead, 1994).

3.5.4 Local Restrictions Imposed by Governments

In many instances, host government policy, especially in a developing country, makes a joint venture the most convenient way to enter a market (Contractor and Lorange, 1988). A restrictive policy on the part of the host country government may require overseas companies to undertake joint venture collaboration with local companies instead of conducting businesses on their own, as they might prefer (Killing, 1983; Glaister and Buckley, 1996; Glaister, 1996). In some countries, investment regulations require a link with a local firm. In many cases, regulations actually oblige foreign companies to limit their share of the joint venture to minority status.

The survey by Miller *et al.* indicates that over 50% of companies regard government restrictions as an important factor in their decision to invest through a joint venture. Such restrictions remain a strong incentive for companies, particularly from industrialised countries, to include joint ventures among their market development strategies. The joint venture may represent the maturing of an existing relationship where companies have worked together on marketing or technology arrangements. The overseas firm may, however, view the joint venture as an intermediate step in a longer term strategy of exploiting a market through a wholly-owned subsidiary if restrictions are relaxed at some future time.

3.5.5 Co-opting or Binding with Rivals

Contractor and Lorange, (1988) and Abbegglen (1982) agree that, from a defensive strategic perspective, it may be expedient to co-opt the existing competition by forming a joint venture with the firm's competitors. They argue that the GM-Toyota joint venture may partly fall into this category.

Another case which has been studied is the joint venture between the US tractor company, Caterpillar, and the Japanese Mitsubishi conglomerate. This collaboration is seen as having been motivated by seeking a competitive advantage over their principal rival, Komatsu. The intention was to reduce Komatsu's competitiveness outside Japan with the

Caterpillar network, and inside Japan with the channel of Mitsubishi (Hout *et al.*, 1982; Vicker, 1985; Contractor and Lorange, 1988).

Harrigan (1985: 31) further argues that "joint ventures could blunt the abilities of ongoing firms to retaliate by binding potential enemies to the firms as allies, as in Rolls Royce's joint venture with Pratt & Whitney and with General Electric, respectively". A firm may thus be enabled to access new competitive capabilities (or enter a new market) faster, to gain market power, or stake out leadership positions in emerging industries (MacMillan, 1980, 1982, 1983).

3.5.6 Supporting Initial Overseas Expansion

Lall (1981) and Contractor and Lorange (1988) note that the initial international expansion of small and medium-sized companies is often through the medium of joint ventures, since they lack overseas experience. For example, initially Piper, the US aircraft manufacturer, formed a joint venture with Embraer, a Brazilian small jet and fighter producer, in order to produce small commercial aircraft serving the Brazilian market. Embraer became a strong exporter and successfully penetrated the US market. This gives a good example of a joint venture partner who, over time, becomes a global competitor in its own right.

Contractor and Lorange (1988: 15) citing Dunning and Cantwell (1983) make the further point in this connection that "the lower the GDP per capita of the host nation originating a multinational firm, the more likely it is to use joint ventures in its initial international expansion".

3.5.7 Integration/Diversification

The cooperative nature of joint ventures can also lead to a vertical quasi-integration with each partner contributing one or more competencies, ranging from production technology to knowledge of distribution channels (Contractor and Lorange, 1988; Harrigan, 1988).

Harrigan (1985, 1988) observes that joint ventures are regarded as a tool for diversifying or enlarging the scope of firms' ongoing activities. The way in which a joint venture company is related to its parent determines its pattern of diversification. She explains that, if a joint venture company is horizontally related to a parent, this means that it performs the same product, market, and/or technology tasks as the parent company, but in a different geographic region. ‘Vertical’ joint ventures create a company whose activities and outputs may supply to or distribute for their parent firms. Diversifying joint ventures, however, which are neither horizontal nor vertical, are companies which do not carry out activities their parents perform. Furthermore, parent companies will not consume the products or services of their children, the diversifying joint ventures.

Parent firms might form horizontal joint venture companies in order to expand their market scope, fill out their product line, rationalise excess capacity, or create a barrier to entry of possible new rivals into the industry. They establish vertical joint venture companies in order to decrease reliance on their suppliers and intermediate market agents. This is also necessary in the early stages of carrying on a new business, where the infrastructure is not yet well developed.

Together with the motive identified in the next section, other possible motives for forming diversifying joint venture companies are access to knowledge, technology, or other resources which a firm seeks, as well as entering new and unfamiliar business areas where entry barriers are so high that the firm could not enter alone.

3.6 Host Country Location Factors

There is a paucity of literature relating to the relative importance of host country location factors in IJV formation. The main considerations relating to this issue are normally found in the context of research into foreign direct investment (FDI) in general (Vernon, 1974; Hymer, 1976; Kobrin, 1979; Davidson, 1980; Dunning, 1988, 1996; Tatoglu and Glaister, 1998; Dunning and Zhang, 2008). Accordingly, in this study the ways in which the location factor operates in IJV formation will be derived from the literature on FDI.

Hymer (1976) was the pioneer researcher into FDI as a tool used by MNEs to transfer and exploit overseas proprietary resources. He focuses on the difficulties that MNEs encounter in host countries, the location disadvantages. These, for example, consist of language and cultural barriers, lack of knowledge of the local socio-economic and business systems, expropriation risk, host country government policy, and so forth. This implies that MNEs conducting business in host countries do not benefit to the same extent as indigenous firms from localised network spillover effects or synergies from the combination of firm level and host country location advantages. MNEs have therefore to find the right overseas operating location to fit their competencies (Rugman, 1996, 1999). Dunning (1998) agrees that MNEs will seek locations which offer the best economic and institutional facilities for efficient utilisation of their internal resources, and Dunning and Zhang (2008) attempt to quantify the influence of the various factors statistically.

To date, many researchers have identified host country location factors which affect FDI inflows. For example, Erdal and Tatoglu (2002) claim that the following host country location factors have been found to influence FDI inflows: market size, the openness of the host country, and the adequacy of the infrastructure. Kobrin (1979) argues that the choice of a host country for FDI also includes national regulation, policy, and endowment with resources. Davidson (1980) points out that foreign investment location decisions are influenced by a number of country specific variables, such as market size, tariff and non-tariff barriers to trade, input costs, geographical proximity, legal, political and economic conditions, and similarities between the investor country and the host country. As can be seen, the location factors affecting FDI identified in the literature overlap and interrelate with each other. Accordingly, in the following sections the present researcher gives a systematisation and summary of these factors.

3.6.1 Host Country Policy and Regulation

Kobrin (1979) classifies three types of host country policies and regulation: rules and regulations; economic, political and social stability; and incentive schemes to encourage FDI from overseas firms. He argues that these factors are important elements which influence MNEs in choosing their overseas investment destinations, since a change in the power, roles and policies of host country governments are crucial, uncontrollable factors which affect the operation of foreign firms. A number of researchers (Bass *et al.*, 1977; Root and Ahmed, 1978: Ohmae, 1989; Mann, 1993; Dunning and Kunda, 1995) concur in this view. Host country policy and regulation can influence the operation of the MNEs in many respects, and these both directly and indirectly affect the location decisions of

MNEs. For instance, host government policy, especially in developing countries, may pressure foreign firms into collaborating with local partners, or may exercise influence over the choice of suppliers and marketing. Often, the host country government establishes tariffs, quotas, or non-tariff barriers to make it imperative for foreign companies to rely more on local production than on imports (Davidson and McFetridge, 1985; Makino and Delios, 1996; Julian, 2001, 2003; Erdal and Tatoglu, 2002).

3.6.2 Market Size

Market size is one of the most important location factors affecting FDI inflow and has been identified by many researchers (Schneider and Fray, 1985; Monkiewicz, 1986, Sabi, 1988; Terpstra and Yu, 1988; Agarwal and Ramaswami, 1992; and Singh and Jun, 1995). Market size can be measured by the level of GDP or per capita income (Vernon, 1966; Dunning, 1973, 1998; Davidson, 1980; Singh and Jun, 1995; Rugman, 1999). This is in agreement with the study of Sabi (1988), since the outcomes show that there is a highly significant relationship between market size and GDP. In his study, a joint ranking of both GDP and per capita income exhibits the strongest correlation with each country’s market status.

Other researchers (Hymer, 1976; Sabi, 1988; Davidson, 1980; Chandprapalert, 2000; Erdal and Tatoglu, 2002) argue that market size together with market growth are the important pull factors and are theoretically positively related to the level of FDI flows, since a large market size is conducive to an increase in demand for the products and services provided by the foreign investors. Moreover, a huge market size allows the achievement of economies of scale, and transaction costs are thought to be lower in countries with higher levels of economic development (Caves, 1971; Zhao and Zhu, 2000; Erdal and Tatoglu, 2002).

3.6.3 Resource Availability

Dunning (1973, 1998) argues that natural resource availability is one of the most important host country location factors, and further points out that natural resource seeking FDI occurs when firms identify specific host country locations as an attractive source of natural resources at the lowest real cost. In the nineteenth century, he notes, much of the FDI by

European, United States, and Japanese firms was prompted by the need to secure an economic and reliable source of minerals: “primary products for the (then) investing industrialising nations of Europe and North America” (Dunning, 1993: 57). In addition, data from UNCTAD (1998: 106) also shows that more than half of the world stock of FDI before World War II was in natural resources, and “the availability of natural resources is still a determinant of FDI and continues to offer important possibilities for inward investment in resource-rich countries. Natural resources still explain much of the inward FDI in a number of countries, developing (e.g. countries in sub-Saharan Africa), developed (e.g. Australia), and countries in transition (Azerbaijan, Kazakhstan and the Russian Federation)”. Also, a number of previous studies of Southeast Asian countries (see, for example, Chandprapalert, 2000) show that resource seeking is one of the most important motives inducing MNEs to invest in this region.

3.6.4 Socio-cultural Similarity

A number of researchers (Davidson, 1980; Ulgado, 1996; Ulgado and Lee, 2004) assert that cultural similarity can encourage FDI. Information can be disseminated more efficiently and effectively in a similar language and culture environment. In addition, managerial uncertainty or ignorance of local conditions will be relatively low, permitting the firm to be less risk-averse in its investment behaviours. A study of FDI by Davidson (1980) shows that a majority of US MNEs during 1956-65 and 1966-75 chose to invest in Canada and the UK compared to other countries. He suggests that the main reason for this phenomenon may be the similarities between these countries and the United States. In this view, the development and design of new products are responsive to economic conditions in the innovator’s market. In spreading abroad, innovations will appear first in countries with similar economic conditions. Demand for a product will be highest in countries with needs most similar to those of the home market. Further, similarity also stimulates the supply of a new product. Economies of scale can be achieved because existing pricing, promotion and distribution strategies, product, design, packaging and manufacturing technology are readily transferable to similar markets. Firms can also more easily transfer their personnel to similar markets.

3.6.5 Miscellaneous Other Location Factors

Other location factors identified in the literature are as follows: the host country infrastructure (Dunning, 1996, 1998; Ulgado, 1996, 1997; Erdal and Tatoglu, 2002); geographical proximity (Davidson and McFetridge, 1985; Davidson, 1980); cost of transportation (Wheeler and Mody, 1992; Ulgado, 1996); the extent of economic development, including the balance of payments (Sabi, 1988); the level of competition in the industry in the host country (Harrigan, 1985); incentives for foreign investment (Kobrin, 1979; David, 1984; Chia and Whalley, 1995); and low wage costs (Wheeler and Mody, 1992; Lucas, 1993).

3.6.6 Resources, Capabilities and Markets vs Institutions

Dunning and Zhang (2008) classify most of the factors in 3.6.2-3.6.5 under the heading of "Resources, Capabilities and Markets". They consider most of the factors in 3.6.1 under the heading of "Institutions". Their focus is on the impact of competitiveness as a factor in FDI decision-making, both inward and outward and they find that "the level of competitiveness does, in general, encourage both inward and outward FDI" and that institutional factors outweigh considerations of resources, capabilities and market in terms of what the present study has described as location factors. They do, however, find that the influence of institutions is strongest in countries at the advanced stage of development (Dunning and Zhang, 2008: 28).

Their exact definition of resources, capabilities and markets is those factors which make up the physical environment in which firms and other organisations create economic well-being. They define institutions as "the institutions (together with the values and belief systems underpinning them) [...] which provide the incentive structures to make up the human environment, and which set the rules of the game for, and determine the cognition and motivation of, firms and other wealth creating entities (Dunning and Zhang, 2008: 2).

They summarise the main components of resources, capabilities and markets which, it is generally agreed, firms consider when making their locational choices as shown in Table 3.3.

Table 3.3 Resources, capabilities and markets

Resources	- Natural resources, e.g., land, untrained labour. - Created assets, e.g., technological capacity, machines, buildings
Capabilities	- Intangible assets, skills, educated/trained labour, accumulated experience and wisdom. - Organisational capacity and governance. - Vision/judgement in strategic decision taking. - Ability to frame and execute appropriate policies.
Markets	- Information/knowledge/availability of both domestic and foreign markets; both product and factor markets. - Ability to tap into, exploit and coordinate markets; and to understand and cater for specific (e.g. localized) needs.

Source: Dunning and Zhang (2008)

Institutions comprise a similarly wide set of ingredients, which are shown in Table 3.4. These range from coercive and top-down laws and regulations, to spontaneous and bottom-up behavioural norms or customs (Dunning, 2003). Dunning and Zhang (2008) point out that in the past, in assessing national competitiveness or FDI determinants, the Resources, Capabilities and Markets aspect and the Institutions aspect of economic activity have been treated separately. Partly this reflects the different disciplinary and methodological approaches to evaluating each. However, this dichotomy is now starting to change, especially from an international business perspective; institutions, they point out, have been "incorporated into mainstream theory only very recently" (Dunning and Zhang, 2008: 2).

Dunning and Zhang acknowledge that the power of attraction of such institutions to inward foreign investors is likely to be highly contextual. "For example, the content and quality of domestic innovatory systems and the protection of intellectual property rights is likely to be particularly relevant for (knowledge augmenting) FDI: while fiscal incentive might tip the balance of countries seeking to attract efficiency-seeking FDI" (Dunning and Zhang, 2008: 7). Within a developing region, the quality of local social traditions and the extent of crime, corruption and social disfunction might be of decisive importance for choice of location. Institutions affecting the merger and acquisition strategies and/or performance constraints placed on foreign affiliates are also likely to have a major influence.

Table 3.4 Institutions

A. Forms	B. Areas of institutional influence (in commercial domain)
Formal institutions - Constitutions, treaties, laws, regulations: provision for learning, upgrading cognition, knowledge, etc.	- Economic adjustment and stabilisation - Intellectual property protection - Strengthening economic motivation/entrepreneurship
Informal institutions - Tradition, cultural mores, trust, goodwill, reputation.	- Rule setting and societal guidance (e.g. reducing crime).
Enforcement mechanisms - Less formal. Self regulation, fear, retaliation, blackballing. - More formal. Incentives/penalties, fines, enforced transparency, cancellation of contracts, imprisonments, etc.	- Promotion of entrepreneurship and competitive market structure. - Adequate and effective financial institutions - Education and training upgrading - Security of people and physical assets - Innovatory development - Incentives/regulation of FDI - Social equity and access to opportunity.

Source: Dunning and Zhang (2008)

Finally, Dunning and Zhang make a distinction between a national government's institutions and its policies, and between a firm's institutions and its strategies. They define government policies as decisions to pursue particular courses of action to achieve certain economic, social and political objectives, while government institutions are defined as instruments (or groups of instruments) which might both influence these actions and be influenced by them. "Thus, it may be a policy decision of a government to switch its economic system, for which it is responsible, from one of central planning to that which accepts the merits of capitalism. But the (macro) institutional system which implements that new policy is the market, albeit with the fiat of government." Similarly, while a firm's strategy represents a plan or blueprint for pursuing objectives the company sets itself, its institutions (and those external to the firm which affect its behaviour) represent "the means by which those responsible for executing the strategy are motivated or regulated to do so in the most acceptable way" (Dunning and Zhang, 2008: 8).

3.7 Parent Companies' Contributions

Lorange and Roos (1993) point out that IJV parent companies' attitudes in respect of strategic positioning, as well as their contributions, influence the development of the IJV entity. The IJV parent companies must negotiate a joint understanding of how their strategic positioning perspectives and contributing perspectives can be reconciled. This means that there must not be too much of a mismatch between the positioning of each of the parties in terms of the discussed framework, either in terms of their contribution or of strategic positioning. Fagre and Wells (1982) claim that the IJV agreement made between the parent companies must reflect the need for and the complementarities of the contributions offered by the parent companies.

Blodgett (1991b), Julian *et al.* (2004), and Kamminga and Van de Meer-Kooistra (2006) assert that an IJV agreement needs to specify the IJV's outputs and inputs. The outcomes are generated by the activities of the IJV, while the inputs are acquired from two main sources: the marketplace and the parent companies. Thus, the IJV parent companies contribute certain resources in return for certain benefits. However, the contributions and expected benefits of the parent companies engaged in the IJV must be perceived to be fair in order that the parent firms remain satisfied with the venture, otherwise it is likely to be dissolved (Robinson, 1969; Dymsza, 1988; Blodgett, 1991b; Julian *et al.* 2004).

A large number of researchers (see, for example, Beamish, 1988; Blodgett, 1991b; Dymsza, 1988; Julian, 2004) agree that the contribution of the IJV's parent companies can be an important source of bargaining power in respect of the management and control of the IJV. Moreover, the characteristics of the parent companies' contributions considerably affect the type of management control exercised over the IJV by its parent firms (Kamminga and Van Der Meer-Kooistra, 2006). The most important contributions of parent companies to the IJV identified in the literature are: technology, knowledge of the local environment /marketing expertise, and financial capital.

3.7.1 Technology

Technology is widely considered the most powerful proprietary asset contributed to IJVs by one of the parent companies (Kogut, 1977; Fagre and Wells, 1982; Lecraw, 1984; Reich and Mankin, 1986; Julian and O'Cass, 2004). These researchers further argue that, before technical knowledge has become standardised in widely available machinery, it provides a parent company with strong bargaining power in its IJV contract negotiations. Technical knowledge resides predominantly in the firm's personnel rather than in its equipment or machinery. It is difficult for rival firms to compete against those who have access to such an asset, particularly if it is protected by patents and continuous innovation. Such technology can provide a significant competitive advantage and is likely to make a substantial contribution to IJV performance, especially in developing countries, where gaining access to the latest technology is one of the primary motivations for local firms to enter into IJVs with firms from developed countries. Technology transfer is what most local firms from developing countries are seeking from an IJV agreement with a foreign firm from a developed country. Failure of the foreign corporation to deliver the promised technology is likely to have a negative impact on IJV performance (Beamish, 1985; Blodgett, 1991b; Gomes-Casseres, 1989; Patricia, 1996; Thomas and Monika, 2006; Jiang, 2006).

3.7.2 Knowledge of the Local Environment/Marketing

Knowledge of the local business environment is one of the most important contributions to an IJV by its parent companies, especially the local parent company. This knowledge is an asset which has real value and can take many different forms. It usually involves familiarity with the local economic, political and business conditions. A number of researchers (Connolly, 1984; Jacque, 1978; Blodgett, 1991b; Julian and O'Cass, 2002; Julian *et al.* 2004) point out that local parent companies may help to obtain contracts, provide access to favourable tax treatment, make it possible to avoid various non-tariff barriers, and provide a means of entry into relationships with local businesses and officials. Such connections with the local environment are often a prerequisite for an IJV's success. Related areas of expertise which belong in this category are distribution channels and marketing skill.

3.7.3 Financial Capital

One of the main contributions of the parent companies to the IJV is the provision of adequate financial capital. This quite often occurs when one partner is from a developing country which has capital controls and a weak currency and the other partner is a large MNE from a developed country. Essentially, the MNE possessing large capital resources and/or having access to large financial borrowing facilities assumes the role of financial intermediary to the IJV entity and the local parent company (Berg *et al*., 1982; Blodgett, 1991b). Lecraw (1984) points out that providing access to low-cost capital is one of the MNE's main potential contributions to an IJV.

3.7.4 Miscellaneous Other Contributions

A number of researchers (Beamish, 1985; Blodgett, 1991b; Calof and Beamish, 1995; Beamish and Inkpen, 1995) indicate that a local parent company with good connections with the host country government is also a noteworthy contributor to an IJV's management. Other considerable contributions are the provision of raw materials, supply of inexpensive labour, provision of management know-how, staff training and so forth (Beamish, 1987; Dunning, 1997).

In addition, according to the strategic alliance evoluation paradigm of Lorange and Roos (1993), IJVs are viewed as organic entities which grow and develop naturally, linked to the contributions of their parent companies. In other words, this paradigm points out that strategic alliances of IJVs tend to mature over time and take on life of their own, quite analogous to children growing up, and the degree of closeness to their parent firms gradually decreases as the IJVs 'grow up'.

In this paradigm, Lorange and Roos (1993) assert that naturally, an IJV firm has to receive input on an ongoing basis from its parents, so that it can grow from an offspring into a working adult entity. The initial IJV organisational entity needs stimuli so that it can grow and evolve. Implicit in comparing the growth and birth of an IJV firm with that of a child is a need to see how the strategic relationship with its parents changes over time — from total dependence in early childhood to eventually becoming an independent, free-standing adult on its own.

There are several rationales for this evolutionary pattern, where the child grows up and the parent becomes less involved. For example, a learning process typically takes place allowing the unique traits of each parent to be picked up by the IJV itself. Also, the IJV is frequently under pressure to adapt to new environmental opportunities and to respond to environmental threats in its competitive arena. This often takes time, and may involve a great deal of effort, particularly if such adaptation is to take place through extensive coordination of the two parent parties.

Furthermore, the IJV may also develop a need for its own organisational identity in order to attract, retain, and motivate human talents. The parents may develop more and more confidence in each other and in the IJV as they become better acquainted and see that the IJV is viable. They may then feel comfortable transferring more and more tasks to the IJV (child).

Lorange and Roos (1993) argue that the typical evolutionary pattern for IJVs can be divided into three phases, which exhibit a gradual moving away from strategy and decision making from the parent company's perspective until the child becomes an adult, independent organisation with a strategic alliance.

During the first phase of the IJV's life it can be viewed as a shared strategic alliance between the parents, each of whom has an active role. Typically, these roles are complementary with one partner providing the technology and the other contributing the market contacts and customer access. Thus, most of the IJV's physical activities are carried out by one partner or the other. The IJV itself can be seen as little more than a skeleton organisation at this early stage. One might think of it as analogous to a strategic program being executed by different departments and divisions within a firm. In order to be successful, the IJV manager must demonstrate an ability to draw on resources throughout the organisation. Managers typically have few or no resources at their exclusive disposal at this stage.

After a while, however, one parent often becomes increasingly dominant in executing the IJV's tasks. For instance, the partner providing the market input who, in a given case, may also happen to be physically closest to the IJV, may gradually take over a greater proportion of the hands-on activity. The other partner, who is providing the technology, may become relatively less active after the initial technological learning has been completed and the know-how transferred. Instead of this potentially cumbersome reliance on a distant parent, the practical solution may be that the IJV itself is able to carry out this part of the activity. It could, of course, be the other way around, with the partner who provides the technology becoming relatively more active over time. Possible reasons for this might include an increased intensity of research with the launching of new technological developments. After the IJV is able to create a specialised marketing force on its own, based on the other partner's initial market support, training, and door-opening in the market place, this parent may be allowed to become relatively less active.

According to Lorange and Roos (1993), the IJV may typically evolve into a second phase where one partner continues performing a set of functions on behalf of the joint venture, becoming relatively dominant, while the other gradually becomes more passive as the IJV organisation takes over more of the value-creating functions on its own. These relative changes in the parents' tasks should be anticipated in the strategic alliance agreement and should be seen as natural and pragmatic. It is not a reflection of one parent being more important and the other being relegated to secondary status. If the evolution of an IJV leads to the growth of such perceptions, the IJV is likely to be in trouble.

The pace of evolution in the second stage can be slowed down, or even prevented, if both partners have a strong desire to remain active in delivering their contributions to the IJV's activities. This might be a viable option for a while, but it should be stressed that over time it might require intensive, even excessive, coordination between the partners and this can eventually become too stressful for the parties involved. In the end one of the partners is likely to gradually extract itself and transfer functions to the IJV, thereby simplifying the coordination required. If both partners try to remain active, this often leads to termination of the IJV after a time. This form of strategic alliance ceases to be viable.

It could of course also be that an IJV is formed directly at the second stage, with one partner being relatively dominant and the IJV organisation performing significant tasks by itself from the start. It could, for instance, be that one partner has an active interest in a particular business and is seeking a somewhat more passive partner to provide general support as well as financing. It could be also be that the more passive partner provides technology as well, particularly if the technology is of a type which is no longer core for the other partner.

The second stage also tends to evolve, and it may still be difficult for the IJV to adapt to new opportunities. This is particularly true when the challenges of adaptation have to be handled partly by the emerging IJV's organisation and partly by the organisation of the more active parent. Coordination can become stressful. To cope with this, the IJV may be given the lion's share of the responsibility to adapt and the independence to carry it through.

A third phase of evolution, where the IJV becomes a more autonomous, independent entity, is often the natural next step but may not materialise in practice if the lead partner wishes to remain active. This might lead to friction, with slow and ill-timed attempts at adaptation resulting. Termination of the IJV after phase two is a possible outcome.

A number of factors may affect this evolutionary path, the most important of which is the role the IJV is expected to play in a parent's portfolio strategy. If a core role is intended, the nature of the technology involved can be key to the evolution. If the technology is likely to become a commodity type within the near future, a smooth evolution is more likely. More specifically, the partner controlling the technology will be more willing to allow the alliance to absorb it. On the other hand, if the technology is unique and expected to remain so in the near future, it is unlikely that the partner controlling it will allow the alliance to absorb it. This leaves the parties with the options of accepting a 'share', or possibly a 'dominated' alliance, forever, or of dissolving the IJV at an early stage of evolution. The implication is that the importance of the technology in the alliance needs careful assessment, and awareness of whether and when the partner controlling it might be prepared gradually to give it up.

Similar considerations apply to market contacts. If a partner is not willing to let the IJV establish its own market contacts eventually, the life-cycle is likely to be aborted. It can, of course, be the case that an IJV is formed as a more independent 'stage three' type entity from the start. The partners may decide to invest their resources in a free-standing IJV from the outset in order to facilitate the restructuring of an over-crowded, relatively mature business arena. Several partners might also decide to back a particular business idea as relatively passive investors from the start. A stage three IJV can potentially continue for a long time, providing it remains competitive and yields a satisfactory return to the partners. Conversely, an IJV may be terminated if it does not function well enough as an independent entity, fails to document its competitive success convincingly, or does not yield returns satisfactory to its parents. If the benefits the passive partners require do not accrue, the IJV would normally be terminated. It is also quite normal for an IJV to be terminated when one of the partners buys out the other.

Lorange and Roos (1993) argue that it is essential to understand the various bases on which IJVs are established, and to be aware of the lines along which they are likely to evolve and the pressures they may face. This will give an IJV a better chance of being run harmoniously. If evolutionary issues are not addressed, there is a danger that avoidable handicaps and stresses may lead to premature termination.

3.8 IJV Performance Evaluation and Performance Determinants

3.8.1 Assessment of IJV Performance

Previous research has produced considerable disagreement in respect of the measurement of IJV performance. A number of researchers (Venkatraman and Ramanujam, 1986; Chowdhury, 1992; Geringer and Hebert, 1991; Parkhe, 1993; Park and Ungson, 1997) point out that no consensus has yet been reached among researchers on an appropriate definition and measure of this. Early studies used a variety of financial indicators such as profitability (Tomlinson, 1970; Artisien and Buckley, 1985; Lecraw, 1984); or growth and cost position (Tomlinson, 1970; Lecraw, 1984; Artisien and Buckley, 1985). Others have used objective measures of performance such as the elementary survival of the IJV (Franko, 1971; Stopford and Wells, 1972; Killing, 1983), its duration (Harrigan, 1986; Kogut, 1988), instability of (significant changes in) its ownership (Franko, 1971; Gomes-Casseres, 1987, 1989; Blodgett, 1991a; Chowdhury, 1992); renegotiation of the IJV contract (Blodgett, 1991a), failure (Reynold, 1984; Simiar, 1983), and dissolution (Chowdhury, 1992).

However, financial and objective measures have limitations which are potentially critical for the evaluation of IJV performance. True financial data is often not reported for private firms and conglomerates (Dess and Robinson, 1984). IJV parents commonly generate financial returns through mechanisms other than dividends, including supply contracts, management fees, technology licensing fees, royalties and transfer pricing. If available at all, these figures are seldom incorporated in calculations of IJV financial performance (Geringer and Hebert, 1991).

Financial and objective measures may also fail to adequately reflect the extent to which an IJV has achieved its short and long term objectives (Killing, 1983; Artisien and Buckley, 1985). IJVs may be formed to pursue a variety of objectives, from technology transfer and joint research to access to materials, new markets or economies of scale (Porter and Fuller, 1986; Contractor and Lorange, 1988). Many IJVs also operate in contexts where measures of short term financial performance might suggest that the venture is performing poorly and create an inaccurate picture of performance versus objectives (e.g., new technologies of superconductors or bio-engineered pharmaceuticals; or new markets, such as the People's Republic of China).

Anderson (1990) points out the limitation of using objective measures, such as duration, liquidation, and so forth. If adopting duration or liquidation as a measure, one will implicitly regard all those IJVs which were terminated or liquidated as failures. This conclusion, however, can be challenged, because termination can signal success or change, as well as failure. Sometimes, the intended purpose of the joint ventures is from the outset temporary and short-term in scope (Fayerweather, 1981; Davidson, 1982; Porter, 1990). According to Harrigan (1986: 193), "Joint ventures are a transitional form of management—an intermediate step on the way to something else". As soon as the IJV's strategic mission has been successfully achieved (e.g., a successful transfer of technology, or the accomplishment of a specific joint research project), the venture is no longer needed.

In these cases, the dissolution of a joint venture should be recorded as a success rather than a failure.

Killing's (1983) use of reorganisation of the IJV as a measure of failure is also questionable. Over its lifetime, an IJV is likely to encounter changes in the relative bargaining power of its parents and in its industry which affect its stability. Gray and Yan (1994) argue that these changes may necessitate adaptations in the IJV's structure, since the adjustment or redefinition of ownership, pay-off patterns, and management personnel may not signify failure, but rather contribute to the stability and continuing success of the venture.

Many researchers (Killing, 1983; Schaan, 1988; Beamish, 1985) use a single perceptual measure of a parent's satisfaction as the criterion for assessing an IJV's performance. The main advantage of this kind of measure is its ability to provide information regarding the extent to which the IJV has achieved its overall objectives. Anderson (1990) additionally asserts that, for mature IJVs, performance measurement using traditional financial indicators (e.g., profitability or cash flow) may be appropriate. However, other methods for assessing the performance of less mature IJVs, which may not generate positive financial outcomes in their early years, are also needed. Hence, during the early period of operation, it is necessary to rely on subjective measurement of an IJV's successful or unsuccessful performance. This is particularly applicable to developing country joint ventures. IJVs formed in these countries may not be able to generate financial profits for a long time because of the difficulty of cross-cultural management and related factors (Anderson, 1990). However, subjective measures are exposed to serious limitations and biases. Many research methods, such as those based on archival or other secondary data sources, do not permit collection of data of this kind, instead requiring the use of objective performance measures (Geringer and Herbert, 1991).

The next approach is a composite measure, adopted by many IJV researchers (Lecraw, 1984; Osland, 1994; Yan and Gray, 1994; Artisien and Buckley, 1985; Hu and Chen, 1996; Luo, 1997; Lin and Germain, 1998; Glaister and Buckley, 1998; Lasserre, 1999; Liu *et al.*,1999; Lyles and Sulaiman, 1999; Luo *et al.*, 2001; Pangarkar and Lee, 2001; Yan and

Gray, 2001; Luo, 2002; Pothukuchi *et al.*, 2002). Such measures combine objective and perceptual variables. They are customarily based on judgements where respondents are asked to self-rate performance and give their views on various aspects. For instance, in assessing IJV performance, Sim and Ali (1998) rely on their respondents' assessment of the satisfaction of the parent firms with the degree to which numerous IJV goals have been achieved: sales growth, market share, profits and dividends, local and foreign market development, training and acquisition of marketing, manufacturing and other skills.

Because of the limitations of each individual method, this study has adopted an eclectic approach to measuring IJV performance in the context of Thailand as an ASEAN member country. This includes:

1) objective measurement (assessment of stability, duration, and survival);
2) subjective measurement (a single perceptual assessment of the degree of satisfaction); and
3) composite measurement (multi-perceptual assessment).

3.8.2 Determinants of IJV Performance

The literature shows that there are many factors influencing IJV performance (see Demirbag *et al.*, 2007). Furthermore, previous studies also indicate that some factors impact to different degrees or even produce contrary effects on performance, depending on the environment in which IJV firms are operating. This applies especially to the different environments found in developing and developed countries (Robson *et al.*, 2002). For instance, a number of researchers (Crutchley *et al.*, 1991) have found that asymmetry in the size of the parent firms has an adverse effect on performance due to a mismatch of strategic priorities and influence, while Sim and Ali (1998) find no significance in these variables.

Robson *et al.* (2002) argue that, while a number of performance determinants identified in their study encompass many different considerations in the development of an IJV, "it can be observed that all key background and antecedent factors reflect the development of the strategic fit between the partners" (Robson *et al.*, 2002: 408). Likewise, Lorange and Roos (1993) point out that IJV formation must be based on mutual cooperation between the parties involved, and that one of the most important issues for the success of an IJV is a strategic fit between the parent firms. Reflecting the main theoretical approach of this study, the strategic behaviour theory, this study focuses on background and antecedent factors.

Since the present study concentrates on the phenomenon of IJV formation in developing countries, particularly in the ASEAN region, the principal background and antecedent factors reviewed and selected for study are those most frequently identified in the literature in respect of developing countries. These include the following.

3.8.2.1 IJV Age

Certain previous research on the life cycle of IJVs has shown decay in the mutual benefit which partners get from their association (Franko, 1971; Kogut, 1988). This decay can be explained by the exhaustion over time of the learning which partners derive from the partnership (Lasserre and Schutte, 1995). A local partner looking for technology will progressively learn, while a foreign partner will come over time to understand local business practice. The longer an IJV firm lasts, the lower the mutual interest and therefore the lower the degree of satisfaction. Other research (Lin and Germain, 1998) has suggested, on the contrary, that IJVs are subject to “positive duration dependence”.

3.8.2.2 Total Number of IJV Parent Companies

Of the studies testing the relationship between the total number of parent firms and IJV performance, those using pre-1990 data indicate a positive correlation (Hu and Chen, 1996), whereas the post-1990 research reveals either an inverse (Olk, 1997) or no significant (Beamish and Kachra, 1999) association. Marangozov (2005) argues that internal organisational management problems are more likely to arise as the number of parent companies increases. These difficulties are caused by the problem of reaching consensus on the objectives and strategy of the IJV (or IJVs) among the parent companies. Against this, a study of IJVs in Nepal and Thailand by Swierczek and Dhakal (2004) shows that the number of partners in IJVs has a significantly positive influence on learning. In particular, IJVs with more than two partners are likely to achieve a higher degree of learning than those with only two partners, leading ultimately to better IJV performance.

3.8.2.3 Symmetrical Size of the IJV Parent Companies

Symmetrical partner size is generally shown to be a fairly important influence on IJV performance (Pan and Chi, 1999; Smith *et al.*, 1989; Merchant, 2000; Pan and Li, 2000). Some researchers have suggested that an adverse effect from asymmetry is due to a mismatch of strategic priorities and influence. In the context of developing countries, size asymmetry might be expected to be more significant and to exert a negative influence on IJV performance (Crutchley *et al.*, 1991). Previous studies (Crutchley *et al.*, 1991; Osland and Cavusgil, 1996) also show a negative link between this variable and IJV performance. Against that, Sim and Ali (1998) find no significance in the relationship between these two variables.

3.8.2.4 A Business Linkage Between the IJV Firm and Its Parent Companies/ A Business Linkage Between the IJV Parent Companies Themselves

As firms expand their spatial spread and become more global, it might be expected that business linkages between the IJV's parent firms and the IJV would affect IJV success (Harrigan, 1988; Killing 1983). Merchant and Schendal (2000), however, find an insignificant result between business linkages and IJV performance, while Park and Kim (1997) identify significance and argue that the financial performance of IJVs improves where their business is related to that of their local parent. The study of Sim and Ali (1998) with a multidimensional IJV performance measurement approach yields insignificant findings, while linked IJV projects are found to be respectively more (Reuer, 1998) or less (Park and Ungson, 1997) stable than unlinked projects.

In addition, a number of previous studies (for example, Koh and Venkatraman, 1991) have indicated that partners should have a general business domain overlap if they want superior IJV performance. However, this is disputed by the work of other researchers (for example, Zeira *et al.*, 1997).

3.8.2.5 Collaborative Experience of the IJV's Parent Companies

Accumulated collaborative experience of an IJV's parent companies will reinforce the ability of the IJV to deal with the uncertainties and complexities of structuring and negotiating agreements. It will reinforce the degree of preparedness, and it is thus to be expected that experience will contribute to more satisfactory IJV performance (Lasserre, 1999). Makino and Delios (1996) also find a correlation between these two variables from their study of Japanese joint ventures in Southeast and East Asia, and postulate that previous IJV experience of the parent firms has a positive influence on IJV performance. Sim and Ali (1998) suggest that experience would lead to an accumulation of knowledge about doing business in host countries, with positive consequences for IJV performance.

3.8.2.6 Organisational Learning by the IJVs

A number of researchers (Probst and Buchel, 1997; Reynolds and Ablett, 1998; Buckler, 1998) define organisational learning as a change in the behaviour of individuals or groups within an organisation which leads to improved performance and problem solving ability as well as capability for action. Bolisani and Scarso (1999) suggest that there should be a continuous exchange of knowledge with external sources to facilitate learning. IJVs can act as vehicles for effective learning or as a means for effective technology diffusion (Jones and Lall, 1998; Carayannis *et al.*, 2000). According to Inkpen (1998), when organisations with different skills and knowledge decide to forge an alliance, this provides each partner with an opportunity to learn. This learning enables the firms to facilitate their action plans and also provides a capacity for adapting to change by improving their performance.

Joint learning in alliances contributes to sustained performance of the alliances, and a transfer of knowledge will result in perceived success by the partners of those firms (Morrison and Mezentseff, 1997). In a successful IJV firm, the exchange of knowledge, as well as individual and collective learning, together create organisational learning (Francis, 1997). Supporting this view, Probst and Buchel (1997) argue that while individual learning does not guarantee organisational learning, the latter cannot occur without it. The collective insights of these individuals working together will facilitate organisational learning. This suggests that group dynamics and sharing of ideas will be important if IJVs are to be able to learn. Moreover, a number of previous studies (for example, Swierczek and Dhakal, 2004) suggest that organisational learning has a positive impact on the performance of IJVs.

3.8.2.7 Similarity of National and Organisational Culture

Much research has been conducted into the influence of national culture on the transfer of managerial practices from one country to another (Bartlett and Ghoshal, 1991; Cattaneo, 1992). Research indicates that culture is fundamental to individual behaviour (Cattaneo, 1992; Hofstede, 1980, 1985; Pearce and Osmond, 1999). Specifically, researchers find that culture directly influences the communication strategies which individuals employ (Gudykunst *et al.*, 1996; Harris, 1979; Moon, 1996; Triandis *et al.*, 1988). Further, a number of researchers (Bandyopadhyay and Robicheaux, 1993; Bandyopadhyay *et al.*, 1994; and Zeybek *et al.*, 2003) assert that perceived cultural congruence which drives communication strategy influences IJV performance.

Pothukuchi *et al.* (2002) point out that underlying uncertainty due to cultural differences makes it costly to negotiate and transfer management practices and firm-specific technologies. Since national culture is perceived as a fundamentally differentiating factor in an IJV, even superficial differences might result in a partner choosing national culture as a primary form of self-identification (Salk and Brannen, 2000).

The impact of culture on IJVs has been documented by various studies in the Asia Pacific region. Hoon-Halbauer (1999) find that cultural divergence is associated with difficulties and that the situation improves when the divergence is reduced. Similar conclusions can be found in other studies dealing specifically with culture in Asia (Swierczek, 1994; Ahmed and Li, 1996; Lasserre, 1999). It is anticipated that cultural divergence will be negatively associated with IJV performance, and especially IJV satisfaction.

Hofstede *et al.* (1990) argue that organisations from different nations differ in fundamental values, while organisations from the same nation differ only in their organisational practices. In other words, when both national and organisational cultures are examined, the former should be operationalised in terms of values, and the latter in terms of core organisational practices (Pothukuchi *et al.*, 2002). However, although national and organisational cultures have been regarded as separate constructs, it is widely accepted that organisational culture is nested in national culture. Newman and Nollen (1996) report that work units perform better when their management practices are compatible with the national culture. They advocate that management practices should be adapted to national culture for higher performance.

In addition, Hofstede *et al.* (1990) suggest six core organisational practices which differentiate organisations in their management orientation: process versus result; employee versus job; parochial versus professional; open versus closed system; loose versus tight control; and normative versus pragmatic. If IJVs differ in these practices, the differences lead to conflicting behaviours, misunderstanding and problems of interaction. Brown *et al.* (1990) concur that compatibility in partners' organisational cultures and practices can be a significant determinant of the performance of IJVs. Moreover, research on similarity of organisational climate and performance (Fey and Beamish, 2001) indicates that firms selecting a partner with a similar organisational climate will enjoy superior performance.

A study of national and organisational culture by Pothukuchi *et al.* (2002) indicates that the presumed negative effect from cultural distance on IJV performance originates more from differences in organisational culture than from those in national culture. Contrary to this, a study of IJVs in the UK by Glaister and Buckley (1998) shows that the correlations between objective and subjective measures of performance in IJVs where the perception and effect of organisational cultural differences are not apparent, do not significantly differ from those where such differences are apparent.

3.8.2.8 Commitment in the IJV Company and Commitment Between the IJV Parent Companies

Commitment can be described as the willingness of joint ventures partners to exert effort in respect of their relationship with the joint venture (Mohr and Spekman, 1994). Committed partners will consider long-term gains rather than short-term advantages. In such cases the frequency and intensity of conflicts can be expected to be relatively low; therefore, higher levels of commitment should positively affect IJV performance and partners' satisfaction with IJV activities. According to Mohr and Spekman (1994), a high level of commitment provides a context in which both parties can achieve individual and joint goals without raising the spectre of opportunistic behaviour.

Lyons (1991) and Demirbag and Mirza, (2000) refer to parent companies' commitment to IJVs as an important element of success. Buckley and Casson (1988) argue that commitment can be higher if a distribution of rewards from the venture, when successfully completed, is deemed equitable by all parties. Parent companies' long-term commitment is also seen as a key factor by many researchers for the continuation of the IJV (Brown *et al.*, 1990; Buckley and Casson, 1988; Beamish, 1988; Hyder and Ghauri, 1993). According to Turpin (1993), IJVs are very successful when partners avoid complexities, trust each other, and commit themselves wholeheartedly to the success of the new company.

Harrigan (1986) argues that the key to successful joint ventures will be a meeting of minds. Effective joint ventures depend upon trust, but they are often forged as a compromise between two or more parent firms who would rather own the child wholly. It is necessary to assess the parents' commitment to their venture's success and their willingness to contribute resources (or provide a market for outputs) in a manner that accommodates the IJV's needs. Moreover, the study by Demirbag and Mirza (2000) shows that there is a strong correlation between commitment and IJV performance.

3.9 Summary and Concluding Remarks

This chapter has reviewed four major theories, with the emphasis on conceptual and empirical evidence, for explaining IJV formation. These views include the transaction cost theory, the organisational knowledge and learning theory, the resource-based view, and the strategic behaviour theory. The strategic behaviour theory is the principal approach informing the present study, although the other theories have valuable insights to contribute to particular aspects of the topic.

The transaction cost theory emphasises how firms transact in whichever manner minimise the sum of production and transaction costs via the IJV mode of governance, while organisational knowledge and learning theory stresses on the learning process in IJV operations and believes that a need for knowledge acquisition leads to IJV formation. Under the resource-based view, firms can gain competitive advantage and enhance performance if they gain access to their partners' unique resources by forming an IJV.

The strategic behaviour theory points out more generally that firms transact in a manner which maximises profits through improving a firm's competitive position in relation to their competitors by forming IJVs. Since the aim of this study is to examine IJV formation in the context of the Southeast Asian countries, it can be seen that the broader scope of strategic behaviour theory is most suited to the topic of the research and should enable the aim and objectives of the study to be fulfilled. Strategic behaviour theory is also seen as the approach likely to be of greatest practical help to firms considering embarking on IJV formation in Thailand and the ASEAN4 region.

It can be seen that strategic behaviour theory emphasises the topics of greatest interest to this study, namely host location choice decisions, parent companies' contributions and their impact on the operation of the IJV, performance assessment, performance determinants, strategic fit, and, most fundamentally, the reason why companies embark on IJV formation in the first place.

The proposed framework for the research questions explores four important aspects of IJV formation in the context of Thailand as an ASEAN4 country: the characteristics of IJV activities, their distribution and trends; strategic motivation and location factors behind IJV formation; the contribution of IJV parent companies and their influence over the operational practices of the IJVs; and IJV performance measurement and determinants. This chapter has reviewed the literature relevant to each issue.

The literature indicates that more IJVs have been set up since the 1980s than in all the previous years combined. If in the past they were used to exploit peripheral markets or technologies, IJVs are currently seen as a crucial element of a business unit's policy and as a strategic weapon for competing within a firm's core markets and technologies. Firms which do business through an IJV can maximise profit by improving their competitive position vis-à-vis their rivals (Kogut, 1988). The increasing use of IJVs is likely to continue well into the 21st century.

In addition, the strategic inducements for parent companies to establish IJVs have been reviewed, and motives have been found to overlap and to be interrelated. This chapter has accordingly grouped and summarised strategic motives identified in the literature. These include risk limitation; achieving economies of scale; exchanging or gaining access to technology and management know-how; and supporting initial overseas expansion.

The importance of the host country specific advantage has become of increasing strategic importance for MNEs. Accordingly, the factors which affect location choice decisions by foreign firms when considering IJV formation have also been discussed in this chapter. The host country government's policies and regulation, market size, resource availability, socio-cultural similarity, and other factors are example of strategic impetus behind the decision of foreign firms on where to locate IJVs. Regarding the parent companies' contributions, the literature shows that the major contributions to IJVs are technology, knowledge of the local environment and marketing, and financial capital.

This review of the literature has shown that there is no consensus among scholars regarding indicators for assessing IJV performance. This study has accordingly adopted an eclectic approach to measuring IJV performance. This includes objective measurement (the assessment of stability, duration, and survival); subjective measurement (a single perceptual assessment of the degree of satisfactoriness); and composite measurement (a multi-perceptual assessment with numerous dimensions).

Finally, previous studies have shown that a great number of factors influence IJV performance. However, special attention is paid in the present study to the background and antecedent factors most frequently identified in the literature as being particularly relevant in the context of developing countries. These include: 1) IJV age; 2) the total number of IJV parent companies; 3) symmetry of size of the IJV parent companies; 4) business linkages between the IJV firm and its parent companies, and between the parent companies themselves; 5) the IJV parent companies' prior experience of collaboration; 6) organisational learning within the IJV; 7) similarity of the national and organisational culture of the partners; 8) commitment within the IJV itself and between the IJV's parent companies. These factors are regarded as influential determinants in developing "strategic fit" between the partners, one of the crucial factors for the success of IJVs.

Chapter 4

Research Methodology

4.1 Introduction

The preceding chapter reviewed the literature relevant to the subject of this study and proposed a conceptual framework for exploring IJV formation in Thailand. This chapter describes and discusses the research methodology used for collecting and analysing the data used to build on the theoretical framework outlined in Chapter 3.

There is general agreement that getting the methodology right is a prerequisite for successful research. It is therefore important to choose appropriate research methods to answer the questions posed by the research in a valid and reliable manner. The four main research questions on which this study focuses are:

1) What are the characteristics of the distribution, patterns and trends of IJV activity in Thailand?

2) What are the strategic motives of parent firms in establishing IJVs, and what host country location factors influence the decision of foreign firms to invest in Thailand?

3) What are the contributions parent companies provide to IJV firms in Thailand, and what is the relationship between those contributions and the characteristics of the IJV's operation?

4) How do IJVs perform in the ASEAN4 context, specifically in Thailand, and what factors influence their performance? An important further issue is whether IJV performance varies with parent companies' strategic motives and characteristics of IJV operation.

It is clearly necessary to collect and analyse data on the areas central to this research in order to address these questions successfully and achieve the aim and objectives set out in Chapter 1.

This chapter is divided into seven sections. Section 4.2 reviews the research methodology. It describes and discusses the philosophy, approach and methods of the research, and the appropriateness of the chosen research method. Data collection methods for both secondary data and primary data are discussed in Section 4.3, while the data collection procedure is described in the following Section 4.4. This presents the design and characteristics of the sample, the questionnaire design, covering letter, pilot study, mail survey and follow-up procedure, and the response rate. The data analysis method and the validity and reliability of instruments are set out in Sections 4.5 and 4.6 respectively. The final Section 4.7 provides a summary of the chapter.

4.2 The Choice of Methodology

Downey and Ireland (1979: 630) argue that "the most relevant of the presuppositions that determine one's research perspective is that methodological issues must always be answered within the context of a particular research setting. That is to say, methodologies are neither appropriate nor inappropriate until they are applied to a specific problem". Mintzberg (1979) also supports this view and further asserts that when choosing methodology, a researcher should realised that there is no right or wrong methodology, only that more or less useful ones exist depending on the nature of the research project. The present researcher of this study is aware in this issue and attempts to choose methodology, which applies to the nature of this research and is able to answer the research questions of this study validly and reliably.

Weber (2004) indicates that there are two principal research philosophies: positivism and interpretivism. Positvism focuses on facts without reference to ethical judgement (Hunt, 1991; Lee, 1999). "Positivists supposedly believe that reality is separate from the individual who observes it. They apparently consider subject (the researcher) and object (the phenomena in the world that are their focus) to be two separate, independent things"

(Weber, 2004: v). In this paradigm, researchers supposedly try to build knowledge of a reality that exists beyond the human mind, and they apparently believe that human experience of the world reflects an objective, independent reality and that this reality provides the foundation for human knowledge (Lutz, 1989; Heath, 1992).

On the other hand, interpretivists believe that reality and the individual who observe it cannot be separated (Weber, 2004). Knowledge of the world is intentionally constituted through a person's lived experience, and the research object is interpreted in the light of meaning structure of person's (researcher's) lived experience (Laudan, 1976).

According to Deshpande (1983); Dholokia (1985); Weber (2004), positivists tend to use quantitative method as their preferred research method. They seek large amounts of empirical data that they can analyse statistically to detect underlying regularities. "Very simply, the logical positivist view of the world is synonymous with the quantitative paradigm" (Deshpande 1983: 102). Interpretivists tend to use qualitative method as their favoured research method since they view the social reality as a process of continual development of knowledge and the interpretation of the real world (Morgan and Smircich, 1980).

Downey and Ireland (1979); Mintzberg (1979) point out that the quantitative method is appropriate where the aim of the study is to determine how many, what, and where. Hence, a research which is seeking to clarify such objectives has to rely on the use of predetermined response categories by means of standardised data collection instruments such as mail survey so as to enable statistical techniques to be used to assist in the data interpretation. This research method provides a number of advantages such as enhancing the reliability of observation, facilitating more objective measurement, permitting statistical analysis of data, and generalisation to large poulations (Schrag, 1992). However, this research method has been critised for failing to address more complex issues and processes of the real world, and focusing on the social structure rather than the process itself (Mintzberg, 1979).

Van Maanen (1979: 520) describes the qualitative method as "an umbrella term covering an array of interpretive techniques which seek to describe, decode, translate, and otherwise come to terms with meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world". Weber (2004) asserts that the qualitative data are often gathered by means of open-ended narrative, that is, where responses are not directed into predetermined answer categories. Therefore, this method enables researchers to undertake an in-depth investigation of specific, small-scale samples in order to discover new knowledge grounded on personal experiences (Hammersley, 1996). However, according to Miles (1983), the qualitative method has serious weaknesses. He criticises it on the grounds that it is primitive and subjective, effectively based on intuition, and is in general "unmanageable".

4.3 The Methodology Used in This Study

Many previous IJV studies have been conducted using the quantitative method (Beamish and Inkpen, 1995; Glaister and Buckley, 1996; Sim and Ali, 2000; Luo *et al*., 2001; Pangarkar and Lee, 2001; Yan and Gray, 2001; Luo, 2002; Pothukuchi *et al*., 2002). Other scholars, however (Perks and Sanderson, 2000; Jiang, 2001; Salk and Shenkar, 2001), use the qualitative method to explore IJV phenomena, particularly where these relate to cultural issues, partner negotiation, organisational behaviour, partner interaction, and so forth. As already mentioned, the choice of research methodology will depend on the purpose or focus of the study. The quantitative method seems to be chosen where variables can be quantified and a set of their relationships are statistically analysed. Moreover, this method generally involves a large sample that can lead to generalisation of the results of the studies to the population from which the samples are drawn (Creswell, 1994). On the other hand, the qualitative method seems to be adopted if researchers want to undertake an in-depth investigation of a specific, small-scale sample in order to examine closely the specific phenomena of their studies.

Neuman (2003) too asserts that the criteria for choosing appropriate research methods are greatly dependent on the goals and objectives of the study. As regards the objectives of this study, the present researcher has investigated the characteristics of the activity, distribution, and trends of international joint ventures in Thailand and, more generally, in the ASEAN4 countries. This means there is a need to describe the pattern, distribution, and trends of IJV activity in Thailand statistically. Moreover, the content of one of the primary sources of the study, the BOI dataset, is quantitative data obtained from a large number of IJV firms. This consists of the business name of the IJVs, their mailing address and contact telephone number, their industrial sector, the nationality of their foreign parent company or companies, and the proportion of the equity shares in the IJV. Data of this kind calls for a method which can statistically group, combine, describe, and analyse the distribution of data.

The same applies to other objectives of this study: to determine the strategic motives of IJV parent companies in forming IJVs, and to identify factors which affect location choice decisions by foreign firms considering IJV formation; to examine the contributions which parent companies provide to IJVs and analyse the relationship between these and the characteristics of IJV operation in the context of Thailand; to assess IJV performance and analyse the determinants influencing it in Thailand as a developing country. Here too a method is needed which can establish a series of relationship between variables, describe the trend of relationships, and quantify a set of variables to be measured; for example, the relationship between the determinants and IJV performance. The method must also enable the researcher to generalise from the representativeness of the selected samples to the population of the study. In other words, measurable and quantifiable variables are the fundamental topics of this research.

As discussed in the previous section: the present researcher has followed the positivist/quantifiable approach because of the nature of this research and in order to fulfil the objectives identified.

The approach of this study is unlikely to build theory, or to work with qualitative data and use a variety of data collection methods in order to provide differing perspectives on phenomena. Instead, the present researcher attempts to translate theoretical concepts into measurable categories and variables (operationalisation) in order to gain the accuracy needed to enable generalisation to the characteristics of a wider population of the groups sampled, with the intention of testing theories. From the present researcher's point of view, the positivist/quantifiable approach can explain social phenomena in a valid, reliable, and systematic manner. Accordingly, taking account of the characteristics of the dataset and the need to fulfil the aim and objectives of this study, the method chosen for conducting this research is the quantitative method.

It needs to be acknowledged that the present researcher's approach does have limitations. Firstly, certain aspects of the phenomena under investigation are not objective but come from interpretation of social action; for example, negotiation between the IJV parent companies, the strategic motives of companies in forming IJVs, the contribution of the parent companies to the IJVs, and so forth. Secondly, the "objective" approach, by following a rigorous and quantifiable research method such as a questionnaire, may seek to elicit opinions from which respondents are unwilling to convey. Thirdly, by following this approach, the present researcher is prevented from undertaking an in-depth investigation into IJV activity in the ASEAN4 context of Thailand, which the qualitative method would enable (since the creation of IJVs comes from interaction between the IJV parent companies). In this respect, the interpretivist/qualitative approach would be likely to provide deeper knowledge and understanding of certain aspects of the IJV phenomenon in Thailand.

However, on balance, since this study is exploratory, and given the characteristics of the data of the study (the BOI dataset and survey data are quantitative), the quantitative approach has been preferred. It is hoped that future research on this topic may employ a qualitative approach in order to get a more rounded and complete picture of IJV activity in Thailand and other ASEAN4 countries. This would be a valuable supplement to the knowledge resulting from the present study.

4.4 The Data Collection Method

4.4.1 Secondary Data

Zikmund (2000: 124) defines secondary data as the "data gathered and recorded by someone else prior to (and for purposes other than) the current needs of the researcher, and these data are usually historical, already assembled, and do not require access to respondents or subjects." Kervin (1992) also points out that secondary data may be either raw data or compiled data which have received some form of selection or summarising. Moreover, these kinds of data, both quantitative and qualitative, can be used in both descriptive and explanatory research (Saunders *et al*., 2003).

The secondary data required to provide the foundation of knowledge for this study include the current situation of FDI in the ASEAN4 countries, and the Thai government investment policies. This information has been obtained from ASEAN statistics yearbooks, BOI yearbooks, the BOI annual economic reports, and reports of the Bank of Thailand.

Although secondary data provided a foundation of background knowledge for this study, it was not sufficient on its own. Certain necessary information was not publicly available, or had not been gathered. For the present investigation it was essential, therefore, if the objectives were to be achieved, to obtain additional unpublished primary data.

4.4.2 Primary Data

The present researcher has been fortunate in being granted access by the Thailand Board of Investment (BOI) to an unpublished database of IJV companies operating in Thailand. The BOI is the government institution with primary responsibility for overseeing and promoting FDI in Thailand. It enjoys high national status and directly advises the Thai government on investment policy. Although mention has been made of the fact that state-provided statistics and other information can be unreliable, it is very unlikely to be the case in this instance. The present researcher has already noted that it would be unusual and unwise for a government with a fairly free press to risk distorting raw information, not least because it itself needs to know what the real situation is.

The BOI database has not only been crucial in supplying contact information for IJVs to be surveyed, but has also provided much other information not previously available to the scholarly community. These data are analysed in this study in terms of the patterns of IJVs' activities, distribution, and trends. Specifically, analyses by industrial sector, country of origin, and the ventures' equity participation have been conducted on this database in order to fulfil the first objective of this study: to ascertain the characteristics of the activities, distribution, and trends of IJVs in Thailand.

Despite the immense value of the BOI database, it needed to be supplemented by a survey, because information needed did not exist.

De Chernatony (1990) identifies three techniques normally used for collecting primary survey data: personal interviews, telephone interviews, and self-administered questionnaires (mail survey). In respect of primary data collection from IJVs, the mail survey was selected for this study. The main reasons for adopting this method are as follows.

First, a mail survey can reach a geographically dispersed sample simultaneously. "Respondents in isolated areas or those who are otherwise difficult to reach can more easily be contacted by mail" (Zikmund 2000: 201). Since the target respondents, the IJV companies, were located in different locations throughout Thailand, they could all be made equally accessible by employing this method.

Second, this method also demands the least amount of resources (Salant and Dillman, 1994). Mail survey is comparatively low in cost relative to personal interviews and a telephone survey. Given that, in this study, the researcher had limited resources for primary data collection, mail survey was seen as an efficient method for accumulating primary data from the target respondents.

Third, mail survey can be completed whenever the respondent has free time, which improves the likelihood that they will take time to think about the answers (Dillman, 1978). In addition, mail survey can provide more sense of confidentiality. It is easier for most people to answer personal questions in writing than face-to-face. It is a more anonymous tool for providing sensitive and private information to the researcher (Salant and Dillman, 1994). In contrast, collecting primary data by telephone is concentrated in a brief period of time and the respondents have no prior warning. The decision about how to respond must be quick, so the researcher may not get the valid information sought (Faria *et* *al.*, 1990). The questionnaire of the present study included a number of questions which required respondents to think carefully, and some questions they might perceive as sensitive or confidential (for example, assessing the quality of IJV performance or IJV management). Mail survey was thus the best primary data collection method for eliciting these data and items of information from the IJV managers who were the target respondents.

There is also the consideration that a mail survey method is less susceptible to bias from interviewers' value judgements. This kind of error is normally only a problem with telephone and personal interviews (Dillman, 1978). Finally, since this study needed to be finished in a restricted period of time and the researcher was conducting the research alone, mail survey was preferable to the personal or telephone interview, which would have required a great deal more time for collecting data from the target respondents.

In short, time, resources, the characteristics of the research samples, and the benefits of the mail survey over other methods persuaded the researcher to choose mail survey for the collection of primary data from IJVs in Thailand. If none of the already mentioned constraints of time, resources, and the working environment of the respondents had applied, extended personal or telephone interviews might have provided a more in-depth understanding through two-way communication. Since, however, they did apply, mail survey was found to be the appropriate method for this study. Nevertheless, the drawbacks of the mail survey method should not be ignored, and a number of earlier scholars have also drawn attention to them (Dillman, 1978; Jobber, 1991; Salant and Dillman, 1994; Zikmund, 2000).

4.5 The Data Collection Procedure

4.5.1 Sample Design

As has been mentioned above, there are two fundamental types of joint ventures: equity joint ventures (EJVs) and non-equity joint ventures (NEJVs). EJVs are the main form of IJVs in Thailand (BOI, 2005). EJVs comprise two or more legally distinct organisations (the parents), each participating in the decision-making activities of the jointly owned entity (Geringer, 1991). In contrast, NEJVs are agreements between partners to collaborate in certain ways, but do not involve the establishment of a new corporate entity (Contractor and Lorange, 1988). A joint venture is regarded as an international joint venture if at least one partner has its headquarters outside the venture's country of operation, or if it has an important level of operation in more than one country (Geringer and Hebert, 1989). Owing to the characteristics of the acquired dataset, this study concentrates only on EJVs. The database registers 2,251 IEJVs (international equity joint ventures).

Sampling methods are normally divided into two main types: the probability sampling method (representative or random sampling); and the non-probability sampling method, or judgemental sampling method (Fink, 2003). In the probability sampling method, the chance or probability of each case being selected from the population is known and is usually equal for all cases, whereas non-probability sampling does not employ the rules of probability theory and does not ensure representativeness. Babbie (1990) criticises the non-probability sampling method for the drawback that each case in the sample is selected from the total population by a method of subjective merit, and that the method is unable to answer research questions or address objectives which require statistical inferences in respect of the population in general. Selltiz *et al*. (1976) argue that a valid sampling method must allow the sample unit to be chosen in a manner which is systematic and objective, easily identifiable, clearly defined, each choice being independent of each other, and non-interchangeable. The sampling process must be rooted in standard criteria and should avoid errors, bias and any distortions.

Fink (2003) defines non-probability sampling as a method which cannot depend upon the rationale of probability and cannot be used to infer from the sample to the general population. Any generalistions obtained from this method must then be filtered through one's knowledge of the topic being studied. Some studies have no choice but to use non-probability sampling either because, in social science research, there may be circumstances where it is not feasible, practical or theoretically sensible to do random sampling, or because of unintentional or unavoidable characteristics of the sampling method. Neuman (2003) divides the non-probability sampling method into seven types: haphazard, accidental or convenience sampling; quota sampling; purposive sampling; snowball sampling; deviant case sampling; sequential sampling; and theoretical sampling. He divides the probability sampling method into four categories: simple random sampling; stratified sampling; systematic sampling; and cluster sampling.

For this study, a probability sampling method was chosen to select the final samples since, with this method, it is possible to answer research questions and to achieve objectives of this study which require the ability to statistically establish the characteristics of the population from the sample. This method is most commonly associated with survey-based research where the researcher needs to make inferences from a sample about a population (Neuman, 2003).

Previous studies (Beamish, 1988; Gomes-Casseres, 1987, 1989) have indicated that it is necessary to establish criteria for selecting the final samples (the qualifying IJV companies) mainly because of the heterogeneous characteristics of the population (in this case, all the IJV companies in the sampling frame), here particularly in terms of the percentage of each parent firm's equity in the venture. That is, certain international joint ventures might cause distortion of a true picture of IJVs.

For the present study, then, three criteria have provided a framework for selecting the final samples:

1) IJVs in which neither partner holds more than ninety percent of the venture's equity. This is because a number of researchers use at least 10% shareholding by parents as the minimum equity criterion for defining an international joint venture in a developing country (Beamish, 1988; Gomes-Casseres, 1987, 1989; Chowdhury, 1992). These researchers argue that a smaller percentage of equity ownership might not reflect a true picture of joint ventures and the nature of relations between the partners.

2) The companies in the database must still be operational (the present researcher checked the status of each IJV directly from the website of the Department of Business

Development, Ministry of Commerce of Thailand to determine their continued existence or termination).

3) The IJVs must have existed for at least three years, because the literature (Woodcock *et al.*, 1994; Pan and Chi, 1999; Pangarkar and Klein, 2004) shows that it takes approximately three years for each partner to devise a comprehensive plan against which to assess the performance of the IJV.

After applying these criteria, the number of qualifying IJVs fell to 1,597 companies from the original 2,251 firms. Due to resource and time constraints, this study was unable to conduct a mail survey of all qualifying IJVs. Accordingly, an adequate sampling size needed to be determined using a statistical formula. For this study, a formula proposed by Krejcie and Morgan (1970) was adopted (see Appendix A). This method has been widely accepted by researchers, and is suited to studies where the exact size of the population is known (Cavana *et al.*, 2001). Krejcie and Morgan (1970) have, moreover, converted this formula for use as a sampling table. In this table, the size of a population ranging from 10 to 100,000 is converted to provide the number of units required for an adequate sampling size. This provides a very convenient means for researchers to determine an adequate sampling size for a wide range of populations encompassed by the table. The table is popularly used by many researchers from a variety of fields of study (see, for example, Torres and Cano, 1995; Callan, 1995).

Ultimately, of the 1,597 qualifying companies 310 firms formed the sample size of this study. A stratified systematic sampling technique (Skalski, 1993) was adopted for sampling; it was used to classify the samples for each stratum (industrial sector), and then each stratum was sampled by a systematic sampling method. This method was used because it had a number of advantages compared to others. First, the stratified sampling method is suitable for use when differing characteristics of the population in each stratum are likely to appear. Second, this method is suitable for all sizes: there is no minimum size requirement for the sample. Third, it is relatively easy to explain to support workers, e.g., a research assistant (Saunders *et al.*, 2003).

4.5.2 Questionnaire Design

The questionnaire and specific questions were designed to provide answers to the research questions required to fulfil the aim and objectives of this study. They are grounded on the research design and methods of Dillman (2000), and Oppenheim (1992). A number of questions from previous studies (e.g., Lin and Germain, 1998) also provided guidance in creating the questionnaire. The questions can be divided into two categories.

The first group is based on factual data, such as year of formation of the IJV, the number of partner companies, percentages of equity shareholdings, and type of IJV business. These data are generally measured with nominal scales. The second category measures respondents' attitudes with ordinal scales. Dillman (2000) indicates that ordinal scales are very common in the social sciences, especially for attitude measurement. Oppenheim (1992) classifies attitude scaling into four types: social distance scaling, Guttman scaling, Thurstone scaling, and Likert scaling. Complicated instructions for filling in the survey can normally be found from social distance scaling, whilst Guttman scaling can be used with items other than attitude statements (e.g. neurotic symptoms). Thurstone scaling is time consuming and costly, and is rarely utilised in applied business research (Zikmund, 2000). Likert scaling is simple to use and popular for measuring attitudes (Likert, 1932; Oppenheim, 1992). Zikmund (2000) also notes that "business researchers' adaptation of the summarised ratings method, developed by Rensis Likert, is extremely popular for measuring attitudes because the method is simple to administer" (Zikmund, 2000: 291). In addition, previous studies (for example, Oppenheim, 1992; Roberts *et al*, 1999) show that the Likert scales correlate well with Thurstone scales. This helps to make it the most popular scaling procedure in use today (Roberts *et al*, 1999).

Likewise, Allen and Seaman (2007) agree that Likert scales are the most broadly used method because of their easy application. Respondents generally choose from five alternatives (five-point scales). This approach has been adopted in many previous studies, especially in research into IJVs (for example, Lasserre, 1999; Pan and Chi, 1999). Owing to the demands on the time of the target respondents, Likert scaling seems more suitable than complex scales since it is easy to understand and answer. Likert scaling was accordingly chosen for the design of the questionnaire in this study.

After the final draft of the questionnaire had been prepared, it was translated from English into Thai by a bi-lingual translator accredited by the TESOL Association (Teachers of English to Speakers of Other Language Inc, a Global Education Association). This was necessary because the target respondents, IJV general managers, might be Thai or overseas nationals. Thai is the official language of Thailand and only a few people would be able to accurately understand the meaning of the questions in the English version. Although some Thai respondents might have a good command of English, it was uncertain that they would fully comprehend the meaning of the questions in the questionnaire. Copies of the translated questionnaires were then sent to Thai researchers in the field of international business for final proof-reading, comments and suggestions to ensure that the Thai version of the questionnaire was consistent, valid, and easy to understand.

4.5.3 The Covering Letter

The covering letter is an essential part of a mail survey because it can affect whether the respondents choose to answer the questionnaire at all (Salant and Dillman, 1994). The process of sending questionnaires to prospective respondents can be viewed as a particular phenomenon explained by social exchange theory (cited by Dillman, 1978). According to social exchange theory, people engage in any activity because of the rewards they hope to receive. All activities they perform incur certain costs, and people attempt to keep their costs below the rewards they expect to receive. Basically, then, whether a given behaviour occurs is a function of the ratio between the perceived costs of doing that activity and the rewards one expects the other party to provide at a later time. Thus there are three things that must be done to maximise mail survey response: minimise the cost of responding, maximise the rewards for doing so, and establish trust that those rewards will be delivered. To meet this requirement, in the covering letter this study offered target respondents the reward of a copy of the summary of the research findings.

In summary, the content of the covering letter for this study included the following: the letterhead, description of the topic and purpose of the study, reference to sponsorship of the study by the Commission on Higher Education of the Royal Thai Government, an explanation of the importance of the target respondent's collaboration in this study (both for academic and managerial reasons), the mention of the inclusion of a stamped, self-addressed return envelope, a declaration of confidentiality and anonymity, the offering of the incentive of a copy of the summary of the research findings, encouragement of a prompt response with a suggested deadline for returning the questionnaires, an expression of thanks to the respondent, and the provision of the name and address of the researcher, as well as a signature.

4.5.4 Pilot Study

A number of researchers (for example, Oppenheim, 1992) point to the need to conduct a pilot study as a preliminary tool to detect errors, validate the questionnaire, and ensure that the questions are clear and unequivocal. The pilot study of this research consisted of 25 questionnaires sent to target IJV general managers in Thailand in February 2006. Pilot companies were then excluded from the target respondents. By the end of February 2006, three companies had completed questionnaires, while the rest declined to collaborate with the study on the grounds that it was contrary to their company policy. After receiving feedback from the pilot study, the first question on the questionnaire, the name and address of the target company, was removed to demonstrate confidentiality and anonymity. In addition, several questions were amended to make them more succinct. For instance, in the following question the word in italics was removed from the final version of the questionnaire:

1. To what extent, on the scale provided, does the IJV company **practice the same procedures** as the foreign parent company or the Thai parent company in the following aspects?

   Where, 1 = *the procedure* is exactly the same as the foreign parent company
   2 = *the procedure* is likely the same as the foreign parent company
   3 = combination of both parent companies' procedure
   4 = *the procedure* is likely the same as the Thai parent company
   5 = *the procedure* is exactly the same as the Thai parent company

4.5.5 Mail Survey and Follow-Up Procedure

Fieldwork in Thailand demonstrated that a poor response to questionnaires may occur for reasons that have nothing to do with its content and which need to be minimised. The questionnaire may be discarded unread because it is seen as junk mail, or may not be filled in because the company cannot decide who should respond.

In March 2006, questionnaires in Thai and English were sent to the 310 target respondents by registered mail with a covering letter on letterheaded paper which described the topic and purpose of the study, identified the sponsor of the project as the Commission on Higher Education of the Royal Thai Government, and enclosed a stamped, self-addressed envelope for returning the questionnaire. The researcher urged a prompt response and emphasised to the target respondent, the general manager of the IJV, that the questionnaire was confidential and anonymous, could be completed in 15- 30 minutes, and that he or she would be sent the results of the study which would contain information of value for academic and managerial purposes.

Fifty-six questionnaires were completed and returned. Another 23 questionnaires were sent back with a note from the post office reporting closure of the business, and a further 22 forms were returned on the grounds that the business had moved. The researcher then re-checked the latest update of information on addresses and closures of businesses by using the online service of the Ministry of Commerce. This had previously been checked in December 2005.

Dillman (2000) suggests as a follow-up technique that the first reminder should be sent after one week. A postcard should then be sent to every target respondent to thank them for responding, and as a friendly and courteous reminder to those who have yet to respond. A second reminder, three weeks after the initial mail and consisting of a similar package to the first mailing, including a duplicate questionnaire, pre-paid self addressed envelope and amended covering letter, should be sent only to non-respondents. The amended covering letter informs non-respondents that their questionnaires have not been received, and appeals for their return. A third reminder is sent by registered mail to all non-respondents, seven weeks after the initial mailing.

To organise a postcard follow up within one week of the original mailing was not practicable for the present researcher because of the physical and time constraints on someone working alone. The third reminder is probably not required if an acceptable response rate has already been achieved.

Accordingly, the survey relied on a single follow up to 231 respondents (310 - 56 who had already responded - 23 firms no longer in business) in April 2006 and numerous phone calls. Four completed questionnaires were received in April, 13 more companies were found to have ceased to operate, and 46 declined to participate in the study on the grounds that this was contrary to their company policy. The response rate was also no doubt reduced by factors beyond the researcher's control, such as political and social unrest in Thailand (e.g., election-related uncertainties, a national protest to pressure Prime Minister Taksin to resign, and violence in the southern provinces adjacent to Malaysia), which preoccupied businessmen and women and left them with little enthusiasm for non-essential activities.

The researcher's phone calls in May 2006 revealed that forms kept in offices for a long time had been lost and needed to be resent. This successfully resulted in the return of a further 10 questionnaires, 6 by email, 2 by interview, and 2 by fax. A further 59 declined to cooperate on the grounds that they could not afford the time. In June 2006, continuing phone calls resulted in the return of a further 8 completed questionnaires, 2 by post, 2 by fax, and 4 by email. Another 10 were returned by email after interventions by the researcher's former MBA classmates employed at targeted companies.

4.5.6 The Response Rate

It will be seen from Table 4.1 that a total of 88 IJVs collaborated with this survey, whilst some three quarters of the total of targeted IJVs did not cooperate and were classified as IJV non-respondents. The majority of IJV non-respondents did not reply at all (81 IJVs), followed by non-respondents claiming a lack of time (59 IJVs), followed by non-respondents claiming a conflict with the IJV's policy (46 IJVs). A further 36 IJVs (11.61%) proved to have ceased operations despite being listed online as still being in business in December 2005. This was apparently the result of outdated information.

Table 4.1: Response Rate

Mail Survey with a Single Follow up	Number	Percent
Questionnaire sent	**310**	**100**
1) IJV Usable Response	**88**	**28.39**
2) Non IJV Response	**222**	**71.61**
2.1) IJV Termination	36	11.61
2.2) Not Comply with IJV Policy	46	14.84
2.3) Lack of Time	59	19.03
2.4) No reply	81	26.13

To sum up, the study successfully obtained 88 completed questionnaires, a response rate of 28.39% . This is within the parameters found in the literature, where rates range from 10-40% (see, for example, 35% for a study of IJVs in Ghana and Nigeria by Boateng and Glaister, 2003; and 10% for a study of Chinese and Taiwanese joint ventures by Chen and Glaister, 2005).

Of the questionnaires returned in the present study, 81 were the Thai-language version while 7 were completed in English. Of the IJV managers, 81 were of Thai nationality, three were Japanese, one was Korean, one British and two were American. Those returning questionnaires were in senior management positions: 64 held the position of Managing Director/ Executive Director/ Deputy or Assistant Managing Director/ Deputy or Assistant Executive Director. Six held the position of Deputy/ Assistant Managing Director in the Personnel/ Administration Section. Five were Deputy/ Assistant Managing Directors in the Accounting and Finance Section. Two were Deputy/ Assistant Managing Directors in the Production Section. Eleven were Deputy/ Assistant Managing Directors in the Marketing and Sales Section.

Both Geringer and Hebert (1991) and Boateng and Glaister (2002) point out that managers at this senior level should be well qualified to comment reliably on the perspectives of both the foreign and the local parent companies. They are likely to have been drawn from one or both of the parent firms or by outsourcing and, although they work as employees of the IJV, they are likely to be well informed on the issue of the parents' levels of satisfaction both through such formal mechanisms as the Annual General Meeting (AGM), and more informally through the parents' involvement in the management of the IJV. In addition, IJV parent companies, through their representation on the board of the IJV, set the overall objectives to be implemented by the IJV managers (Geringer and Hebert, 1991). Geringer and Hebert found that there tended to be higher correlations between the IJV general manager's assessment of IJV performance and that of an individual parent company than among evaluations of the respective parent companies themselves. They concluded that an IJV general manager can provide fairly reliable data not only on each parent's satisfaction, but also on how each parent perceives its partner's satisfaction with IJV performance (Geringer and Hebert, 1991: 259).

Thus an IJV senior manager, even if only recently appointed, should be able to comment on longer-term IJV performance because, having responsibility for the undertaking, they are likely to be aware, not only of its recent performance, but its background and some at least of its history, having been briefed by colleagues.

4.6 Data Analysis

The present study consists of a number of related analyses as well as a discussion of the results and their implications. The SPSS statistical package for Windows, version 14.0.0 has been used to analyse both data from the database and data obtained from the survey. A number of statistical analysis techniques were used, as follows.

In Chapter 5, descriptive statistics have been used to describe the features of the primary data (the IJV database). This consists of a frequency table and distribution, cross-tabulation, percentage and cumulative percentage, pie charts, bar charts, and graphs. In addition, primary data analysis of host country location factors has also been conducted in this chapter, with measurement of mean central tendency and standard deviation of dispersion.

In Chapter 6, three different sets of statistical tests have been used. First, the measurement of mean central tendency and standard deviation of dispersion was conducted to measure the relative importance of strategic motives. Next, the analysis of variance (ANOVA) test and equivalent test were used to test the significance of the mean differences of the individual variables in each category. Third, the paired simple *t*-test was used to test the significant difference of the mean scores of each individual strategic motive between the foreign parent company and the Thai parent company. This method has been widely adopted by many researchers (for example, Tatoglu and Glaister, 2000).

In addition, many researchers (Tabachnick and Fidell, 2001; Boateng and Glaister, 2003; Easterby-Smith *et al.*, 2002; Chen and Glaister, 2005; Field, 2005) argue that if the sample size exceeds 30, it is reasonable to assume that the sample is from a normal distribution and parametric tests can be employed. However, both parametric tests (either the two-sample t-test or ANOVA test) and equivalent non-parametric tests such as the Mann-Whitney U test and Kruskal-Wallis H test were also conducted in this study to remove any doubts which might arise from the nature of the data.

The preliminary data analysis indicated that there was overlapping or relatedness of the variables in each category in Chapters 6 and 7. Hence, the exploratory factor analysis (EFA) technique of the Anderson-Rubin method was used to create a parsimonious set of distinct non-related variables. A number of researchers (Tabachnick and Fidell, 2001; Field, 2005) argue that this method is a suitable option when uncorrelated scores are required. After the EFA technique had derived the underlying factors from the set of variables, significant mean score difference tests – ANOVA and equivalent test – were conducted with those underlying factors in Chapter 6, while a multiple regression test was run with those underlying factors in Chapter 7.

In Chapter 7, in addition to the measurement of the mean central tendency and standard deviation of dispersion, the correlation coefficients were computed to measure the correlations of the variables. Further, multiple regression was conducted to ascertain the multivariate relationship between the independent variables and the dependent variables, since numerous researchers state that the true relationship of the variables must be proved with both the bivariate relationship test and the multivariate relationship test (for example, Sim and Ali, 1998; Demirbag and Mirza, 2000; Boateng and Glaister, 2002).

Moreover, the data were inspected for multi-collinearity and autocorrelation before the regression analysis was conducted. Though autocorrelation is likely to occur with time series data, it might occur with cross-sectional data as well. This problem results from the fact that errors are not independent of each other. In other words, the errors have correlated among themselves. The analysis of Durbin-Watson statistics was then used to detect this problem. The test statistics can vary between 0 and 4. A value near 2 (1.5-2.5) means the residuals are uncorrelated. If the value is greater than 2.5, it indicates a negative correlation between the adjacent residuals. A value below 1.5 is interpreted as a positive correlation. For this study, the evidence showed that no serious autocorrelation had emerged. The value of the Durbin-Watson can be seen in the result analysis section in each chapter.

Multicollinearity occurs when two or more independent variables are linearly related very closely. This problem was also monitored. Muthen and Lehman (1985) argue that a correlation with a value above 0.70 should be considered a serious problem. After the simple correlations between independent variables and standard errors of the estimated coefficients had been inspected, the data showed that there was no serious multicollinearity which would distort the efficiency of the estimation.

Three different sets of statistical analysis techniques were used in Chapter 8. First, the correlation coefficients were computed. Then, the related variables were further tested with multiple regressions in order to study the relationship between the independent variables (the related factors) and the dependent variable (the overall IJV performance). Following the practice of previous studies (Sim and Ali, 1998; Boateng and Glaister, 2002), the dependent variable of this study, overall IJV performance, was measured using a composite index (an arithmetic average score). Respondents quantified their satisfaction with the IJVs in respect of five activities on a 5-point scale where ‘1’ denoted ‘much worse than expectation’ and ‘5’ denoted ‘much better than expectation’). The five activities were marketing, finance, strategy, technology transfer and R&D, and human resource management.

In addition, the t-test and equivalent test were conducted to test the significant difference of the mean scores of some variables in this chapter.

4.7 Validity and Reliability of the Research Method

Sarantakos (2005) defines validity of a research method as a property of the research instrument which measures its relevance, precision and accuracy. It tells the researcher whether an instrument measures what it is supposed to measure, and whether the measurement is accurate and precise. Content validity results if the research instruments are able to cover all possible dimensions of the research topic, whilst face validity is obtained when the content is presented appropriately, using appropriate language and register (Mitchell, 1996). There are three stages to ensuring that the research has both content and face validity in this study. First, the researcher undertakes extensive literature reviews to derive the questionnaire and required measurements. Next, the researcher consults extensively and discusses the questionnaire with supervisory teams and external scholars to ensure validity of the content of the questionnaire, appropriateness of its structure, and the suitability of the questions it asks. A pilot study is then conducted with 25 IJVs to test the validity of the research instrument and obtain feedback or comments from the pilot respondents.

Easterby-Smith *et al.* (2003) define the reliability of a research method as the capacity of measurement to create consistent outcomes. Methods are, accordingly, reliable if they generate the same results whenever they are repeated, and are uniquely sensitive to the researchers's requirements, the research conditions, and the respondents. To measure the reliability of research, a number of researchers (for example, Bryman, 2001; Field, 2005) point out that Cronbach's alpha reliability coefficient has been widely adopted by researchers to measure reliability. For instance, Boateng and Glaister (2003) use Cronbach's alpha to measure the internally consistent reliability of the multi-item measurement scale of their IJV study in African countries. This coefficient of reliability quantifies how well a set of items (or variables) measures a single unidimensional latent construct. This study has accordingly measured the reliability of its findings against Cronbach's alpha values, and these are shown in each relevant chapter of the study.

4.8 Summary and Concluding Remarks

This chapter has set out to explain the logic underlying the chosen, quantitative, research method in studying IJVs in the ASEAN4 countries, particularly Thailand. It provides an overview of the characteristics, and discusses the suitability of available forms of research methodology in terms of research philosophy (positivism or interpretivism), and research method (quantitative or qualitative). In addition, the methods used in previous research on IJVs are described.

The chapter then discusses how the researcher collected primary and secondary data relating to the study of IJVs in Thailand. As regards primary data, the researcher was kindly granted access by the Thailand Board of Investment (BOI) to an unpublished database of IJV companies operating in Thailand. This has not only been crucial in providing contact information for IJVs to be surveyed, but has also provided much other information not previously available to the scholarly community.

A major source of secondary data has been the reviews of the Bank of Thailand and ASEAN statistical yearbooks which have made it possible to present a picture of FDI in Thailand and the ASEAN4 countries.

The other major component of the primary data took the form of a mail survey. This was chosen as the means of collecting primary data because of time and resource constraints on the research, characteristics of the research samples, and the advantages of a mail survey which made it particularly suitable for this study.

Systematic sampling methods prior to actual collection of the primary data were carefully designed to ensure true representativeness of the IJVs in Thailand. After selecting the qualifying IJVs from the database in accordance with established practice in the field, the researcher chose to use the probability sampling method. Out of a total of 2,251 IEJVs, 310 companies ultimately formed the sample size for this study. These samples subsequently provided the data for the study by means of a questionnaire.

The questions in the questionnaire fell into two categories: factual questions, and attitude questions. The response was assessed using a five -point Likert type scale because it was easy for the target respondents to understand and answer. The questionnaire was translated from English into an additional Thai version by a bi-lingual translator accredited by TESOL: Teachers of English to Speakers of Other Language Inc., since the targeted IJV managers might be Thai or non-Thai.

A pilot study was used to check whether the questions were clear and unequivocal in order to ensure that the researcher had conveyed the correct meaning to the target respondents. The mail survey and follow-up procedure of Dillman (2000) was adopted for this study in order to increase the response rate. The study ultimately achieved a 28.39% response rate, which is within the parameters of the literature.

Chapter 5

The Patterns of Activity, Distribution, and Trends of International Joint Ventures in Thailand

5.1 Introduction

Chapter 2 drew attention to the fact that Thailand is the largest FDI recipient among the ASEAN4 countries. In addition, the literature review in Chapter 3 suggested that the increasing frequency and strategic importance of international joint ventures as a mode of overseas market entry and expansion, especially for foreign MNEs entering developing country markets, are likely to continue in the twenty-first century (Pekar and Allio, 1994, cited in Marangozov, 2005; Makino and Beamish, 1998). Thus, one might expect an increase in the interest shown in the phenomena of FDI inflows in the form of IJV formation in the ASEAN4, particularly Thailand. Until now, however, few studies have examined data which can systematically illuminate the detailed activity of IJVs over the past half-century, let alone in the context of the ASEAN4 countries. This chapter, accordingly, provides new findings in an under-researched area of major significance.

The main purpose of this chapter is to present the analysis of data obtained on the characteristics of IJV activities in Thailand. This will fulfil the first objective of the study, presented in Chapter 1: to ascertain the characteristics of the activities, distribution, and trends of international joint ventures in Thailand. The analysis is based on a database obtained from the Thailand Board of Investment (BOI) and, for the first time, examines the activities, distribution, and trends of IJV formation between Thai and overseas companies over more than half a century, between 1951 and 2003. In addition to throwing light on IJV activity in Thailand, the chapter presents an analysis of data on host country location factors obtained from a specially conducted survey (Variable 14). This analysis reveals the reasons why foreign MNEs choose Thailand as their host country for FDI, especially through the medium of IJV formation, and contributes to the presentation of a more rounded picture of the subject of the study.

The results analysed in this chapter serve as the foundation for more detailed and sophisticated study in later chapters, which aim to present an overview of IJV formation in Thailand. Further in-depth analysis of each issue identified in the conceptual framework in Chapter 3 will be found in the subsequent chapters.

In the remainder of this chapter a brief discussion of the official database which was obtained is presented in Section 5.2. Section 5.3 presents the analysis of outcomes and discussion of the pattern of activity, distribution, and trends of IJV formation in Thailand as well as host country location factors. A summary and concluding remarks are provided in Section 5.4.

5.2 The Official Database

The literature indicates that there are a number of flaws in the method of attempting to establish an IJV database solely from information found in the economic and business press. For instance, Glaister and Buckley (1994) study IJV formation in the UK by amassing their own database from announcements reported in the financial press because IJV operation data from official sources is not readily available. They recognise the weaknesses of their method in that "it is likely that only major ventures—involving relatively large and well known firms—will be reported in the press, with perhaps many small ventures going unreported". (Glaister and Buckley, 1994: 36) Also, Hergert and Morris (1988), cited in Glaister and Buckley (1994), point out that in many published articles the source of information is likely to be press releases by the firms involved in the venture. These press releases may give biased accounts of the characteristics of IJVs. In particular, participating firms may seek to mislead competitors over their motives and activities by deliberately misrepresenting themselves to the financial press. While the reporting of deliberate falsehoods is therefore a possibility, it is very difficult to judge the extent of this kind of bias. Nor is it possible to estimate the extent of IJV activity that goes unreported because "the firms involved maintain such strict confidentiality that there is in effect nothing for journalists to report". (Glaister and Buckley, 1994: 37).

Accordingly, a number of researchers (for example, Morris and Hergert, 1987; Garcia Canal *et al.*, 2003; Marangozov, 2005) assert that an official database obtained from government organisations is likely to be superior to one obtained from the economic and business press, since this method can overcome many shortcomings suggested by researchers, which may have resulted in distortion of the results of previous empirical studies. These researchers summarise the possible weaknesses of using information from the economic press as follows:

First, dependence on information about IJVs published in the press by itself causes distortions in the results because of the following factors: 1) the differing orientation of particular printed publications determines whether information on IJVs is published at all; 2) the press usually publishes information on IJVs whose parent firms are large or well known or are MNEs, neglecting small and medium-sized parent companies, thus skewing the database in favour of large firms; 3) printed publications give more prominence to IJVs in which firms from their own country are involved as partners.

Second, dependence on data about IJVs which is published in the press on the basis of information provided by the firms themselves is likely to introduce a number of distortions into the results because of: 1) the impossibility of encompassing all IJVs, given that the parents companies are often reluctant to offer information to the press; 2) the non-standard nature of the information which firms offer to the press, entailing difficulties in classifying data consistently in respect of particular characteristics of IJVs; c) deliberate misrepresentation of information offered for the purpose of advertising; d) deliberate provision of misinformation offered in order to mislead competitors.

Third, the distortion of the outcomes due to researchers' use of printed publications mostly from their own countries leads to over-representation in the database of IJVs in which firms from their own countries are involved.

These considerations strongly suggest that a database prepared and updated by a government institution is likely to prove more reliable and to avoid some of the possible distortions mentioned above. Accordingly, many researchers (for example, Lee and

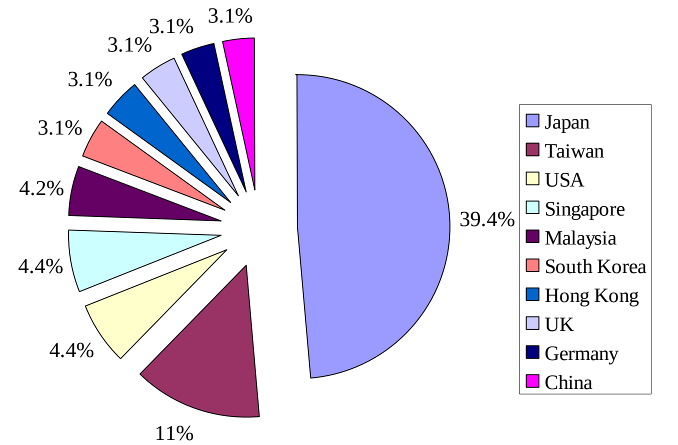
Beamish, 1995; Choi and Beamish, 2004; Marangozov, 2005) prefer instead to use an official government database in their IJV studies. This study follows their approach. The IJV database has been provided for this study by the Thailand Board of Investment (BOI), one of the foremost government institutions overseeing inward and outward FDI in Thailand.

That said, it needs to be added that governments too may choose to distort or be selective in their provision of sensitive data. The researcher needs to be conscious of this possibility and to consider whether any such motivation might be present. Nevertheless, selectivity and 'spin' are usually confined to popular presentation of policies, and it would be unusual and unwise for a government with a fairly free press to risk distorting actual raw information, not least because it needs to know itself what the real situation is. For this study, the researcher has confidence in the reliability of the information provided by official statistics of the government of Thailand, and the same is probably true of other governments of the ASEAN4 countries.

5.3 Results and Discussion

5.3.1 The Distribution of IJV Formation

Figure 5.1: Pie chart showing nationalities of foreign parent companies



Regarding the preliminary analysis of the characteristics of IJV formation, the data show that the overwhelming majority of IJVs are formed by firms from Japan (39.4%), while Taiwanese companies are the second most important (11%). IJVs formed by US and Singaporean firms represent approximately 4.4% each of the total IJVs, followed by IJVs shared with Malaysian companies (4.2%). Foreign corporations from South Korea, Hong Kong, the

UK, Germany and China all account for roughly 3.1% of the total number of IJVs. In addition, countries found in the database to be providing about 2% of the total of foreign firms are Australia, France, India and Switzerland. These are shown in Figure 5.1.

The data are re-classified by the nationality of foreign firms, grouping them into the six categories presented in Table 5.1: Japan; the NIEs (the first tier newly-industrialising economies of Taiwan, Singapore, Hong Kong, and South Korea); the European Union (EU); Asia Pacific; North America; and Others. This regional grouping is consistent with previous IJV studies, especially in the context of Southeast Asian countries (see, for example, Julian and O'Cass, 2002), since these researchers argue that the major sources of FDI inflows into this region come from foreign investors from the "Triad" countries (Japan, EU and USA), NIEs, and Asia Pacific, particularly the ASEAN countries themselves.

After re-classification, the data show that IJVs with NIEs parent companies are proportionately in second place (23%) after those with Japanese partners (39.4%). IJVs with EU firms amount to 15%; while IJVs formed with Asian and Pacific parent companies represent 12.4%. IJVs with a North American parent company contribute 5.6% of the total number.

Table 5.1: Number of IJVs by Nationality of the Foreign Parent Companies

Country of Origin	% of IJVs	Cumulative %
Japan	39.4	39.4
NIEs*	23.0	62.4
EU**	15.0	77.4
Asia-Pacific	12.4	89.8
North America	5.6	95.4
Others	4.6	100.0
Total	100.0	

NB: * Singapore, Taiwan, Hong Kong, and South Korea

** The EU plus Switzerland and Norway.

Source: BOI Database

This preliminary data analysis is consistent with the FDI literature discussed and presented earlier in Chapter 2. It shows that foreign investors, especially from Japan and the NIEs, are among the most important sources of FDI for the ASEAN4 countries, particularly Thailand. This is because they have been relocating their production to other developing countries, particularly in Southeast Asia, in order to reduce the negative effect on competitiveness of appreciation of their domestic currencies since the 1980s (OECD, 2004).

With the BOI industrial classification, the data in Table 5.2 indicates that manufacturing is the main sector of IJV formation, with more than 85% of the total. Within manufacturing, it can be seen that nearly a quarter (22.2%) of the total number of IJVs are in the metal products, machinery and transport equipment sector; followed by the light industry sector (19%); chemicals, paper and plastics sector (15.7%); agriculture and agricultural products sector (13.3%); and electronic industry and electrical appliance sector (12%). IJVs in the mining, ceramics and basic metals sector account for only 5.4% of the total.

Table 5.2: Number of IJVs by Industrial Sector

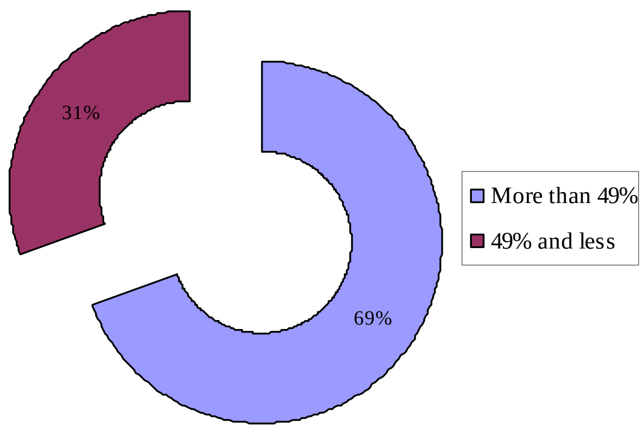
Industrial Sector	% of total IJVs	Cumulative %
Agriculture and Agricultural Products	13.3	13.3
Mining, Ceramics and Basic Metals	5.4	18.7
Light Industry	19.0	37.7
Metal Products, Machinery and Transport Equipment	22.2	59.9
Electronic Industry and Electrical Appliance	12.0	71.9
Chemicals, Paper and Plastics	15.7	87.6
Service and Public Utilities	12.4	100.0
Total	100.0	

Source: BOI Database

These figures can be explained by the development of the Thai economy during the last two decades in switching from agricultural to industrial production. It has recently been re-classified as a newly industrialised country (Bozyk, 2006).

The equity participation of Thai parent companies in IJV formation is presented in Figure 5.2. The data indicate that almost three quarters of Thai companies (1,104 IJVs=69%) are majority shareholders (holding more than 49%) in the IJVs, while only 31% of the total are minority shareholders (holding 49% of the equity or less). From these figures it can be inferred that Thai partner firms have been formally in a position to play an influential role in IJV formation.

Figure 5.2: Pie chart showing equity participation of the Thai parent company



Regarding the year when IJVs were established, the data show that the highest number of IJVs (8.1%) were formed in 1995, followed by 1988 (7.5%) and 1989 (7.3%) respectively. These statistics are shown in Figures 5.3 and 5.4. The data are re-classified by the decade for further analysis. It is apparent that almost half (47%) of IJVs were formed in the 1990s, followed by the 1980s (22%) and the 2000s (16%). These data correspond to a changing of the FDI strategy of the Thai government from an import substitution policy to an export promotion policy, as described in Chapter 2. Also, during the 1990s, the Thai economy grew dramatically, achieving the world's highest GDP growth rate (WTO, 1995; Siamwalla, 1997).

Figure 5.3: Bar chart showing the number of IJVs formed by year of establishment

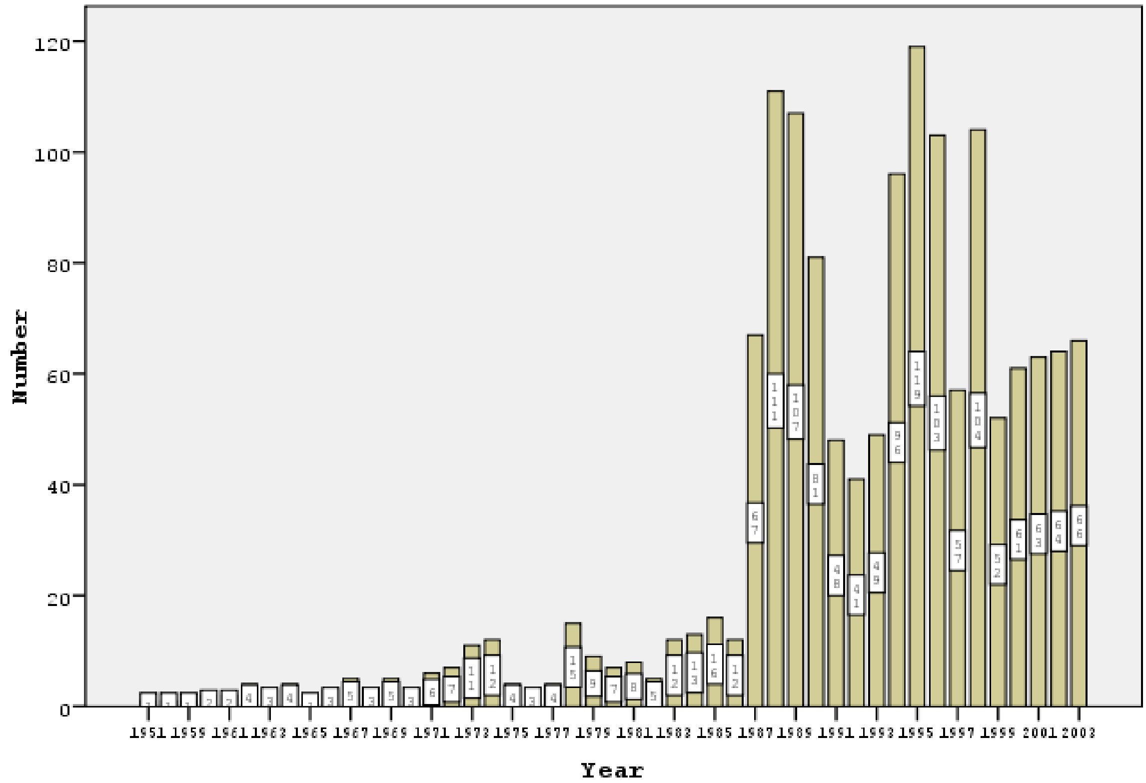
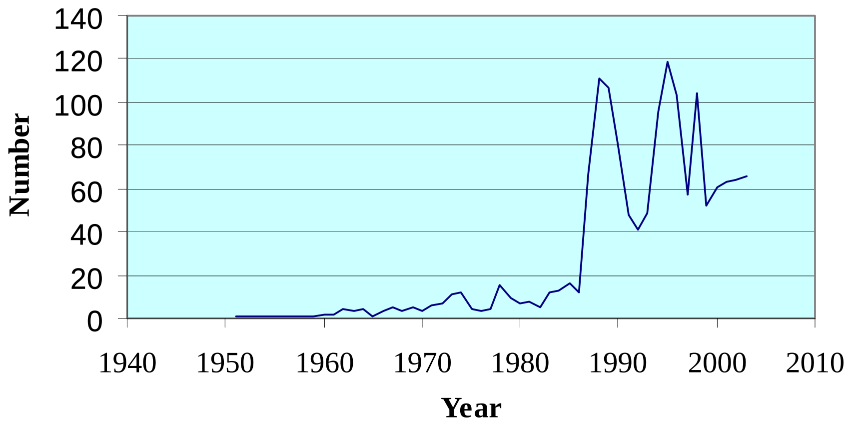


Figure 5.4: Graph showing the number of IJVs formed by year of establishment



5.3.2 Patterns of Activity, Distribution, and Trends of IJV Formation

5.3.2.1 Trends of IJV Formation in Thailand Over Time

IJV formation by foreign companies in Thailand by the decade is shown in Table 5.3.

Table 5.3: Decade and Nationality of Foreign Investors in IJV formation

Period	Japan	North America	EU**	Asia Pacific	NIEs*	Others	Total***	% of total
1960s	27	1	0	2	2	3	35	2.4%
1970s	31	5	12	11	5	10	74	5%
1980s	154	11	48	29	99	17	358	24.3%
1990s	309	53	117	82	161	28	750	51%
2000-2003	71	14	45	50	63	11	254	17.3%
Total***	592	84	222	174	330	69	1,471	100%
% of total	39.4%	5.6%	15%	12.4%	23%	4.6%	100%	

NB: * Singapore, Taiwan, Hong Kong, and South Korea

** The EU plus Switzerland and Norway

*** 126 data are missing

Source: BOI Database

From Table 5.3 it is possible to identify four periods of IJV formation in Thailand which exhibit distinctly different trends.

First, before the 1980s, the total number of IJVs formed increased moderately, from 35 IJVs in the 1960s to 74 IJVs in the 1970s. During this period, an average of 5 IJVs were formed per year. About 7% of the total number of IJVs formed, this represents a small percentage of the total.

Second, during the 1980s, IJV formation increased markedly, with 358 IJVs being formed. The growth rate of IJV formation in this decade increased more than threefold over the previous 2 decades, and the average number of IJVs being formed was roughly 35 IJVs a year. However, IJV formation in this period was still relatively moderate, representing approximately 24% of the total number of IJVs established. Moreover, data from Figures 5.3 and 5.4 indicate that the greater part of the increase in IJV formation in the 1980s occurred during the latter half of the decade.

This finding corresponds with the trends of IJV formation in the world in general, revealed by previous empirical studies (for example, Anderson, 1990; Blodgett, 1992; Gomes-Casseres, 1989; Geringer and Herbert, 1991; and Koot, 1988), which observe that more IJVs were formed and other collaborative ventures announced in the 1980s than in all the previous years combined. Dunning (1993) argues that the increase in the number of IJVs formed after the 1970s results from drastic change in the global business environment. Cost reduction pressure, slow home market growth, and rapid technology innovation compelled firms to seek new markets for their products. In response to these challenges, firms were obliged to re-formulate their business strategy and to make a number of strategic changes which included a collaborative strategy through the medium of IJVs in order to gain market power vis-à-vis their existing and/or potential competitors (Kogut, 1988; Harrigan, 1985, 1988).

The evidence also shows that the outstanding increase in total IJV formation in Thailand during the 1980s (compared to previous periods) arose from IJVs being formed by Japanese companies, followed by NIEs and EU firms respectively. The number of IJVs formed by Japanese companies increased from 58 to 154; while those with NIEs firms soared from only 7 to 99. The number of IJVs formed by EU firms rose from 12 to 48.

Relocating production bases abroad in order to escape the appreciation of their home currencies is the reason most often cited for the increase in FDI and IJV formation in Thailand and other ASEAN4 countries by Japanese and NIEs companies since the 1980s (Tran Van Tho, 1991a; OECD, 2004). The OECD report of 2004 explained this phenomenon by suggesting that Japanese and NIEs companies were motivated by the need to find less expensive production facilities than were available at home. Labour costs there were rising, and this was being made worse because their home currencies were appreciating as their countries industrialised. The report suggested that they were primarily motivated by a desire to reduce production costs, and also to minimise search costs by finding production locations in their own part of the world (OECD, 2004).

Another reason quoted for this expansion of Japanese FDI and IJV formation in Thailand is Japanese investors' wish to break into selling into local markets. Expansion of sales was the dominant objective. (Toyo Keizai, 1989, 1993). Cultural and geographical proximity may explain the choice of Thailand.

The desire to benefit from Thai government policies and protectionism was the next most important reason cited for Japanese investors investing in Thailand during the 1970s and 1980s. These objectives were reflected in the import-substitution orientation of Japanese investment in Thailand at this time. This is highlighted by other studies such as Tambunlertchai (1977) and Yosihara (1978). The import substitution orientation was also evident in Japanese affiliates in Thailand selling the greater part of their products in the local (Thai) market (Japanese Chamber of Commerce, 1994).

Regarding the increasing trend towards IJV formation, a number of researchers (see, for example, Wright and Russel, 1975; Higginbottom, 1980; Tran Van Tho, 1991b; Beamish, 1985, 1993; Julian, 2001) claim that developing host countries were determined to surrender as little control as possible to foreign firms, while at the same time maximising skills acquisition. In order to achieve this objective, they were increasingly resorting to IJVs, and these were the only form of foreign investment permitted in certain industries. Developing host countries were increasingly insisting upon local capital participation in foreign corporate ventures. As was described in Chapter 2, during this period there was considerable political intervention and protectionism by the governments of host countries of the ASEAN 4. High tariff walls protected strategic sectors from foreign competition. In some sectors all foreign investment was banned, and in most others it was severely restricted. In order to protect the developing domestic economy, foreign investors were allowed to hold only a minority share in companies, were compelled to accept more technology transfer than they might have wished, and might be required to divest after a set period of time. Although, the switch to export promotion policies began during the late 1980s and the 1990s in some ASEAN4 countries, domestic market protection against over-ambitious FDI remained in most of the ASEAN4 countries (Tran Van Tho, 1991a; Thomsen, 1999; OECD, 2004). IJVs thus proliferated for the reason that they were one of the few ways for foreign corporations to satisfy the host country governments' requirements for local participation in ownership and management of enterprises within their borders. This is seen as one of the most important reasons for the growth in IJV formation in Thailand and other developing countries, especially the ASEAN4, during the 1980s.

Third, during the 1990s the number of IJVs formed was at its height, with 750 IJVs appearing in this decade. This is more than 50% of the total number of IJVs formed between 1951 and 2003. In other words, the peak period for IJV formation in Thailand was during the 1990s. The average number of IJVs being formed in this decade was about 75 IJVs a year. This finding is consistent with previous studies. The OECD's 2004 report indicates that the 1990s saw an FDI boom in the ASEAN4 countries. Collectively, this region was among the world's largest recipients of FDI, and foreign investors were the driving force behind its export-led development.

The main reasons for the accelerated trend of IJV formation during the 1990s in Thailand may be partly due to the following considerations. Firstly, there had been a rapid rate of technological change (Datta, 1988). In industries characterised by technological sophistication and rapid technological change, only the very largest firms can independently carry the risks of accelerating R&D costs. Making matters more difficult is the fact that shrinking product life cycles leave them less time in which to recover these costs. Accordingly, firms, especially those not the market leaders in their industry, may decide to cooperate in order to reduce the risks involved. Secondly, foreign firms had begun to recognise that local firms could make a significant contribution to a venture through their intimate knowledge of what was often a complex and unfamiliar local business environment. Thirdly, there was a growing awareness among firms in developed countries that the continuing globalisation of their markets required them to be more cost effective and efficient if they were to succeed in the global marketplace. This, in turn, might require that operations be set up in other countries which could provide cheaper raw materials and/or lower processing costs.

Harrigan (1986, 2003) further argues that the rapid growing of IJV formation after the 1980s results mainly from an increased move towards strategies of globalisation. Firms have made IJV formation part of their drive to develop global strategies. Increasingly, she suggests, IJVs are established as part of a network of business units to enable firms to compete on a global scale.

The data in Figures 5.3 and 5.4 reveal that the main growth in IJV formation in the 1990s occurred during the second half of the decade, after a sharp decline in the early 1990s. These figures correspond closely to the bursting of the economic bubble in Japan at that time. The decline reversed in the mid-1990s after the Japanese economy recovered, and 1995 was the peak year for IJV formation in Thailand with 119 IJVs.

Again, during this period, the number of Thai-Japanese IJVs (309 IJVs, 41.2%) was greatest, followed by IJVs formed by NIEs (161 IJVs, 21.5%), and the EU (117 IJVs, 15.6%) respectively. There was, however, also a remarkable increase in Thai-North American IJVs and Thai-Asian Pacific IJVs during this decade. In the case of Thai-North American IJVs, while on average only 1 was formed each year in the 1980s, this number rose to 5 IJVs in the 1990s, a total over the decade of 53 (7.1%). As regards Thai-Asian Pacific IJVs, on average 3 were formed each year in the 1980s, and this average number rose to 8 IJVs a year in the 1990s, a total over the decade of 82 (10.1%).

One of the main reasons for the boom in FDI and IJV formation in Thailand and other ASEAN4 countries during the 1990s was the expansion of sales of Japanese and NIEs investors to third markets, using these ASEAN4 countries as low-cost offshore production platforms. In addition, as mentioned in Chapter 2, a major export push by the host ASEAN4 countries, especially Thailand, was comprehensively implemented during this period.

Another major reason why IJV formation peaked in Thailand during this period may be the rapid growth of the Thai economy, because during the 1990s Thailand was one of the world’s fastest-growing economies with annual average growth of around 9% (Siamwalla, 1997). Accordingly, Thailand was likely to offer significant business opportunities to foreign firms as its purchasing power increased. Firms wishing to penetrate the Thai market might well decide to form IJVs with Thai companies in order to realise their global market expansion strategies, and their Thai partners might be able to provide essential know-how or established local distribution channels with which to market their products.

In short, during this period, the relaxation of host government restrictions, the switch from import substitution to export promotion of the Thai government, including FDI liberalisation, and the rapid expansion of sales by foreign firms to third markets and local market, and the rapid growth of the Thai economy all combined to produce dramatic FDI inflows and increased IJV formation in Thailand, and other ASEAN4 countries, in the 1990s.

Fourth, during the period 2000-2003, 254 IJVs were formed, representing approximately 17% of the total number of IJVs formed between 1951 and 2003. On average 63 IJVs were formed per year during this period. If this trend should continue until the end of the present decade, the 2000s will be the second highest period of IJV formation in Thailand. At the same time, to date during this decade, a considerable decline of Thai-Japanese IJV formation can be observed. If, on average, 30 Thai-Japanese IJVs were formed each year during the 1990s, during this latest four-year period the number decreased to 17 IJVs per year.

This trend corresponds to the findings of Sazanami *et al.* (2004) who note that, after the Asian financial crisis of 1997, Japanese FDI to countries in ASEAN and East Asia declined sharply, falling from US$ 11.2 billion in 1997 to US$ 6.0 billion in 1998. Japanese FDI outflows to ASEAN and East Asian countries remained stagnant in 1999 and 2000, since the currencies of these Asian countries appreciated against the yen, reflecting depreciation of the yen against the US dollar after the crisis.

During the four years 2000-2003, against this trend of decreased Japanese IJV formation in Thailand, there was a substantial increase in the number of IJVs being formed by Asian Pacific, and especially ASEAN and Chinese, companies. On average 8 IJVs were formed per year during the 1990s. This number increased to 12 a year during 2000-2003, a 50% increase. During this period, the ASEAN countries embarked on progressive economic co-operation among themselves and they aim to create a single market by 2015. (ASEAN,

2005) This closer collaboration may boost intra-regional FDI, especially in the form of IJVs. There has also been a considerable increase in the FDI inflows to Thailand from China during this period as a result of the rapid growth of the Chinese economy. It is likely that a number of Chinese firms may wish to diversify their businesses overseas, and may choose IJVs as their mode of strategic alliance for collaborating with Thai companies in fulfulling their strategy for overseas market expansion.

Trends of IJV formation by companies from other countries did not vary greatly in comparison with the earlier period. Overall, there was a modest increase in IJV formation in Thailand in the early 2000s, after a marked slump at the end of the 1990s which resulted mainly from a decline in Japanese FDI.

Last but not least, regarding the nationality of foreign investors in this study, the results of this study's analysis reveal that firms from Japan and NIE countries are the principal foreign partners for IJV formation in Thailand. Although, OECD (2004) report suggests that Asian investors from Japan and the NIEs may be primarily motivated by rising labour costs, appreciating domestic currencies, and a desire to minimise search costs, it seems likely that cultural proximity is an important factor in the FDI boom, especially in respect of IJVs in Thailand formed by investors from Japan and the NIE countries.

The fact of the matter is that, in every period of this study – before the 1980s, during the 1980s, during the 1990s, and the 2000s, IJV formation in Thailand has been dominated by investors from Japan and the NIEs. Interpreting this fact, Pornnavalai (1997) argues that the characteristics of FDI in Thailand by Japanese investors are quite unique. Compared with other foreign investors, Japanese firms tend to look for a "compatible interface" with their partners, both in terms of tangible assets like capital and technology, but also of intangible assets like tacit knowledge, shared values and culture, and the Thai partners seem to interact with Japanese investors very well due to the similarity of culture. He suggests the pattern of Japanese FDI in Thailand reflects the following preferences: a) Japanese firms believe in life-time employment and wholehearted commitment of employees to their company; b) Japanese companies tend to favour the IJV mode over, for example, sale of patents because they favour the kind of transaction which involves a longlasting relationship of trust rather than one-off deals or foreign-type opportunistic transactions; c) Japanese investors prefer long-term collaboration with their partners rather than opportunistic alliances (Pornnavalai, 1997: 354). It is likely that this consideration is of no less importance than the primarily financial factors and motivations of IJV formation.

On this issue, a study by Lee and Beamish (1995) indicates that Korean general managers of IJVs appear to perform more satisfactorily in less developed countries than Western IJV managers. They suggest that Korean firms which invested in less developed countries, especially in those of Southeast Asia, found the cultural environment familiar. Traditions and patterns of behaviour were not dissimilar from those of Korea, which they knew and understood. Korean firms entering markets in less developed countries seem also not to be faced with as large a gap in their understanding of the economic situation as Westerners. They appear to be less hesitant about entering such markets because they perceive less risk than other foreign investors. The explanation is probably at least in part because many Korean managers find socio-economic conditions in the less developed countries of Southeast Asia much like those they faced in earlier years in Korea. This may explain the greater willingness of Japanese and NIEs investors to invest directly in Thailand and other ASEAN countries.

5.3.2.2 IJV Formation by Industry

The number of IJVs formed over time, classified by industrial sector, is shown in Table 5.4. The major industries involved in IJV formation in Thailand, representing more than 50% of the total, were the metal products, machinery and transportation equipment sector; the light industry sector; and the chemicals, paper and plastics sector. Accordingly, the increase in FDI in Thailand through the growth of IJV formation in these sectors is likely to have been a contributing factor to the FDI boom, especially during the 1980s and 1990s. The agriculture and agricultural products sector was the next largest beneficiary from IJV formation, with a 13.6% share of the total of IJVs, followed by the service and public utilities sector; the electronic and electrical appliance sector; and the mining, ceramics and basis metals sector respectively. These results in respect of distribution by industry may reflect the impact of the FDI policy and economic development strategy of the Thai government as discussed in Chapter 2. The foremost industrial sectors above are strategic sectors which the Thai government targeted for aggressive promotion. (BOI, 2005)

Table 5.4: IJV Formation by Industry, 1951-2003

Period	Agriculture and Agricultural Products	Mining, Ceramics and Basis Metals	Light Industry	Metal Products, Machinery and Transport Equipment	Electronic Industry and Electrical Appliance	Chemicals, Paper and Plastics	Service and Public Utilities	Total***
1960s	4	3	6	8	3	4	7	35
1970s	9	6	12	19	4	12	12	74
1980s	57	22	98	45	44	48	44	358
1990s	91	43	123	188	81	133	91	750
2000-2003	39	6	39	64	41	33	32	254
Total***	200	80	278	324	173	230	186	1,471
% of total	13.6%	5.4%	18.9%	22%	11.8%	15.6%	12.6%	100%

NB: *** 126 data are missing

Source: BOI Database

Prior to the 1980s, the metal products, machinery and transport equipment sector was the largest beneficiary from IJV formation in Thailand, followed by the service and public utilities sector; and the light industry sector. However, during the 1980s, the metal products, machinery and transport equipment sector was the fourth largest beneficiary from IJV formation in Thailand, behind the light industry sector; the agriculture and agricultural products sector; and the chemicals, paper and plastics sector.

In the 1990s, the metal products, machinery and transportation equipment sector, which greatly increased its share, was the major sector for IJV formation, followed by the light industry sector; and the chemicals, paper and plastics sector. Behind these industries came the agriculture and agricultural products sector; the service and public utilities sector; the electronic industry and electrical appliance sector; and the mining, ceramics and basis metals sector.

During 2000-2003, a similar trend continued, with the metal products, machinery and transportation equipment sector the largest beneficiary from IJV formation. However, during this four-year period, the electronic industry and electrical appliance sector was the second-largest recipient of IJV formation, followed by the light industry sector; the agriculture and agricultural products sector; and the chemicals, paper and plastics sector.

Overall, the findings on IJV formation by industry in this study correlate with the trends of FDI in Thailand identified in the literature in Chapter 2. Manufacturing is the most important source of FDI inflows into Thailand and other ASEAN4 countries (OECD, 2004). A report of BOI (2005) indicates that the number of projects in metal products, machinery and transport equipment approved by the BOI has increased considerably since the late 1980s, due to the expansion of investment in the automotive and related industries. A large number of foreign automotive manufacturers, especially from Japan, selected Thailand as their main offshore production site in the Asia Pacific region (Gossack, 2004). Also, the Thai government has applied a number of policies and incentives to support and develop this industry. For instance, according to a report of WTO (1999), productive capacity in the automotive sector has increased considerably in Thailand as new joint ventures with foreign MNEs have begun to supply domestic and export markets. Among the investment incentives selectively provided for this sector by the Thai government are local content provision concessions, import and excise duty concessions, and corporate tax exemptions. The aim has been to maintain Thailand’s position as a premier automotive manufacturing hub in Asia. (WTO, 1999)

Table 5.5 illustrates IJV formation by industrial sector and country of origin of the foreign parent company. It can be seen that the dominant industry recipients of IJV formation in Thailand by Japanese investors were the metal products, machinery and transport equipment sector; the chemicals, paper and plastics sector; and the electronic and electrical appliance sector respectively. Tambunlertchai (1991) and Brimble (1999) argue that Japanese direct investment in Thailand has spread out to various industrial sectors over time. During the 1960s and up until the first half of the 1980s, Japanese FDI was concentrated in light industry, especially in consumer goods. After the mid-1980s,

Table 5.5: Industry Classification of IJV Formation by Foreign Investor

Sector	Japan	North America	EU**	Asia Pacific	NIEs*	Others	Total	% of total
Agriculture and Agricultural Products	61	15	28	57	46	6	213	13.3%
Mining, Ceramics and Basis Metals	35	1	14	11	20	6	87	5.4%
Light Industry	68	22	57	31	108	17	303	19%
Metal Products, Machinery and Transport Equipment	233	7	35	25	51	4	355	22.2%
Electronic Industry and Electrical Appliance	69	14	25	20	53	9	190	12%
Chemicals, Paper and Plastics	104	18	38	33	49	8	250	15.7%
Service and Public Utilities	59	14	42	21	40	23	199	12.4%
Total	629	91	239	198	367	73	1,597	100%
% of total	39.4%	5.7%	15%	12.4%	23%	4.6%	100%	

NB: * Singapore, Taiwan, Hong Kong, and South Korea

** The EU plus Switzerland and Norway

Source: BOI Database

Japanese firms invested in a wider range of industries, particularly capital goods, intermediate goods and parts.

The light industry sector was the leading sector for IJVs formed by the NIEs, North American, and EU firms, while a majority of Asian Pacific firms formed their IJVs in the agriculture and agricultural products sector. This result is consistent with the overall trend of FDI in Thailand as well. A report of BOI (2005) indicates that light industry is one of the major sectors attracting FDI inflows from a variety of overseas investors, while the agriculture and agricultural products sector, and especially the food processing industry, received extensive FDI inflows from Asian investors.

5.3.2.3 Equity Participation in IJV Formation

Equity participation in IJV formation by Thai companies across the decade is shown in Table 5.6. Prior to the 1980s, the main type of equity participation of the Thai parent company was as a majority shareholder with more than 49%. This was true of some three quarters of all IJVs. This trend continued: in the 1980s, 70% of all IJVs were formed with Thai firms as the majority shareholder. In the 1990s and also 2000-2003 the same applied to 68% of all IJVs. In other words, foreign parent companies were minority equity holders in most IJVs formed in Thailand between 1951 and 2003. This evidence suggests that Thai firms may in fact have been dominant partners in IJVs.

Table 5.6: Equity Participation of Thai Company in IJV Formation

Period	More than 49%	49% and less	Total
1960s	20	15	35
1970s	61	11	72
1980s	252	106	358
1990s	512	236	748
2000-2003	172	81	253
Total*	1,017	449	1,466

NB: 131 data are missing

Source: BOI Database

These results are consistent with those found in the IJV literature. For instance, Higginbottom (1980) found that of 340 Japanese firms in IJV relationships in Thailand a very high percentage had minority equity participation. Host governments, especially in developing countries like Thailand and other ASEAN4 countries, have tended to limit foreign companies to minority equity participation in IJVs. The Thai government's Alien Business Law came into effect in 1972 (Baker and McKenzie, 1993) and prohibited majority equity participation by foreign firms in many industries. Given that more than 80% of the IJVs in this study were formed after the 1970s, the likely cause of the high proportion of foreign firms with minority equity participation is host country government legislation.

A slight declining trend in minority equity participation of foreign firms in IJVs after the late 1990s may result from the fact that the foreign equity restriction in respect of IJV formation is no longer imposed, since the Alien Business Law was replaced by the more liberal Foreign Business Act in 1999.

5.3.3 Thailand as a Host Country

This section explores factors motivating foreign MNEs to choose Thailand as a host country for FDI in the form of IJV formation. The rank of mean scores of the importance of host country location factors is shown in Table 5.7. The median value of the five-point Likert scales is 3. All location factors exceed this median value, except for the factor of access to local capital (2.95).

Analysis reveals that the most important factors affecting foreign firms' location choice are future market expectations in the region (4.18), lower labour costs (3.91), and favourable infrastructure (3.84). The data indicate that other major factors influencing MNEs'decision to select Thailand as host country include market size (3.67), skilled labour (3.66), political and economic stability (3.66), assistance and incentives of the Thai government (3.64), cheap raw materials (3.64), and liberal foreign exchange control and the possibility of remitting profits (3.64). Below these factors come the favourable geographical location of Thailand (3.61), the existence of strategic Thai partners (3.59), Thai society and culture (3.55), matching competitors' strategies in this country (3.35), and a means to overcome trade barriers (3.23).

With regard to the leading host country location factor of this study, future market expectations in the region: this result evidently demonstrates that MNEs have a high degree of confidence in ASEAN countries as markets with good future prospects because the ASEAN economies have grown dramatically since the 1980s (OECD, 2004). This result is consistent with the findings in the literature on host country location factors for general FDI, which indicates that many MNEs use Thailand as their main offshore production location as well as a centre for distributing their products to other countries in the region because of Thailand's geographical advantages. For example, in the automotive industry a large number of major foreign automotive companies select Thailand as their main offshore production site in ASEAN as well as their exporting platform to facilitate and increase their sales in other foreign markets. Because of this, Thailand has become known as "the Detroit of Asia" (Gossack, 2004).

Table 5.7 Ranking of the Importance of Host Country Location Factors by Mean Scores

Host Country Location Factor	Rank	Mean	SD
Future market expectations in the region	1	4.18	0.72
Lower labour cost	2	3.91	0.95
Favourable infrastructure	3	3.84	0.73
Market size	4	3.67	0.83
Availability of Thai skilled labour	5	3.66	0.78
Political and economic stability	5	3.66	0.78
Thai government incentives and assistance	7	3.64	0.97
Cheap raw materials	7	3.64	0.96
Liberal foreign exchange control and possibility of remitting profits	7	3.64	0.78
Favourable geographical location and distance	10	3.61	0.84
Existence of suitable Thai partner	11	3.59	0.96
Thai society and culture	12	3.55	0.76
Matching competitors' strategies	13	3.35	0.97
Overcoming entry barriers	14	3.23	0.94
Access to local capital	15	2.95	0.98

NB: 1. N = 88; data in this table are drawn from Variable 14.

2. The Mean is the average rating on a scale where 1= 'not important at all' to 5= 'very important'

3. SD=Standard Deviation

The literature also indicates that countries adjacent to Thailand, especially the countries of Indochina, perform very well in terms of economic growth and FDI inflows. For instance, in 2006 the Lao People's Democratic Republic witnessed a sixfold growth of FDI inflows, while inflows to Cambodia are also rising. In Vietnam FDI soared by 15% to reach US$ 2.3 billion (UNCTAD, 2007). These phenomena may also be important factors in the decision by MNEs' to choose Thailand as the host country for their initial investment platform, offshore production hub, or head office in the region. They may be attracted by the availability of relatively good infrastructure and the geographical advantages of Thailand as a portal to entering or expanding their investments in other countries of the region. This appears to accord with the findings of previous studies of the location factors affecting general FDI in Thailand. According to the Economic and Social Commission for Asia and the Pacific (1995), after a survey extending over many years of Japanese investors in Thailand by Toyo Keizai, a Japanese publishing company, it was found that the desire to increase sales of Japanese investors in third markets (i.e. non-local, non-Japanese) was one of the most common motives for FDI in Thailand.

Regarding the second and third most important factors in this study, lower labour cost and good infrastructure, Buurman and Rietveld (1999) also find from their studies that infrastructure, especially roads and ports in Thailand, have a positive impact on MNEs' choice of location for FDI, and labour cost also appears to be a very important location factor for Thailand.

As regards other important factors (e.g., market size, availability of Thai skilled labour, political and economic stability), the results of this study are also consistent with those from the FDI literature. A study by Michener and Ramstetter (1990) which surveyed the FDI motives of Japanese firms operating in Thailand revealed that Japanese MNEs prioritised access to favourable production resources, access to the market, and the economic characteristics of Thailand as motives for FDI. This also corresponds to a report by the Japanese Bank for International Cooperation (JBIC) which found that Thailand was a very attractive country for Japanese manufacturing firms, and was one of the five most attractive countries for Japanese outward FDI, especially manufacturing, due to its low labour cost, good market potential, and political and social stability (Brimble and Urata, 2006).

Julian (2001) reported similar results from his study of the motives for FDI in Thailand. Top location motives for choosing Thailand included interest in access to the Thai market, size and growth of this market. These are consistent with the results of the 1993 survey of Toyo Keizai, which indicated that Thailand could attract FDI inflows from Japanese firms whose main objective was expansion of sales in such a local market. According to this survey, Japanese affiliates distributed their products mostly in Thailand and a majority of respondents confirmed that their major market was the local (Thai) market (Japanese Chamber of Commerce, 1978, 1981, 1984, 1990, 1994; Economic and Social Commission for Asia and the Pacific, 1995). Responding to this notion, Runckel (2005) noted that, in the automotive and related sector, Thailand is currently the world's second largest pick-up truck market, after the U.S. It is also ASEAN's largest automotive market and producer. This is one of the most important reasons for the boom in FDI inflows to this sector in Thailand.

It is interesting to observe that the present study is consistent, despite the decades which have passed, with a 1986 survey of 105 U.S. firms undertaken by Industrial Market Research Services, also cited by Pornnavalai (1997). This found that Thailand attracted foreign investors mainly because they wanted to expand their business activities, as well as having confidence in Thailand's economic and political stability and appreciating its investment incentives. These manufacturers also referred to labour quality as an investment incentive, plus other positive factors such as the stabilising effect of the monarchy, the generally positive attitude of the Thai government, and the flair of the private sector (Industrial Market Research Services, 1986).

The findings of this study, especially regarding the main host country location factors, like future market expectations in the region and market size, seem to indicate the "market-seeking FDI" identified by Dunning (1996, 1998). Market size is clearly of great importance here, and Indro and Richards (2007) cite the World Bank statistical report on the growth rate of 200 countries in the 1990s which shows the ASEAN4 among the top 15.

This points towards an "increasing standard of living that potentially gives these countries' citizens greater purchasing power" (Indro and Richards, 2007: 178), suggesting the ASEAN4 are likely to offer significant business opportunities due to their increasing market size. This view is supported by the UNCTAD report (2006), which notes that the importance of this region in the world economy and its high growth rate has made it more attractive to "market-seeking FDI" (UNCTAD, 2006: 50).

The 1980s and 1990s saw a marked movement towards the globalisation of economic activity, which was made possible by, among other things, advances in transport and communications technologies, and a world-wide trend towards the reduction of trade barriers and investment barriers (UNCTAD, 1998). This has led to more aggressive "market-seeking FDI" by firms, especially foreign MNEs, and has also promoted an international division of labour. It has encouraged firms engaged in related activities to come together in particular regions so that each would benefit from the presence of the others and from having access to local support facilities, shared service centres, distribution networks, and so forth (Maskell, 1996; Rees and McLean, 1997, cited in Dunning, 1998; Buckley and Ghauri, 2004).

This has been reflected in the current FDI situation in Thailand, most notably in the automotive and related support industries. These are sectors which foreign MNEs, and in particular Japanese investors, choose to invest in in Thailand in order to penetrate both the Thai and third markets. The report of the Japanese Bank for International Cooperation (JBIC, cited by Brimble and Urata, 2006), mentions that Thailand has been selected by Japan as its main offshore automotive production hub in Asia because of its good market potential, the availability of local skilled labour and related supporting local firms relevant to the automotive industry, and the provision of local support facilities and infrastructure by the Thai government. These positive location factors have led other major automotive manufacturers, both from the USA and the EU, to invest in Thailand in this sector. The result is that it is now one of the most competitive manufacturing sectors in Thailand. (Gossack, 2004)

The results of this study seem to confirm, not only “market-seeking FDI”, but also the “efficiency-seeking FDI”, “resource-seeking FDI”, and “strategic asset seeking FDI” identified by Dunning (1998). In “efficiency-seeking FDI” and “resource-seeking FDI”, investing firms focus mainly on the production costs like labour, materials, and machinery of their foreign operations, as well as on the investment incentives offered by host country governments. This study identifies examples of this approach. For example, location factors pointing to this type of FDI include “lower labour costs”, “Thai government incentives and assistance”, and “cheap raw materials”. The mean scores of these factors are considered high to moderate, ranging from 3.91 down to 3.64. These factors are cited elsewhere in the FDI literature (see, for example, Japanese Chamber of Commerce, 1990; 1994) as important determinants of FDI in Thailand and other ASEAN4 countries.

Evidence of what Dunning describes as “strategic asset-seeking FDI” seems to be only indirectly and partially evident in Thailand from the results of this study. This type of FDI focuses on the availability of knowledge-related assets and markets necessary to protect or enhance internal capabilities of investing firms at the right price. According to this paradigm, assets of foreign firms will be secured by new plants and acquisitions or IJVs, to create synergies with their existing assets through common ownership. For example, R&D performed in host countries rather than the home country will be the key location advantage leading to FDI. To the extent that assets acquired in a host country are linked to a local innovation system, MNEs may enjoy access to at least some spillovers from it. Conversely, the local innovation system may benefit from its association with foreign MNEs.

In respect of this kind of FDI, it can be seen that the automotive sector in Thailand again shows most evidence of this paradigm. As already mentioned, Japanese investors, especially in the automotive industry, regard Thailand as a strategic location for their main offshore production platform in Asia. The evidence is also there in that a number of major Japanese automotive manufacturers, like Toyota and Honda, have established their Asia Pacific regional R&D centres in Thailand in order to develop value-added activities and enhance their competitiveness (Gossack, 2004). This type of foreign investment and strategic development by overseas firms, particularly Japanese MNEs, in Thailand corresponds to Dunning's concept of "strategic asset-seeking FDI", undertaken in order to develop knowledge-related asssets and markets for enhancing "firm-specific advantages[4]". Scott (1996) also argues that there is a growing concentration and specialisation of MNEs' activities within particular regions and countries, which corresponds with this kind of FDI.

Dunning (1998) also asserts that in the previous two decades three major developments in the global economy had impinged on both the capabilities and strategies of MNEs and the location attractiveness of particular countries to overseas investors. Firstly there was the growing significance of firm-specific knowledge assets in the wealth-creating process, and the kind of customised assets, like skilled labour and public infrastructure, which needed to be jointly used if they were to be made the best possible use of. Secondly, there was the reduction of many natural and artificial barriers to trade; and thirdly, there was the growing need and ease with which firms could coordinate their cross-border activities and form strategic alliances with foreign firms. Some of these factors had led firms to own and concentrate particular types of value-added activities within a limited number of locations. This is close to describing the "strategic asset-seeking FDI" of foreign MNEs in Thailand, especially in the automotive and related supporting sectors.

In brief, the results of this study reveal that future market expectations in the region, lower labour cost, and favourable infrastructure are the most important factors influencing foreign MNEs choice of Thailand as a host country for FDI through the medium of IJV formation. Other important factors include market size, skilled labour, political and

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[4]According to Dunning (1973; 1988), the multinational enterprise must have some advantages over its competitors if it wants to be profitable abroad. Advantages must be particular to the firm and readily transferable between countries and within the firm. These advantages are called ownership or core competencies or firm specific advantages (FSAs). The firm has a monopoly over its firm specific advantages and can utilise them abroad, resulting in a higher marginal return or lower marginal cost than its competitors, and thus in more profit. There exist three basic types of ownership advantages (or Firm Specific Advantages) a multinational enterprise can possess. There are: (a) monopolistic advantages enjoyed by the multinational enterprise in the form of privileged access to output and input markets through ownership of scarce natural resources, patent rights, and the like; (b) technology, knowledge broadly defined so as to contain all forms of innovation activities; (c) economies of size, such as economies of learning, economies of scale and scope, broader access to financial capital throughout the multinational enterprise organisation, and advantages from international diversification of assets and risks.

economic stability, and so forth. In general, these findings correspond to general FDI factors identified in the literature especially in Thailand and other ASEAN4 countries.

5.4 Summary and Concluding Remarks

The objective of this chapter is to present an original analysis and overview of IJV structural characteristics and trends in Thailand over more than half a century, from 1951 to 2003. This addresses the first of the four research questions presented in Chapter 4: what are the characteristics of the distribution, patterns and trends of IJV activity in Thailand? With cooperation from the Thailand Board of Investment (BOI), a database of IJVs formed between Thai and foreign firms in Thailand was made available and has provided a hitherto unobtainable foundation for this study.

The present study has empirically revealed new and original knowledge of the trends of IJV formation in Thailand, one of the most prominent countries in the ASEAN4. The major findings indicate that four periods of IJV formation, which exhibit distinctly different trends, can be identified. First, before the 1980s, the rate of IJV formation increased moderately. Second, during the 1980s, IJV formation increased markedly. The rate of IJV formation showed outstanding, more than threefold, growth over the whole of the previous 20-year period. Third, the 1990s were the peak period for IJV formation, compared to other periods. Almost half the total number of IJVs formed during the period from 1951 to 2003 were formed in the 1990s. Fourth, during 2000-2003, more than ten percent of the total number of IJVs were formed. This period is likely to be the second peak period of IJV formation in Thailand, if the present rate of increase continues until the end of this decade.

One of the main explanations of the dramatic growth of IJV formation in Thailand and other developing countries is undoubtedly foreign corporations' need to satisfy host country governments' regulations mandating local participation in the ownership and management of enterprises within their borders. There are few other ways this can be achieved. This is consistent with the explanation and discussion of the overall FDI situation in Thailand and other ASEAN4 countries presented in Chapter 2, since these countries continue the dual FDI policies of domestic protectionism and export promotion.

Restrictions in some strategic sectors of the national economy meant that foreign investment was completely banned, and in most sectors there were severe restrictions. Foreign investors were also allowed only a minority shareholding in companies (including IJV firms). IJVs accordingly became widely used because they were one of the few ways foreign corporations could satisfy the host country governments' requirements for local participation in ownership and management of enterprises and still carry on business profitable to themselves.

The drastic changes in the global business environment have also been mentioned as an important stimulus for the increasing formation of IJVs in developing countries. The pressure to reduce costs, the problem of slow growth in their home markets, and rapid technology innovation all compelled foreign MNEs to seek new markets and innovative approaches to production of their products. Faced with these challenges, they had to re-formulate their business strategy and change their practices in a number of ways, including collaborating with firms in other countries through the medium of IJVs, in order to strengthen their market position against existing or potential competitors.

Another important factor contributing to the rapid increase in IJV formation in Thailand may have been the dramatic growth of the Thai economy, one of the world's fastest growing economies in the 1980s and 1990s. This no doubt attracted foreign firms, who saw worthwhile business opportunities as the purchasing power of consumers in Thailand increased. Foreign firms wishing to penetrate the Thai market saw the formation of IJVs with Thai companies as a means of fulfilling their global market expansion ambitions. Their Thai partners could contribute knowledge or established local distribution channels through which to market their products. These might otherwise have been difficult to acquire.

In brief, it is suggested that the boom of FDI in the form of IJV formation in Thailand results mainly from government restrictions on foreign investment, the switch in emphasis from import substitution to export promotion by the Thai government, which included FDI liberalisation, a rapid expansion of foreign firms' sales to the Thai and third markets, and the rapid growth of the Thai economy. In combination, these are believed to account for the dramatic rates of FDI inflow and IJV formation in Thailand.

The results of the present study show that throughout the period under consideration the majority of IJVs in Thailand have been formed by firms from, in descending order, Japan, the NIEs, and the EU. Japan is seen to be the most important source of FDI in the form of IJV formation in Thailand. The reason most commonly cited for Japanese and NIEs firms relocating their production bases to Thailand and other ASEAN4 countries since the 1980s is the need to neutralise the appreciation of their domestic currencies. There has, however, been a steady decline in Japanese FDI to Thailand since the Asian financial crisis in 1997 and into the early 2000s. This might reflect appreciation of the ASEAN4 countries' currency against the yen, which in turn reflects depreciation of the yen against the US dollar since the crisis. As regards the nationality of foreign investors, especially in Thailand, an OECD report of 2004 acknowledges that some of the variation may be due to the national preferences of investors. Asian investors, especially those from Japan and the NIEs, regularly prefer overseas locations in nearby countries or in countries with which they have a cultural affinity.

Manufacturing is the most important sector of IJV formation in Thailand. The data reveal that metal products, machinery and transportation equipment sector; the light industry sector; and the chemicals, paper and plastics sector have been the main industries involved in IJV formation in Thailand, representing more than 50% of the total. The increase in FDI in Thailand through the growth of IJV formation in these sectors has been an important contributing factor to the FDI boom, especially since the 1980s.

In respect of equity participation, the analysis indicates that foreign parent companies were mostly minority equity holders in IJVs formed in Thailand between 1951 and 2003. This is because host governments, especially in developing countries like Thailand and other ASEAN4 countries, restricted foreign companies to minority equity participation in IJVs. Hence, the Thai companies may have been the dominant partners in the IJVs. A slight decrease in minority equity participation of foreign firms in IJVs formed after the late 1990s has become evident, and may result from the fact that the prohibition of foreign majority equity holdings in IJVs was lifted when the Alien Business Law of 1972 was replaced by the more liberal Foreign Business Act in 1999.

In addition, the survey results in respect of host country location factors provide a clearer picture of the growth of IJV formation in Thailand. The analysis reveals that future market expectations of the region, lower labour cost, and favourable infrastructure are the most important factors affecting foreign firms' decisions to select Thailand as their host country for IJV formation. Other important factors include market size, skilled labour, and political and economic stability. These findings are consistent with the factors identified in the literature on FDI in general, and are also consistent with the "market-seeking FDI", "resource-seeking FDI", "efficiency-seeking FDI" and "strategic asset-seeking FDI" of Dunning's paradigm (Dunning, 1998).

The results analysed in this chapter serve to provide a foundation for the present study's overview of IJV formation in Thailand. The chapter provides new empirical insights into the trends of IJV formation there. This is an important area, but it has been under-researched because most previous IJV empirical studies have focused primarily on China, India, and NIEs. That is despite the fact that the economic development and IJV formation in the region have grown dramatically in the past three decades. Analysis of a unique dataset, the official database of the BOI (Thailand Board of Investment) has been undertaken for first time in order to further the study of IJVs in the ASEAN region.

Further in-depth analysis of each issue presented in the conceptual framework outlined in Chapter 3 will be provided in the subsequent chapters. The issue of the strategic impetus behind IJV formation by parent companies in the context of the ASEAN4 country, particularly Thailand, is explored in the next chapter.

Chapter 6

Strategic Motivation for International Joint Venture Formation in Thailand

6.1 Introduction

The preceding chapter presented the trends of IJV formation in Thailand on the basis of an IJV database provided by the Thailand Board of Investment. In order to fulfil all the objectives of this study, however, in-depth analysis of the survey data described in Chapter 4 must be conducted. That survey obtained data on the basis of 88 questionnaires completed and returned by IJV general managers in Thailand. This and the following chapters present an analysis of the data.

Data from eleven questions in the questionnaire were not used. Since the characteristics of the 88 IJVs from which responses were obtained do not differ from those presented in Chapter 5 as typical of the larger IJV population in the BOI database (in terms of nationality of foreign parent firms, industrial sector, and so forth), the information has not been repeated. For instance, Question 5 in the questionnaire asked respondents about the nationality of the foreign parent companies, and Question 13 asked about the industrial sector of the IJVs. In addition, after careful discussion with the supervisory team, it was decided not to explore the following aspects: government incentives, for example, Questions 15 and 16, and management (for example, Questions 19, 20, 21, and 24).

This chapter will accordingly investigate the factors which motivate parent companies to form IJVs on the basis of replies to Questions 17 and 18 in the present study's questionnaire. This is identified in the literature as one of the most important issues in the study of IJVs. For instance, Garcia-Canal (1996) suggests that understanding the strategic rationales of both partners in forming IJVs can contribute significantly to the analysis of the context in which firms compete and collaborate. Similarly, carefully identifying the strategic motivations on which alliance decisions are based is perceived as the most crucial step in gaining an understanding of international joint ventures (Killing, 1983; Beamish, 1987).

In addition, the relationship between strategic motives, nationalities of the foreign partners, and industrial sector is examined in this chapter. Collectively, the analyses of these factors will answer the second research question presented in Chapter 4: What are the strategic motives of parent firms in establishing IJVs? The existing literature indicates a gap in the knowledge in respect of the principal strategic motives for international joint venture formation in Thailand and other ASEAN4 countries. This chapter accordingly presents new data and new empirical insights into the strategic motivation of IJV formation in Thailand, one of the spearhead countries of the ASEAN4.

6.2 Results and Discussion

6.2.1: Strategic Motives of IJV Parent Companies

Consideration of the strategic motives of IJV parent companies is based on an extensive review of the relevant literature, as presented in Chapter 3. Guidance has also been taken from previous studies of strategic motives, especially in respect of the questions asked of respondents in this study (for example, Tatoglu and Glaister, 2000). Respondents, especially IJV managers, were asked to rank a wide range of suggested strategic motives of their parent companies in forming IJVs on a five-point Likert scale, where 1 stood for “not important at all”, and 5 meant “very important”. These data are drawn from Questions 17 and 18 of the questionnaire.

The findings of this study show that the strategic motives of the Thai parent firms in forming IJVs differ from those of foreign parent companies. Table 6.1 illustrates the mean score rank order of strategic motives of foreign parent companies in forming IJVs; these data are drawn from Question17. It reveals that more than three quarters of the individual strategic motives have higher mean scores than the median value of the five-point scales of 3.

Analysis reveals that gaining presence in new markets, enabling faster entry to market, and competing against common competitors are the most important strategic motives of foreign parent firms for IJV formation in Thailand. The data show that the motive of gaining presence in new markets has the greatest value with a mean score of 3.83 and small standard deviation of 0.76. (Small standard deviation means small variation of the mean score value from the ranking of all 88 respondents in this study of this motive.) This is followed by the motives of enabling faster entry to market (3.77), competing against common competitors (3.68), facilitating international expansion (3.66), transferring to lowest cost production location (3.64), finding an export base for a foreign market (3.52), and maintaining position in an existing market (3.49) respectively.

It can be seen that the leading strategic motives (ranked 1- 7) relate to strategic positioning perspectives. As discussed in Chapter 3, a number of researchers (Harrigan, 1985; Kogut, 1988) argue that strategic behaviour treats IJVs as enhancing market power and gaining maximum profits through improving a firm's competitive position. The highest ranked strategic motive of foreign partners in this study is closely linked to market and geographical expansion. IJV mode is seen as a strategic weapon for gaining a significant presence in a new market, enabling faster entry to the market, facilitating international expansion, and finding an export base for foreign markets. The driving force behind these motives may reflect the fact that the ASEAN market, particularly Thailand, has been viewed by foreign partners as a lucrative growing market (a good emerging market). As discussed in the previous chapter, the economy of this region has grown dramatically and reached the highest GDP growth rate in the world, especially during the 1990s. (WTO, 1995) Hence, for foreign partners the IJV mode may be a strategic choice for entering these fast-growing emerging markets.

It has been claimed that IJVs are often designed to create entities with a critical mass sufficient for seeing off challenges from a competitor common to both partners and for retaining local and global market shares (Harrigan, 1985). This suggests that analysis of the competitive implications of IJVs is a high priority.

In addition, transferring production to lowest cost location ranks as one of the most important strategic reasons of foreign partners in forming IJVs (it is ranked fifth) since the foreign partners may place a high priority on cost reduction relative to their rivals. They may aim to improve their relative competitive position in the international market by accessing the comparatively low cost facilities of their local partners through an IJV.

The second group of strategic motives with moderately high mean scores comprises eleven considerations (ranked 8-18). The highest mean score in this group is gained by the motive of sharing the cost of investment (3.45), followed by obtaining faster reimbursement of the investment (3.42), and, with equal mean scores of 3.33, spreading the risk of the project and gaining economies of scale. The motive of concentrating on more profitable business shows a mean score of 3.29, while the motive of obtaining a local identity yields a 3.16 mean score. There are also the motives of accessing Thai skilled labour (3.14), accessing Thai low cost labour (3.09), and reducing competition (3.06), enabling product diversification (3.03), and sharing the cost of R&D (3.00).

Sharing the cost of investment is the leading motive in this group. This is not surprising, given the rapid change, including technological change, in the international business environment as discussed in the preceding chapter. By forming IJVs in which they have only a minority equity stake, foreign companies can share the risk of investment with their partners. Other strategic components of this motive include spreading project risk, achieving economies of scale, and sharing the cost of R&D. Motives relating to obtaining human resources from local partners are also included in this group: accessing both skilled and low cost labour. Since, in running businesses in new and overseas environments, foreign firms need local human resources, both blue and white collar labour forces to run their business operation abroad, the mode of IJVs can provide a means of accessing them through local partners. This, rather than attempting to do so by themselves, is cost effective for foreign companies. The latter approach is risky, as is seen in the case of wholly owned subsidiaries where foreign firms have to do all this themselves. Here the cost of human resource management is often regarded as one of the major expenses. When entering a new market where the foreign firm is not yet used to the environment, it may be wiser to access human resources through their partners if their sunk cost has already been paid and they do not yet know whether their business will succeed. The mode of IJV can provide a safety net in this respect.

Among other important motives in this group are the motives of enabling product diversification and obtaining a local identity. Local firms are likely to have indigenous knowledge and expertise in such areas as marketing and distribution channels, which foreign companies need. Foreign firms are thus likely to form IJVs in order to benefit from complementary resources of their local partners to enable product diversification of their core business. They will then be able to sell a variety of new products in the local market of Thailand and in third overseas markets.

Table 6.1 Strategic Motivation of Foreign Parent Companies for IJV Formation

Strategic Motives	Rank	Mean	SD
Gain presence in a new market	1	3.83	0.76
Enable faster entry to market	2	3.77	0.90
Compete against common competitors	3	3.68	0.90
Facilitate international expansion	4	3.66	0.84
Transfer production to lowest cost location	5	3.64	1.01
Find export base for foreign market	6	3.52	1.10
Maintain position in existing market	7	3.49	0.98
Share cost of investment	8	3.45	0.99
Obtain faster reimbursement of the investment	9	3.42	0.87
Spread risk of project	10=	3.33	1.08
Gain economies of scale	10=	3.33	1.07
Concentrate on more profitable business	12	3.29	0.99
Obtain local identity	13	3.16	0.92
Gain access through Thai partner to human resources (skilled labour)	14	3.14	0.98
Gain access to low cost labour of Thai partner	15	3.09	1.07
Reduce competition by forming IJV with existing or potential competitors	16	3.06	1.10
Enable product diversification	17	3.03	1.06
Share cost of R&D	18	3.00	1.07
Exchange technology	19=	2.95	1.08
Gain access through Thai partner to natural resources	19=	2.95	1.11
Avoid difficulties with agents or licensees	21	2.84	0.96
Conform to Thai government policies	22	2.76	0.99
Exchange patents or territories	23	2.60	0.90

NB: 1. N=88; data in this table are drawn from Variable 17.

2. The Mean is the average on a scale raging from 1 = ‘not important at all’ to 5 = ‘very important’

3. SD = Standard Deviation

The second most important motive in this group relates to the strategic choice of using IJVs to obtain faster reimbursement of the investment, since companies do not need to invest in all the aspects of running the business. They are able to access some resources from their local partners. They can use IJVs as a strategic tool enabling them to concentrate on more profitable business, as well as reducing competition by forming IJVs with existing or potential competitors.

The group of strategic motives of foreign parent companies for embarking on IJV formation which receives the lowest mean scores includes exchanging technology (2.95), gaining access through the Thai partner to natural resources (2.95), avoiding difficulties with agents or licensees (2.84), conforming to Thai government policies (2.76), and exchanging patents or territories (2.60).

It is not surprising to find that “exchange of technology” and “exchange of patents/territories” is found to be a relatively unimportant IJV motive for foreign firms from developed countries when forming IJVs with partners from developing countries. This is consistent with the literature (Chen and Glaister, 2005). In general, IJV researchers presented in the literature review in Chapter 3 expect that firms from developed countries will have better access to superior technology than those from developing countries.

It might, however, seem very surprising to find that “conforming to Thai government policies” is ranked as low as 22. As has been seen in earlier chapters, the governments of many developing countries, including Thailand, allow foreign firms access to local markets only on condition that they cooperate with a local partner (Beamish, 1985; 1988). This suggests that the true strategic impetus behind IJV formation in Thailand of foreign firms is rooted mainly in strategic behaviour: most foreign partners appear to see IJVs mainly as a means of enhancing market power and gaining maximum profits through improving their competitive position. This is confirmed by the fact that they place strategic motives in the higher ranks despite the Thai government’s reasons for pressuring foreign firms to form IJVs with local firms. A further explanation might be that most of the companies sampled in this study (88 firms) are export orientated rather than aiming to sell into the local market of Thailand. They may not find themselves under so much pressure from the Thai government because the greater part of their final output is exported. This is known also to result in a more relaxed attitude towards equity share holding of the foreign partners in IJVs (Pornnavalai, 1997). This might explain why this is not a prime motive for them to form IJVs, and why the foreign companies in the survey ranked it so low.

Other strategic motives in this lower ranked group include gaining access through the local partner to natural resources. The distribution analysis in the previous chapter indicates that there is a very small proportion of firms in the IJV database in such natural resource related business as mining. This confirms the finding that they do not regard this as an important motive. Also, the motive of avoiding difficulties with agents or licensees gets a low ranking. This may not be one of the main strategic reasons for foreign firms to form IJVs because, in general, Thai law relating to international trade and patent protection is relatively good, that is, more liberal and fair when compared with other developing countries. Thailand is a member of the World Trade Organisation and operates within its guidelines (Pornnavalai, 1997). This may accordingly not be so great an issue for foreign firms considering forming an IJV.

Table 6.2 indicates strategic motives of Thai parent companies for IJV formation, on the basis of data obtained from Question 18 of the questionnaire. The findings show that gaining access to foreign partners' technology, sharing the cost of R&D, and sharing the cost of investment are the strongest motivations. The motive of gaining access to foreign partners' technology has the highest mean score of 4.11. The second and third most important motives, sharing the cost of R&D and sharing the cost of investment, show a mean score of 3.83 and of 3.82 respectively. Moreover, it can be seen that, overall, each motive has a low standard deviation value, indicating a small variation (higher or lower than the mean value) in each motive. This means that the ranking of each motive is properly representative and close to the mean score value.

It can be seen that the most important strategic inducement for IJV formation for the Thai companies relates to technology transfer and sharing the cost of investment. This outcome is not surprising, since the literature (for example, Miller *et al.*, 1996) also indicates that accessing technology from a partner from a developed country is one of the most important

motives of firms in developing countries entering into IJVs. This suggests that the learning and growth benefits of the process of co-operation are crucial.
Sharing the cost of R&D and of investment, and spreading project risk are ranked among the principal motives of Thai firms in forming IJVs with their partners. Since they may have limited capital and technological resources, it makes good sense for them to join IJVs with partners, especially from developed countries, who have abundant resources of this kind.

The analysis further reveals that IJVs can be viewed from a strategic behaviour perspective to the extent that the Thai firms regard IJVs as enhancing their market power and maximising profits through improving a firm's competitive position. These show high to moderately high mean scores, and are ranked 4 to 14. The motives in this group include gaining access to foreign markets, competing against common competitors, enabling faster entry to the market, facilitating international expansion, obtaining faster reimbursement of the investment, maintaining position in the existing market, concentrating on more profitable business, finding an export base for foreign markets, and enabling product diversification. In other words, the IJV mode is seen as a strategic weapon for Thai firms wishing to gain access to foreign markets, competing against common competitors, enabling faster entry to the market, facilitating international expansion, obtaining faster reimbursement of their investment, maintaining their position in the existing market, concentrating on more profitable business, finding an export base for foreign markets, and enabling product diversification.

The fifteenth to seventeenth ranks of the mean scores are as follows: to gain economies of scale, to gain access to foreign skilled labour, and to reduce competition by forming an IJV with existing or potential competitors. These can be taken to indicate that the mode of IJVs can provide a means for Thai firms to reduce their production cost by gaining economies of scale through greater mass production with their foreign partners. Also IJVs can provide Thai firms with an opportunity to access resources, especially human resources (knowledgeable workers), of foreign partners since they can gain access not only to the foreign workforce but also to business networks, especially overseas business networks. This is often regarded as a success factor. Last in this group, in terms of strategic choice IJVs can be used by Thai firms to reduce competition by forming IJVs with existing or potential competitors.

The last group of strategic motives, showing lower mean scores than the median of the five-point scale, ranges in descending order as follows: avoiding difficulties with agents or licensees, exchanging patents or territories, conforming to Thai government policies, transferring production to the lowest cost location, gaining access through a foreign partner to natural resources, and gaining access to low cost labour through the foreign partner. It is not surprising that these motives have a low ranking, since their main benefits are for the foreign rather than the Thai partner.

It is, however, somewhat surprising that the motive of exchanging patents or territories is given such a low ranking by Thai firms, since this motive seems similar to "gaining access to the technology of the foreign firm", which has a high ranking. In general, Thai firms may be expected to need access to technology and patents of their foreign partners, but the explanation of the low ranking in this case may simply be that Thai firms have in general a lower level of technological development than their foreign partner, and hence have little or nothing to exchange.

The low ranking of the motives of conforming to Thai government policies, transferring production to lowest cost location, gaining access through foreign partners to natural resources, and gaining access to low cost labour of the foreign partner is also not surprising. Thai government regulation and policy is targeted more at constraining foreign rather than Thai firms, so this is unlikely to be a major strategic reason for Thai firms to form IJVs with foreign partners. The motive of transferring production to lowest cost location tends to be one of the important strategic motives for foreign firms deciding to form an IJV with Thai partners, but is not highly rated by Thai firms. Although this might be an important motive where Thai firms were considering forming IJVs with other developing or neighbouring countries with a comparatively lower cost of production than Thailand, most of their foreign partners in this study came from Japan, the NIEs, and Western countries. In the main they did not come from ASEAN or other Asian countries.

Gaining access through the foreign partner to natural resources is also considered relatively unimportant by Thai firms, and as has been seen in the previous chapter there is a very small percentage of firms operating in natural resource sectors like mining in the IJV database.

Table 6.2 Strategic Motivation of the Thai Parent Companies for IJV Formation

Strategic Motives	Rank	Mean	SD
Gain access to technology of foreign partner	1	4.11	0.90
Share cost of R&D	2	3.83	1.05
Share cost of investment	3	3.82	0.94
Gain access to foreign markets	4	3.77	0.81
Compete against common competitors	5=	3.74	0.82
Gain access to management know-how	5=	3.74	0.88
Spread risk of project	7	3.61	0.95
Enable faster entry to market	8	3.57	0.85
Facilitate international expansion	9	3.56	0.92
Obtain faster reimbursement of the investment	10	3.50	0.95
Maintain position in existing market	11	3.45	0.91
Concentrate on a more profitable business	12	3.44	0.93
Find export base for foreign market	13	3.41	1.02
Enable product diversification	14	3.39	0.93
Achieve economies of scale	15	3.38	1.02
Gain access through foreign partner to human resources (skilled labour)	16	3.30	0.95
Reduce competition by forming IJV with existing or potential competitors	17	3.16	1.02
Avoid difficulties with agents or licensees	18	2.94	1.02
Exchange patents or territories	19	2.89	0.98
Conform to Thai government policies	20=	2.84	1.06
Transfer production to lowest cost location	20=	2.84	1.14
Gain access through foreign partner to natural resources	22	2.83	1.01
Gain access to low cost labour of foreign partner	23	2.43	1.15

NB: 1. N = 88; data in this table are drawn from Variable 18.

2. The Mean is the average on a scale raging from 1 = 'not important at all' to 5 = 'very important'

3. SD = Standard Deviation

Gaining access to low cost labour through the foreign partner is also not surprisingly given a low ranking by Thai firms. The situation would be different only if Thai firms decided to form IJVs with companies from other developing or neigbouring countries with comparatively lower cost of production. In most instances, however, this has been seen not to be the case, and hence the low ranking of this motive.

Table 6.3 compares the ranked mean scores of foreign and the Thai parent companies. The data show that the five leading strategic motives of foreign parent companies are in order: gaining presence in new markets, enabling faster entry to market, competing against common competitors, facilitating international expansion, and transferring production to the lowest cost location. Meanwhile, the access to/exchange of technology from partners is the foremost strategic motive of the Thai parent companies for embarking on IJV formation, followed by these motives: sharing cost of R&D, sharing cost of investment, gaining presence in new markets, and competing against common competitors.

The analysis reveals that the following seven strategic motives have significant mean score differences between foreign parent companies and the Thai parent companies at 0.01 significance level: transferring production to lowest cost location, sharing cost of investment, gaining access to low cost labour of partner, enabling product diversification, sharing cost of R&D, gaining access to/exchanging technology with partners, and exchanging patents or territories. In addition, the *t*-test outcome further suggests that the motive of spreading risk of the project has a significant mean score difference between the two parent companies at 0.05 significance level.

These findings provide some consistence with those of the study of Miller *et al*. (1996). After conducting interviews with managers and related executives in several industrial countries, namely Germany, Japan, Great Britain and the United States, Miller *et al.* (1996) conclude that the main strategic reasons for companies from developed countries forming IJVs with local firms included sharing cost and risk, lacking familiarity with the country, lacking relevant contacts within the government and elsewhere, and accessing existing facilities. On the other hand, the principal strategic motives for IJV creation from the perspective of partners from developing countries (after Miller and his team elicited information from less-developed country partners in six economies: Argentina, Brazil, India, Mexico, the Philippines and Turkey) consist of gaining access to technology, obtaining management know-how, and gaining access to an export market.

Table 6.3: Comparison of the Strategic Motivation of Foreign Parent Companies and Thai Parent Companies for IJV Formation

Strategic Motives	Foreign Parent Company			Thai Parent Company			*t*-value
	Rank	Mean	SD	Rank	Mean	SD	
Gain presence in new markets	1	3.83	0.76	4	3.77	0.81	0.57
Enable faster entry to market	2	3.77	0.90	8	3.57	0.85	1.60
Compete against common competitors	3	3.68	0.90	5=	3.74	0.82	-0.51
Facilitate international expansion	4	3.66	0.84	9	3.56	0.92	0.96
Transfer production to lowest cost location	5	3.64	1.01	20=	2.84	1.14	5.92**
Find export base for foreign market	6	3.52	1.10	13	3.41	1.02	1.20
Maintain position in existing market	7	3.49	0.98	11	3.45	0.91	0.31
Share cost of investment	8	3.45	0.99	3	3.82	0.94	-3.00**
Obtain faster reimbursement of the investment	9	3.42	0.87	10	3.50	0.95	-0.77
Spread risk of project	10=	3.33	1.08	7	3.61	0.95	-2.39*
Gain economies of scale	10=	3.33	1.07	15	3.38	1.02	-0.42
Concentrate on a more profitable business	12	3.29	0.99	12	3.44	0.93	-1.07
Gain access through partner to human resources (skilled labour)	14	3.14	0.98	16	3.30	0.95	-1.37
Gain access through partner to low cost labour	15	3.09	1.07	23	2.43	1.15	5.06**
Reduce competition by forming an IJV with existing or potential competitors	16	3.06	1.10	17	3.16	1.02	-1.17
Enable product diversification	17	3.03	1.06	14	3.39	0.93	-3.21**
Share cost of R&D	18	3.00	1.07	2	3.83	1.05	-5.88**
Exchange technology	19=	2.95	1.08	1	4.11	0.90	-9.96**
Gain access through partner to natural resources	19=	2.95	1.11	22	2.83	1.01	0.85
Avoid difficulties with agents or licensees	21	2.84	0.96	18	2.94	1.02	-0.96
Conform to Thai government policies	22	2.76	0.99	20=	2.84	1.06	-0.80
Exchange patents or territories	23	2.60	0.90	19	2.89	0.98	-3.23**

NB: 1. N = 88; data in this table are drawn from Variables 17 and 18.

2. The Mean is the average on a scale raging from 1 = 'not important at all' to 5 = 'very important'

3. SD = Standard Deviation

**p<0.01; *p<0.05

Tables 6.4 and 6.5 present a comparison of the results regarding strategic motives for IJV formation between the present study and previous empirical studies. Table 6.4 indicates that, overall, the most important reasons for foreign parent companies to form IJVs, based on the outcome of this study and of previous studies, are the motives of gaining presence in new markets and enabling faster entry to markets. In particular, a study of IJV formation in China by Dong and Glaister (2006) shows that the most important strategic motive of foreign firms embarking on IJV formation was enabling faster entry to markets, followed by gaining presence in new markets, obtaining a local identity, facilitating international expansion, and gaining economies of scale respectively. The first and second ranked strategic motives of foreign companies in a study of IJVs in Turkey by Tatoglu and Glaister (2000) yield exactly the same results as this study, while maintaining adequate quality control ranked third. Spreading the risks of the project and achieving economies of scale were ranked fourth and fifth in their study respectively.

The study of Chen and Glaister (2005) on the motives of Taiwanese partners forming IJVs in China produces moderately different outcomes. Achieving economies of scale is the major reason for Taiwanese partners to establish IJVs in China, followed by transferring production to the lowest cost location, enabling faster entry to markets, competing with common competitors, and obtaining faster reimbursement of the investment respectively.

The strategic motives of local firms to form IJVs are shown in Table 6.5, and these differ from the findings of previous research in respect of different countries. The principal strategic reason local partners form IJVs in China, according to the study of Chinese-Taiwanese IJVs undertaken by Dong and Glaister (2006), is to compete with common competitors, followed by maintaining position in existing markets, achieving economies of scale, facilitating international expansion, and accessing/exchanging technology through partners. Enabling high quality production (not shown in the Table) is the foremost strategic motivation of home country partners in the study of Turkish IJV formation by Tatoglu and Glaister (2000), and they also find that the second most important motivation of Turkish partners for forming IJVs is to access/exchange technology from overseas partners. Ranked third in their study is the motive of competing with common competitors, followed by the motive of enabling faster entry to markets, and in fifth place is the motive of enhancing the company's image.

Table 6.4: A Comparison of Studies of the Strategic Motivations of Foreign Parent Companies Embarking on IJV Formation

Strategic Motives	Rank in this study*	Dong and Glaister (2006)[1]	Chen and Glaister (2005)[2]	Tatoglu and Glaister (2000)[3]
Gain presence in new markets	1	2	N/A	1
Enable faster entry to markets	2	1	3	2
Compete with common competitors	3	7	4	N/A
Facilitate international expansion	4	4	12	N/A
Transfer production to lowest cost location	5	6	2	N/A
Find export base for foreign markets	6	N/A	8	N/A
Maintain position in existing markets	7	10	N/A	N/A
Share cost of investment	8	9=	14	N/A
Obtain faster reimbursement of the investment	9	N/A	5	6
Spread risks of project	10=	9=	6	4
Achieve economies of scale	10=	5	1	5
Concentrate on a more profitable business	12	N/A	16	N/A
Obtain local identity	13	3	10=	N/A
Gain access through local partner to human resources (skilled labour)	14	N/A	N/A	9=
Gain access through local partner to low cost labour	15	N/A	N/A	9=
Reduce competition by forming IJV with existing or potential competitors	16	15	13	N/A
Enable product diversification	17	8	9	N/A
Share cost of R&D	18	13	17	N/A
Exchange technology	19=	11	18=	N/A
Gain access through local partner to natural resources	19=	14	N/A	9=
Avoid difficulties with agents or licensees	21	N/A	10	10
Conform to government policies	22	12	15	8
Exchange patents or territories	23	N/A	18=	N/A

NB: *Data are drawn from Variable 17

1. Strategic motivation for IJV formation in China by foreign firms.
2. Strategic motivation for IJV formation in China by Taiwanese firms.
3. Strategic motivation for IJV formation in Turkey by foreign firms.

Table 6.5: A Comparison of Studies of the Strategic Motivation of Local Parent Companies for IJV Formation

Strategic Motive	Rank in this study*	Dong and Glaister (2006)[1]	Tatoglu and Glaister (2000)[2]
Access technology from foreign partner	1	5	2
Share cost of R&D	2	10	N/A
Share cost of investment	3	9=	10
Access foreign market	4	8	N/A
Compete against common competitors	5=	1	3
Access management know-how	5=	N/A	6
Spread risk of project	7	9=	11=
Enable faster entry to market	8	6	4
Facilitate international expansion	9	4	N/A
Obtain faster reimbursement of the investment	10	N/A	N/A
Maintain position in existing market	11	2	N/A
Concentrate on a more profitable business	12	N/A	N/A
Export base for foreign market	13	N/A	N/A
Enable product diversification	14	7	N/A
Achieve economies of scale	15	3	8
Access foreign partner's human resource (skilled labour)	16	N/A	7=
Reduce competition by forming IJV with existing or potential competitors	17	12	N/A
Avoid difficulties with agents or licensees	18	N/A	15
Exchange patents or territories	19	N/A	N/A
Conform with government policy	20=	14	16
Transfer production to lowest cost location	20=	13	N/A
Access foreign partner's natural resources	22	15	11=
Access low cost labour of foreign partner	23	N/A	7=

NB: *Data are drawn from Variable 18

1. Strategic motivation for IJV formation in China of Chinese firms.
2. Strategic motivation for IJV formation in Turkey of Turkish firms.

Significantly, the findings of the present study indicate that gaining presence in new markets, enabling faster entry to markets, competing with common competitors, facilitating international expansion, and transferring production to the lowest cost location are the leading motives inducing foreign parent companies to form IJVs. These findings are consistent with the literature. Harrigan (1985; 1987) and Contractor and Lorange (1988) argue that these strategic motives are generally the principal motives of MNEs from developed countries embarking on IJV formation with local firms in order to expand their business, particularly into emerging markets. Schlosstein (1991) and Indro and Richards (2007) also point out that the development of the ASEAN economy might present business opportunities for MNEs to enter this region and provide their products and services to the population of a region with considerable purchasing power.

Tesco, for example, a giant British supermarket chain, expands its business to overseas markets, especially in the ASEAN region, via the IJV mode. Tesco Lotus was formed in Thailand in 1998. It was an IJV company formed from a partnership between Charoen Pokphand Group (CP), the largest conglomerate in Thailand, and Tesco. Due to the rapid growth of the market, the number of Tesco stores in Thailand is currently second only to the number of those in the UK (Bangkok Post, 2002).

Overall, however, compared with previous empirical studies, this study has found the strategic motives of local parent firms in different countries are more diverse than those of foreign companies. This diversity may result from the very different regional features of these various countries in terms of social and cultural characteristics, market structure, industrial development, and so forth. These may explain the diversity in the relative importance of particular strategic motives for local parent companies in different countries.

To sum up, the findings of this study are in general consistent with those of previous empirical studies. Tallman and Shenkar (1990); Demirbag *et al.* (1995); Dacin *et al.* (1997) all found that the strategic motives for developing country partners to enter IJVs differ from those of developed country partners. They point out that technology transfer and access to new product lines are likely to be more important strategic motives, encouraging developing country partners to form IJVs with MNEs from industrial economies. The developing country partners are able to purchase materials and equipment from their overseas partners, expand their international markets, and gain access to advanced technology and management know-how through the foreign partners. At the same time, the overseas partners can use the distribution channels and domestic marketing expertise and other domestic resources of local partners to enter the host country markets by means of IJVs. Although the motives of the respective IJV parent firms may be different, they are complementary.

This study suggests, firstly, that foreign firms should embark on the strategic alliance of IJVs in a developing country only after they have obtained a good understanding of their intended partners' strategic motives which, in developing countries, are likely to be different from those of companies in industrial countries. The regulatory environment confronting local firms in a developing economy will also play an important part in establishing their priorities in seeking an IJV partner. Foreign firms embarking on IJV formation in developing countries need to give careful consideration to the strategic motives and requirements of their local partners if the IJV is to be successful.

Secondly, it is important to remember that in the context of partnership with companies in developing countries, the strategic motives of foreign firms to form IJVs are likely to be expansion of their presence in local markets, and competing and maintaining their competitive position in the global market. Strategic IJV alliances are being seen as a means of competing for global market share.

Thirdly, the principal motives of Thai firms in entering IJVs are not only to gain access to the foreign partner's technology and investment capital, but also, from a strategic behaviour perspective, to increase their market power and maximise profits by improving their competitive position. MNEs need to be fully aware of both these principal motives when forming IJVs with Thai firms.

Finally, since the foreign and local partners forming IJVs have differing, if complementary, strategic motives, it is essential that IJV managers should be fully aware of the differing strategic motives of their parent companies if they are to manage IJVs effectively and fulfil the objectives of their parent companies on both sides.

6.2.2: Strategic Motives and Industrial Sector

The present study has found that the relative importance of strategic motives of parent companies for IJV formation varies according to industrial sector. This variation is more apparent in the case of foreign firms than of Thai companies. After conducting preliminary analysis with a correlation test, the outcomes indicate that a great number of individual strategic motives correlate among themselves. Accordingly, factor analysis has been used to group these correlated variables into categories and to produce a parsimonious set of distinct non-overlapping variables from the full set of 23 motives. Exploratory factor analysis (EFA) using varimax rotation initially produces six factors. A content analysis is conducted to purify the uncovered factors, since items measuring the same factor must have consistent substantive meanings. Thus, items which have inconsistent substantive meanings with the factor or have low factor loadings are removed from further analysis. This application of exploratory factor analyses (EFAs) using varimax rotation has been used by a number of researchers in studies similar to the present one, such as Deshpande (1982); Cavusgil and Zou (1994); Lysonski *et al*. (1996); Zou *et al*. (1997); and Tatoglu and Glaister (2000). These researchers argue that a "blind" EFA can create factors which lack substantive meanings and are inappropriate for theory development. This purification process leads to the elimination of two motives of the foreign parent company: achieving economies of scale and conforming to Thai government policies.

The remaining 21 motives are again factor analysed and produce six underlying factors explain a total of 69.89 percent of observed variance as shown in Table 6.6. An internal reliability test indicates strong Cronbach alphas for the purified multi-item factors, ranging from 0.52 to 0.84, suggesting adequate reliability for an exploratory study of this nature. These are reported in detail below. Indicated by the value items which load on them, the six factors are labeled as follows: low cost sourcing and market development; resource accessing; market power and cost and risk sharing; technology transfer; marketing strategy; and reducing competition.

Table 6.7 shows the factor analysis result, producing a set of parsimonious distinct non-overlapping strategic motives of Thai parent companies from the full set of 23 motives. Following the content analysis process, four motives, namely sharing cost of R&D, conforming to local government policies and regulation, maintaining position in existing market, and reducing competition by forming IJVs with existing or potential competitors, are dropped from the analysis. The remaining 19 motives are again factor analysed and produce five factors which explain a total of 71.27 percent of the observed variance as shown in Table 6.7. Cronbach alphas for underlying factors range from 0.79 to 0.86, which show high reliability. These factors are labeled resource and technology accessing, market power and market development, overseas market expansion, cost and risk sharing, and low cost sourcing.

The results of the present study in respect of the relative importance of strategic motives of foreign firms in the context of industrial sector are shown in Tables 6.8 to 6.11. Table 6.8 reveals that two underlying strategic motives of the foreign parent company – the low cost sourcing and market development factor, and the resource accessing factor – have significantly different mean scores in the context of industrial sectors. The parametric test shows 5.10 F-values at 0.001 significance level and 3.13 F-values at 0.05 significance level. Further, these significant values have also been confirmed with the non-parametric test of the chi-square values of 11 and 11.54 of the Kruskal Wallis test at 0.05 significance levels respectively.

Table 6.8 shows mean scores comparison of two significant underlying strategic motive factors. It shows that the mean scores of the underlying low cost sourcing and market development factors in the metal products, machinery and transport equipment industry as well as in the chemicals, paper and plastics industry are the greatest, with 3.61 mean scores compared to those in other industry sectors. In other words, low cost sourcing and market development is the leading motivation to form IJVs in the metal products, machinery and transport equipment industry and chemicals, paper and plastics industry. Moreover, it has also been found that the highest mean score of the underlying resource accessing factor falls in the chemicals, paper, and plastics sector (mean = 3.33), followed by the light industry sector (mean = 3.20), and agriculture and agricultural products sector (mean = 2.93).

Table 6.6 Factor Analysis of Strategic Motivation of Foreign Parent Companies for IJV Formation

Factors	Factor Load	Eigen Value	% Variance Explain	Cum Percent	Cronbach Alpha
Factor 1: Low Cost Sourcing and Market Development		3.40	16.18	16.18	0.84
Transfer production to lowest cost location	0.83				
Export base for foreign markets	0.77				
Facilitate international expansion	0.72				
Concentrate on a more profitable business	0.60				
Maintain position in existing markets	0.55				
Enable product diversification	0.54				
Factor 2: Resource Accessing		3.10	14.77	30.96	0.84
Gain access to Thai partner's human resources (skilled labour)	0.79				
Gain access to Thai partner's natural resources	0.71				
Gain access to Thai partner's low cost labour	0.64				
Avoid difficulties with agents or licensees	0.63				
Exchange patents or territories	0.60				
Factor 3: Market Power and Cost and Risk Sharing		2.59	12.31	43.27	0.78
Gain presence in new markets	0.70				
Compete against common competitors	0.70				
Obtain faster reimbursement of the investment	0.64				
Spread risk of project	0.56				
Share cost of investment	0.51				
Factor 4: Technology Transfer		2.00	9.51	52.78	0.73
Exchange technology	0.74				
Share cost of R&D	0.77				
Factor 5: Marketing Strategy		1.95	9.27	62.05	0.52
Enable faster entry to market	0.75				
Obtain local identity	0.63				
Factor 6: Reducing Competition		1.65	7.84	69.89	-
Reduce competition by forming IJV with existing or potential competitors	0.80				

NB: Principal component factor analysis with varimax rotation; data are drawn from Variable 17.

K-M-O Measure of Sampling Adequacy = 0.81; Bartlett's Test of Sphericity = 865.57, p<0.000)

Table 6.7 Factor Analysis of Strategic Motivation of Thai Parent Company for IJV Formation

Factors	Factor Load	Eigen Value	% Variance Explain	Cum Percent	Cronbach Alpha
Factor 1: Resource and Technology Accessing		3.37	17.73	17.73	0.86
Access foreign partner's human resources (skilled labour)	0.81				
Access foreign partner's natural resources	0.74				
Exchange patents or territories	0.71				
Access foreign partner's technology	0.68				
Avoid difficulties with agents or licensees	0.56				
Access management know-how	0.54				
Factor 2: Market Power and Market Development		3.07	16.15	33.88	0.86
Compete against common competitors	0.81				
Enable faster entry to market	0.73				
Gain presence in new market	0.72				
Concentrate on a more profitable business	0.57				
Obtain faster reimbursement of the investment	0.55				
Enable product diversification	0.46				
Factor 3: Overseas Market Expansion		2.47	13.00	46.88	0.79
Export base for foreign market	0.85				
Facilitate international expansion	0.67				
Factor 4: Cost and Risk Sharing		2.38	12.51	59.39	0.79
Achieve economies of scale	0.80				
Share cost of investment	0.79				
Spread risk of project	0.76				
Factor 5: Low Cost Sourcing		2.26	11.88	71.27	0.83
Transfer production to lowest cost location	0.83				
Access foreign partner's low cost labour	0.79				

NB: Principal component factor analysis with varimax rotation; data are drawn from Variable 18.

K-M-O Measure of Sampling Adequacy = 0.81

Bartlett's Test of Sphericity = 928.14, $p<0.000$

Further explanation of the mean score difference of the significant underlying factors in each industrial sector can be found in Tables 6.9 and 6.10. Table 6.9 indicates that mean scores of the underlying low cost sourcing and market development factor of the service and public utilities sector significantly differs from those in the following sectors:

agriculture and agricultural products sector; light industry sector; metal products, machinery and transport equipment sector; and chemicals, paper and plastics sector. These differences emerge at 0.001 significance level. Furthermore, the data further demonstrate that the mean score difference of the underlying low cost sourcing and market development factor at 0.01 significance level can be found in the service and public utilities sector and the electronic and electrical appliance sector.

Table 6.10 illustrates the mean score difference comparison of the underlying resource accessing factor in each industrial sector. It indicates that the mean scores of this type of underlying factor are significantly different from those in the following two sectors at 0.001 significance level: the light industry sector; and the chemicals, paper and plastics sector. The outcomes also show that the mean scores of the underlying resource accessing factors in the service and public utilities sector are significantly different from those in the agriculture and agricultural products sector, as well as in the metal products, machinery, and transport equipment sector at 0.01 significance level.

It appears that five individual strategic motives show significant mean score differences according to industrial sectors, as shown in Table 6.11. These significant differences are confirmed by significant F-value and chi-square value: the motive of transferring production to lowest cost location (5.71 at 0.001 significance level/ 15.95 at 0.01 significance level), exporting base for foreign markets (6.27 at 0.001 significance level/ 15.01 at 0.01 significance level), accessing Thai partner's skilled labour (4.30 at 0.01 significance level/ 17.23 at 0.01 significance level), accessing Thai partner's natural resources (2.75 at 0.05 significance level/13.88 at 0.05 significance level) and the motive of accessing Thai partner's low cost labour (3.56 at 0.01 significance level/ 12.11 at 0.05 significance level).

Table 6.8: Mean Scores Comparison of the Significant Underlying Factors of Strategic Motives of Foreign Companies by IJV Industrial Sector

Underlying Factor	Industrial Sector	Mean	S.D.	F-Value/Chi-Square [a]
Factor 1: Low Cost Sourcing and Market Development	Agriculture and Agricultural Products	3.42	0.87	
	Light Industry	3.33	0.70	
	Metal Products, Machinery and Transport Equipment	3.61	0.57	
	Electronic Industry and Electrical Appliance	3.19	1.01	
	Chemicals, Paper and Plastics	3.61	0.41	
	Service and Public Utilities	1.92	0.88	
	Total	3.43	0.75	5.10***/11*
Factor 2: Resource Accessing	Agriculture and Agricultural Products	2.93	0.97	
	Light Industry	3.20	0.75	
	Metal Products, Machinery and Transport Equipment	2.89	0.69	
	Electronic Industry and Electrical Appliance	2.82	0.85	
	Chemicals, Paper and Plastics	3.33	0.72	
	Service and Public Utilities	1.70	0.58	
	Total	2.93	0.79	3.13*/11.54*

NB: (a) Chi-Square, Kruskal Wallis Test

SD = Standard Deviation

***p<0.001, * p<0.05; data are drawn from Variable 17.

Table 6.9: Multiple Comparisons of the Significant Underlying Low Cost Sourcing and Market Development Factor of Foreign Parent Company by Industrial Sector

Underlying Factor	Industrial Sector	Industrial Sector	Mean Difference
Factor 1: Low Cost Sourcing and Market Development	Agriculture and Agricultural Products	Light	0.08
		Metal Products	-0.2
		Electronic	0.23
		Chemicals	-0.19
		Service	1.50***
	Light Industry	Agriculture	-0.08
		Metal Products	-0.28
		Electronic	0.15
		Chemicals	-0.28
		Service	1.42***
	Metal Products, Machinery and Transport Equipment	Agriculture	0.2
		Light	0.28
		Electronic	0.43
		Chemicals	0
		Service	1.70***

NB: ***p<0.001, **p<0.01; data are drawn from Variable 17.

Table 6.9: Multiple Comparisons of the Significant Underlying Low Cost Sourcing and Market Development Factor of Foreign Parent Company by Industrial Sector (cont)

Underlying Factor	Industrial Sector	Industrial Sector	Mean Difference
	Electronic Industry and Electrical Appliance	Agriculture	-0.23
		Light	-0.15
		Metal Products	-0.43
		Chemicals	-0.43
		Service	1.27**
	Chemicals, Paper and Plastics	Agriculture	0.19
		Light	0.28
		Metal Products	0
		Electronic	0.43
		Service	1.69***
	Service and Public Utilities	Agriculture	-1.50***
		Light	-1.42***
		Metal Products	-1.70***
		Electronic	-1.27**
		Chemicals	-1.69***

NB: ***p<0.001, **p<0.01; data are drawn from Variable 17.

Table 6.10: Multiple Comparisons of the Significant Underlying Resource Accessing Factor of Foreign Parent Company by Industrial Sector

Underlying Factor	Industrial Sector	Industrial Sector	Mean Difference
Factor 2: Resource Accessing	Agriculture and Agricultural Products	Light	-0.28
		Metal Products	0.03
		Electronic	0.10
		Chemicals	-0.41
		Service	1.23**
	Light Industry	Agriculture	0.28
		Metal Products	0.31
		Electronic	0.38
		Chemicals	-0.13
		Service	1.50***
	Metal Products, Machinery and Transport Equipment	Agriculture	-0.03
		Light	-0.31
		Electronic	0.07
		Chemicals	-0.44
		Service	1.19**
	Electronic Industry and Electrical Appliance	Agriculture	-0.10
		Light	-0.38
		Metal Products	-0.07
		Chemicals	-0.51
		Service	1.12
	Chemicals, Paper and Plastics	Agriculture	0.41
		Light	0.13
		Metal Products	0.44
		Electronic	0.51
		Service	1.63***
	Service and Public Utilities	Agriculture	-1.23**
		Light	-1.50***
		Metal Products	-1.19**
		Electronic	-1.12
		Chemicals	-1.63***

NB: ***p<0.001, **p<0.01; data are drawn from Variable 17.

Table 6.11 further indicates that the mean scores of the following individual motives are of the greatest value in the chemicals, paper and plastics industrial sector compared to other sectors: transfer production to lowest cost location; export base for foreign markets; and access to Thai partner's skilled labour, with mean scores of 4.00, 3.89, and 3.78 respectively. From this it might be inferred that the individual motive of production transference to the lowest cost location, export base for foreign markets, and access to Thai

Table 6.11: Mean Scores Comparisons of Selected Individual Strategic Motives of Foreign Parent Company by Industrial Sector

Individual Strategic Motive	**Industrial Sector**	**Mean**	**S.D.**	**F-Value/Chi-Square [a]**
Transfer production to lowest cost location	Agriculture	3.38	1.06	
	Light	3.46	0.88	
	Metal	**3.93**	**0.78**	
	Electronic	3.11	1.36	
	Chemicals	**4.00**	**0.71**	
	Services	1.75	0.96	
	Total	3.64	1.01	5.71***/15.95**
Export base for foreign market	Agriculture	3.75	1.16	
	Light	3.23	1.17	
	Metal	**3.80**	0.81	
	Electronic	3.00	1.32	
	Chemicals	**3.89**	**0.93**	
	Services	1.25	0.50	
	Total	3.52	1.10	6.27***/15.01**
Access Thai partner's human resources (skilled labour)	Agriculture	3.25	1.39	
	Light	**3.54**	0.97	
	Metal	3.00	0.83	
	Electronic	3.22	0.97	
	Chemicals	**3.78**	**0.67**	
	Services	1.50	0.58	
	Total	3.14	0.98	4.30**/17.23**

NB: (a) Chi-Square, Kruskal Wallis Test

SD = Standard Deviation

***p<0.001, **p<0.01, * p<0.05

The data in this table are drawn from Variable 17.

Table 6.11: Mean Scores Comparisons of Selected Individual Strategic Motives of Foreign Parent Company by Industrial Sector (cont)

Individual Strategic Motive	**Industrial Sector**	**Mean**	**S.D.**	**F-Value/Chi-Square [a]**
Access Thai partner's natural resource	Agriculture	3.38	1.19	
	Light	**3.46**	**0.88**	
	Metal	2.89	1.01	
	Electronic	2.56	1.01	
	Chemicals	3.22	1.56	
	Services	1.50	0.58	
	Total	2.95	1.11	2.75*/13.88*
Access Thai partner's low cost labour	Agriculture	2.75	1.39	
	Light	**3.54**	**0.78**	
	Metal	3.20	0.97	
	Electronic	3.00	1.22	
	Chemicals	3.11	0.93	
	Services	1.25	0.50	
	Total	3.09	1.07	3.56**/12.11*

NB: (a) Chi-Square, Kruskal Wallis Test

SD = Standard Deviation

***p<0.001, **p<0.01, * p<0.05

The data in this table are drawn from Variable 17.

partner's skilled labour are the major motives for forming a joint venture entity among IJVs in the chemicals, paper and plastics industry. In addition, the data also reveal that the mean scores of IJVs in the metal products, machinery and transport equipment sector are the second highest for the following individual strategic motives: transfer production to the lowest cost location (3.93), and export base for foreign markets (3.80).

The second greatest mean scores of the individual motive of accessing the Thai partner's skilled labour are found in IJVs in the light industry sector, with 3.54 mean scores and 0.97 standard deviation. The evidence further indicates that the individual motive of accessing the Thai partner's natural resources and accessing the Thai partner's low cost labour are the most influential motives for IJVs in the light industry sector, with mean scores of 3.46 and 3.54 respectively.

Table 6.12 shows that two underlying strategic motive factors of Thai parent companies – the overseas market expansion factor and the low cost sourcing factor – have significantly different mean scores. The data in Table 6.12 indicate the significance of the mean score difference of the underlying overseas market expansion factor with a chi-square value of 12.96 at 0.05 significance level and 3.67 F-value of the parametric test at 0.01 significance level. The mean score difference of the low cost sourcing factor has a significance at 95% confidence interval with 12.20 chi-square value, and 2.55 F-value of the parametric test.

Table 6.12: Mean Scores Comparison of the Significant Underlying Factors of Strategic Motives of Thai Parent Company by IJV Industrial Sector

Underlying Factor	Industrial Sector	Mean	S.D.	F-Value/Chi-Square [a]
Factor 3: Overseas Market Expansion	Agriculture and Agricultural Products	3.44	1.05	
	Light Industry	3.27	1.07	
	Metal Products, Machinery and Transport Equipment	3.66	0.64	
	Electronic Industry and Electrical Appliance	3.11	0.89	
	Chemicals, Paper and Plastics	3.94	0.98	
	Service and Public Utilities	2.13	0.85	
	Total	3.48	0.89	3.67**/12.96*

NB: (a) Chi-Square, Kruskal Wallis Test

SD = Standard Deviation

**p<0.01, * p<0.05

The data in this table are drawn from Variable 18.

Table 6.12: Mean Scores Comparison of the Significant Underlying Factors of Strategic Motives of Thai Parent Company by IJV Industrial Sector (cont)

Underlying Factor	Industrial Sector	Mean	S.D.	F-Value/Chi-Square [a]
Factor 5: Low Cost Sourcing	Agriculture and Agricultural Products	2.00	1.10	
	Light Industry	2.50	1.04	
	Metal Products, Machinery and Transport Equipment	2.94	1.00	
	Electronic Industry and Electrical Appliance	2.50	1.17	
	Chemicals, Paper and Plastics	2.50	0.94	
	Service and Public Utilities	1.50	0.71	
	Total	2.64	1.06	2.55*/12.20*

NB: (a) Chi-Square, Kruskal Wallis Test

SD = Standard Deviation

**p<0.01, * p<0.05

The data in this table are drawn from Variable 18.

Table 6.12 presents a mean score comparison of two significant underlying strategic motive factors of the Thai parent companies. The data indicate that the mean scores of the overseas market expansion factors in the chemicals, paper and plastics sector is the highest (3.94) compared with other sectors, followed by those in the metal products, machinery and transport equipment sector, and those in the agriculture and agricultural products industry with mean scores of 3.66 and 3.44 respectively. Considering the mean scores of the underlying low cost sourcing factor, it can be seen that the greatest mean scores of this underlying factor fall in the metal products, machinery and transport equipment sector with a mean score of 2.94, while the lowest appears in the service and public utilities sector with a mere 1.50 mean score.

Table 6.13: Multiple Comparison of the Significant Underlying Factor of Overseas Market Expansion of Thai Parent Company by Industrial Sector

Underlying Factor	Industrial Sector	Industrial Sector	Mean Difference
Factor 3: Overseas Market Expansion	Agriculture and Agricultural Products	Light	0.17
		Metal Products	-0.22
		Electronic	0.33
		Chemicals	-0.51
		Service	1.31*
	Light Industry	Agriculture	-0.17
		Metal Products	-0.39
		Electronic	0.16
		Chemicals	-0.68
		Service	1.14*
	Metal Products, Machinery and Transport Equipment	Agriculture	0.22
		Light	0.39
		Electronic	0.54
		Chemicals	-0.29
		Service	1.53***
	Electronic Industry and Electrical Appliance	Agriculture	-0.33
		Light	-0.16
		Metal Products	-0.54
		Chemicals	-0.83*
		Service	0.98*
	Chemicals, Paper and Plastics	Agriculture	0.51
		Light	0.68
		Metal Products	0.29
		Electronic	0.83*
		Service	1.82***
	Service and Public Utilities	Agriculture	-1.31*
		Light	-1.14*
		Metal Products	-1.53***
		Electronic	-0.98*
		Chemicals	-1.82***

NB: ***p<0.001, *p<0.05; data are drawn from Variable 18.

Multiple comparisons of the significant underlying strategic motive factors are shown in Tables 6.13 and 6.14. The data in table 6.13 show that the mean scores of the underlying factor of overseas market expansion in the service and public utilities sector significantly vary from the sectors of agriculture and agricultural products, light industry, and electronic and electrical appliance. These show a significant difference with 95% of confidence interval. Meanwhile, the variation of the mean scores between the service and public utilities sector and the sectors of metal products, machinery and transport equipment and of chemicals, paper and plastics, show significance at 99.90% confidence interval. In addition, the data reveal that a significant mean score difference can be found between the chemicals, paper and plastics sector and the electronic and electrical appliance sector with a chi-square value of 0.83 at 95% confidence interval.

Table 6.14: Multiple Comparison of the Significant Underlying Factor of Low Cost Sourcing of Thai Parent Company by Industrial Sector

Underlying Factor	Industrial Sector	Industrial Sector	Mean Difference
Factor 5: Low Cost Sourcing	Agriculture and Agricultural Products	Light	-0.50
		Metal Products	-0.94*
		Electronic	-0.50
		Chemicals	-0.50
		Service	0.50
	Light Industry	Agriculture	0.50
		Metal Products	-0.44
		Electronic	0.00
		Chemicals	0.00
		Service	1.00
	Metal Products, Machinery and Transport Equipment	Agriculture	0.94*
		Light	0.44
		Electronic	0.44
		Chemicals	0.44
		Service	1.44**

NB: **p<0.01, *p<0.05

The data in this table are drawn from Variable 18.

Table 6.14: Multiple Comparison of the Significant Underlying Factor of Low Cost Sourcing of Thai Parent Company by Industrial Sector (cont)

Underlying Factor	Industrial Sector	Industrial Sector	Mean Difference
Factor 5: Low Cost Sourcing	Electronic Industry and Electrical Appliance	Agriculture	0.50
		Light	0.00
		Metal Products	-0.44
		Chemicals	0.00
		Service	1.00
	Chemicals, Paper and Plastics	Agriculture	0.50
		Light	0.00
		Metal Products	-0.44
		Electronic	0.00
		Service	1.00
	Service and Public Utilities	Agriculture	-0.50
		Light	-1.00
		Metal Products	-1.44**
		Electronic	-1.00
		Chemicals	-1.00

NB: **p<0.01, *p<0.05

The data in this table are drawn from Variable 18.

Table 6.14 provides multiple comparisons of the mean scores of the underlying low cost sourcing factors in relation to industrial sectors, and it shows that the mean scores in the agriculture and agricultural products sector significantly differ from those in the metal products, machinery and transport equipment sector with 0.94 mean differences at 0.05 significance levels. Moreover, a significant mean score difference can also be found between the metal products, machinery and transport equipment sector, and the service and public utilities sector with 1.44 mean difference at 0.01 significance levels.

Table 6.15: Mean Scores Comparison of Selected Individual Strategic Motives of Thai Parent Company by Industrial Sector

Individual Strategic Motive	Sector	Mean	Standard Deviation	F Value/Chi-Square [a]
Exchange of patents or territories	Agriculture	2.5	1.07	
	Light	2.42	0.9	
	Metal	2.98	0.92	
	Electronic	3	0.5	
	Chemicals	3.78	0.97	
	Services	1.75	0.96	
	Total	2.89	0.98	4.08**/16.35**
Avoid difficulties with agents or licensees	Agriculture	2.25	0.89	
	Light	3	1.08	
	Metal	3.09	0.92	
	Electronic	3.33	0.87	
	Chemicals	3	1.22	
	Services	1.5	0.58	
	Total	2.94	1.02	3.14*/13.01*
Maintain position in existing market	Agriculture	2.5	1.07	
	Light	3.54	0.97	
	Metal	3.71	0.69	
	Electronic	3.11	0.6	
	Chemicals	3.56	1.13	
	Services	2.75	1.26	
	Total	3.45	0.91	3.79**/13.26*
Conform to Thai government policies	Agriculture	2.63	1.06	
	Light	2.85	1.34	
	Metal	3.09	0.86	
	Electronic	2.89	1.05	
	Chemicals	2.33	1.22	
	Services	1.5	0.58	
	Total	2.84	1.06	2.47*/13.40*

NB: (a) Chi-Square, Kruskal Wallis Test

* p<0.05, **p<0.01, ***p<0.001

The data in this table are drawn from Variable 18.

Table 6.15: Mean Scores Comparison of Selected Individual Strategic Motives of Thai Parent Company by Industrial Sector (cont)

Individual Strategic Motive	Sector	Mean	Standard Deviation	F Value/Chi-Square [a]
Share cost of R&D	Agriculture	3.13	1.81	
	Light	3.92	0.76	
	Metal	3.98	0.78	
	Electronic	4.11	0.6	
	Chemicals	4.22	1.09	
	Services	1.75	0.96	
	Total	3.83	1.05	5.58***/12.43*
Transfer production to lowest cost location	Agriculture	2.13	1.13	
	Light	2.62	1.04	
	Metal	3.18	1.09	
	Electronic	2.56	1.13	
	Chemicals	3	1.12	
	Services	1.5	0.58	
	Total	2.84	1.14	3.09*/14.53*
Export base for foreign market	Agriculture	3.5	1.07	
	Light	3.08	1.19	
	Metal	3.64	0.77	
	Electronic	3	1.12	
	Chemicals	3.89	0.93	
	Services	1.5	0.58	
	Total	3.41	1.02	5.26***/15.61**

NB: (a) Chi-Square, Kruskal Wallis Test

* p<0.05, **p<0.01, ***p<0.001

The data in this table are drawn from Variable 18.

Table 6.15 shows selected significant individual strategic motives to form IJVs of Thai parent companies, and it reveals that the following seven individual motives have significant mean score differences between industrial sectors. These include motives of exchanging patents or territories, avoiding difficulties with agents or licensees, maintaining position in existing markets, conforming to Thai government policies, sharing cost of R&D, transferring production to the lowest cost location, and finding an exporting base for foreign markets where the significant F-value and chi-square values are respectively as follows: 4.08/16.35, 3.14/13.01, 3.79/13.26, 2.47/13.40, 5.58/12.43, 3.09/14.53, and 5.26/15.61.

Overall, the findings of the study are consistent with those which use the same methodology in the literature (Selassie, 1995; Glaister and Buckley, 1996; Afriyie, 1988; Boateng and Glaister, 2003). These researchers argue that it is likely that strategic motives for firms to form IJVs will vary depending on the industry they wish to enter. For instance, Glaister and Buckley (1996) study IJV formation in the UK and find that a number of strategic motives are relatively more important for firms in the manufacturing sector than firms in the tertiary sector. In their study, the underlying factor of technology development and the individual motives of exchanging complementary technology, sharing R&D costs, producing at the lowest cost location, and exchanging patents/ territories appear in principle to be a set of motivating forces more pertinent to the manufacturing than to the tertiary sector. Other motives which vary by industrial sector include the market power factor and the individual motives of competing against a common competitor, maintaining position in existing markets, concentrating on higher margin business, and reducing competition. This set of motives is relatively more important for IJVs in the manufacturing than in the tertiary sector. It may be conjectured that IJV formation in the manufacturing sector is more a reactive response to competitive pressure than is the case for IJV formation in the tertiary sector (Glaister and Buckley, 1996). Moreover, Glaister and Buckley (1996) and Boateng and Glaister (2003) also find that the relative importance of strategic motives varies most with the sector of IJV activity, compared with other characteristics.

6.2.3: Strategic Motives and the Nationality of the Foreign Company

The analysis conducted by this study indicates that the relative importance of strategic motives of parent companies for IJV formation does not vary by the nationality of foreign firms. None of the six underlying strategic motive factors of foreign parent companies and five underlying strategic motive factors of Thai parent companies has a significant mean score difference by the nationality of foreign firms. A further examination also shows that no significant mean score differences of all individual strategic motives of IJV parent companies can be found by country of origin of foreign companies.

Non-significant variation of the relative importance of strategic motives by nationality of IJV foreign parent firms shown in this study confirms the results of Glaister and Buckley (1996), which indicate that the relative importance of strategic motives does not vary with the nationality of the foreign partner firm. Their study clearly suggests that the driving force of IJV strategic motivation is substantially the same irrespective of the nationality of the foreign partner.

In addition, Boateng and Glaister (2003) hypothesise in their study that a Ghanaian partner may trust and choose a foreign partner from a specific country which is able to provide particular resources, such as access to finance or a type of technology, in order to enable the venture to achieve its tasks or meet its motives. When forming IJVs, it would be expected that such partners would be chosen in preference to potential partners of other nationalities. They do not, however, find these variations in the relative importance of strategic motives by nationality of foreign partners.

6.3 Summary and Concluding Remarks

The aim of this chapter has been to fufil the second objective of the study: to determine the strategic motives of parent companies in forming IJVs. It is a first attempt to identify and explain the key strategic motives for international joint venture formation between foreign partner firms and local partner firms in Thailand. The relative importance of strategic motives for forming IJVs is found to be different between foreign and local partner firms.

The findings show that the major strategic motives inducing foreign firms to embark on IJV formation in Thailand are intrinsically linked with market and geographical expansion and the firms’ strategic position. The two most prominent strategic motives for foreign firms are gaining presence in new markets, and enabling faster entry to markets. Behind these come the motives of competing with common competitors, facilitating international expansion, transferring to the lowest cost production location, and finding an export base for foreign markets. Clearly they are strongly motivated by considerations of maintaining and improving their global competitiveness.

Meanwhile, the principal strategic motivations encouraging Thai firms to form IJVs relate to technology transfer and sharing cost of investment. Their most important strategic motive is accessing technology through the foreign partner. This suggests that the learning and growth benefits of co-operation are central. The motive of sharing the cost of R&D is ranked second, and sharing cost of investment is ranked third.

A number of previous empirical studies on the strategic motives for IJV formation in other regions have shown that there is a significant difference in the relative importance of the strategic motives of foreign and local companies. The finding of this study is consistent with the literature. The analysis indicates that eight motives have significant mean score differences. Such motives consist of transferring production to the lowest cost location, sharing investment costs, accessing low cost labour of partners, enabling product diversification, sharing cost of R&D, accessing/ exchanging technology through partner, exchanging patents or territories, and spreading risks of the project.

When comparing the relative importance of strategic motives of foreign parent firms, the findings of this study correspond with those of previous studies. For instance, the first and the second ranked strategic motives in a study of their relative importance for foreign partners in IJV formation in Turkey (Tatoglu and Glaister, 2000), gaining presence in new markets and enabling faster entry to markets, are exactly the same as in this study. Their third ranked motive, however, was maintaining adequate quality control. To spread risks of the project and to achieve economies of scale are ranked fourth and fifth in their study respectively.

It emerges from this study, when its findings are compared with those of previous empirical studies of different countries, that the strategic motives of local parent firms are more diverse than those of foreign companies. These differences may result from the diverse regional features of these various countries in terms of social and cultural characteristics, market structure, industrial development, and so forth. These seem likely to account for the variation in the results of the relative importance of particular strategic motives for local parent companies in different countries.

This study has considerable implications for the conduct of global corporate strategy. It suggests that foreign firms might be well advised to embark on forming IJVs in a developing country only after obtaining a good understanding of their intended partners' strategic motives, which are likely to differ from those of companies in industrial countries, if the IJV is to be successful.

The strategic motives of foreign firms to form IJVs with firms in developing countries are likely to be expansion of their presence in local markets, and competing and maintaining their competitive position in the global market. IJVs are seen as a means of competing for global market share.

The principal motives of Thai firms in entering IJVs are to gain access to the foreign partner's technology and investment capital, but also to increase their market power and maximise profits by improving their competitive position.

Since the foreign and local partners forming IJVs have differing, if complementary, strategic motives, IJV managers need to be fully aware of these differing strategic motives if they are to manage IJVs effectively and fulfil the objectives of their parent companies on both sides.

Owing to the potential for statistical overlap among the strategic motives identified, factor analysis was conducted to produce a parsimonious set of distinct, non-overlapping strategic motives. The analysis yielded six non-overlapping factors of strategic motives of foreign firms, while five underlying factors of strategic motives of the Thai companies were produced. To investigate the fundamental nature and pattern of strategic motives for the sample of IJVs, this study analysed strategic motives against two characteristics of the samples: industrial sector and national origin of foreign firms.

The findings indicate that the relative importance of different strategic motives varies with the sector of the IJV activity, while no variations of strategic motive could be found by national origin of foreign firms. These findings are consistent with previous empirical studies.

The findings in this chapter in respect of the strategic motivation of both local and foreign parent companies in forming IJVs contribute both to academic and management knowledge as this is an original study of the issue in the context of the ASEAN4 countries. It the future, it would be useful to study this issue in other ASEAN4 countries to confirm and compare IJV activity in the Southeast Asian region, a unique area which differs from other developing countries. This study also offers a basis for future study of partner selection criteria, which is an issue closely associated with strategic motives.

Chapter 7

Parent Companies' Contributions and Characteristics of International Joint Venture Operations in Thailand

7.1 Introduction

The previous chapter examined the strategic impetus behind IJV formation of the IJV parent companies. This chapter attempts, by drawing on data obtained in response to Questions 22, 23 and 25 in the questionnaire, to answer the third research question posed in Chapter 4: what are the contributions parent companies make to IJV firms in Thailand, and what is the relationship between those contributions and the characteristics of IJV operations? The literature suggests that these characteristics have an important impact on the development of IJVs (Ouchi, 1979; Kumar and Seth, 1988).

IJV researchers have long been aware of the importance of the contributions which parent companies bring to the IJV entity. A more successful IJV results from synergies achieved when the parents pool their resources, capabilities and strengths. These synergies lead to the establishment of an operation in which the total results are greater than the sum of the contributions of the partners (Harrigan, 1985; 1986). Harrigan (1986) comments that it is important for there to be symmetry between the objectives of the parent firms, in terms of company missions, and of the resources, management skills, and other contributions they bring, if a complementary and equitable business relationship is to result.

This chapter presents new data and new empirical insights into the issue of parent firms' contributions. To date, very few studies have examined this issue in the context of the ASEAN4, and the tendency has been to investigate the effect of the parent companies' contributions in specific aspects. For instance, Blodgett (1991b) examines the relationship between the IJV parent firms' contributions and their equity participation, while Kamminga and Van Der Meer-Kooistra (2006) investigate the relationship between the IJV parents' contributions and management control.

7.2 Results and Discussion

The questions in the questionnaire for this study are derived from the extensive review of the literature on IJV parent contributions presented in Chapter 3, and from the guidance of previous research relating to the issue of partner contributions (for example, Blodgett, 1991b). In Questions 22 and 23 the target respondents, and especially IJV managers, were asked to rank the extent of their parent companies' contributions in different areas to the IJV on a five-point Likert scale (where 1 stands for "not at all", and 5 means "maximal").

The findings of the present study reveal that the contributions of the Thai parent company to IJVs are mainly linked to the provision of knowledge of the local environment and marketing, while the main contributions of the foreign parent firm relate to technology and know-how transfer. Table 7.1 shows, on the basis of responses to Question 23, the mean score rank order of the contributions of Thai parent companies' activities to IJVs. The data indicate that six types of contributions have mean scores higher than the median value of 3 of the five-point scales, and that the leading contribution of Thai parent companies to IJVs is facilitating business opportunities and targeting market identification. This has the highest mean score of 3.39. The second equal most important contribution of Thai parent companies is workforce training together with facilitating government support and permissions with equal mean scores of 3.34. The contribution of plant design, technology and construction is ranked fourth (3.23), followed by domestic financing (3.22), and providing advice on business strategy (3.21) respectively.

It is not surprising that the main contribution of the Thai parent firms to IJVs is in terms of local market knowledge and marketing, human resource management, and knowledge of local government regulation and law. This is the kind of knowledge and resources supplied by local parent firms indentified in the literature (for example, by Julian, 2004).

More surprising is the fact that plant design, technology and construction ranks relatively high among the contributions of Thai parent firms, since the literature indicates that this tends to be the kind of contribution made by parents from a developed country, which may be expected to have technology superior to that of local parents in developing countries (Beamish and Bank, 1987). A possible explanation of this result may be that plant design and building technology are less complex than the technologies which are the subject of research and development of a new product, so that a Thai company can contribute this type of technology to the IJV. The construction industry is one of the fastest growing industrial sectors in Thailand (Bank of Thailand, 2000), so Thai parent companies may well have business links enabling them to provide the expertise for efficient plant construction.

The following individual contribution areas have lower mean scores than the median value, although their values are still higher than the mean of the five-point scale (2.5). These consist of improvement and adaptation of new management techniques (2.95), continuous technological knowledge inflow (2.78), exporting (2.75), obtaining foreign financing (2.70), importing capital equipment (2.67), importing intermediates (2.64), improvement and adaptation of new production techniques (2.64), and conducting research and development of the product (2.61). This means that Thai parent firms are less likely to provide contributions in these areas to IJVs, especially technology transfer, conducting of R&D, and technology development, and is consistent with the literature discussed earlier.

The mean score rank order of the foreign parent companies' contributions to the IJVs is shown in Table 7.2, which draws on responses to Question 22. The results reveal that most of the individual contributions have mean scores above the median value of 3 of the five-point scales. The most prominent contribution of the foreign parent companies to the IJVs is continuous supply of technological knowledge, which has the highest mean score of 3.86; followed by plant design, technology and construction (3.84); improvement and adaptation of new production techniques (3.63); conducting research, and development of the product (3.59); and importing capital equipment (3.52). This indicates that foreign parent firms are most likely to contribute in Thailand through technology transfer, product and technology development, and R&D.

Table 7.1: Thai Parent Companies' Contributions to IJVs.

Contribution Area	Rank	Mean	S.D.
Facilitating opportunity and market identification	1	3.39	1.00
Workforce training	2=	3.34	1.15
Facilitating government support and permits	2=	3.34	1.25
Plant design, technology and construction	4	3.23	1.15
Obtaining domestic financing	5	3.22	1.20
Advice on business strategy	6	3.21	1.06
Improvement and adaptation of new management techniques	7	2.95	1.09
Continuous technological knowledge inflow	8	2.78	1.19
Exporting	9	2.75	1.18
Obtaining foreign financing	10	2.70	1.12
Importing capital equipment	11	2.67	1.15
Importing intermediates	12=	2.64	1.18
Improvement and adaptation of new production techniques	12=	2.64	1.06
Conducting research and development of the product	14	2.61	1.14

NB: 1. The Mean is the average on a scale raging from 1 = 'not at all' to 5 = 'most'

2. SD = Standard Deviation; data in this table are drawn from Variable 23.

In sixth place in the ranking of mean scores of the foreign parent companies' contributions to IJVs are two contributions – exporting, and obtaining foreign financing – with an equal mean score of 3.51. Ranked eighth is advice on business strategy (3.31). The ninth to fourteenth ranks are as follows: improvement and adaptation of new management techniques (3.35); perceiving business opportunity and target market identification (3.27); workforce training (3.16), importing intermediates (3.15); obtaining domestic financing (2.83); and getting government support and permits (2.59) respectively.

These findings are consistent with those from previous studies, especially in respect of IJV formation between firms in developing countries and those in developed countries. For instance, Beamish and Banks (1987) argue that foreign parent companies from industrialised countries generally provide firm-specific knowledge regarding technology, management and capital markets to IJV firms, while local IJV parent firms provide location-specific knowledge regarding the host country markets, marketing infrastructure and political conditions. From the sharing of knowledge and pooling of resources through the IJV mode, the foreign parent companies are able to reduce their uncertainty associated with market entry to a lower long term average cost than through traditional hierarchical and market approaches. From this perspective, Beamish and Banks (1987) point out that the IJV parent firms have very little incentive to behave opportunistically, and the derived condition of information matching due to uncertainty and opportunism would not arise.

Table 7.2: Foreign Parent Companies' Contributions to IJVs

Contribution Area	Rank	Mean	S.D.
Continuous technological knowledge inflow	1	3.86	0.99
Plant design, technology and construction	2	3.84	1.05
Improvement and adaptation of new production techniques	3	3.63	1.10
Conducting research, and development of the product	4	3.59	1.13
Importing capital equipment	5	3.52	1.14
Exporting	6=	3.51	1.12
Obtaining foreign financing	6=	3.51	1.14
Advice on business strategy	8	3.31	1.12
Improvement and adaptation of new management techniques	9	3.35	1.09
Facilitating opportunity and market identification	10	3.27	1.01
Workforce training	11	3.16	1.02
Importing intermediates	12	3.15	1.19
Obtaining domestic financing	13	2.83	1.19
Getting government support and permits	14	2.59	1.08

NB: 1. The Mean is the average on a scale raging from 1 = 'not at all' to 5 = 'most'

2. SD = Standard Deviation; data in this table are drawn from Variable 22.

In addition, the study of the firm-specific advantages of overseas firms in Thailand by Sibunruang (1986), which observes parent contributions to subsidiaries and the characteristics and performance of subsidiaries, indicates that substantial important contributions are made by foreign firms in respect of the following functions: machinery, production techniques, and international marketing. Less important, but still substantial, contributions are equity and management know-how. The findings of Sibunruang (1986) also reveal that contributions are likely to be similar even when firms are differentiated by marketing orientation or by industry. When tested across the nationality of the foreign firms, there are significant differences in the provision of financial resources and foreign marketing and management know-how between foreign firms from developing countries and those from developed countries. It is believed that this aspect of the contribution of parent companies to IJVs, especially in the ASEAN4 context, would merit further study in the future.

Table 7.3: Factor Analysis of the Thai Parent Companies' Contributions to IJVs

Factors	Factor Load	Eigen Value	% Variance Explain	Cum Percent	Cronbach Alpha
Factor 1: Knowledge of Local Environment and Marketing Contribution		4.22	38.33	38.33	0.91
Facilitating opportunity and market identification	0.66				
Obtaining domestic financing	0.82				
Getting government support and permits	0.76				
Exporting	0.67				
Importing intermediates	0.71				
Importing capital equipment	0.60				
Advice on business strategy	0.55				
Factor 2: Technology Transfer and Management Know-How Contribution		3.76	34.22	72.55	0.94
Continuous technological knowledge inflow	0.87				
Improvement and adaptation of new management techniques	0.76				
Improvement and adaptation of new production techniques	0.87				
Conducting research and development of the product	0.89				

NB: Principal component factor analysis with varimax rotation

K-M-O Measure of Sampling Adequacy = 0.89

Bartlett's Test of Sphericity = 822.608, $p<0.000$

The data in this table are drawn from Variable 23.

The preliminary analysis indicates that a number of the individual contribution variables of Thai parent companies correlate among themselves. Accordingly, exploratory factor analysis (EFA) with varimax rotation is then used to eliminate the relatedness of the variables. Content analysis was conducted to purify the uncovered factors because the items measuring the same factor must have consistently substantive meanings. Items which have inconsistently substantive meanings with the factor or which have low factor loadings are therefore removed from further analyses. The content analysis process results in the elimination of three individual contributions: plant design, technology, and construction; workforce training; and obtaining foreign financing.

The remaining 11 individual contributions are again factor analysed and produce two underlying factors which explain a total of 72.55 percent of observed variances as shown in Table 7.3. An internal reliability test indicates strong Cronbach alpha value (more than

Table 7.4: Factor Analysis of Foreign Parent Companies' Contributions to IJVs

Factors	Factor Load	Eigen Value	% Variance Explain	Cum Percent	Cronbach Alpha
Factor 1: Technology Transfer and Marketing Strategy Contribution		3.52	39.07	39.07	0.89
Conducting research and development of the product	0.78				
Advice on business strategy	0.77				
Improvement and adaptation of new management techniques	0.76				
Continuous technological knowledge inflow	0.75				
Improvement and adaptation of new production techniques	0.72				
Facilitation of opportunity and market identification	0.72				
Factor 2: Outsourcing and Business Facilitating Contribution		2.66	29.51	68.58	0.83
Importing intermediates	0.88				
Exporting	0.81				
Importing capital equipment	0.77				

NB: Principal component factor analysis with varimax rotation.

K-M-O Measure of Sampling Adequacy = 0.87, Bartlett's Test of Sphericity= 437.35, p<0.000

The data in this table are drawn from Variable 22.

0.90) for the purified multi-item factors, identifying high reliability for an exploratory study of this nature. Two underlying factors are labelled as knowledge of local environment and marketing contribution; and technology transfer and management know-how contribution.

Table 7.4 shows factor analysis outcomes of foreign parent companies' contributions to the IJVs, and factor analysis is undertaken to produce a set of parsimoniously distinct non-overlapping factors. Following the purification stage, five individual contributions were removed from the analysis. These consist of workforce training; getting government support and permits; obtaining domestic financing; plant design, technology and construction; and obtaining foreign financing. The existing nine individual contributions are again factor analysed and produce two factors which explain a total of 68.58 percent of the observed variances. Cronbach alphas of the two underlying factors with the values of 0.89 and 0.83 indicate high reliability. Indicated by the value items that load on them, the two factors are labeled as technology transfer and market strategy contribution; and outsourcing and business facilitating contribution.

Table 7.5: Characteristics of IJV Operation

Aspect	Mean	S.D.
Human resource management and recruitment	3.49	0.99
Compensation policy and practices	3.47	1.04
Accounting system and practice	3.39	1.10
Costing management and costing system	3.34	1.06
Budgeting	3.27	0.99
Training and development	3.24	1.01
Management information system	3.23	1.01
Strategy formulation	3.06	1.04
Price setting system	2.94	1.13
Marketing	2.86	1.08
Quality control	2.67	1.10
Production process	2.65	1.17
Product research and development	2.47	1.13

NB: 1. The mean is the average on a scale raging from: 1 = 'exactly the same as the foreign parent company'; 2 = 'likely the same as the foreign parent company'; 3 = 'combination of both parent companies' procedure'; 4 = 'likely the same as the Thai parent company', 5 = 'exactly the same as the Thai parent company'

2. SD = Standard Deviation

The data in this table are drawn from Variable 25.

Table 7.5 shows the mean scores of the characteristics of IJV operation, on the basis of responses to Question 25. It indicates that the three highest mean scores include human resource management and recruitment (3.49); compensation policy and practices (3.47); and accounting system and practice (3.39). It can be inferred that these three functional practices are likely similar to those of the Thai parent companies, since the respondents assess their perception on the similarity of the characteristics of the IJV operation based on the 5-point Likert scales where 1 means 'exactly the same as the foreign parent company'; 2 means 'likely the same as the foreign parent company'; 3 means 'combination of both parent companies' procedures'; 4 means 'likely the same as the Thai parent company'; 5 means 'exactly the same as the Thai parent company'. The higher the mean scores, the more similar IJV operation is to the Thai parent companies.

On the other hand, the data show that the group of practices which have the lower mean scores are product research and development (2.47); production process (2.65); and quality control (2.67). This group of practices is similar to that of the foreign parent companies.

Table 7.6: Pearson Correlation Matrix Between Underlying Contribution Factors (Independent Variable) and Characteristics of IJV Operation (Dependent Variable)

Variable	**A**	**B**	**C**	**D**	**E**
A. Characteristics of IJV Operation	1				
B. Underlying Factor of Knowledge of Local Environment and Marketing Contribution (Thai parent firm)	0.38**	1			
C. Underlying Factor of Technology Transfer and Management Know-How Contribution (Thai parent firm)	0.40**	0.00	1		
D. Underlying Factor of Technology Transfer and Marketing Strategy Contribution (foreign parent firm)	-0.20*	0.00	0.02	1	
E. Underlying Factor of Outsourcing and Business Facilitating Contribution (foreign parent firm)	-0.11	0.19	0.00	0.00	1

NB: **p<0.01, *p<0.05; data in this table are drawn from Variables 22, 23, and 25)

Since this study attempts to investigate the relationship between the underlying contribution factors and the characteristics of IJV operations, correlation coefficients have been computed to study the relationship between them. Table 7.6 presents the correlation matrix between the underlying factors of parent company contributions and the characteristics of IJV operations, and it indicates that both underlying factors of the Thai parent company contribution, namely the underlying factor of knowledge of local environment and marketing contribution; and the underlying factor of technology transfer and management know-how contribution, correlate positively with the characteristics of IJV operation. These are shown to have 0.38 and 0.40 Pearson coefficient correlation values at 0.01 significance levels.

Table 7.7: Multiple Regression Result Between the Underlying Contribution Factors and Characteristics of IJV Operation

Variable	**Unstandardised Coefficients**	**Beta Standardised Coefficients**	**T-Statistic**
Constant	39.9		42.85***
Underlying Factor of Knowledge of Local Environment and Marketing Contribution (Thai parent firm)	3.88	0.36	3.95***
Underlying Factor of Technology Transfer and Management Know-How Contribution (Thai parent firm)	4.24	0.42	4.57***
Underlying Factor of Technology Transfer and Marketing Strategy Contribution (foreign parent firm)	-2.46	-0.23	2.55*
R Squared	0.33		
Adjusted R Squared	0.31		
F-Value	13.51***		

NB: ***p<0.001, *p<0.05; Dependent Variable: Characteristics of IJV Operation, Durbin-Watson=1.95; data in this table are drawn from Variables 22, 23, and 25.

Similarly, the analysis indicates that one of the underlying factors of foreign parent company contribution, the underlying factor of technology transfer and marketing strategy contribution, correlates negatively with the characteristics of IJV operation. It shows -0.20 Pearson coefficient correlation values at 0.05 significance levels in Table 7.6. This outcome means the bivariate relationship of foreign parent companies' contributions and the characteristics of IJV operation yields a positive trend, since respondents assessed the characteristics of the IJV operational practices they perceived by ranking on a 5-point Likert scale ranging from 1 to 5. 1 stands for 'exactly the same as the foreign parent company' at one end of the scale and 5 means 'exactly the same as the Thai parent company' at the other end. The lower the mean scores, the higher the similarity of the characteristics of the IJV operation to those of the foreign parent companies. In this respect, when the mean scores of the foreign parent companies' contributions are higher, the mean scores of the characteristics of IJV operation will be lower. This means that the greater the contribution of the foreign parent company in the IJVs, the more similar the characteristics of the IJV operation will be to those of the foreign parent companies.

In addition to studying the relationship of the variables with the correlation analysis, multiple regression was conducted to ascertain the multivariate relationship between the independent variables and the dependent variables as shown in Table 7.7. This is because numerous IJV researchers argue that the true relationship of the variables must be proved with both the bivariate relationship test and the multivariate relationship test (for example, Sim and Ali, 1998; Demirbag and Mirza, 2000; and Boateng and Glaister, 2002).

The multiple regression analysis indicates that an F-value of 13.51 is significant ($p<0.001$), meaning that at least one independent variable has an influence over the dependent variable. The regression can explain 31% of the variation of the dependent variable: the characteristics of IJV operation. The results indicate that the independent variables (three underlying factors) have an influence over the dependent variable (the characteristics of IJV operation).

Two underlying factors of the Thai parent firm, the underlying factor of knowledge of local environment and marketing contribution; and the underlying factor of technology transfer and management know-how contribution, have a positive effect on the characteristics of IJV operation at 0.01 significance levels (beta=0.36 and beta=0.42). Meanwhile, the foreign parent company's contribution has a negative impact on the characteristics of IJV operation at 0.05 significant levels (Beta= -0.23). However, in fact, this is a positive relationship as explained above.

These outcomes confirm the earlier findings through the bivariate relationship (Table 7.6) and make it possible to conclude that the IJV parent companies' contributions affect the characteristics of IJVs' operation. That is, the greater the extent of the contribution, i.e. resources, made by the parent companies on IJVs' operations, the closer the similarity of the characteristics of IJVs' operations will be to those of their parents. This provides a new empirical insight, especially in the context of the ASEAN4 countries, and provides support for the literature, especially the strategic alliance evolution paradigm of Lorange and Roos (1993) as presented earlier in Chapter 3, since they view IJVs as organic entities which grow and develop naturally, influenced by the contributions of their parent companies. They suggest that the closeness of the relationship, together with the similarity between the IJVs' operational practices, to those of their parent firms, gradually decreases as IJVs "grow up".

In this paradigm, Lorange and Roos (1993) suggest that an IJV firm needs to receive ongoing input from its "parents" to enable it to develop from being a dependent child into a functioning adult entity. In its early stages the IJV entity needs to be stimulated if it is to grow and evolve. Comparing the birth and growth of an IJV firm with development of a child implies that the strategic relationship with its parents will change over time from total dependence to complete, or almost complete, independence, and that this process needs to be studied.

There are several reasons why the IJV firm is likely to follow this evolutionary pattern. A learning process typically allows unique traits of each parent to be picked up by the IJV and incorporated into its organisation. The IJV will often find itself under pressure to adapt to new opportunities and threats in its competitive arena. This often takes time and effort, and may be held back if extensive consultation and coordination with both “parents” is required.

The IJV may in any case need to develop an identity of its own in order to attract, retain, and motivate a high quality work force. As the parents become more confident of their relationship with each other and the IJV they may feel able to allow it greater autonomy.

As described in Chapter 3, Lorange and Roos (1993) argue that IJVs typically evolve through three phases, gradually moving away from the situation where their strategy and decision making are based on a parent company’s perspective until it becomes an “adult” independent organisation with a strategic alliance.

During the first phase the IJV can be seen as little more than a vehicle for a strategic alliance between the parents, each of whom plays an active role. Typically, these are complementary, with one partner providing technology and the other contributing market contacts and distribution channels. At this stage, most of the IJV’s activities are carried out by one partner or the other and it can be seen as little more than a framework for cooperation at this early stage.

After a while the IJV will typically evolve into a second phase where one partner becomes more dominant, while the IJV takes over more of the value-creating functions on its own. A third phase of evolution will often see the IJV becoming a more autonomous, independent unit.

Lorange and Roos (1993) argue that it is very important to understand the basis on which a particular IJV has been established, and to have some knowledge of the ways in which it is likely to evolve and the pressures it may face. If the need to allow it to evolve is ignored, avoidable stresses and strains may lead to its being needlessly terminated.

The preliminary analysis of this study indicates that the average age of the IJV samples involved is 13 years. A positive correlation has been revealed between the contribution of

IJV parent firms and the characteristics of the IJV operation. That is, the greater the contribution made by parent companies to the IJVs' operations, the greater is the similarity between the characteristics of the IJVs' operations and those of their parents. It can be inferred that most of the IJV samples in this study are likely to be "second phase", where after a while one parent is likely to become increasingly dominant. Possibly the local partner, assisting with marketing and physically located closer, may become more directly involved. Alternatively, the foreign partner who provides the technology may become dominant if new technological developments increase its role. In either case, in the interests of efficiency the IJV is likely to become increasingly independent of one of its parents at least.

In the case of Thailand, it seems more likely that the Thai firm will become dominant, and Chapter 5 has shown that the majority of Thai partners are active and major shareholders in IJVs due to government regulations. However, it needs to be borne in mind that the evolution of each stage of each firm is unique. Where one firm may take a long time to pass to the next stage, another might do so rapidly. This depends on such factors as the IJV's industrial sector, the intensity of competition in the market, state of technological development, the relationship with each parent, and the policy and strategy of the IJV parent firms.

Certain implications for managers emerge from this study. During the second phase of the IJV's evolution its manager needs the ability not only to draw on the resources (contributions) of each parent company, but also to know which of them is dominant, which functions they are dominant in, and to satisfactorily co-ordinate the work of the IJV with both parents. In other words, he/she needs in this second phase to know how to combine and complement the contributions received from the parent firms and to avoid or resolve conflict with both sides at the same time if it occurs. Ability to co-ordinate is a crucial skill for IJV managers in this phase.

7.3 Summary and Concluding Remarks

The main objective of this chapter has been to identify the principal contributions of Thai and foreign parent companies to IJV firms operating in Thailand, and to examine the relationship between those contributions and the characteristics of IJV operation in the context of the ASEAN4 countries, and especially Thailand. This will fulfil the third objective of this study presented in Chapter 1. This chapter presents new data and new empirical insights into the nature of parent firms' contributions. To date, very few studies have been conducted into this issue in the context of the ASEAN4, and there is a need to investigate whether the effect of parent companies' contributions in these countries differs from what has been found in this study.

The findings show the main contributions of Thai parent companies to be in providing knowledge of the local business environment and marketing. The most important contributions are facilitation and market identification; workforce training; and assisting with the obtaining of government support and permits. The main contributions of the foreign parent companies are in the areas of technology and transfer of know-how. The findings show continuous technological knowledge inflow to be the most valuable contribution of foreign parent companies, followed by plant design, technology and construction; and the improvement and adaptation of new production techniques respectively.

These results are consistent with the literature, with a number of researchers finding that foreign parent companies from industrialised countries tend to contribute "firm-specific" knowledge of technology, management and capital markets, while local parent companies provide "location-specific" knowledge of the host country markets, marketing infrastructure and political conditions. The present study also confirms the study of firm-specific benefits contributed by overseas firms in Thailand by Sibunruang (1986), which indicated that foreign firms made important contributions in terms of machinery, production techniques, and international marketing. Less important, but still significant, were contributions of equity and management know-how.

Exploratory factor analysis (EFA) using varimax rotation was used to group correlated independent variables into a single category. This method resulted in the identification of two underlying factors in the contribution of the Thai parent firms: knowledge of local environment and marketing contribution; and technology transfer and management know-how contribution. The EFA technique also created the following two underlying contribution factors of the foreign parent companies: technology transfer and market strategy contribution; and outsourcing and business facilitating contribution.

This study seeks to discover the relationship between the independent variables created by the factor analysis (the underlying factors) and the dependent variable of the characteristics of the IJV operation. After analysis with the bivariate and multivariate test via the correlation analysis and the regression analysis respectively, the outcomes indicate that the underlying factors positively correlate with the characteristics of IJV operation. In other words, the IJV parent companies' contributions affect the characteristics of IJV operation. The greater the contribution (resources) provided by the parent companies to an IJV's operations, the greater the similarity of the characteristics of its operations to those of its parents. This provides a new insight in the context of the ASEAN4 countries. It is consistent with the literature, especially the strategic alliance evaluation perspective of Lorange and Roos (1993) which views IJVs as organic entities greatly influenced by the contributions of their parent companies but also liable to grow and develop like a human child

They propose that the growth of IJVs from infancy to adulthood can be divided into three phases, of which the first, childhood, sees the IJV dependent on the equal but complementary contributions of its parents. In the second stage one partner make be expected to become more dominant, while the IJV becomes more independent. A third phase of evolution, where the IJV becomes a more autonomous, independent entity, is often the natural next step.

Most of the IJV samples in this study appear to be "second stage". The implications for managers is that they have to demonstrate considerable ability in coordinating the different but complementary contributions and aims of the parent companies, bearing in mind their aims, their changing weight and influence in the IJV. An ability to avoid, or resolve, conflict situations is essential.

This study is an original attempt to establish the contribution of foreign and host country IJV parent companies to IJVs in Thailand and also to establish whether there is a relationship between those contributions and the characteristics of IJV operations in Southeast Asian countries. In general, the present findings are consistent with the evolutionary paradigm.

There is scope for further comparative research into this issue in respect of Thailand and the other ASEAN4 countries, investigating IJVs in particular sectors (especially the service sector), or in more highly competitive business environments (since most of the IJVs in this study were in manufacturing). These factors and the personal characteristics of IJV managers may stimulate IJVs to "mature" more rapidly, to assimilate expertise from their parents, and to show more individual operational characteristics at any early stage.

Chapter 8

Performance Assessment and Performance Determinants of International Joint Ventures in Thailand

8.1 Introduction

The purpose of this chapter is to present IJV performance assessment in the context of the ASEAN4 countries, especially Thailand, and to analyse the determinants which affect IJV performance. This will fufil the fourth and fifth objectives of this study, as presented in Chapter 1. In addition, this chapter attempts to investigate whether IJV performance varies with the strategic motives of parent companies as presented in Chapter 6, and the characteristics of IJV operation shown in Chapter 7. The present chapter draws on responses to Questions 6, 7, and 8 (IJV survival); Questions 9, 10, and 11 (IJV stability); Questions_3 and 26 (IJV duration); Questions 30 and 31 (subjective measurement of IJV performance). As regards performance determinants, the data are drawn from the following variables: Question 3 (IJV age); Questions 33 and 34 (IJV parent companies' collaborative experience); Question 29 (size symmetry of the IJV parent companies); Question 35 (IJV organisational learning); Question 4 (number of IJV parent companies; Question 13 (business linkage between the IJV and parent companies, and between the parent companies themselves); Question 36 (IJV commitment); Question 37 (commitment of the IJV parent companies); Question 28.2 (similarity of national culture); and Question 28.1 (similarity of organisational culture).

The literature contains many studies of IJV performance in developing countries, including the Asia Pacific region. There are, however, relatively few studies of IJV performance and its determinants in the context of Southeast Asia, although IJV formation in this region has increased considerably during the last three decades (Julian and O'Cass, 2004).

To date, there has been continuing disagreement among IJV researchers about the criteria appropriate for assessing IJV performance. In order to overcome the limitations of the various IJV performance measurement approaches, an eclectic approach, using a variety of indicators to measure IJV performance, has been adopted in this study. One of the premises mentioned at the outset was that ASEAN countries are different in a number of respects which set them apart from other developing countries. These differences included the background to economic development, the growth of foreign direct investment, social and cultural characteristics of the region, and the various political systems. The view was taken that the results and implications of IJV performance determinants in studies of other developing countries might not be wholly applicable or relevant to the current situation in the ASEAN4 countries, and that has been the approach to this study of IJV performance determinants in Thailand,

This chapter, accordingly, presents new data and empirical insights into IJV performance assessment and determinants in the context of the ASEAN4 countries, and in particular of Thailand.

8.2 Results and Discussion

8.2.1 IJV Performance Assessment

The questions in the questionnaire used in this study were derived from the review of literature on IJV performance assessment presented in Chapter 3, and from the insights provided by such previous research as Geringer and Hebert (1991); Sim and Ali (1998); Glaister and Buckley (1998); and Boateng and Glaister (2002). As mentioned in Chapter 4 on research methodology, subjective IJV performance assessment was measured using a five-point Likert scale, following the practice of such IJV researchers as Geringer and Hebert (1991); and Glaister and Buckley (1998), where 1 stands for "very dissatisfied", and 5 means "very satisfied". The data are drawn from Question 31.

Following the practice of such previous studies as Sim and Ali (1998); and Boateng and Glaister (2002), IJV performance was also measured using a composite index (an arithmetic average). Respondents assessed performance of five IJV activities on a five-point Likert scale, where 1 denoted "much worse than expected" and 5 denoted "much better than expected". The five activities were marketing; finance; strategy; technology transfer and R&D; and human resource management. These data are drawn from Question 30.

While the objective performance assessment of survival, stability, and duration follows the practice adopted by Geringer and Hebert (1991), and Glaister and Buckley (1998), survival has been measured using a dichotomous variable based on the survival or non-survival (termination) of the IJV from the time of its formation until the data collection point in 2006. These data are derived from Questions 6, 7, and 8. For stability, it was measured with a dichotomous variable based on whether changes in the IJV's equity shareholding had occurred since its formation. The data are obtained from Questions 9, 10, and 11. Duration was measured by the number of years between the IJV's formation and either its termination or the collection of performance data, whichever came first. Also, respondents were asked whether their IJV had a dissolution plan or not, and this was measured with a dichotomous variable to provide more detailed information on the duration of IJVs. The data are drawn from Questions 3 and 26.

The findings relating to IJV performance assessment in this study follow.

8.2.1.1 Objective and Subjective Measures of Performance Assessment

The findings of this study reveal that there is a positive relationship between objective and subjective IJV performance assessment. The results show that the relationship between the subjective measure of satisfaction (Question 31) and the objective measure of survival (Question 6) is strongest compared with the correlation between other objective and subjective criteria. The outcomes in Table 8.1 indicate that the survival measure has a positive correlation with the subjective measure of the foreign parent companies' satisfaction measured by IJV managers, with a Spearman correlation coefficient of 0.31 and Pearson correlation coefficient of 0.33 at 0.01 significance levels. It also has a positive correlation with the subjective measure of the satisfaction of IJV managers, which gives a Spearman coefficient value of 0.24 (Pearson correlation coefficient of 0.23) at 0.05 significance levels.

These results suggest that the higher the IJV survival rate, the greater the IJV satisfaction. Since the questionnaire asks respondents, “Has the IJV been terminated?”, the prospective answer can be only yes or no. These answers have been coded as: 1 stands for ‘yes’ and 2 equals ‘no’ (this is a dichotomous variable). While the coding of the subjective measure of IJV satisfaction is based on a 5-point Likert scale, where the lowest number of 1 stands for ‘very dissatisfied’, and the highest number of 5 means ‘very satisfied’.

Table 8.1: Spearman Correlations Between Objective and Subjective IJV Performance Evaluation

Subjective Performance Evaluation	**Objective Performance Evaluation**		
	Survival	**Stability**	**Duration**
Satisfaction View			
Foreign parent’s satisfaction measured by IJV Manager	**0.31(**0.33)	0.07 (0.08)	-0.02 (-0.04)
Thai parent’s satisfaction measured by IJV Manager	0.14 (0.16)	0.07 (0.08)	0.07 (0.10)
Satisfaction measure of IJV Manager	*0.24 (*0.23)	0.11 (0.08)	0.04 (0.03)

NB: ** $p < 0.01$, *$p < 0.05$, **Pearson Correlation** in parenthesis

The data in this table are drawn from Variables 3, 6, 10, and 31.

However, the outcomes show that there is no significant correlation between the subjective measure of IJV satisfaction and the objective measure of IJV stability and IJV duration.

These findings are consistent with those of previous studies which find a significant positive relationship between the objective measure and subjective measure of IJV performance assessment. Of the objective performance measures identified, only survival has been found to have a significant set of correlations with overall subjective performance assessment. In broad terms, this supports the findings of Geringer and Hebert (1991) and Glaister and Buckley (1998) who report that the survival-based measure shows the strongest correlations with subjective performance measures. This suggests that the IJVs perceived to be more satisfactory are more likely to remain in operation than those IJVs assessed as less satisfactory. In comparison, the objective performance measures of stability and duration cannot be found to have significant relationships with the subjective measure in this study and also in the study of Glaister and Buckley (1998). This contrasts considerably with the findings of Geringer and Hebert (1991) as they report a number of relatively strong and significant correlations between the objectively based measures of stability and duration and the subjective performance measures.

Geringer and Hebert (1991) examine the relationship between objective and subjective performance measures in the context of IJVs whose parent firms are from developed countries. In contrast, this study, like that of Glaister and Buckley (1998), investigates the relationship of these two measures of IJV performance assessment in the context of IJVs whose parent firms are from both developed and developing countries. This may explain the different outcome of the other study.

Further, Geringer and Hebert (1991) focus on the manufacturing sector only, while this study (like Glaister and Buckley, 1998) includes both the manufacturing and the tertiary sectors. These differences should be borne in mind when assessing the findings. Clearly, it is difficult to come to a settled view on the empirical relationship of these two approaches to performance assessment because very few studies have so far been undertaken on this issue, especially in the context of developing countries of the ASEAN4. Hence, this study has made a contribution to the field of IJV research with new findings on an under-researched geographical area.

8.2.1.2 The Perspective of IJV Performance Assessment

The outcome of the study shows that there are positive relationships between IJV managers' assessment of their IJV's performance and IJV managers' perception of the IJV parent companies' assessment of the IJV's performance. Table 8.2 illustrates Spearman correlation coefficient values between each view of IJV performance assessment. The data are drawn from Question 31. The results show strong, positive correlations between the IJV managers' own assessment of satisfaction with the IJV's performance, the IJV managers' assessment of satisfaction of the foreign parent companies, and the IJV managers' assessment of satisfaction of the Thai parent companies.

The evidence shows that the positive correlation between the IJV managers' own assessment of satisfaction with the IJV's performance and the IJV managers' assessment of satisfaction of the foreign parent companies is the strongest correlation (0.81 Spearman and 0.83 Pearson coefficient values) among the three pairs of the relationships. It is followed by the correlation between the IJV managers' own assessment of satisfaction with the IJV's performance and the IJV managers' assessment of satisfaction of the Thai parent companies with 0.75 Spearman correlation coefficient values (and 0.77 Pearson coefficient values) at 0.01 significance levels. Further, the relationship between the IJV managers' assessment of satisfaction of the Thai parent companies and the IJV managers' assessment of satisfaction of the foreign parent company illustrates a moderate positive correlation with a Spearman correlation value of 0.69 and 0.68 Pearson correlation coefficient values at 0.01 significance levels.

Table 8.2: Spearman Correlation Matrix of the IJV Managers' Subjective Performance Evaluation

	Foreign Parent's Satisfaction Measured by IJV Manager	Thai Parent's Satisfaction Measured by the IJV Manager	Satisfaction of the IJV Manager
Foreign Parent's Satisfaction Measured by the IJV Manager	1		
Thai Parent's Satisfaction Measured by the IJV Manager	0.69** (0.68**)	1	
Satisfaction of the IJV Manager	0.81** (0.83**)	0.75** (0.77**)	1

NB: **p< 0.01, **Pearson Correlation** in parenthesis; data in this table are drawn from Variable 31.

Boateng and Glaister (2002) argue that the study of this issue is very important and should be tested before other issues of IJV study if researchers collect data from the perception of IJV managers. This is because it is essential to examine whether or not IJV managers' assessments correlate with those of the IJV parents. Geringer and Hebert (1991) and Boateng and Glaister (2002) rationalise that these managers may have been drawn from one or both of the parent firms or by outsourcing, but work as employees of the IJV. They are likely to be informed of the parents' levels of satisfaction through formal disclosure such as the Annual General Meeting (AGM), and more informal disclosure in the course of the parents' involvement in the management of the IJVs. Moreover, IJV parent companies, through their representatives at board level, set up the overall objectives of the IJV to be carried out by the IJV managers (Geringer and Hebert, 1991).

The outcomes of this study show a significant correlation between the IJV managers' assessment of IJV performance and IJV managers' perception of the IJV parent companies' assessment of IJV performance. Statistically, there are positive and strong correlations between all three elements ($p<0.01$), which therefore support the findings of Geringer and Hebert (1991) and of Boateng and Glaister (2002). Glaister and Buckley (1998) also find strong positive correlations between these three elements of their correlation examinations between the UK partners' satisfaction with IJV performance, the UK partners' perception of the foreign partners' satisfaction, and the UK partners' perception of the IJV general managers' satisfaction.

In addition, the findings of this study indicate that the relationship between the IJV managers' own assessment of satisfaction with IJV performance, and the IJV managers' assessment of satisfaction of the foreign parent companies is stronger than the correlations between the other relationships. This figure is fully consistent with the outcomes of the study of Boateng and Glaister (2002). In short, this study suggests that the IJV manager can provide a reliable source of data about each parent's performance assessment of satisfaction.

8.2.1.3 IJV Performance in the ASEAN4 Context

This study is to assess IJV performance in the ASEAN4 context by taking Thailand as an example. The findings show that IJV performance in Thailand has been assessed to be moderately high.

Table 8.3: Mean Score Comparison of IJV Subjective Performance Evaluation Measured by IJV Managers

Performance View	Rank	Mean	Standard Deviation
Satisfaction of the IJV Manager	1	3.66	0.78
Foreign Parent's Satisfaction Measured by the IJV Manager	2	3.65	0.84
Thai Parent's Satisfaction Measured by the IJV Manager	3	3.61	0.75

NB: The data in this table are drawn from Variable 31.

Table 8.3 presents the rank order of mean scores of the subjective measure of IJV satisfaction from the three perspectives: 1) the IJV managers' own assessment of satisfaction with IJV performance; 2) the IJV managers' assessment of satisfaction of the foreign parent companies, and 3) the IJV managers' assessment of satisfaction of the Thai parent companies. These data are drawn from Question 31. The median value of the five-point scale is 3, and all the subjective measures exceed this value. Generally, the data shows that the satisfaction of IJV managers and their perception of IJV parent companies' satisfaction with IJV performance are moderately high. However, the results show slight differences of the mean scores among the three views of satisfaction. The IJV managers' satisfaction has the highest mean scores among the three views; it demonstrates 3.66 mean scores with a standard deviation of 0.78. It is followed by the IJV managers' assessment of satisfaction of the foreign parent companies with a mere difference of a correlation coefficient of 3.65 and a standard deviation of 0.84. The least mean scores of 3.61 with a standard deviation of 0.75 relates to the IJV managers' assessment of satisfaction of the Thai parent company.

In addition, the frequency of IJV performance evaluation, especially the satisfaction of the IJV managers and other views, is presented in Table 8.4 (Variable 31). The data indicate

Table 8.4: Frequency of IJV Subjective Performance Evaluation Measured by IJV Managers

Performance View	Satisfaction Level				
	1	2	3	4	5
Foreign Parent's Satisfaction Measured by the IJV Manager					
Number	-	8	28	39	13
Percentage	-	(9.09)	(31.82)	(44.32)	(14.77)
Thai Parent's Satisfaction Measured by the IJV Manager					
Number	-	5	33	40	9
Percentage	-	(5.75)	(37.93)	(45.98)	(10.34)
Satisfaction of the IJV Manager					
Number	-	5	31	40	11
Percentage	-	(5.75)	(35.63)	(45.98)	(12.64)

NB: The data in this table are drawn from Variable 31.

that the highest frequency of the satisfaction ranking among the three views from IJV managers falls on the scale of 4 which stands for ‘satisfied’. The second most frequently ranked among the three views is 3, followed by ranking of 5 which means ‘very satisfied’.

The comparison of the mean scores of multi-perceptual assessment of performance is shown in Table 8.5. These data are drawn from Variable 30. Again, all values of the mean scores exceed the median value of 3. The individual dimension of the performance measurement of sales level achievement has the greatest mean score among all individual dimensions with a value of 3.63 and a standard deviation of 1.02. On the other hand, the individual dimension of the compensation management achievement shows the least mean score of 3.14 with a small standard deviation of 0.75. Moreover, the evidence also shows that the individual dimensions of performance measurement in the categories of financial achievement and marketing achievement are among the top 7 rankings of the individual performance measurement compared to other categories. The second and third rankings of the individual dimension of performance measurement fall on the financial achievement category, which consists of the profitability achievement and the ROI achievement, with mean scores of 3.56 and 3.53 respectively.

The highest scores of the individual performance measurement dimension ranked fourth to seventh come from the marketing achievement category. In this category, the results show a mean score of 3.44 for the dimension of market share achievement, followed by reputation and distribution achievement, and customer service achievement with mean scores of 3.40, 3.36, and 3.33 respectively.

The highest mean score in the strategic achievement category is 3.31, in respect of inter-partner cooperation achievement, and R&D partner involvement achievement gains the highest mean score of 3.16 in the category of R&D, technology transfer achievement. In the final category of human resource management achievement, it can be seen that employee performance achievement has the highest mean score of 3.17 with a standard deviation of 0.68.

Table 8.5: Comparison of the Mean Scores of Multi-Perceptual Assessment of Performance

Activity	Category Ranking	Total Ranking	Mean	Standard Deviation
Marketing Achievement				
Market Share Achievement	1	4	3.44	0.91
Reputation Achievement	2	5	3.40	0.87
Distribution Achievement	3	6	3.36	0.65
Customer Services Achievement	4	7	3.33	0.81
Advertising/PR Achievement	5	14	3.18	0.60
Financial Achievement				
Sales Level Achievement	1	1	3.63	1.02
Profitability Achievement	2	2	3.56	1.05
ROI Achievement	3	3	3.53	1.00
Pay Back Period Achievement	4	8=	3.31	0.81
Cost Control Achievement	5	13	3.22	0.88
Strategic Achievement				
Inter-Partner Cooperation Achievement	1	8=	3.31	0.94
Strategic Objective Achievement	2	10	3.29	0.86
Inter-Partner Trust Achievement	3	11	3.28	0.82
IJV Autonomy Achievement	4	12	3.27	0.83
R&D, Technology Transfer Achievement				
R&D Partner Involvement Achievement	1	16	3.16	0.80
Technology Transfer Achievement	2	17=	3.15	0.78
Manufacturing and Control Achievement	3	17=	3.15	0.65
Product Design Achievement	4	21	3.10	0.76
Human Resource Management Achievement				
Employee Performance Achievement	1	15	3.17	0.68
Employees' Skill Improvement Achievement	2	17=	3.15	0.77
Compensation Management Achievement	3	20	3.14	0.75

NB: The data in this table are drawn from Variable 30.

Table 8.6 indicates the results of IJV performance in terms of IJV survival (Variables 6, 7, and 8), stability (Variables 9, 10, and 11), and duration (Variables 3 and 26). The data show that only 7 IJVs (8%) have already been terminated. This represents a high survival rate. Two IJVs were terminated in 2003 and 2004, and another firm ended IJV cooperation in 2005. Another two IJVs did not give their year of termination. The most common reason for termination (57%) is being taken over by foreign parent companies, followed by being taken over by a third party (29%), and being bought by Thai parent companies (14%). The main reason for termination is a change of partners' strategy (57%), while the least common reason (14%) is fulfilment of the IJV's purposes.

Table 8.6: Objective Assessment: Survival, Stability, and Duration

	Number	Percent
IJV Termination/ Survival	88	100
No Termination	81	92.05
Termination	7	7.95
Year of Termination	7	100
2003	2	29.57
2004	2	29.57
2005	1	14.29
Data Missing	2	29.57
Type of Termination	7	100
Bought by Thai Parent Company	1	14.29
Bought by Foreign Parent Company	4	57.14
Bought by Third Party	2	29.58
Reason for Termination	7	100
IJV Had Fulfilled Its Purpose	1	14.29
IJV Poor Performance	2	29.57
Change of Partners' Strategy Towards IJVs	4	57.14
Shared Equity Change (Stability)	Number (N=88)	Percent
No Shared Equity Change	62	70.45
Shared Equity Change	26	29.54
Duration: Average age of IJVs=13.31 IJV Dissolution Plan	Number	Percent
No Dissolution Plan	80	95.24
Has Dissolution Plan	4	4.76
Year: 2010	1	1.19
Year: 2011	1	1.19
Year: 2013	1	1.19
Year: 2017	1	1.19

NB: SD = Standard Deviation

The data in this table are drawn from Variables 3, 6, 7, 8, 9, 10, 11, and 26.

The majority of IJVs (62 IJVs) state that the proportion of equity shareholding in the IJV has never changed since the ventures were first established, with an average equity holding of 48% (mean = 48.23%) for foreign parent companies and 52% (mean=51.52%) for Thai parent companies. Against that, 26 IJVs indicate that the proportion of equity shareholding has changed, with an average of 66% (mean=65.87%) held by foreign parent companies and 34% (mean=34.13%) held by Thai parent companies. These figures indicate a high stability rate for IJVs. The lower the change in the proportion of equity share, the higher the stability rate. In addition, the data indicate that 95 % of all IJVs have no dissolution plans, while only 4 plan to end their IJV cooperation at dates between 2010 and 2017. The average age of the IJVs is 13 years, which shows that they tend to last for a medium to long period of time.

In short, the findings of this study show that IJV performance in Thailand has been assessed by the respondents as 'moderate-high'. This corresponds with those of previous empirical studies, which show that IJVs in developing countries, especially in the Asia Pacific region, display high performance levels. Julian and O'Cass (2004) examine IJV marketing performance in Thailand and find that more than 70% of their respondents rate IJV performance in Thailand as moderate-high, while only 41 from a total of 148 respondents rate their performance in Thailand as low. Beamish and Delios (1997) also find that IJVs established in developing countries yield performance levels higher than those of IJVs formed in developed countries. In addition, Delios and Beamish (2004) find evidence that IJVs formed in Asia have moderately better performance than those formed in North America and Europe.

One of the factors which may explain this general tendency is the Asian, and in particular the Japanese, focus on long-term, stable relationships between companies and their workers, and between business partners. Pornnavalai (1997) notes that Japanese investors prefer long-term collaboration with their partners rather than opportunistic alliances and they seem to interface with the Thai partners very well due to the similarity of culture. It is likely that this is of no less importance than the primarily performance factors and motivations of the IJV formation. A study of Hofstede (1980, 1985)[5] also points out that national culture of Thailand is closer to that of Japan and the NIEs than to those of Western countries. This may be an important factor contributing to the "moderate-high" rating of IJV performance in this study, since the majority of foreign partners came from Japan and the NIEs.

More specific research into IJV performance assessment in other ASEAN4 countries and in developing countries, would be useful to complement the outcomes of this study, since IJV performance in each of them may be differently influenced by social and cultural factors

8.2.1.4 Foreign Parent Companies from Developed and Developing Countries and IJV Performance

This study finds that IJVs in Thailand with parent companies from developed countries are no different from those with parent companies from developing countries in terms of IJV performance. To study this issue, using the definition of 'developed' and 'developing' countries of the United Nations (United Nations, 2007) together with the classification of advanced economies and other emerging market and developing economies of the IMF (IMF, 2007), Table 8.7 shows the parametric test of *t*-test, and nonparametric test of the Mann-Whitney U of overall IJV performance (Variable 30) made comparable between the IJVs with developed country parent companies and those with developing country parent companies (Variable 5).

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[5]In the study of Hofstede (1980, 1985), four value dimensions of national culture have been identified for classifying and grouping national culture characteristics of 53 countries in his study. The four dimensions were named:

(1) *Power Distance*, that is the extent to which the members of a society accept that power in institutions and organisations is distributed unequally.
(2) Uncertainty Avoidance, that is the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity, which leads them to support promising certainty and to maintain institution protecting conformity.
(3) *Individualism*, which stands for a preference for a loosely knit social framework in society in which individuals are supposed to take care of themselves and their immediate families only; as opposed to *Collectivism*, which stands for a preference for a tightly knit social framework in which individuals can expect their relatives, clan, or other in-group to look after them, in exchange for unquestioning loyalty.
(4) *Masculinity*, which stands for a preference for achievement, heronism, assertiveness, and material success; as opposed to *Femininity*, which stands for a preference for relationships, modesty, caring for the weak, and the quality of life. In a masculine society even the women prefer assertiveness (at least in men); in a feminine society, even the men prefer modesty.

The table indicates that the overall IJV satisfaction of IJVs with developed country partners has a higher mean score than that of IJVs with developing country partners, with a 1.26 mean difference value. However, this difference is not statistically significant in terms of the *t*-test, and Mann-Whitney U test. The result accordingly shows that, in terms of performance, IJV firms with developed country parent companies are no different from IJV firms with developing country parent companies.

Table 8.7: Comparison of Overall IJV Satisfaction Between IJVs with Developed Country Partners and IJVs with Developing Country Partners

	Partner country	Mean	SD*	Mean Difference	t-Value	Mann-Whitney U**
Overall IJV Satisfaction	Developed	11.06	2.08	1.26	1.30	151.50
	Developing	9.80	2.49			

NB: * = Standard Deviation

** = Nonparametric test; data in this table are drawn from Variables 5 and 30

This is consistent with the findings of Sim and Ali (1998), which reveal that IJVs with parent companies from developed and developing countries rate IJV performance not to be significantly different. This study does, however, have a larger sample size than that of Sim and Ali.

Against that, this finding differs from the outcome of a study by Lee and Beamish (1995) which found Korean joint ventures are more satisfactory in LDCs (less developed countries) than are developed country joint ventures in LDCs. Lee and Beamish (1995) argue that Korean firms that first invested in LDCs especially Southeast Asian countries found the cultural environment, traditions and behaviour patterns to be similar to Korea, about which Korean firms possessed information and understanding. The Korean firms entering LDC markets also do not confront as large a foreign knowledge gap regarding the economic situation. They may not have the same level of hesitancy in entering such markets as has been observed elsewhere because they do not perceive as much risk as other foreign investors do. This is due in part to the fact that many Korean managers feel that socioeconomic conditions of Southeast Asian developing countries are similar to those that they had faced in Korea in earlier periods. Hence, these backgrounds may positively influence performance perception of Korean managers in LDCs.

Regarding the result of this study, it can be seen that IJVs with parent companies from developed countries are concentrated in higher technology sectors (e.g. metal products, machinery and transport equipment sector) catering for both the domestic and overseas markets, while IJVs with foreign parent firms from developing countries especially Asian Pacific firms are in traditional mature sectors (e.g. agriculture and agricultural products sector) which could take advantage of low labour costs in Thailand for the export markets. This factor could have equalised the performance rating of the two groups in this study. That is, IJVs with parent companies from developed and developing countries rate IJV performance not to be significantly different.

8.2.1.5 IJV Performance and Strategic Motivation

The outcome of this study indicates that IJV performance varies with the strategic motives for IJV formation. Table 8.8 presents Pearson correlation coefficient values between overall IJV performance (Variable 30) and the underlying strategic motives of foreign parent companies for IJV formation. These underlying strategic motives are derived from the Exploratory factor analysis (EFA) presented in Chapter 6. The bi-variate relationship analysis indicates that three of six underlying strategic motives have positive correlations significantly with IJV performance. The strongest correlation can be found in the relationship between IJV performance with the underlying strategic motive of marketing strategy with 0.32 Pearson correlation coefficient values at 0.01 significance levels. It is followed by the correlations between IJV performance and two underlying strategic motives: the underlying strategic motive of low cost sourcing and market development and the underlying strategic motive of market power and cost & risk sharing with 0.27 and 0.25 Pearson correlation coefficient values at 0.05 significance levels.

Table 8.8: Pearson Correlations between Overall IJV Performance and the Underlying Strategic Motives of the Foreign Parent Company for IJV Formation

Underlying Factor	Overall IJV Performance
Underlying Strategic Motive of Low Cost Sourcing and Market Development	0.27*
Underlying Strategic Motive of Resource Accessing	0.21
Underlying Strategic Motive of Market Power and Cost & Risk Sharing	0.25*
Underlying Strategic Motive of Transfer of Technology	0.20
Underlying Strategic Motive of Marketing Strategy	0.32**
Underlying Strategic Motive of Reducing Competition	0.19

NB: *$p<0.05$, **$p<0.01$; data in this table are drawn from Variables 17 and 30.

To further test the relationships between IJV performance and the underlying strategic motive for IJV formation of the foreign parent company, multiple regression has been conducted as shown in Table 8.9. The stepwise regression began with all independent variables (the underlying strategic motives of the foreign parent firm), however, only one was found to be statistically significant. The multivariate relationship analysis indicates that an F-value of 8.25 is significant ($p<0.001$), meaning that at least one independent variable has an influence over the dependent variable: the overall IJV performance. The regression can explain 8% of the variation of the dependent variable. Only the underlying strategic motive of marketing strategy has been found to have a positive influence on IJV performance at 0.01 significance levels (beta=0.31). This outcome partially confirms the findings through the bivariate relationship test in Table 8.8.

To sum up, the results reveal that IJV performance varies with the strategic motives for IJV formation of the foreign parent company. IJV performance is significantly influenced by the underlying strategic motive of marketing strategy, while two underlying strategic motives (the underlying strategic motive of low cost sourcing and market development and the underlying strategic motive of market power and cost & risk sharing) do not significantly influence IJV performance, but they show significant positive correlations with IJV performance.

Table 8.9: Multiple Regression Result of the Underlying Strategic Motives of the Foreign Parent Company (Independent Variables) and IJV Satisfaction (Dependent Variable)

Variable	**Unstandardised Coefficients**	**Beta Standardised Coefficients**	**T-Statistic**
Constant	8.11		7.92***
Underlying Strategic Motive of Marketing Strategy	0.83	0.31	2.87**
R Square	0.09		
Adjusted R Square	0.08		
F-Value	8.25**		

NB: ***p<0.001, **p<0.01

Dependent Variable: Overall IJV Performance, Durbin-Watson=1.91

The data in this table are drawn from Variables 17 and 30.

Table 8.10: Pearson Correlations between Overall IJV Performance and the Underlying Strategic Motives of the Thai Parent Company for IJV Formation

Underlying Factor	Overall IJV Performance
Underlying Strategic Motive of Resource and Technology Accessing	0.24*
Underlying Strategic Motive of Market Power and Market Development	0.41**
Underlying Strategic Motive of Overseas Market Expansion	0.28*
Underlying Strategic Motive of Cost & Risk Sharing	0.21*
Underlying Strategic Motive of Low Cost Sourcing	0.34*

NB: *p<0.05, **p<0.01

The data in this table are drawn from Variables 18 and 30.

The Pearson correlation coefficient values between overall IJV performance (Variable 30) and the underlying strategic motives of the Thai parent company for IJV formation can be found in Table 8.10. The independent variables, the underlying strategic motives, are taken from the Exploratory factor analysis (EFA) presented in Chapter 6. The evidence shows that all five underlying strategic motives of the Thai parent company have significant positive correlations with IJV performance. The underlying strategic motive of market power and market development has the strongest correlation with IJV performance, representing 0.41 Pearson correlation coefficient values at 0.01 significance levels. The second strongest correlation with a Pearson correlation value of 0.34 at 0.05 significance levels is the relationship between IJV performance and the underlying strategic motive of low cost sourcing. It is followed by the correlations of IJV performance with the following underlying motives: the underlying strategic motive of overseas market expansion; the underlying strategic motive of resource and technology accessing; and the underlying strategic motive of cost & risk sharing with 0.28, 0.24, and 0.21 Pearson correlation coefficient values at 0.05 significance levels respectively.

As mentioned earlier, previous IJV studies by Sim and Ali (1998), and Boateng and Glaister (2002) claim that the real relationship of the variables must be tested with both the bivariate and multivariate relationship tests; accordingly, multiple regression (stepwise) has been conducted to confirm the relationships of the dependent and independent variables as shown in Table 8.11.

The multivariate relationship analysis indicates that an F-value of 13.32 is significant ($p<0.001$), meaning that at least one independent variable has an influence over the dependent variable: the overall IJV performance. The regression can explain 13% of the variation of the dependent variable. After all independent variables have been entered, it can be seen that the underlying strategic motive of market power and market development has a significant positive influence on IJV performance with a beta standardised coefficient value of 0.38 at 0.01 significance levels, whilst other underlying motives do not show significant influence on IJV performance.

In short, the analysis reveals that IJV performance varies with the strategic motives for IJV formation of the Thai parent company. IJV performance is influenced significantly by the underlying strategic motive of market power and market development, while other underlying strategic motives of the Thai parent company do not have a significant influence on IJV performance. However, they have been found to be correlated with IJV performance positively and significantly.

Table 8.11: Multiple Regression Result Between the Underlying Strategic Motives of the Thai Parent Company and IJV Performance

Variable	Unstandardised Coefficients	Beta Standardised Coefficients	T-Statistic
Constant	6.67		5.60***
Underlying Strategic Motive of Market Power and Market Development	1.20	0.38	3.65**
R Square	0.14		
Adjusted R Square	0.13		
F-Value	13.32***		

NB: ***p<0.001, **p<0.01

Dependent Variable: Overall IJV Performance, Durbin-Watson= 1.85

The data in this table are drawn from Variables 18 and 30.

To elaborate, this study confirms the view that IJVs are seen as a strategic mode for enhancing market power and gaining maximum profits through improving a firm's competitive position. Firms choose to collaborate in the form of IJVs because this enables them to maximise profits through improving their competitive position vis-à-vis rivals, particularly in an international business context (Kogut, 1988). With a closer look at the underlying strategic motives which have significant influence on IJV performance, the underlying strategic motive of marketing strategy of foreign parent companies, as presented in Chapter 6, consists of two individual strategic motives: "enable faster entry to market" and "obtain local identity", while the underlying market power and market development of Thai parent companies includes six individual strategic motives: "compete against common competitors", "enable faster entry to market", "gain presence in a new market", "concentrate on more profitable business", "obtain faster reimbursement of the investment", and "enable product diversification". These are all related to the strategic behaviour perspective, and lead to the conclusion of the study that IJV performance varies with strategic motive for IJV formation.

This study has the following managerial implications: (a) strategic motives which influence IJV performance are likely to relate to growth and to be contingent on a variety of such strategy and environment factors as market and geographical expansion, firms' competitive position, and the nature and intensity of competition in the market. This suggests that the competitive aspects of IJV formation are central; (b) IJV managers in the fast-changing environment of ASEAN4 countries, particularly Thailand, need to be dynamic, effective, possess many skills, be good at cooperation, good at motivating employees to work wholeheartedly for the IJV, and capable of responding rapidly to competition from both local and overseas rivals in order to compete effectively with existing competitors and to maintain competitive position in the market.

8.2.1.6 IJV Performance and Characteristics of IJV Operations

The results of this study reveal that IJV performance varies with the characteristics of IJV operations. Chapter 7 asked respondents to assess the similarity of their IJV's operation to the practice of their parent companies (Variable 25). Later, each functional practice was grouped into three categories: a) IJV operation is similar to the Thai parent company (this group consists of human resource management and recruitment, and compensation policy and practices; b) IJV operation is a combination of the practice of both parent companies (this group consists of accounting system and practice, costing management and costing system, budgeting, training and development, management information system, strategy formulation, price setting system, and marketing); c) 3) IJV operation is similar to the foreign parent company (this group incudes quality control, production process, and product research and development).

To study the bivariate relationship between IJV performance and the characteristics of IJV operation, the Pearson correlation coefficient values have been computed as shown in Table 8.12. The result reveals that only the characteristics of IJV operation of type 2 (a combination of the practice of both parent companies) have a significant positive correlation with overall IJV performance (Variable 30) with Pearson correlation coefficient value of 0.23 at 0.05 significance level.

Table 8.12: Pearson Correlations Between the Characteristics of IJV Operation and Overall IJV Performance.

The Characteristics of IJV Operation	Overall IJV Performance
IJV operation is similar to the Thai parent company	0.20
IJV operation is a combination of both parent companies' practice	0.23*
IJV operation is similar to the foreign parent company	0.07

NB: *p<0.05; data in this table are drawn from Variables 25 and 30.

Table 8.13: Multiple Regression Result between the Independent Variables of Characteristics of IJV Operation and the Dependent Variable of Overall IJV Performance.

Variable	**Unstandardised Coefficients**	**Beta Standardised Coefficients**	**T-Statistic**
Constant	9.20		10.63***
IJV operation is a combination of both parent companies'practice	0.08	0.23	2.14*
R Square	0.05		
Adjusted R Square	0.04		
F-Value	4.60*		

NB: ***p<0.001, *p<0.05

Dependent Variable: Overall IJV Performance, Durbin-Watson=1.71

The data in this table are drawn from Variables 25 and 30.

Multiple regression (stepwise) was conducted to confirm the relationships of the dependent and independent variables as shown in Table 8.13. The multivariate relationship analysis indicates that an F-value of 4.60 is significant (p<0.001), meaning that at least one independent variable has an influence over the dependent variable: overall IJV performance. The regression can explain 4% of the variation of the dependent variable. After all independent variables are entered, it can be seen that where IJV operation is a combination of both parent companies' practice it has a significant positive influence on

IJV performance, with a beta standardised coefficient value of 0.23 at 0.05 significance levels, while other underlying motives do not show significant influence on IJV performance.

These can infer that the characteristics of IJV operation where there is a combination of both parent companies' practice have a positive influence over IJV performance and lead to the conclusion that IJV performance varies with the characteristics of IJV operations. This finding supports the strategic behaviour perspective of this study, since this paradigm also emphasises synergy. As discussed in the previous chapter, it focuses on establishing strategic symmetry between the parent firms to build complementarity and synergy for the success of the IJV. According to Lynch (1989), synergy is defined as the sum of the parts being greater than their simple addition. In other words, synergy refers to the ability of two or more units or companies to generate more value by working together than they would by working apart. This can be seen in that only those characteristics of IJV operation which reflect a combination of both parent companies' practice show significant influence on IJV performance. Other kinds of operational practice (similar only to the foreign or to the Thai parent company's practice) might also be expected to have a positive influence on IJV performance, and it would be good if this finding encouraged further research in the context of the ASEAN4 countries.

This study suggests that IJV general managers, as well as each functional manager (e.g., marketing manager) need to have good learning skills and to be able to adapt the best operational practices from both their parent companies to the extent that these can be adapted and are appropriate to the environment in which the IJV is located. In the present dynamic business environment, especially in an emerging market like that of Thailand and other ASEAN4 countries, the skills of learning and adapting best practice, skills and knowledge from each parent and combining them for the benefit of the IJV is crucial.

8.2.2 IJV Performance Determinants

The findings of this study indicate that the following factors positively influence IJV performance: IJV age, organisational learning, similarity of organisational culture, commitment of the IJVs, and commitment among IJV parent companies.

Table 8.14 shows the correlation between IJV satisfaction and the related factors. The outcomes indicate that IJV age (Variable 3) is positively correlated with overall IJV performance (Variable 30). The relationship of these two variables shows a significantly positive correlation with a Pearson correlation coefficient of 0.25 at 0.05 significance level.

This finding is consistent with the study of Lin and Germain (1998) who find such a positive relationship between the IJV age and satisfaction in their study of 96 US-Chinese joint ventures. Lin and Germain (1998) argue that IJV age gives rise to satisfaction in two manners. First, the longer an IJV has existed, the greater the length of time that the partners have had at their disposal to understand each other's uniqueness, develop smooth personal relations, and coordinate joint actions more comfortably (Anderson and Weitz, 1989). Second, partners in enduring IJVs often become more patient and comfortable in day-to-day interaction. Long-term partners are more tolerant of short-term imbalances, since they know that ample time exists for restoration (Hatfield *et al*, 1979). For this reason, the longer an IJV has existed, the more likely it is to have passed through a critical exploration period.

Regarding this notion, IJV managers as well as IJV parent companies should thus understand that the longer an IJV has lasted, the better the IJV performance will be. Obviously, selection is occurring in that only successful IJVs are allowed to continue, while unsuccessful IJVs are selected out by parent companies. But the mediating role of a conflict resolution strategy hints at a deeper underlying process. First, the longer an IJV relationship has existed, the more likely it is that problem-solving behaviour will be relied upon. IJV age breeds familiarity, which seemingly translates into an open style of solving problems. Second, the familiarity that derives from IJV age seemingly produces not only an open, problem-solving approach to conflict resolution, but also a greater willingness to push for a partner's desired course of action. Third, IJV age inversely predicts a legalistic approach to resolving conflicts. The longer an IJV has existed, the less likely partners are to rely on written agreements in conflict resolution. The legalistic dimension to conflict resolution inversely predicted performance. Hence, IJV managers should understand that age fosters an IJV characterised by more problem-solving and by less legalism (both of which associate with better performance).

However, the outcome of this study is also different from that of Hennart and Zeng (1997); they do not find a relationship between IJV age and performance in 74 US-Japanese joint ventures. Lasserre (1999) argues that the effect of age on joint venture survival is still ambiguous. Future study into the relationship between IJV age and IJV performance in other developing countries, particularly in other ASEAN4 countries, is to be encouraged in order to compare the results with this study.

Table 8.14: Pearson Correlations between IJV Satisfaction and Related Factors

Factor	Pearson Correlation
	Overall IJV Performance
Age of the IJV Company	0.25*
Collaborative Experience of Foreign Parent Company	0.04
Collaborative Experience of Thai Parent Company	0.20
Size Symmetry of the IJV Parent Companies	-0.17
IJV Organisational Learning	0.42***
Number of IJV Parent Companies	-0.10
Business Linkage between IJV and Parent Companies	0.00
Business Linkage between IJV Parent Companies	-0.18
IJV Commitment	0.44***
Commitment of IJV Parent Companies	0.38***
National Culture Similarity	0.16
Organisational Culture Similarity	0.25*

NB: ***p<0.001, *p<0.05; data in this table are drawn from Variables 3, 4, 13, 28.1, 28.2, 29, 33, 34, 35, 36, and 37

In addition, the results of this study reveal that there are no significant correlations between overall IJV performance (Variable 30) and the following factors: IJV parent companies' collaborative experience (Variables 33 and 34), and size symmetry of the IJV parent companies (Variable 29). These findings agree with some previous studies but contradict others. For instance, Barkema *et al* (1997) find no significant association between JV parent companies' collaborative experience and IJV performance, whilst a study of Sim and Ali (1998) show that this background factor is linked positively to IJV performance. Confusion has arisen over the importance of size symmetry of parent companies. A number of previous studies (for example, Kogut, 1988) show that size symmetry of parent companies is relatively unimportant to managers concerned with partnership options. Sim and Ali (1998) also find no significance in the relationship between these two variables. Against that, Crutchley *et al.* (1991); Osland and Cavusgil (1996) find a negative link between this variable and IJV performance.

Therefore, there is a need to replicate the studies of these determinants in the context of other developing countries, especially in the ASEAN4 region, to confirm the significant correlations of these factors with IJV performance.

A significantly positive relationship between the IJV's organisational learning (Variable 35) and overall IJV performance (Variable 30) has emerged. The results in Table 8.14 show a Pearson correlation coefficient of 0.42 at 0.001 significance levels. This finding confirms the importance of organisational learning which has a positive influence on IJV performance. IJVs can act as vehicles for effective learning or as a means for effective technology transfer diffusion (Jones and Lall, 1998; Carayannis *et al.*, 2000). This outcome is consistent with previous studies (for example, Swierczek and Dhakal, 2004). According to Inkpen (1998), when organisations with different skills and knowledge decide to forge an alliance, this provides each partner with an opportunity to learn. This learning enables the firms to facilitate their action plans and also provides a capacity for adapting to change by improving their performance.

Furthermore, Table 8.15 shows the order of the ranked mean scores of the individual variables of IJV organisational learning ability (Variable 35). All variables have higher mean scores than the median value of 3 on the five-point scale. The data show that IJV organisational learning ability in serving the IJV's goals has the greatest mean score (3.66) compared with the other individual organisational learning ability variables. What follow are the individual variables for sustaining and increasing the parents' mutual benefits, and serving each parent's goal respectively, each with a mean score of 3.62. The individual learning abilities of choosing a suitable strategy, avoiding national culture conflict, designing an appropriate organisational structure, and managing human resources efficiently and effectively have mean scores ranking fourth, fifth, sixth, and seventh respectively. The lowest mean score is the individual learning ability of avoiding cultural conflict within the organisation with a mean score of 3.36.

Table 8.15: Rank of the Mean Scores of IJV Organisational Learning Ability

IJV Organisational Learning Ability	Rank	Mean	S.D.
To serve IJV's goal	1	3.66	0.70
To sustain and increase parents' mutual benefits	2=	3.62	0.82
To serve each parent's goal	2=	3.62	0.71
To choose a suitable strategy	4	3.47	0.74
To avoid national culture conflict	5	3.44	0.80
To design an appropriate organisational structure	6	3.41	0.71
To manage human resources efficiently and effectively	7	3.37	0.82
To avoid cultural conflicts within the organisation	8	3.36	0.81

NB: SD = Standard Deviation; data in this table are drawn from Variable 35.

In addition, the outcome from Table 8.14 shows that there are no significant relationships between overall IJV performance (Variable 30) and the number of IJV parent companies (Variable 4). That is, the number of IJV parent companies does not significantly correlate with IJV performance. This finding partially corresponds with those in previous studies. For instance, the study of Hu and Chen (1996), which uses pre-1990 data, shows a positive association. In contrast, post-1990 investigations reveal either an inverse (Olk, 1997) or no significant (Beamish and Kachra, 2004) association.

The findings in Table 8.14 also show that there are no significant relationships between overall IJV performance (Variable 30) and the following related factors: business linkage between the IJV and its parent companies, business linkage between the IJV parent companies themselves (Variable 13). The outcomes of this study moderately correspond with those in previous studies. For instance, Sim and Ali (1998), and Merchant and Schendal (2000) find that relationships between the business linkage of IJVs and their parent companies with IJV performance are statistically non-significant. The non-significant relationship between business linkages among the IJV parent companies and IJV performance can also be found in previous studies (for example, Zeira *et al*., 1997).

In contrast, Park and Kim (1997) find a significant result between business linkages between the IJV and its parent companies with IJV performance, and argue that the financial performance of IJVs improves where their business is related to that of their parents. While a significant relationship between business linkages among the IJV parent companies and IJV performance can also be found from the study of Koh and Venkatraman (1991).

In addition, the findings in Table 8.14 show no significant correlation between similarity of national culture (Variable 28.2) and overall IJV performance (Variable 30). This finding is inconsistent with those who find positive relationship (for example, Lin and German, 1998; Lasserre, 1999). However, it is consistent with the results of Mjoen and Tallman (1997), who also find no association. In respect of this inconsistency, a number of researchers (for example, Robson *et al*., 2002) have commented that the impact of sociocultural distance on IJV performance is still unclear.

Conversely, the findings in Table 8.14 reveal that similarity of organisational culture (Variable 28.1) does positively correlate with overall IJV performance (Variable 30), showing 0.25 Pearson correlation coefficients at 0.05 significance levels. This supports the result of Glaister and Buckley (1998), which find a significantly strong positive correlation between these two variables**.**

The findings of cultural factors in this study are similar to those of Pothukuchi *et al* (2002) that examines the effect of dimensions of national and organisational culture differences on IJV performance. Based on data from a survey of executives from IJVs between Indian partners and partners from other countries, Pothukuchi and his team find that the presumed negative effect from culture dissimilarity on IJV performance originates more from differences in organisational culture than from differences in national culture. While national culture dissimilarity more significantly affects the efficiency and competitiveness measures of IJV performance, organisational culture difference is a better predictor of the satisfaction measure (Pothukuchi *et al,* 2002).

In view of the findings of this study and previous research, organisational culture similarity generally has a positive effect on organisational outcomes but national culture similarity can have either a positive or a negative effect. The overwhelmingly positive effects of organisational culture similarity may arise from the fact that organisational culture similarity captures the on-going operational similarities in the norms of organisational practices and behaviours. Such similarities result in congruent expectations, understandings, and agreements that are crucial and functional to the IJV operation.

On the contrary, national culture similarity between partners can potentially generate positive or negative effects because similarities in fundamental beliefs and values as reflected in the national cultures may turn out to reinforce or undermine partners' collaborative efforts (Shenkar and Zeira, 1992). While some researchers find national culture differences causing conflicts and barriers (for example, Lane and Beamish, 1990), others have found national culture differences a source of admiration and challenge, leading to higher level of communication and more sustained collaboration (Park and Ungson, 1997; Shenkar and Zeira, 1992). Pothukuchi *et al* (2002) argue that the challenge for future research is to identify the conditions under which national culture differences between partners are or can become complementary.

Shenkar (2001) argues that the inconsistent findings in the relationship between culture dissimilarity and performance are due to conceptual and/or methodological properties of the cultural dissimilarity construct. The findings suggest that levels of cultural dissimilarity, i.e., national vs. organisational, and the types of performance, i.e. subjective vs. objective, are additional sources of confusion in studying the effects of cultural difference. It is critical to make a distinction across different measures of performance and different levels of analysis to draw reliable conclusions on the relationship between cultural difference and performance.

Furthermore, this study has tested the direct influence of cultural dissimilarities on IJV performance but has not examined their indirect influence through behavioural processes such as partnership trust. A number of studies underscore the importance of partnership trust in inter-organisational relationships (for example, McKnight *et al*, 1998; Mohr and Spekman, 1994). It is still unknown, however, how the different dimensions of national and organisational culture affect partnership trust and, in turn, IJV performance. Hence, future research into partnership trust in cross-cultural joint ventures, especially in the ASEAN4 context, is encouraged.

In spite of these limitations, this study is among the very few that simultaneously examine the influences of national and organisational cultures in response to IJV performance in the context of the ASEAN4 countries. As such it provides interesting results that have important research and practical implications for understanding and managing IJVs.

Table 8.14 also reveals that there are positive correlations between overall IJV performance (Variable 30) and commitment within the IJV (Variable 36) as well as commitment in the IJV parent companies (Variable 37). That is, the commitment within IJVs and commitment in IJV parent companies are positively associated with IJV performance. The results indicate that commitment within the IJV positively correlates with IJV performance, with support of the Pearson correlation coefficient of 0.44 at 0.001 significance levels. The commitment in IJV parent companies also shows a significantly positive correlation with IJV satisfaction, with the Pearson correlation value of 0.38 at 0.001 significance levels respectively. These outcomes correspond with the findings of previous studies (for example, Lyons, 1991; Demirbag and Mirza, 2000).

Mohr and Spekman (1994) argue that commitment can be described as the willingness of IJV partners to exert effort in respect of their relationship with the IJVs. Committed partners will consider long-term gains rather than short-term advantages. In such cases the frequency and intensity of conflicts can be expected to be relatively low; therefore, higher levels of commitment positively affect IJV performance and partners' satisfaction with IJV activities.

The results in Table 8.16 indicate the rank order of the mean scores of the individual organisational commitments (Variable 36). It will be seen that all individual commitment variables have higher mean scores than the median value of 3 of the five-point scale. The evidence shows that individual commitment by the IJV top management has the greatest mean score of 4, while individual commitment by human resource divisions has the least mean score of 3.28. Individual commitment by the production division has the second highest mean score (3.58), followed by commitment by the marketing division (3.57), finance division (3.51), and research and development division (3.45) respectively.

Table 8.16: Ranking of the Mean Scores of Organisational Commitment

Degree of Organisational Commitment	Rank	Mean	S.D.
Commitment by IJV top management	1	4.00	0.86
Commitment by production division	2	3.58	0.75
Commitment by marketing division	3	3.57	0.73
Commitment by finance division	4	3.51	0.66
Commitment by research and development division	5	3.45	0.82
Commitment by human resource division	6	3.28	0.74

NB: SD = Standard Deviation; data in this table are drawn from Variable 36.

A number of researchers (for example, Sim and Ali, 1998; Boateng and Glaister, 2000) argue in favour of further testing the relationships between the independent variables by multiple regression analysis. They argue that this method is used to ascertain the multivariate relationships of the variables in addition to their bivariate relationships and accordingly the real relationships of the variables need to be proved using both methods. The present study has also adopted this approach by selecting factors which have already proved to have significant correlations with IJV satisfaction to conduct a multiple regression for predicting their influence on the dependent variable of this study, overall IJV satisfaction.

Table 8.17 shows that the F-value of 9.58 is significant ($p<0.001$) and that the regression explains approximately 30 percent of the variation in satisfaction with the IJV's performance. The total amount of variation explained by the model is substantial and compares favourably with other studies of IJVs (see, for example, Sim and Ali, 1998; Boateng and Glaister, 2002). The regression procedure suggests that IJV age ($p<0.05$), the similarity of IJVs' organisational culture ($p<0.05$), commitment within the IJV ($p<0.01$), and commitment between the IJV parent companies ($p<0.05$) have positive effects on IJV performance (perceived IJV satisfaction). These findings are consistent with those from the bivariate correlation analysis in Table 8.14.

However, high multicollinearity (the independent variables being interrelated in their effects) is found among the following pairs of variables: IJV commitment and IJV organisational learning; and commitment between the IJV parent companies and IJV organisational learning. The rule of dropping all multicollinear variables except one is adopted (Mason and Perrault, 1991; Sim and Ali, 1998). Thus, overall IJV organisational learning is removed from the multiple regression.

Since the focus of this study is to investigate the influence of the related factors on IJV performance, specifically IJV satisfaction (the relationships between the independent variables are beyond the scope of this study), simple regression analysis of organisational learning and IJV satisfaction has also been conducted to prove their multivariate relationships in addition to the bivariate relationship analysis, as shown in Table 8.14. The data in Table 8.18 indicate that the simple regression moderately explains about 17 percent of the variation in the satisfaction with IJV performance with the F-Value of 17.37 at 0.001 significance levels. The data reveal that IJV organisational learning has a positive effect on IJV performance. Again, this confirms the result of the bivariate correlation analysis in Table 8.14.

As noted at the beginning of this section (8.2.2) on performance determinants, the findings of this study show that IJV performance is positively influenced by the factors of (in order of priority) IJV commitment, organisational learning, commitment of the parent companies, similarity of organisational culture, and IJV age. It is also noteworthy that, when compared with the outcomes in the literature, the findings relating to the significance of the relationships of these factors with IJV performance agrees with some but not with others.

Table 8.17: Multiple Regression Results of the Related Factors and IJV Satisfaction

Variable	Unstandardised Coefficients	Beta Standardised Coefficients	T-Statistic
Constant	3.32		2.52*
Overall commitment within the IJV	1.03	0.28	2.65**
Commitment between the parent companies	0.62	0.24	2.34*
Age of the IJV Company	0.06	0.23	2.45*
Similarity of Organisational Culture	0.38	0.19	2.00*
R Squared	0.32		
Adjusted R Squared	0.29		
F-Value	9.58***		

NB: Dependent Variable: Overall IJV Performance

***p<0.001, **p<0.01, p*<0.05, Durbin-Watson=1.71

The data in this table are drawn from Variables 3, 28.1, 30, 36, and 37.

Table 8.18: Simple Regression Results of Organisational Learning and IJV Satisfaction

Variable	Unstandardised Coefficients	Beta Standardised Coefficients	T-Statistic
Constant	6.55		6.08***
Overall IJV organisational learning	1.27	0.42	4.17***
R Squared	0.18		
Adjusted R Squared	0.17		
F-Value	17.37***		

NB: Dependent Variable: Overall IJV Performance

***p<0.001, Durbin-Watson=1.69

The data in this table are drawn from Variables 30 and 35.

The literature indicates that there are several points of disagreement between different studies on the subject of IJV performance determinants. Robson *et al*. (2002) suggest a number of methodological flaws which might explain some of these. Some researchers might: 1) lack a sound framework which would yield a comprehensive set of determinants of IJV performance; 2) define, operationalise, and categorise the IJV performance determinants in different ways; 3) conduct their research in isolation, leading to a fragmented body of knowledge; 4) fall short of connecting empirical findings to a rigorous future research program. Bearing these dangers in mind, the present researcher has taken great care to systematically study and analyse the empirical results, with full and extensive awareness of previous work in this area. Since this study focuses on IJV formation in developing countries, especially in the ASEAN4 region, all identified IJV performance determinants in the context of developing countries have been reviewed. Finally, a number of important and frequently identified determinants in the literature were chosen for detailed study.

Therefore, there is a need to continue the study of IJV performance determinants in the context of other developing countries, especially in other ASEAN4 countries, to illuminate the reasons for the differences in the significant correlations of these factors with IJV performance.

As regards managerial suggestions, recommendations encountered have included:

a) “meet often, both formally and informally”. Frequent meetings are likely to create more understanding between the two parent companies, and improve interaction by creating co-operation in dealing with important isssues of the IJV. This will also strengthen the commitment of both parents jointly to support the IJV. The practice will be beneficial within the IJV itself, with meetings between the general IJV manager and functional department managers; between functional managers and operational employees. This will encourage effective cooperation and mutual understanding throughout the IJV and create commitment. The Japanese management style tends to favour having many meetings between managers to create a culture of cooperation in the organisation. These meetings, both formal and informal, are not only beneficial in terms of working place harmony, but also on an inter-personal level.

b) “create a winning culture”. The IJV has been created from at least two parent companies with two different organisational cultures, values, and beliefs. The IJV firm has to combine, complement and manage these differences and balance two cultures in order to produce a workable culture within the IJV. This will impact on business culture, product development culture, beliefs and values in order to achieve excellence in managing the IJV firm. In the end, IJVs must, after combining different cultures, strive to create a distinctive organisational culture of their own.

c) "develop a learning organisation". It can also be seen that, in the present, highly competitive environment, an organisation which is able to study the ever-changing business environment and to adapt to that change rapidly and effectively will be able to retain and develop its long-term competitiveness. A learning organisation must, therefore, be created in the IJV and supported by the management team and parent companies. Strategic training and development should be initiated by the human resources department for IJV employees, and a culture of life-long learning and self-improvement must be encouraged throughout the IJV.

In short, assessing IJV performance as well as identifying IJV performance determinants constitutes a difficult challenge. The debate over the appropriate measures to use to evaluate IJV performance and the functioning of IJV performance determinants continues, although the present study has further demonstrated a possible methodology. Such issues can best be addressed through further investigations using other databases. The present study has served to confirm or contradict previously reported research, and has also provided additional insights into the issues examined. It has extended the field of IJV research with new findings in a geographical area not fully examined in the past.

8.3 Summary and Concluding Remarks

The principal purpose of this chapter is to assess the IJV performance and analyse IJV performance determinants in the context of Thailand as a Southeast Asian country. These will fufil the fourth and fifth objectives of this study. Given that the context of this study is different from most previous studies of IJV performance and determinants, the study provides new findings in an under-researched geographical area.

To date, the literature indicates that there is no agreement among IJV researchers on the appropriate method for measuring IJV performance. Due to the limitations of each IJV performance measurement approach, this study has adopted an eclectic approach to the measurement of IJV performance in Thailand. This includes objective measurement (assessment of stability, duration, and survival), subjective measurement (a general assessment of the degree of perceived satisfactoriness), and composite measurement (multi-perceptual assessment with numerous aspects). This is a pioneering attempt to evaluate IJV performance in the ASEAN4 context by using a variety of indicators.

The outcomes of this study indicate that there is a relationship between the objective and subjective measurement of IJV performance. The findings reveal that there is a positive relationship between these two measures. This is consistent with the findings from previous studies. Of the objective performance measurements identified, survival has been found to have the strongest and most significant set of correlations with overall subjective performance measurement.

In addition, the findings also suggest that there is a significant positive correlation between IJV managers' assessment of IJV performance and the IJV managers' perception of the IJV parent companies' assessment of IJVs' performance. This corresponds with the findings of previous studies (for example, Geringer and Hebert, 1991; Boateng and Glaister, 2002) since these researchers argue that this issue is very important and should be tested before other issues of IJV study where researchers are collecting data from the perception of the IJV managers. This is because it is essential to examine whether or not IJV managers' assessments correlate with those of the IJV parents.

The outcome of this study also shows that IJV performance in Thailand has been assessed as 'moderate-high'. This outcome corresponds with the literature since a number of IJV researchers (for, example, Beamish and Delios, 1997) argue that the IJVs established in developing countries yield high performance, and indeed performance which is higher than that of IJVs formed in developed countries. Also, the IJVs formed in Asia have moderately better performance than those formed in North America and Europe. Future research of IJV performance assessment in other developing countries, especially in other ASEAN4 countries, might be useful to confirm the outcomes of this study. Since IJV performance in each developing country might be differently influenced by a number of related factors (e.g., social and cultural factors), these might affect IJV performance and result in different outcomes compared with this study.

Furthermore, this study finds that the IJVs with developed country parent companies are not different from those with developing country parent companies in terms of IJV performance. This outcome is consistent with some, but contradicts other, previous studies. This may be because, in this study, IJVs with parent companies from developed countries are concentrated in higher technology sectors (e.g. metal products, machinery and transport equipment sector) catering for both the domestic and overseas markets, while IJVs with foreign parent firms from developing countries, especially Asian Pacific firms, are in traditional mature sectors (e.g. agriculture and agricultural products sector) which can take advantage of low labour costs in Thailand for the export markets. This factor may have equalised the performance rating of the two groups in this study. That is, IJVs with parent companies from developed and developing countries do not consider IJV performance to be significantly different.

This study also indicates that IJV performance varies with the strategic motives for IJV formation. The evidence shows that the underlying motives linked to strategic positioning have a significant influence on IJV performance. This supports the perspective of this study, which views IJVs as a strategic mode of enhancing market power and maximising profits by improving a firm's competitive position.

The present research has the following implications for managers: a) competitive aspects of IJV formation are central; (b) IJV managers in the intensely competitive environment of ASEAN4 countries, particularly Thailand, need to be good at cooperation, motivating IJV employees to work wholeheartedly for the IJV, and capable of responding rapidly to competition from both local and overseas rivals; (c) IJV general managers, as well as each functional manager (e.g., marketing manager) need to have good learning skills and to be able to adapt the best operational practices from both their parent companies. Adaptability is essential.

The finding shows that the characteristics of IJV operation where there is a combination of both parent companies' practice have a positive influence on IJV performance and leads to the conclusion that IJV performance varies with the characteristics of IJV operations. This finding supports the concept of 'synergy' of strategic behaviour perspective.

Regarding IJV performance determinants, the findings of this study show that there are positive correlations between IJV performance (IJV satisfaction) and the following factors (in order of priority): commitment within the IJV, organisational learning, commitment of the parent companies, organisational culture similarity, and IJV age**.** However, when compared with the outcomes in the literature, the significant relationships of these factors with IJV performance in this study are in some cases consistent and in others contradictory. Hence, there is a need to replicate the studies of IJV performance determinants in the context of other developing countries, especially in other ASEAN4 countries, to confirm the significant relationships of these factors with IJV performance.

Chapter 9

Conclusions

9.1 Introduction

The topic of international joint venture (IJV) formation is an aspect of the larger issue of strategic alliances between companies, in which there was great interest in the 1980s. That period saw a surge in the formation of IJVs. Writing in the 1980s and 1990s, many researchers (for example, Harrigan, 1988; Lee and Beamish, 1995; Glaister and Buckley, 1998) commented that the study of IJVs was one of the fastest growing research areas in international business literature. They also pointed out that IJV formation was the mode used by nearly half of all multi-national enterprises (MNEs) from developed countries to enter developing countries. Despite this remarkable growth in both the incidence of IJVs and of academic interest in them, to date relatively few studies have been undertaken in the context of the high-performing economies of the Association of Southeast Asian Nations, Thailand, Malaysia, the Philippines, and Indonesia (the ASEAN4 countries). This is despite the fact that IJV formation in this region has grown significantly, along with the region's economies, in the past three decades (Julian *et al.*, 2004; OECD, 2004; Julian and O'Cass, 2004; UNCTAD, 2007).

A recent report (UNCTAD, 2007) identifies Thailand as the major recipient among the ASEAN4 countries of foreign direct investment (FDI). FDI inflows to Thailand in particular have increased substantially since the second half of the 1980s, after the currency appreciation in Japan and the first tier newly-industrialising economies (NIEs) of Taiwan, Singapore, Hong Kong, and South Korea. During the late 1980s, Thailand attracted on average US$ 1 billion per year of net FDI inflows, and these reached US$ 2 billion per year during the first half of the 1990s. This trend jumped to around US$ 5 billion in the second half of the 1990s, and increased dramatically after 2000, with average FDI of US$ 11 billion per annum, rising to US$ 20 billion in 2006, an all-time record for Thailand. (Bank of Thailand, 1999, 2000, 2002, 2004, 2007)

On the basis of such evidence, study of the phenomenon of IJV formation, a subset of FDI, in the ASEAN4 clearly deserves priority. This study takes Thailand as a representative example for studying IJV formation in the ASEAN4 because Thailand's foreign investment policies and regulation in response to FDI, especially to IJV formation, and the country's economic situation are similar to those of the other members of the ASEAN4.

In brief, the justification for carrying out this research is the growing importance of IJV formation, a form of strategic alliance, together with the under-researching of the topic of IJV formation in the ASEAN4 region, which contains some of the fastest growing economies in the world.

The purpose of this chapter is to present a summary of the research findings of the present study and to offer the conclusions which can be drawn from them. It discusses the findings as well as the implications of the results of the study for IJV formation in the ASEAN context. The chapter consists of six sections: a re-statement of the aim and objectives of the study; the main findings of the research; the contribution made by the research; the policy implications; limitations of the study; and a future research agenda.

9.2 The Purpose of the Study

This study set out to examine a number of aspects of IJV activity in the context of the ASEAN4 countries, and more particularly, of Thailand. The main topics identified for investigation were as follows:

1) To ascertain the characteristics of the activities, distribution, and trends of international joint ventures in Thailand;
2) To determine the strategic motives of IJV parent companies in forming IJVs, and to identify factors which affect location choice decisions by foreign firms when considering IJV formation;
3) To examine the contributions which parent companies make to IJVs and analyse the relationship between those contributions and the characteristics of IJV operation in the context of Thailand as an ASEAN4 country;

4) To assess IJV performance in the context of the ASEAN4 countries, particularly Thailand, and to analyse the determinants which influence IJV performance in Thailand as a developing country.

9.3 Summary of the Main Research Findings

The research framework presented schematically in Figure 3.1 (Chapter 3) provides the link between the scholarly part of the investigation, giving an overview of the subject areas of the research and the contributions of the leading studies in the field, and the empirical part of the_original research undertaken to provide answers to the research objectives identified in Chapter 1 (specifically through obtaining and analysing data from the BOI database and survey of IJV general managers).

The framework also helps to identify concepts which need to be operationalised subsequently and clarified by means of the questionnaire

9.3.1 The Patterns of Activities, Distribution, and Trends of IJV Formation in Thailand

The findings of this research show that four periods of IJV formation in Thailand can be identified, and these exhibit distinctly different trends. The first period relates to the years before the 1980s, when IJV formation increased but only at a moderate rate. The second distinct period is the 1980s, when the rate of IJV formation increased markedly. Indeed the increase was quite remarkable, and during this decade the number of IJVs formed was over three times the number established during the entire previous 20-year period. The third period is the decade of the 1990s which is the peak period for IJV formation in Thailand. This ten-year period saw the establishment of almost half the total number of IJVs formed in the half-century and more between 1951 and 2003. The fourth and most recent period for which data have been available, the four years of 2000-2003, has seen more than ten percent of the total number of IJVs formed. If the same rate of IJV formation continues until the end of the decade, it seems likely to be the second most active period of IJV formation in the history of Thailand.

Several explanations have been offered by researchers for this dramatic increase in the number of IJVs formed in Thailand and other developing countries. It has been suggested that host government restrictions leave foreign corporations with few choices as to how to satisfy government demands for local participations in ownership and management of enterprises within the borders of the host country. IJVs are seen as a way, perhaps not the best from the viewpoint of foreign companies, of gaining access to markets and resources from which they would otherwise simply be excluded for protectionist reasons. Another explanation offered is that the drastic change in the business environment resulting from the process of globalisation and the emergence of a 'world economy' has been an important reason for the upsurge in IJV formation in developing countries. In the new economy, cost reduction pressures, slow growth in their home market, and rapid technology innovation have forced multi-national enterprises to seek new markets for their products. As global competition has increased, they have had to revise their business strategy and to undertake a number of strategic moves, including embarking on a collaborative strategy which might not be traditional for them by setting up IJVs in order to gain market power vis-à-vis their existing and/or potential competitors.

The analysis has shown that, in fact, the large increase in foreign direct investment (FDI) in Thailand making use of the medium of IJVs does indeed result from business restrictions imposed by the Thai government, but has also been greatly influenced by a dramatic switch on the part of the Thai government away from import substitution and in favour of export promotion. Under the impact of the financial crisis of 1997 there has been a marked liberalisation by the government of the conditions governing FDI, and allowing foreign firms to sell into local and third markets has brought about a rapid expansion of sales for foreign businesses. These specific factors have combined to account for the dramatic FDI inflows and growth in IJV formation in Thailand since the 1990s.

The present study has demonstrated that in recent decades the vast majority of IJVs in Thailand have been formed by companies from Japan, followed at a considerable distance by the Newly Industrialised Economies (NIEs), and the European Union respectively. Japan has been by far the most important source of FDI through the medium of IJV formation in Thailand. This study has found no reason to doubt the reason most often cited for the increase in FDI in Thailand and other ASEAN4 countries by Japanese and NIEs companies since the 1980s. This holds that they have been motivated to relocate production bases abroad in order to escape the appreciation of their home currencies. It has been shown in this study, however, that Japanese FDI in Thailand has declined consistently since the Asian financial crisis of 1997 and that this has continued into the early 2000s. This trend may be partly due to currency appreciation of the ASEAN4 countries against the yen, reflecting the depreciation of the yen against the US dollar since the crisis.

The present research has found that manufacturing is the most important sector in terms of IJV formation in Thailand. The findings of this study have shown that the industries most involved in IJV formation in Thailand are, in descending order, the metal products, machinery and transportation equipment sector; the light industry sector; and the chemicals, paper and plastics sector. These three sectors are shown to represent more than 50% of the total of IJVs formed. The increase in IJV formation in these sectors has been an important contributor to the FDI boom in Thailand, especially since the 1980s.

Looking more closely at the structure of IJVs, it has been shown that, in respect of equity participation, foreign parent companies were mostly minority equity holders in IJVs formed in Thailand throughout the past fifty years. This is clearly because the Thai government, like the governments of other developing countries and in particular of the other ASEAN4 countries, has restricted foreign companies to minority equity participation in IJVs in order to avoid 'economic colonisation'. A slight decrease in minority equity participation of foreign firms in IJVs formed after the late 1990s has been demonstrated, resulting no doubt from the fact that the prohibition of foreign majority equity holdings in IJVs was lifted when Thailand's Alien Business Law of 1972 was replaced by the more liberal Foreign Business Act in 1999 in the aftermath of the 1997 crisis.

A survey conducted in the course of the present study has revealed the most important host country location factors favouring the phenomenal increase in IJV formation in Thailand. It has been shown that future market expectations of the region, lower labour cost, and favourable infrastructure are respectively the most important factors affecting foreign firms' decisions to select Thailand as their host country for IJV formation. Other important factors are, in descending order, market size, skilled labour, and political and economic stability. These findings in respect of Thailand are by and large consistent with the factors identified in the literature on FDI in general.

9.3.2 Strategic Motives for IJV Formation

It has been found in this study that the most important strategic motives which make foreign firms decide to form IJVs in Thailand are to do with the firms' own market and geographical expansion plans. The two most prominent strategic motives of foreign companies have been found to be, gaining presence in new markets, and enabling faster entry to markets. Behind these come the motives of competing with common competitors, facilitating international expansion, transferring to the lowest cost production location, and finding an export base for foreign markets.

The principal strategic motivations which this study's survey showed to be encouraging Thai firms to form IJVs were more to do with technology transfer and risk reduction. The most important strategic motive of all for Thai companies is gaining access to technology through the foreign partner. This suggests that if an IJV in Thailand is to be successful, then the learning and dynamic benefits of the process of co-operation are crucial. The motive of sharing the cost of R&D was ranked second by the firms surveyed, and other motives, in descending order of importance, were sharing the cost of investment, gaining access to foreign markets, competing with common competitors, and, finally, gaining access to management know-how.

This study has confirmed what a number of previous empirical studies of the strategic motives for IJV formation in other regions have found, namely that there is a significant difference in the relative importance of particular strategic motives for foreign and local companies. The present analysis discovered eight motives which had significant mean score differences. These motives were: transferring production to the lowest cost location, sharing investment costs, accessing low cost labour of partners, enabling product diversification, sharing cost of R&D, accessing/ exchanging technology through partner, exchanging patents or territories, and spreading risks of the project. It is clearly important for companies to be aware of these differing priorities if needless friction is to be avoided.

When comparing the relative importance of strategic motives of foreign parent firms revealed by this study in the context of Thailand with the findings of studies carried out in other national contexts, moderate consistency is found. For instance, the first and second ranked strategic motives of foreign partners in IJV formation in Turkey (Tatoglu and Glaister, 2000) are exactly the same as in the present study, namely, gaining presence in new markets and enabling faster entry to markets. Unlike the findings of this study, however, their third ranking motive was maintaining adequate quality control. Spreading risks of the project and achieving economies of scale were ranked fourth and fifth by Tatoglu and Glaister.

In the case of Thailand, this study has shown that there is a considerable difference between the strategic motives of local parent firms and what has been found in studies of local parent firms' motives in other countries. These differences may result from the striking dissimilarity of local firms in different geographical locations in terms of social and cultural characteristics, market structure, industrial development, and so forth.

To investigate the fundamental nature and pattern of strategic motives for the sample of IJVs, this study analysed strategic motives against two characteristics: industrial sector and national origin of foreign firms.

The findings of the present study show that for Thailand the relative importance of different strategic motives varies with the sector of IJV activity, but not with the national origin of foreign firms. This is similar to what has been found in other national contexts.

9.3.3 Parent Companies' Contributions and Operational Practices of IJVs in Thailand

The findings of this study reveal that the principal contributions of Thai parent companies to IJVs relates mainly to providing knowledge of the local environment and marketing.

Otherwise, their contributions, in descending order of importance, are: facilitating opportunity and market identification; workforce training; and facilitating government support and permits. Against that, the main contributions of foreign parent companies to IJVs relate to technology and know-how transfer. The findings show that continuous technological knowledge inflow is the most valuable contribution of the foreign parent company, followed by plant design, technology and construction; and improvement and adaptation of new production techniques respectively.

These findings are consistent with the literature, so that these results can be generalised to assert that foreign parent companies from industrialised countries usually provide firm-specific knowledge in respect of technology, management and capital markets to their IJV firms, while the local parent companies provide location-specific knowledge regarding the host country markets, marketing infrastructure, and political conditions. It can also be generalised that what holds true of IJVs has in the past been true also of subsidiaries of overseas firms in Thailand. The present findings in respect of IJVs are consistent with the results which Sibunruang (1986) obtained when observing parents' contributions to subsidiaries and the characteristics and performance of the subsidiaries. He noted that important contributions were made by foreign firms in the spheres of machinery, production techniques, and international marketing. Less important but nevertheless considerable contributions were equity and management know-how.

The results of this study also show that IJV parent companies' contributions do indeed affect the characteristics of IJV operation. The greater the input of the parent companies to an IJV's operations, the greater the similarity of the characteristics of its operations to those of its parents. This provides a new insight into this issue in the context of Thailand. It is consistent with the literature, especially from the strategic behaviour perspective, since this paradigm regards IJVs as organic entities which grow and develop in nature, linked to the contribution of their parent companies. The degree of closeness to their parent firms gradually decreases as IJVs 'grow up'. The development of the IJV firm is an evolutionary process.

In the context of Thailand, and more generally of the other ASEAN4 countries, there is scope for further comparative research into this issue, investigating IJVs in particular sectors (especially the service sector), or in more highly competitive business environment (since most of the IJVs in the study were in manufacturing). These factors might stimulate IJVs to 'mature' more rapidly, and to show more individual operational characteristics. Such IJVs with strong management might be expected to develop their own style of operation after having received contributions (resources) from their parent companies for a time. They might succeed in blending the resources together to create a unique blend of strategies. The knowledge and skills of their managers may make some IJVs largely autonomous from the outset and, since each location presents a different working environment, the characteristics of management and operation will not always be able to adhere rigidly to patterns established within the parents. The operational or working characteristics of IJVs need to respond quickly to the ever-changing environments and markets in which they find themselves. In practice, an IJV's operational characteristics have been found to depend very much on the management skills and styles of IJVs' managing directors, as well, of course, as of other functional, e.g., marketing or production, managers.

9.3.4 Performance Measurement and Performance Determinants of IJVs in Thailand

This study is an original attempt to examine IJV performance in the ASEAN context and, more generally, to explore the vitally important question of IJV performance determinants. The geographical and economic context of the study is unique in the literature on IJV performance, hence it is contributing new findings in an under-researched area.

The literature to date indicates a lack of agreement among IJV researchers on something so fundamental as the appropriate method by which to measure IJV performance. Due to the limitations of each individual IJV performance criterion, this study, after careful consideration, has adopted an eclectic approach to the measurement of IJV performance in Thailand. This includes objective measurement (assessment of stability, duration, and survival), subjective measurement (a general assessment of the degree of perceived satisfactoriness), and composite measurement (multi-perceptual assessment with numerous aspects). This is a pioneering attempt to evaluate IJV performance in Thailand and, more generally, in the ASEAN4 context by using a variety of indicators.

The outcomes of this study indicate that there is indeed a relationship between the findings resulting from objective and subjective measurement of IJV performance. They reveal a positive relationship between these two measures. This is consistent with the findings from previous studies. Of the objective performance criteria examined, survival has been found to have the strongest and most significant set of correlations with overall subjective performance measurements.

Further, the findings suggest that there is a significant positive correlation between IJV managers' assessment of IJV performance and their perception of parent companies' assessment of IJV performance. This outcome corresponds to the findings of such earlier studies as Geringer and Hebert (1991) and Boateng and Glaister (2002). These researchers have argued that this is an important issue which should be tested as a matter of priority over other IJV study issues where researchers collect data based on the perception of IJV managers. It remains a topic for the future especially in the ASEAN4 context to examine the extent to which IJV managers' assessment of the satisfaction or otherwise of parent companies with IJVs correlates with the directly expressed perceptions of the IJV parents themselves.

A further outcome of this study is to show that IJV performance in Thailand has been assessed as 'moderately high'. This outcome corresponds with the literature, where a number of IJV researchers (for example, Beamish and Delios, 1997) argue that IJVs established in developing countries yield higher performance than those formed in developed countries. Also, IJVs formed in Asia have moderately better performance than those formed in North America and Europe. Future research into IJV performance in other developing countries, especially in other ASEAN4 countries, would be useful to confirm the outcomes of this study. Since IJV performance in each developing country appears to be differently influenced by a number of related, for example, social and cultural, factors, these may produce instructive variations on the outcomes found in this study.

A further finding of the present study has been that, in Thailand, IJVs with developed country parent companies are no different in terms of performance from those with developing country parent companies. This outcome is consistent with previous research into IJVs in certain countries, but contradicts the findings of research into other countries. This interesting difference may also result from cultural factors.

This study also indicates that IJV performance varies with the strategic motives for IJV formation and the characteristics of IJV operation. The evidence shows that the underlying motives linked to strategic positioning have a significant influence on IJV performance. This supports the perspective of this study, which views IJVs as a strategic mode of enhancing market power and maximising profits by improving a firm's competitive position. This research also indicates that the characteristics of IJV operation where there is a combination of both parent companies' practices have a positive influence on IJV performance, and leads to the conclusion that IJV performance varies with the characteristics of IJV operation.

Regarding IJV performance determinants, the findings of this study show that, for Thailand, there are positive correlations between IJV performance/ IJV satisfaction and the following factors (in order of priority): the commitment within the IJV, organisational learning, the commitment of the parent companies, similarity of organisational culture, and IJV age. Again, when compared with outcomes in the literature, it can be seen that the significant relationships of these factors with IJV performance agree with some previous studies but contradict others. There is a need to continue the study of IJV performance determinants in the context of other developing countries, especially in the ASEAN region, to illuminate the reasons for the differences in the significant correlations of these factors with IJV performance.

9.4 The Contribution of the Research

This study focuses on IJV formation in Thailand, and more generally in the context of an ASEAN4 country. It has made a number of valuable contributions to the IJV literature and has achieved its objectives. Firstly, it has for the first time systematically shown the distribution of IJV formation in Thailand, from an official dataset which makes it possible to follow the activities, distribution, and trends of IJV establishment in Thailand over a period of half a century. Secondly, it has revealed the location factors which influence the decision of MNEs to embark on IJV formation in Thailand and the ASEAN4 region. Thirdly, it has identified the principal strategic motives of parent companies in forming IJVs in Thailand. Fourthly, it has shown the contributions IJV parent companies provide to IJV firms operating in Thailand and shown the relationship between their contributions and the characteristics of IJVs' operation. Fifthly, it has evaluated IJV performance using an eclectic approach in the context of Thailand as a developing country in Southeast Asia. Finally, the study has identified those factors which influence IJV performance in the ASEAN4 context. These six contributions to the IJV literature are significant.

Firstly, the present research has provided new empirical insights into the pattern and trends of IJV formation in the Southeast Asian countries by analysing a unique dataset, the official database of the BOI (Thailand Board of Investment). This is the first time the official database has been made available for the study of IJVs in Thailand and the ASEAN region in general.

Secondly, this study has made a major contribution to the IJV literature by identifying the location factors affecting IJV formation in Thailand. There is a gap in the literature in respect of the factors which influence MNEs to choose Thailand as the host country for FDI through the medium of IJV formation. This study adds to our knowledge of this important area.

Thirdly, the study's findings have provided new knowledge of the principal strategic motives behind the decision of foreign parent companies and local parent companies to form IJV firms in Thailand and the ASEAN countries. Few studies have been undertaken on this issue in respect of developing countries, especially those in the ASEAN4. This study has thus contributed original findings to the literature on IJVs by providing new results on an under-researched area.

Fourthly, this study has provided new data and empirical insights into the contributions provided by parent companies to IJVs in Thailand, and has investigated the effect of those contributions on the characteristics of the IJVs' operation. Very few studies investigate the effects of the parents' contributions on the characteristics of IJV operation in the ASEAN4 context, although it is accepted that such characteristics have an impact on the development of IJVs (Ouchi, 1979; Kumar and Seth, 1988). This study is accordingly the first attempt to fill the knowledge gap in the literature in respect of this issue.

The present study has made a further major contribution to the literature by assessing IJV performance in Thailand. In international business literature there are few studies of IJV performance and its determinants in the context of the Southeast Asian region.

This is also the first study to use an eclectic approach to evaluate IJV performance in the ASEAN4 context in order to overcome the limitation of the individual IJV performance measurement approaches.

Lastly, this study has made a further major contribution to the IJV literature by identifying the factors which influence IJV performance in Thailand. It has tested the results of previous studies to see whether factors shown to affect IJV performance elsewhere are also applicable to Thailand as a developing country in Southeast Asia. The commitment within the IJV, organisational learning, the commitment of the parent companies, similarity of organisational culture, and IJV age have been shown to be dominant factors influencing IJV performance in Thailand.

9.5 Managerial and Policy Implications of the Study

1. Since Japanese investors are known to be the main source of FDI through the medium of IJV formation in Thailand, i.e., they are strategic customers for Thailand, the Thai government may wish to provide more infrastructure specifically targeted at them. These might include facilities, targeted investment promotion, and support to encourage them to increase inward investment. Not only might the government do well to go out of its way to co-operate with them more, but it might wish to try to encourage them to consider investing in other strategic sectors than the automotive sector, which has already proved very successful with close operation between Thailand and Japan. For Thailand, five priority target industries have been identified by the government for aggressive promotion:

agro-industry, fashion, automotive assembly, information communication technology including electronics, and high value-added services (BOI, 2005). These are areas where it would be rational to concentrate efforts to encourage Japanese FDI through the formation of IJVs.

2. In terms of technology transfer, this has been shown to be an area where foreign firms have disappointed the hopes of the Thai government. The Thai government may wish to consider giving higher priority to targeted education policy in order to improve this situation, supporting links and collaboration between Thai higher education institutions and Japanese business. Such Japanese companies as Toyota might be encouraged to send specialists from Japan to teach and collaborate with Thai students and scholars, or to set up courses for, for example, final-year engineering students. These students, with a Japanese language capability, would then be of great value directly to their companies or as key players in Japanese-Thai IJV firms. Thai universities could act as intermediaries in promoting such links between Japanese and Thai business, and also collaboration between Thai and Japanese or other foreign universities with the aim of expanding the supply of highly qualified and compatible managers and workers for IJVs in the future.

3. With the likelihood that China will play an increasingly important role in the Asia Pacific region, government initiatives to encourage IJVs between Thailand and China might prove highly rewarding.

4. As well as policy implications, the findings of this study have important implications also for IJV managerial practice. Competitive motivations underly IJV formation and in the intensely competitive environment of the ASEAN4 countries IJV managers need to be highly skilled at promoting cooperation, motivating their employees to work wholeheartedly for the IJV, and capable of responding rapidly to competitive challenges both from local and from overseas rivals. General managers, as well as each functional manager, need outstanding learning skills and have to be able to adapt the best operational practices of both their parent companies to the local conditions in which they are operating. Adaptability is essential. Frequent meetings create better understanding between the two parent companies about the important isssues of the IJV and strengthen their commitment

to it. Frequent meetings between the general IJV manager and functional department managers, and between functional managers and operational employees encourage effective cooperation, mutual understanding, and commitment. The IJV firm has to combine, complement and manage the differences between the parent companies and produce a workable culture within the IJV. An organisation which is able to observe the ever-changing business environment and adapt to change rapidly and effectively will retain and develop its long-term competitiveness. A learning organisation could be created in the IJV and supported by the human resources department.

9.6 Limitations of the Study

This study has operated under a number of constraints which need to be considered when seeking to identify options for future research on IJVs in developing countries and more specifically in the ASEAN region. The main limitations are discussed below.

With considerable persistance, it proved possible to obtain a very good response rate from a target sample of 310 IJVs of 88 usable responses. At 28 percent this is towards the higher end of response rates found in the literature. For example, a study of IJVs in Ghana and Nigeria by Boateng and Glaister (2003) was based on 57 usable questionnaires, a very commendable response rate of 35%. Groves (1990), indeed, argues that a response rate of 10 percent or higher is entirely acceptable for a self-administered mail survey. A much larger sample size might, however, have generated different results when using such multivariate data analysis techniques as factor analysis and regression analysis. Ideally, future research would be conducted on a larger scale by a research team.

A further difficulty affecting this study was related to the primary data of the IJV database itself. This database was kindly provided by the Thailand Board of Investment. The official statistical data provided the business name of the IJVs, their mailing address and contact telephone number, the IJV's industrial sector, the nationality of its foreign parent company or companies, and the proportions of the equity shares in the IJV. The data did not, however, include the year the IJV was established or a clear indication of the IJV's operational status which would make clear whether it was continuing to exist or had been terminated. The present researcher was obliged to obtain this information directly from the website of the Department of Business Development at the Ministry of Commerce.

Even so, there were still problems with information about IJVs' operational status. After questionnaires were mailed to the qualified operational IJV samples as amended, a number of questionnaires were returned on the grounds that IJVs had terminated or because of wrong addresses. The information obtained from the government website had not been updated, which made it impossible to send questionnaires to all the target respondents. It would be helpful if the Thai government, specifically the Department of Business Development at the Ministry of Commerce, would modify their information more frequently.

One final limitation of the study relates to the source of the data. Since the database used registers only IJVs created through the BOI's investment promotion schemes, IJVs formed without government support are not included. Hence, this pioneering study has been unable to target all IJVs in Thailand. However, since the BOI is the main government organisation overseeing and supporting inward and outward FDI in Thailand, it may be assumed that its IJV database includes the overwhelming majority of IJV firms in Thailand.

9.7 Future Research Agenda

The results of this study have significantly advanced understanding of important aspects of IJV formation in Thailand and, more generally, in the ASEAN context. The study has attempted a broad approach, and future research might do well to focus on in-depth study of some of the trends which have been identified. The following are a number of interesting areas recommended for follow-up research.

First, similar research could be conducted on the crucial aspects of IJV formation: the characteristics of the activities, distribution, and trends of IJV formation; the strategic motives and the host country location factors influencing IJV formation; the parent companies' contributions and the relationship between those contributions and the characteristics of the IJV's operation; and IJV performance assessment and performance determinants in other ASEAN4 countries. Comparing those results with this study would provide a valuable complement to the present findings and would give a more comprehensive understanding of IJV formation in the ASEAN region. If the outcomes proved similar to the present findings, that would indicate that the outcomes of this study are stable across those countries and would support a claim of generalisability of its results.

Second, the survey conducted in the course of this study elicited primary data from a single group of respondents, IJV general managers, on the assumption that they were knowledgeable about all aspects of IJVs on which the study was focused. Future research might provide more comprehensive results if it proved possible to obtain data from all management perspectives: from IJV general managers, local parent companies, and foreign parent companies.

The findings of this study have indicated that organisational learning, the commitment of those working within IJVs, the commitment to the IJV of its parent companies, similarity of organisational culture, and IJV age are dominant factors influencing IJV performance in Thailand. The statistically significant relationships, however, between these factors and IJV performance are in some cases consistent and in others contrast with the outcomes of earlier studies conducted in other regions. At this point, there is a need to replicate a study of these IJV performance determinants in other developing countries, especially in the ASEAN4 context, to refine understanding of the significant influences of these factors on IJV performance.

The present research has shown that the contributions of IJV parent companies affect the characteristics of how the IJV operates. It has been shown that, the greater the contributions, i.e. resources, made by the parent companies, the closer the similarity of the IJV's operations to the characteristic operation of its parents.

There is scope, however, for further comparative research into this issue, investigating IJVs in other ASEAN4 countries, in particular sectors (especially the service sector), and/or in a highly competitive business environment (since most of the IJVs in this study are in manufacturing). These factors might stimulate IJVs to 'mature' more rapidly, and to develop their own specific operational characteristics. In the mature stage of their evolution, IJVs with strong management might be expected to develop their own style of operation after having received contributions (resources) from their parent companies for a time. They might succeed in blending those resources in an original way to create a unique blend of strategies. The knowledge and skills of their managers may make some IJVs largely autonomous from the outset and, moreover, since each location presents a different working environment, the characteristics of management and operation will not always be able to adhere rigidly to patterns established within the parents. The operational or working characteristics of IJVs need to respond quickly to the ever-changing environments and markets in which they find themselves. In practice, an IJV's operational characteristics have been found to depend very much on the characteristics of their own managers, that is, on the management skills and styles of the IJV managers directly overseeing them, the managing directors of the IJV firms. They depend also on the talents of such other managers within the IJV as marketing or production managers. Further research into this area should be conducted, especially with reference to other developing countries in the ASEAN4 region.

Given that the sample IJVs were almost entirely firms doing business in the manufacturing sector (only 10 percent of the total samples were from the service sector), the findings and conclusions can only be applied with confidence to firms working in the manufacturing sector. It would provide a helpful contribution to the IJV literature if a similar study was conducted on a sample of IJVs engaging only in the service sector, and across a number of different ASEAN countries.

Appendix A

Table A1: The Krejcie and Morgan Sampling Size Formula

$$n = \frac{\lambda^2 NP\,(1-P)}{\propto^2 (N-1) + \lambda^2 P\,(1-P)}$$

where: n = target sample size

N = number of population

λ^2 = 3.841

P = proportion of population (equals 0.5 that set up by Krejcie and Morgan)

$\propto$ = accepted error (equals 0.05)

Appendix B

FDI Incentives and Criteria of the Thailand Board of Investment (BOI)

A. Summary of Incentives under the Investment Promotion Act B.E. 2520 (1977), as amended by the Investment Promotion Act (Revision 2) B.E. 2534 (1991) and the Investment Promotion Act (Revision 3) B.E. 2544 (2001)

1. Guarantees

- Against nationalization
- Against competition from status enterprises
- Against state monopolization of the sale of products similar to those produced by the promoted project
- Against price controls
- Against tax-exempt import by government agencies or state enterprises
- Permission to export

2. Protection Measures (Subject to justifications and needs)

- Imposition of a surcharge on imports at a rate not exceeding 50 percent of the CIF value for a period not more than one year at a time
- Import ban on competitive products
- Authority by the Chairman to order helpful actions or tax relief measures for the benefit of promoted projects.

3. Permissions

- To bring in foreign nationals to undertake investment feasibility studies
- To bring in foreign technicians and experts to work on promoted projects
- To own land to carry out promoted activities
- To take or remit foreign currency abroad

4. Tax Incentives

- Exemption or reduction of import duties on imported machinery
- Exemption or reduction of import duties on imported materials and components
- Exemption of corporate income taxes for three to eight years, with permission to carry forward losses and deduct them as expenses for up to five years
- Exclusion of dividends derived from promoted enterprises from taxable income tax holiday

5. Additional Incentives for Enterprises in the Special Investment Promotion Zones

- Reduction of corporate income tax by 50 percent for five years after the exemption period
- Double deduction from taxable income of water electricity and transport costs for 10 years from the date of first sales
- Deduction from net profit of 25 percent of the projects infrastructure installation or construction cost.

B. Policies and Criteria for Investment Promotion

This Board of Investment Announcement No. 1/2543 (August 1, 2000) should be read in conjunction with BOI Announcement No. 2/2543, the List of Activities Eligible for Investment Promotion. For all applications submitted on or after August 1, 2000 the Board of the Investment prescribes the following policies and criteria for investment promotion.

1. Policies for Investment Promotion

To relieve the fiscal burden of the government and to respond to current and future economic situation, the Board of Investment prescribes new policies as follows:

1.1 The efficiency and effectiveness of tax privileges given shall be enhanced. Privileges shall be grated to project that actually benefit the economy and good governance shall be used for managing and supervising the application of tax and duty privileges. Promoted entities shall report the operating results of the their promoted projects to the Board of Investment for review prior to the application of tax and duty privileges for that year.

1.2 Every promoted project that has investment capital of 10 million bath and upwards (excluding cost of land and working capital) must obtain ISO 9000 certification or similar international certification within 2 year from its start-up date, otherwise the corporate income tax exemption will be reduced by 1 year. This is to promote development of quality and production standards in Thai industries and, thereby, to enhance the competitiveness of Thai industry in the world market.

1.3 Previous conditions on exports and use of local material are repealed so that the criteria for promotion will be in line with international trade and investment agreements.

1.4 Special promotion shall be given to regions or areas with low income and inadequate investment facilities. Maximum tax and duty privileges shall be to these regions or areas.

1.5 Importance is given to small and medium industries by applying a minimum level of investment capital of 1 million baht (excluding cost of land working capital) for projects eligible for promotion.

1.6 Priority is given to activities in agriculture and agricultural products, projects related to technological and human resource development, public utilities and infrastructure, environmental protection and conservation and targeted industries.

2. Criteria for Project Approval

In determining the suitability of a project for which investment promotion privileges are requested, the Board of Investment applies the following criteria:

2.1 For a project with investment capital (excluding cost of land and working capital) not exceeding 500 million baht, the following criteria are used:

2.1.1 The value added is not less than 20percent of sales revenue, except projects that manufacture electronic products and part or processed agricultural product, and projects granted special approval by the Board;

2.1.2 Ratio of liabilities to registered capital should not exceed 3 to 1 for a newly established project. Expansion projects shall be considered on a case by case basis;

2.1.3 Modern production processes and new machinery are used. In cases where old machinery will be used, its efficiency must be certified by reliable institutions and the Board's approval must be obtained;

2.1.4 Adequate environmental protection systems are installed. For projects with a potential environmental threat, the Board shall prescribe special conditions on both the location of the project and the manner of pollution treatment.

2.2 For a project with investment capital (excluding cost of land and working capital) exceeding 500 million baht, criteria under 2.1 shall be used and a feasibility study of the project, as prescribed by the Board, must be submitted.

2.3 For a concession project or privatization of a state enterprise project, the criteria shall be based on the Cabinets decision dated 25 May 1998, as follows:

2.3.1 Projects of state enterprises shall not be granted promotion;

2.3.2 For a Build Transfer Operate or Build Operate Transfer concession project by the private sector the state agency that owns the project must submit its project must submit its project to the Board for consideration prior to any invitation to bid, and bidders shall be informed of any promotional privilege entitled to them, prior to the bidding. In principle, the Board will not consider a project where the private sector pays for a concession, unless such payment is deemed to represent a reasonable investment for the state;

2.3.3 For a Build Operate project, including a lease by the private sector or rental payment to the state, normal criteria are used;

2.3.4 For privatization of state enterprises, only expansions after the privatization shall be considered for promotion.

3. Criteria for Shareholding by Foreign Investors

To relax limitation of foreign shareholding in manufacturing activities and to facilitate investors on their investment, the following criteria are used;

3.1 For a project in agriculture, animal husbandry, fishery, mineral exploration and mining, and service businesses under List One of the Foreign Business Act B.E. 2542, Thai nationals must hold shares totaling not less than 51 percent of the registered capital;

3.2 For Manufacturing projects, in all zones, foreign investors may hold a majority or all shares in promoted projects;

3.3 The Board may fix the shareholding of foreign investment on some promoted projects when it is deemed appropriate.

4. Investment Zones

4.1 There are three Investment Zones based on economic factors, i.e., the level of income and the availability of infrastructure in each province, (See map on the inside front cover)

Zone 1 6 Central provinces with high income and good infrastructure: Bangkok, Nakhon Pathom, Nonthaburi, Pathum Thani, Samut Prakan, and Samut Sakhon.

Zone 2 12 provinced : Ang Thong, Ayutthaya, Chachoengsao, Chon Buri, Kanchanaburi, Nakhon Nayok, Ratchabusi, Samut Songkhram, Sareburi, Suphanburi, and Rayong,

Zone 3 The remaining 58 provinces with low income and less developed infrastructure.

4.2 All areas in the Zone 3 provinces are designated as Investment Promotion Zones.

5. Criteria for Granting Tax and Duty Privileges

5.1 **Zone 1 –** Approved project located in six provinces in this zone shall be granted:

5.1.1 50 percent reduction of import duty on machinery that is subject to import duty of not less than 10 percent:

5.1.2 Corporate income tax exemption for 3 years for project located within industrial estates or promoted industrial zones, provided that a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification with in 2 years from its start-up date, other wise the corporate income tax exemption will be reduced by 1 year;

5.1.3 Exemption of import duty on raw or essential materials used in the manufacturing of export products for 1 year

Note: The maximum value of a projects corporate income tax exemption is 100 percent of its investment capital.

5.2 **Zone 2 –** approved projects located in 12 provinces in this zone shall be granted:

5.2.1 50 percent reduction of import duty on machinery that is subject to import duty of not less than 10 percent;

5.2.2 Corporate income tax exemption for 3 years, increased to 5 years for projects located within industrial estates or promoted industrial zones, provided that such a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification within 2 years from its start-up date, otherwise the corporate income tax exemption will be reduced by 1 year:

5.2.3 Exemption of import duty on raw or essential materials used in the manufacturing of export products for 1 year.

Note : The maximum value of a project's corporate income tax exemption is 100 percent of its investment capital.

5.3 **Zone 3 -** Approved projects located in the remaining 58 provinces shall be granted:

5.3.1 Exemption of import duty on machinery;

5.3.2 Corporate income tax exemption for 8 years provided that a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification within 2 years from its start-up date, other wise the corporate income tax exemption will be reduced by 1 year;

5.3.3 Exemption of import duty on raw or essential materials used in the manufacturing of export products for 5 years;

5.3.4 A project located in one of the following 36 provinces: Chai Nat, Chanthaburi, Chiang Mai, Chian Rai, Chumphon, Kamphaeng Phet, Khon Kaen, Krabi, Lamphang, Lamphun, Loei, Lop Buri, Mae Hong Son, Mukdahan, Nakhon Ratchasima, Nakhon Sawan, Nakhon Si Thammarat< Phangnga, Phattalung, Phetchabun, Phetchaburi, Phisanulok, Pichit, Prachin Buri, Prachuab Khiri Khan, Ranong, Sa Kaew, Sing Buri, Songkhla, Sukhothai, Surat Than, Tak, Trang, Trat, Uthai Thani and Uttaradit,

Shall be granted tax and duty privileges under 5.3.1, 5.3.2 and 5.3.3 and and further privileges, as follows:

(1) A project located within industrial estates or promoted industrial Zones is entitled to the following privileges:

(1.1) 50 percent reduction of corporate income tax for 5 years after the exemption period;

(1.2) Double deduction from taxable income of transportation, electricity and water costs for 10 years from the date of first revenue derived from promoted activity;

(2) For a project located outside industrial estates or promoted industrial zones, a deduction can be made from net profit of 25 percent of the project's infrastructure installation or construction cost for 10 years from the date of first revenue derived from promoted activity, and net profit for one or more years of any year can be chosen for such deduction.

* Amended by Announcement of the Board of Investment No.7/2547

The deduction is additional to normal depreciation.

5.3.5 A project located in one of the following 22 provinces: Amnat, Charoen, BuriRam, Kalasin, Maha Sarakham, Nakhon Phanom, Nan, Narathiwat, Nong Bua Lamphu, Pattani, Phayao, Phrae, Roi Et, Sakhon Nakhon, Sathun, Si Sa Ket,Surin, Yasothon, Yala, Chaiaphum, Nong Khai, Ubon Ratchani and Udon Thani Shall be granted tax and duty privileges under 5.3.1, 5.3.2, 5.3.3 and further privileges as follows:

(1) 50 percent reduction of corporate income tax for 5 years after the exemption period;

(2) Double deduction from taxable income of transportation, electricity and water costs for 10 years from the date of first revenue from promoted activities:

(3) Deduction can be made from net profit of 25 percent of the project's infrastructure installation or construction cost for 10 years from the date of first revenue from promoted activities, and net profit for one or more years of any year can be chosen for such deduction. The deduction is in addition to depreciation.

Note: The maximum value of a project's corporate income tax exemption is 100 percent of its in investment capital.

6. Priority Activities

6.1 The Board places priority on promoting the following types of projects:

6.1.1 Agriculture and agricultural products

6.1.2 Direct involvement in technological and human resource development

6.1.3 Public utilities and infrastructure

6.1.4 Environmental protection and conservation

6.1.5 Targeted industries

The Board shall announce the list of priority activities or industries.

6.2 Such projects will be entitled entitle to the following privileges:

6.2.1 Exemption of import duty on machinery regardless of location

6.2.2 Corporate income tax exempting for eight years, regardless of location

6.2.3 Other privileges entitled for each Zone

* Amended by Announcement of the Board of Investment No. 7/2547

7. Criteria for Factory Relocation

To encourage industrial decentralization, the Board will grant promotion status to existing in the Central area, whether being promoted or not, if they relocate to the other regions. The following criteria are used:

7.1 The operation must relocate from Zone 1 to Zone 2 or from Zone 1 or Zone 2 to Zone 3;

7.2 The operation must relocate to industrial estates or promoted industrial zones;

7.3 The type of activity must be one that is included in the List of Activities Eligible for Promotion and the size of the investment must be in accordance with that specified the Board;

7.4 The existing operation must be closed down and the operation at the relocated location must start within 2 years from the date of receiving the promotion certificate;

7.5 The relocated project is granted tax and non-tax privileges as follows:

7.5.1 A project relocated to an industrial estate or promoted industrial zone in Zone 2, will be granted corporate income tax exemption for a period of 5 years, provided that such a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international certification within 2 years from the start-up date of its new plant, otherwise the corporate income tax exemption will be reduced by 1 year:

7.5.2 A project in an industrial estate or promoted industrial zone in 40 provinces in Zone 3 will be granted the following:

(1) Corporate income tax exemption for a period of 8 years, provided that such a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtain ISO 9000 or similar international standard certification within 2 years from its start-up date, or else the corporate income tax exemption will be reduced by one year:

(2) 50 percent reduction of corporate income tax for 5 years after the exemption period:

(3) Double deduction from taxable income of transport, electricity and water costs for 10 years from the date of first revenue derived from the promoted activity.

7.5.3 A project relocated to an industrial estate or promoted industry zone in the 18 least-developed provinces in Zone 3 will be granted:

(1) Corporate income tax exemption for a period of 8 years, provided that such a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtain ISO 9000 or similar international standard certification within 2 years from the start-up date of its new plant, otherwise the corporate income tax exemption will be reduced by 1 year.

(2) 50 percent reduction of corporate income tax for 5 years after the exemption period;

(3) Double deduction from taxable income of transportation, electricity and water cost for 10 years from the date of first revenue from promoted activity:

(4) Deduction from net profit of 25 percent of the project's infrastructure installation or construction cost for 10 years from the date of first sales, and net profit for one or more years of any year can be chosen for such deduction is in addition to normal depreciation.

7.5.4 Activities that are included on the List of Activities Eligible for Promotion, but which are nit eligible for corporate income tax exemption, will not be grated such exemption when operations are relocated.

7.6 The corporate income tax exemption shall be granted from the day the firth revenue is received from the relocated activities.

7.7 Application for relocation must be submitted to the Office of the Board of Investment.

8. Requirement to Report Operating Results

To ensure the effectiveness of the tax and duty privileges, to ensure that the use of the privileges granted is correct and in line with the policies for promotion, and to encourage the good governance of promoted projects, all promoted projects must report their annual operating results to the Board for review prior to using tax and duty privileges for that year.

9. Exemptions

The Board shall follow the above general criteria in considering and approving investment promotion and granting tax and duty privileges, except the following:

9.1 When different tax and duty privileges have been specified to particular activities on the List of Activities Eligible for Promotion:

9.2 When the Board considers that special reasons apply to certain activities;

9.3 To allow projects located in Laem Chabang Industrial Estate or industrial estates or promoted industrial zones in Rayong Province to be granted privileges under the previous criteria as well as privileges of an Investment Promotion Zone, granted in accordance with Section 35, industrial estates or promoted industrial zones in Rayong Province, which have applied for investment promotion privileges prior to the effective date of this Announcement, and lame Chabang Industrial Estate shall be designated as an Investment Promotion Zone until 30th December 2004;

9.4 A project located in an industrial estate or promoted industrial Zone 2 and Zone 3 (whose promotion application is submitted prior to the effective date of this Announcement) shall be granted the tax and duty privileges under the original criteria under the previous Board of Investment Announcement No.1/2536 , as Follows:

9.4.1 A project whose operation is located in an industrial estate or promoted industrial zone in Zone 2, except in Laem Chabang Industrial Estate or in an industrial estate or promoted industrial zone in Rayong Province shall be granted the following privileges:

(1) 50 percent reduction of import duty on machinery that is subject to import duty of not less than 10%;

(2) Corporate income tax exemption for years provided that such a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification within 2 years from its start-up date, otherwise the corporate income tax exemption will be reduced by 1 year:

(3) Exemption of import duty on raw or essential materials used in the manufacturing of export products for 1 year.

* Amended by Announcement of the Board of Investment No. 7/2547

9.4.2 A project located in an industrial estate or promoted industrial zone in zone 3, Laem Chabang Industrial Estate or in an industrial estate or promoted industrial zone in Rayong Province shall be granted the following privileges:

(1) Import duty exemption on machinery;

(2) Corporate income tax exemption for 8 years, provided that such a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification within 2 years from its start-up date, or else the corporate income tax exemption will be reduced by 1 year;

(3) Exemption of import duty on raw or essential materials for manufacturing of export products for 5 years;

(4) 75 percent import duty reduction on raw or essential materials used in manufacturing for domestic sales for 5 years, with year-by-year approval. Such raw or essential materials shall not be those that are produced or originated in the Kingdom with similar quality and sufficient supply. This does not apply to projects located in Laem Chabang Industrial Estate:

(5) 50 percent reduction of corporate income tax for 5 years after the exemption period:

(6) Double deduction from taxable income of transportation , electricity and water costs for 10 years from date of first revenue derived from promoted activity;

(7) Deduction from net profit 25 percent of project’s infrastructure installation or construction cost for 10 years from the date of first revenue derived from promoted activity. This amount can be deducted from net profits for one or

more years, and any year can be chosen for this deduction. Deduction is additional to normal depreciation.

9.5 A project relocated into an industrial estate or promoted industrial zone (whose promotion application is submitted prior to the effective date of this Announcement) shall be granted the tax and privileges under the previous criteria under the Board of Investment Announcement No. 1/2536 as follows:

9.5.1 A project relocated into an industrial

*Amended by Announcement of the Board of Investment No. 7/2547 estate or promoted industrial zone in Zone 2, except in Laem chabang Industrial Estate or in an industrial estate or promoted industrial zone in Rayong Province shall be grated corporate income tax exemption for 7 years provided that such a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification within 2 years from its start-up date, otherwise the corporate income tae exemption will be reduced by 1 year;

9.5.2 A project relocated into an industrial estate or promoted industrial zone in Zone 3, Laem Chabang Industrial Estate or an estate or promoted industrial zone in Rayong shall be granted

(1) Corporate income tax exemption for 8 years that such a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification within 2 years from the start-up date of its new plant, otherwise the corporate income tax exemption will be reduced by 1 year;

(2) 50 percent reduction of corporate income tax for 5 years after the exemption period;

(3) Double deduction from taxable income of transportation, electricity and water costs for 10 years from date of first revenue derived from promoted activity;

(4) Deduction from net profit of 25% of the project's infrastructure installation or construction cost for 10 years from the date of first revenue derived from promoted activity, and net profit for one or more years of any year can be chosen for the deduction, which is extra to normal depreciation.

Any application for the above privileges under 9.4 and 9.5 must be submitted by December 30,2004

- This Announcement is effective for applications submitted from August 1, 2000 onward.
- For companies that have already received investment promotion privileges, who are engaging in activities now classified as priority activities (Section 6, Announcement 2/2543), if they had not yet used their tax privileges as of August 1, 2000, they can reapply under the new Investment Promotion List and follow the new condition specified therein. Applications must be submitted no later than Thursday, December 29, 2000.

Appendix C

10th March, 2006

Subject : Please be so kind and fill in the questionnaire for the research.

Dear Sir/ Madame,

My name is Pornlapas Suwannarat, a PhD student at Nottingham Business School, Nottingham Trent University, UK. Currently, I am undertaking a PhD research project in the field of international business funded by the Commission on Higher Education, Ministry of Education, Thailand. My PhD thesis topic is **"The Characteristics and Performance of International Joint Ventures in Thailand"**. The aim of this study is to investigate the strategic motives for international joint venture formation, host country location factor and government policy, management and performance, as well as the critical factors that influence the performance of international joint ventures in Thailand. The findings of this study will be useful to academics, as well as the managers and policy makers in each firm.

Please find attached a questionnaire which I hope you will take time to complete and return to me in a stamped and self- addressed return envelope provided. **It will take approximately 15 – 30 minutes to complete this questionnaire, but your participation will be a vital resource for this study.** Moreover, I would like to confirm that all information you provide will be kept in *confidence* and in the report findings, *no individual person or company will be identified*. If you do not wish to answer to some questions, please answer to the rest of questions. However, if you are unable to respond, please forward this questionnaire to a relevant person. Should you are interested in the result of this study, I shall be pleased to send you a summary of the research findings after the analysis of this study is completed. **Please note that this questionnaire is still applicable, even if the international joint venture has already been terminated.**

I shall very much appreciate your cooperation and look forward to receiving your completed questionnaire by **31st March 2006**. If you have any queries towards this study, please feel free to contact me at the following addresses:

Mr. Pornlapas Suwannarat
378/1 Soi Phungmi 14,
Sukhumvit 93, Bangchak,
Phrakanong, Bangkok 10260, Thailand
Tel 02-730-3060
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or

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E-Mail: paul.suwannarat@ntu.ac.uk

Yours truly,

Pornlapas Suwannarat
PhD Candidate
Nottingham Business School

P.S. You can complete **either** English **or** Thai version of the questionnaire.

Questionnaire Survey of International Joint Venture (IJVs) in Thailand

I would like to confirm that all information provided will be kept confidential, and no individual person or company will be identified in the findings of the report.

Please answer each question in the appropriate space or tick in the box provided only, and omit the box at the end of each question (e.g. v3 ☐☐☐☐☐), which will be filled by the researcher.

This questionnaire uses abbreviation IJVs as international joint ventures, which are defined as organisations are created from two or more parent companies, that at least one parent company has its headquarters outside the venture's country of operation (or if it has an important level of operation in more than one country), join forces to establish a newly corporate entity in which each has an equity position, thereby each expects a proportional share of dividend as compensation and representation on the board of directors.

Section 1: Background

1 Your job title ______________________________ v1☐
2. Number of employees in IJV company in Thailand______________________ v2☐☐☐☐☐
3. When was the IJV company formed? Year__________________ v3 ☐☐☐☐
4. How many parent companies created the IJV company?_________________ v4 ☐☐
Number of the foreign parent company ______________________ v4.1 ☐☐
Number of the Thai parent company ______________________ v4.2 ☐☐

5. Please list the **nationalities** of the foreign parent companies. If you have more than one foreign parent company, please start with **the biggest equity shareholder**.
Nationality 1. ______________ 2. ______________ v5.1 ☐ v5.2 ☐
3. ______________ 4. ______________ v5.3 ☐ v5.4 ☐
5. ______________ 6. ______________ v5.5 ☐ v5.6 ☐

NB. In the remainder of this questionnaire, for IJV companies with more than one foreign parent company, where relevant, please answer questions with respect to **the first foreign parent company** in question 5.

6. Has the IJV been terminated? (please tick)
☐ No (go to question 9) v6.1 ☐
☐ Yes When was the IJV terminated? Year___________ (go to question 7) v6.2 ☐☐☐☐

If IJV has been terminated please answer the rest of the questions as the situation was when **the IJV was in operation**.

7. What happened to the IJV? (please tick)
☐ 1) Bought by the Thai parent company v7 ☐
☐ 2) Bought by the foreign parent company
☐ 3) Bought by the third party
☐ 4) Liquidated
☐ 5) Other, please specify
____

8. Why was the IJV terminated? (please tick)
☐ 1) IJV had fulfilled its purpose v8 ☐
☐ 2) IJV poor performance
☐ 3) Change of partners' strategy towards IJVs
☐ 4) Other, please specify
____

9. What was the value of the original investment made in the IJV by:

Foreign parent company: ______________________Baht v9.1 (M฿) ☐☐☐☐
Thai parent company: ______________________Baht v9.2 (M฿) ☐☐☐☐

Proportion: Foreign ________ % Thai ________ % v9.3.1 ☐☐.☐☐
v9.3.2 ☐☐.☐☐

10. Has the IJV company's equity shareholding **changed** since the venture was first established? (please tick)

☐ No (go to question 12) v10 ☐
☐ Yes (go to question 11)

11. If the proportion of the IJV company's equity shareholding has changed, what is the current new value of the investment by:

Foreign parent company: ______________________Baht v11.1 (M฿) ☐☐☐☐
Thai parent company: ______________________Baht v12.2 (M฿) ☐☐☐☐

Proportion: Foreign ________ % Thai ________ % v11.3.1 ☐☐.☐☐
v11.3.2 ☐☐.☐☐

12. How would you classify the foreign parent company and the Thai parent company? (please tick)

Foreign parent company ☐ 1) Private company ☐ 2) Government
v12.1 ☐
☐ 3) Other, please specify ______________________

Thai parent company ☐ 1) Private company ☐ 2) Government v12..2 ☐
☐ 3) Other, please specify ______________________

13. Please identify the principal business activity of the IJV company, the foreign parent company, and the Thai parent company (please tick for each company)

Type of Business	**IJV company**	**Foreign parent company**	**Thai parent company**
	v13.1 ☐☐	v13.2 ☐☐	v13.3 ☐☐
1) Electronics and electrical machinery			
2) Computers and software			
3) Food and Drink manufacturing			
4) Textile, wearing apparel and leather			
5) Automobiles and related equipments			
6) Plastics product			
7) Metal and minerals			
8) Chemical			
9) Pharmaceuticals			
10) Biotechnology			
11) Agro industry			
12) Other manufacturing			

(please specify)____________________			
13) Export and Import trading			
14) Tourism and accommodation			
15) Transport and distribution			
16) Telecommunications			
17) Construction and estate agent			
18) Financial and banking services			
19) Other services (please specify)____________________			

Section 2: Location Factor and Government Incentives

14. **How important** do you think were the following factors for the **foreign parent company** to make decision to invest in Thailand? (Where 1 = is not important at all, 5 = is very important, please tick)

Factor	Importance					
	1	2	3	4	5	
1) Lower labour cost						v14.1
2) Thai government incentives and assistance						v14.2
3) Existence of suitable Thai partner						v14.3
4) Future market expectations in the region						v14.4
5) Favorable infrastructure						v14.5
6) Availability of Thai skill labour						v14.6
7) Liberal foreign exchange control and possibility of remitting profits						v14.7
8) Political and economic stability						v14.8
9) Thai society and culture						v14.9
10) Cheap raw material						v14.10
11) Access to local capital						v14.11
12) Favorable geographical location and distance						v14.12
13) To overcome entry barriers						v14.13
14) To develop new market						v14.14
15) Matching competitors' strategies						v14.15
16) Others (please specify)______________________________						v14.16

15. **In your opinion**, what is the **importance** of the following types of **government incentives** in contributing to the success of your IJV company? (1= is not important at all 5= is very important, please tick)

Type of Government Assistance	Importance					
	1	2	3	4	5	
1) Exclusive privilege grants (in each investment promotion zone)						v15.1
2) Financial assistance (e.g. low interest loan)						v15.2
3) Exemption or reduction of import duties on machinery						v15.3
4) Exemption or reduction of import duties on raw materials						v15.4
5) Corporate income tax exemption						v15.5
6) Permission to own land and factory site						v15.6
7) Permission to get the working permit license						v15.7

8) Permission to bring in the foreign workers						v15.8
9) Permission to remit foreign currency abroad						v15.9
10) Others (please specify)_______________________________						v15.10

16. **In your opinion**, how satisfied are the foreign parent company, the Thai parent company, and the IJV managers with the Thai government incentive schemes? (where; 1 = very dissatisfied, 5 = very satisfied) (please tick)

Type of Company	Satisfaction					
	1	**2**	**3**	**4**	**5**	
1) Foreign parent company						v17.1
2) Thai parent company						v17.2
3) IJV managers						v17.3

Section 3: Strategic Motives for IJV Formation

17. **In your opinion**, how important were the following motives for the **foreign parent company** establishing the IJV company? (1= is not important at all 5= is very important, please tick)

Motive	Importance					
	1	**2**	**3**	**4**	**5**	
1) To spread risk of project						V18.1
2) To gain economies of scales						V18.2
3) Exchange of technology						V18.3
4) To gain presence in new market						V18.4
5) Sharing cost of R&D						V18.5
6) Sharing cost of investment						V18.6
7) Faster reimbursement on the investment						V18.7
8) To compete against common competitors						V18.8
9) To reduce competition by forming IJV with existing or potential competitors						V18.9
10) Enabling faster entry to market						V18.10
11) To conform to Thai government policy and regulation						V18.11
12) Enabling product diversification						V18.12
13) Export base for foreign market						V18.13
14) To concentrate on a more profitable business						V18.14
15) Production transferred to lowest cost location						V18.15
16) To maintain position in existing market						V18.16
17) To facilitate international expansion						V18.17
18) To obtain local identity						V18.18
19) Exchange of patents or territories						V18.19
20) To access Thai partner's natural resource						V18.20
21) To access Thai partner's human resource (skilled labours)						V18.21
22) To access Thai partner's low cost labours						V18.22
23) Difficulties with agents or licensees						V18.23
24) Others (please specify)_______________________________						V18.24

18. **In your opinion**, how important were the following motives for the **Thai parent company** establishing the IJV company?
(1=is not important at all   5= is very important, please tick)

Motive	**Importance**					
	1	**2**	**3**	**4**	**5**	
1) To spread risk of project						V19.1
2) To gain economies of scales						V19.2
3) To access foreign partner's technology						V19.3
4) To access foreign market						V19.4
5) Sharing cost of R&D						V19.5
6) Sharing cost of investment						V19.6
7) Faster reimbursement on the investment						V19.7
8) To compete against common competitors						V19.8
9) To reduce competition by forming IJV with existing or potential competitors						V19.9
10) Enabling faster entry to market						V19.10
11) To conform to Thai government policy and regulation						V19.11
12) Enabling product diversification						V19.12
13) Export base for foreign market						V19.13
14) To concentrate on a more profitable business						V19.14
15) Production transferred to lowest cost location						V19.15
16) To maintain position in existing market						V19.16
17) To facilitate international expansion						V19.17
18) To access management know-how						V19.18
19) Exchange of patents or territories						V19.19
20) To access foreign partner's natural resource						V19.20
21) To access foreign partner's human resource (skilled labours)						V19.21
22) To access foreign partner's low cost labours						V19.22
23) Difficulties with agents or licensees						V19.23
24) Others (please specify)________________________________						V19.24

Section 4: Management

19. How many of the executives on the **board of directors** of the IJV company?
_________________ persons v20 ☐☐
By come from: Foreign parent company _______________persons v20.1 ☐☐
Thai parent company __________________ persons v20.2 ☐☐
Other (please specify) __________________: _______________ persons v20.3 ☐☐

20. Who appointed the first general manager of the IJV company? (please tick)
☐ 1) Foreign parent company ☐ 2) Thai parent company v21 ☐
☐ 3) Other (please specify) _____________________

21. Who was responsible for the subsequent appointment of the general manager of the IJV company? (please tick)
☐ 1) Foreign parent company ☐ 2) Thai parent company v22 ☐
☐ 3) Other (please specify) _____________________

22. **In your opinion**, what is the extent of the **foreign parent company's contribution** to the IJV company in the following areas? (1= not at all 5= most, please tick)

Contribution Area	Contribution					
	1	2	3	4	5	
1) Plant design, technology and construction						v24.1
2) Workforce training						v24.2
3) Perception of opportunity and market identification						v24.3
4) Obtaining foreign financing						v24.4
5) Obtaining domestic financing						V4.5
6) Getting government support and permit						v24.6
7) Exporting						v24.7
8) Importing intermediates						v24.8
9) Importing capital equipments						v24.9
10) Continuous technological knowledge inflow						v24.10
11) Improvement and adaptation of new management techniques						v24.11
12) Improvement and adaptation of new production techniques						v24.12
13) Conducting research, and development of the product						v24.13
14) Advice about business strategy						v24.14
15) Others (please specify)________________________________						v24.15

23. **In your opinion**, what extent was the **Thai parent company's contribution** to the IJV company in the following areas? (1= not at all 5= most, please tick)

Contribution Area	Contribution					
	1	2	3	4	5	
1) Plant design, technology and construction						v25.1
2) Workforce training						v25.2
3) Perception of opportunity and market identification						v25.3
4) Obtaining foreign financing						v25.4
5) Obtaining domestic financing						v25.5
6) Getting government support and permit						v25.6
7) Exporting						v25.7
8) Importing intermediates						v25.8
9) Importing capital equipments						v25.9
10) Continuous technological knowledge inflow						v25.10
11) Improvement and adaptation of new management techniques						v25.11
12) Improvement and adaptation of new production techniques						v25.12
13) Conducting research, and development of the product						v25.13
14) Advice about business strategy						v25.14
15) Others (please specify)________________________________						v25.15

24. What do you think is your IJV company's **dependence** on the foreign parent company and on the Thai parent company in the following activities? (please **rate** in the appropriate column the extent of dependence from 1 to 5, where 1=no dependence at all, 2=to a small extent, 3=to a considerable extent, 4= to a great extent, 5=to a very great extent)

Activity	**Thai parent company**		**Foreign parent company**	
1) Financing		v26.1.2		v26.1.3
2) Marketing activities		v26.2.2		v26.2.3
3) Product research and development		v26.3.2		v26.3.3
4) Human resources management, and recruitment,		v26.4.2		v26.4.3
5) Compensation policy and practice		v26.5.2		v26.5.3
6) Training and development		v26.6.2		v26.6.3
7) Production process		v26.7.2		v26.7.3
8) Technical know-how		v26.8.2		v26.8.3
9) Management know- how		v26.9.2		v26.9.3
10) Raw material		v26.10.2		v26.10.3
11) Quality control activities		v26.11.2		v26.11.3
12) Exporting		v26.12.2		v26.12.3
13) Importing		v26.13.2		v26.13.3

25. To what extent, on the scale provided, does the IJV company **practice the same procedures** as the foreign parent company or the Thai parent company in the following aspects?

Where,
1 = exactly the same as the foreign parent company
2 = likely the same as the foreign parent company
3 = combination of both parent companies' procedure
4 = likely the same as the Thai parent company
5 = exactly the same as the Thai parent company

Aspect	**Level**					
	1	**2**	**3**	**4**	**5**	
1) Compensation policy and practices						v27.1
2) Human resources management and recruitment						v27.2
3) Training and development						v27.3
4) Production process						v27.4
5) Product research and development						v27.5
6) Strategy Formulation						v27.6
7) Budgeting						v27.7
8) Accounting system and practice						v27.8
9) Costing Management and costing system						v27.9
10) Management information system						v27.10
11) Pricing setting system						v27.11
12) Marketing						v27.12
13) Quality control						v27.13
14) Others (please specify)________________________________						v27.14

Section 5: Performance, Learning Capability, and Commitment of IJVs

26. When the IJV company was established, was it only expected to last a certain period of time?
☐ No v28.1 ☐☐
☐ Yes How many years?____________. and when will it end?__________________ v28.2 ☐☐☐☐

27. How does the IJV company measure its performance? (please tick any which are appropriate)

☐ 1) Level of turnover	☐ 2) Level of profitability	v29.1 ☐ v29.2 ☐
☐ 3) Reputation	☐ 4) Labor productivity	v29.3 ☐ v29.4 ☐
☐ 5) Share price	☐ 6) Extent of technology transfer	v29.5 ☐ v29.6 ☐
☐ 7) Market share	☐ 8) Level of cost control	v29.7 ☐ v29.8 ☐
☐ 9) Quality control	☐ 10) Other (please specify)________________	v29.9 ☐ v29.10 ☐

28. Please tick the answers that best describe your view in each statement, where: 1= strongly disagree; 2=disagree; 3=neutral; 4=agree; 5= strongly agree.

Statement	Opinion					
	1	2	3	4	5	
1) Overall, **organisational culture** of the foreign parent company is similar to the Thai parent company's organisational culture.						v30.1
2) Overall, **national culture** of the foreign parent company is similar to the Thai parent company's national culture.						v30.2

29. **Before forming the IJV company**, relatively, the size of the foreign parent company and the size of the Thai parent company (based on the net asset value) are:

☐ 1) Similar ☐ 2) Different v31 ☐

30. How would you **evaluate** the following activities of the IJV company as compared with your initial expectations at the time the IJV was formed?

Activity	Opinion					
	Much Better	Somewhat Better	About Expected	Somewhat Worse	Much Worse	
Marketing						
1) Market share						v32.1.1
2) Advertisement and promotion						v32.1.2
3) Distribution						v32.1.3
4) Reputation						v32.1.4
5) Customer services						v32.1.5
Finance						
1) Sales Level						v32.2.1
2) Profitability						v32.2.2
3) ROI						v32.2.3
4) Cost control						v32.2.4
5) Pay-back period						v32.2.5
Strategy						
1) Autonomy of the IJV company						v32.3.1
2) Inter-partner trust						v32.3.2
3) Inter-partner cooperation						v32.3.3
4) Achieve strategic objectives						v32.3.4

Technology – R&D						
1) Technology transfer and development						v32.4.1
2) Partner involvement in R&D						v32.4.2
3) Product design						v32.4.3
4) Manufacturing and control						v32.4.4
Human Resource Management						
1) Compensation management						v32.5.1
2) Employee performance						v32.5.2
3) Employees' skill improvement						v32.5.3

31. **In your opinion**, how satisfied are the foreign parent company, the Thai parent company and the IJV managers with the level of the IJV performance? (where; 1 = very dissatisfied, 5 = very satisfied, please tick)

Type of company	Satisfaction					
	1	2	3	4	5	
1) Foreign parent company						v33.1
2) Thai parent company						v33.2
3) IJV managers						v33.3

32. How long did each parent company run its business before establishing IJV company?

Foreign parent company

☐ 1) less than 5 years ☐ 2) 5-10 years v34.1 ☐
☐ 3) 11-20 years ☐ 4) longer than 20 years

Thai parent company

☐ 1) less than 5 years ☐ 2) 5-10 years v34.2 ☐
☐ 3) 11-20 years ☐ 4) longer than 20 years

33. Has the **foreign parent company** had collaborative experience with international companies before the IJV company was formed?

☐ No v35 ☐
☐ 1) Yes, less than 5 years ☐ 2) Yes, 5-10 years
☐ 3) Yes, 11-20 years ☐ 4) Yes, longer than 20 years

34. Has the **Thai parent company** had collaborative experience with the international companies before the IJV was formed?

☐ No v36 ☐
☐ 1) Yes, less than 5 years ☐ 2) Yes, 5-10 years
☐ 3) Yes, 11-20 years ☐ 4) Yes, longer than 20 years

35. **In your opinion**, what is the **level of learning ability** of the IJV company in the following? (where; 1 = lowest, 5 = highest)

Factor	Ability					
	1	2	3	4	5	
1) To avoid the national culture conflict						v37.1
2) To avoid the organisational culture conflict						v37.2
3) To serve IJV's goal						v37.3
4) To serve each parent's goal						v37.4
5) To choose the suitable strategy						v37.5
6) To design appropriate organizational structure						v37.6
7) To sustain and increase parents' mutual benefits						v37.7

8) To manage human resources efficiently and effectively						v37.8
9) Overall IJV learning						v37.9

36. **In your opinion**, what is the **level of the organisational commitment** in the following divisions in the IJV company toward to the success of the IJV company? (where; 1 = lowest, 5 = highest)

Factor	**Ability**					
	1	**2**	**3**	**4**	**5**	
1) Commitment by IJV top management						V38.1
2) Commitment by the marketing division						V38.2
3) Commitment by production division						V38.3
4) Commitment by human resource division						V38.4
5) Commitment by finance division						V38.5
6) Commitment by research and development division						V38.6
7) Overall commitment of the IJV company						V38.7

37. **In your opinion**, what is the level of **commitment between the parent companies** toward to the success of the IJV company? (where; 1 = lowest, 5 = highest)

Factor	**Ability**					
	1	**2**	**3**	**4**	**5**	
Commitment between the foreign and Thai parent companies						V39

38. Do you want a summary of the research findings? V40 ☐

☐ 1) No ☐ 2) Yes, please provide your name and address

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39. Other suggestions and comments toward to this research (e.g. comments on question in questionnaire or additional IJV information provided), please specify.

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10 มีนาคม 2549

เรื่อง ขอความร่วมมือในการกรอกแบบสอบถามเพื่องานวิจัย

เรียน ท่านผู้จัดการทั่วไป บริษัท ______________________

สิ่งที่ส่งมาด้วย แบบสอบถามและซองจดหมายเปล่าผนึกแสตมป์

ด้วยกระผม นายพรลภัส สุวรรณรัตน์ นักศึกษาหลักสูตรบริหารธุรกิจดุษฎีบัณฑิต สาขาวิชา ธุรกิจระหว่างประเทศ (International Business), Nottingham Business School, Nottingham Trent University ประเทศ สหราชอาณาจักร ได้รับอนุมัติให้ทำการวิจัยเพื่อวิทยานิพนธ์ เรื่อง **"The Characteristics and Performance of International Joint Ventures in Thailand" หรือ "ลักษณะและการดำเนินงานของบริษัทร่วมทุนระหว่างประเทศในประเทศไทย"** โดยได้รับเงินทุนสนับสนุนในการดำเนินการวิจัยในครั้งนี้ จากสำนักงานคณะกรรมการการอุดมศึกษา กระทรวงศึกษาธิการ ซึ่งวัตถุประสงค์ของการวิจัยในครั้งนี้เพื่อศึกษาถึงลักษณะโดยรวมของบริษัทร่วมทุนระหว่างประเทศในประเทศไทยในเชิงบูรณาการ โดยศึกษาในหลายมิติ อาทิ มูลเหตุในการเปิดบริษัทร่วมทุนฯ นโยบายของรัฐบาลที่มีผลกระทบต่อการดำเนินงานของบริษัทร่วมทุนฯ การบริหารงานของบริษัทร่วมทุนฯ ตลอดจนศึกษาปัญหาและอุปสรรคที่เกิดขึ้นจากการดำเนินงานของบริษัทร่วมทุนฯดังกล่าว ฯลฯ เพื่อเสนอแนะแนวทางในการบริหารงานของบริษัทร่วมทุนฯให้มีประสิทธิภาพและประสิทธิผลมากยิ่งขึ้น ซึ่งผลของการศึกษาดังกล่าวนี้จะเป็นประโยชน์ไม่เพียงแต่ในเชิงวิชาการเท่านั้น แต่ยังจะเป็นประโยชน์ต่อบริษัทร่วมทุนฯเองอีกด้วย โดยเฉพาะผู้เกี่ยวข้อง ต่างๆ อาทิ ผู้จัดการของบริษัทร่วมทุนฯ หรือทีมผู้บริหารของบริษัทรวมทุนฯ เป็นต้น

กระผมจึงใคร่ขอความร่วมมือจากหน่วยงานของท่าน ในการกรอกแบบสอบถามที่แนบมาให้นี้ **ซึ่งจะรบกวนเวลาของท่านประมาณ 15-30 นาที** และหลังจากท่านกรอกแบบสอบถามเป็นที่เรียบร้อยแล้ว กรุณานำแบบสอบถามใส่ในซองจดหมายผนึกแสตมป์ที่เตรียมไว้ให้ ความร่วมมือของท่าน เป็นสิ่งที่มี*ความสำคัญอย่างยิ่งยวด*ต่อการศึกษาในครั้งนี้เพื่อกระผมจะได้นำข้อมูลที่ได้ไปประมวลผล เพื่อประกอบการทำวิจัยเพื่อวิทยานิพนธ์ อันจะเป็นประโยชน์ต่อการศึกษาต่อไป ในกรณีที่บางคำถามในแบบสอบถามท่านไม่ประสงค์ที่จะตอบ ก็ขอให้ข้ามไปตอบคำถามในข้ออื่น ๆ ต่อไป อย่างไรก็ตามถ้าหากท่านไม่สามารถตอบแบบสอบถามหรือไม่มีความรู้ในเรื่องดังกล่าว กรุณาช่วยส่งแบบสอบถามไปให้ผู้ที่เกี่ยวข้อง จักเป็นพระคุณอย่างยิ่ง นอกจากนี้กระผมขอแจ้งให้ทราบว่าข้อมูลทั้งหมดที่ท่านตอบในแบบสอบถาม*จะเก็บเป็นความลับ* และในการรายงานผลการศึกษาในครั้งนี้จะ*ไม่มีการแสดงรายชื่อบุคคลหรือชื่อบริษัทใด ๆ ทั้งสิ้น* **และถ้าหากการร่วมทุนฯของบริษัทของท่านได้มีการยกเลิกหรือสิ้นสุดไปแล้ว ท่านก็ยังคงสามารถตอบคำถามในแบบสอบถามนี้ได้เช่นเดียวกัน**

สุดท้ายนี้กระผมหวังเป็นอย่างยิ่งว่าจะได้รับความอนุเคราะห์ข้อมูลโดยการตอบคำถามในแบบสอบถามที่แนบมาให้นี้จากหน่วยงานของท่านและขอความกรุณาส่งกลับมาภายในวันที่ **31 มีนาคม** 2549 กระผมกราบขอบพระคุณท่าน มา ณ โอกาสนี้ ทั้งนี้หากทางท่านสนใจผลของการศึกษาในครั้งนี้ กระผมยินดีที่จะมอบสำเนาสรุปผลการศึกษามาให้ท่านในภายหลัง หรือถ้าหากท่านมีคำถามหรือข้อเสนอแนะใดๆ เกี่ยวกับการวิจัยในครั้งนี้ สามารถติดต่อกระผมได้ตามที่อยู่ข้างล่างนี้

นายพรลภัส สุวรรณรัตน์ ที่อยู่ : 378/1 **ซอยพึ่งมี** 14 **ถ.สุขุมวิท** 93 **แขวงบางจาก เขตพระโขนง กรุงเทพฯ** 10260
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จึงเรียนมาเพื่อโปรดอนุเคราะห์

ขอแสดงความนับถือ

(นายพรลภัส สุวรรณรัตน์)

หมายเหตุ: ท่านสามารถเลือกตอบแบบสอบถาม เป็นชุดภาษาไทย **หรือ** ชุดภาษาอังกฤษ อย่างใดอย่างหนึ่ง
สุดแล้วแต่ทางท่านจะเห็นสมควร

แบบสอบถามเกี่ยวกับบริษัทร่วมทุนระหว่างประเทศในประเทศไทย

ผู้สำรวจขอแจ้งให้ทราบว่าข้อมูลทั้งหมดนี้จะเก็บเป็นความลับ
และในการรายงานผลการสำรวจในครั้งนี้จะไม่มีการแสดงรายชื่อบุคคลหรือชื่อบริษัทใด ๆ ทั้งสิ้น
กรุณาตอบคำถามโดยเติมคำในช่องว่าง และ กรุณาใส่เครื่องหมาย ✓ ในช่องที่กำหนดไว้ให้ ในส่วนของตารางที่อยู่ท้ายในแต่ละคำถาม
เช่น V3 ☐☐☐☐☐ ให้เว้นว่างไว้ เนื่องจากเป็นส่วนของผู้สำรวจ

ในแบบสอบถาม ต่อไปนี้ จะใช้ชื่อย่อ “**บริษัทร่วมทุนฯ**” ซึ่งจะหมายถึง “**บริษัทร่วมทุนระหว่างประเทศ**” โดยหมายถึง “องค์กรที่เกิดจากการร่วมทุน ระหว่างบริษัทแม่อย่างน้อยสองบริษัท ซึ่งภายในองค์กรนั้น ๆ มีลักษณะโครงสร้างของผู้ถือหุ้นหลายส่วน ซึ่งอาจจะเป็นสองส่วนหรือมากกว่า โดยที่หุ้นส่วน (บริษัทแม่) แต่ละราย จะมีส่วนร่วมในการลงทุน การบริหาร การแลกเปลี่ยนทักษะและทรัพยากร ตลอดจนถึงการตัดสินใจในกิจการต่าง ๆของบริษัทร่วมทุนฯ และ **ต้องมีอย่างน้อยหุ้นส่วนหนึ่งราย** มีสำนักงานใหญ่ตั้งอยู่นอกประเทศ ที่บริษัทร่วมทุนฯดำเนินธุรกิจอยู่ โดยหุ้นส่วนแต่ละรายจะได้รับผลตอบแทนจากการดำเนินงานของบริษัทร่วมทุนฯ ในรูปของเงินปันผลตามสัดส่วนของหุ้นที่ตนเองถืออยู่”

ส่วนที่ 1: รายละเอียดพื้นฐาน

1. ตำแหน่งงานของท่าน ____________________ v1 ☐
2. จำนวนพนักงานในบริษัทร่วมทุนฯของท่าน ____________ คน v2 ☐☐☐☐☐
3. บริษัทร่วมทุนฯของท่าน (ซึ่งเกิดมาจากการร่วมทุนระหว่าง หุ้นส่วน(บริษัทแม่)ฝ่ายไทย กับ หุ้นส่วน(บริษัทแม่)ฝ่ายต่างประเทศ) ได้เริ่มดำเนินกิจการเมื่อไร? พ.ศ.____________ v3 ☐☐☐☐
4. เมื่อเริ่มก่อตั้งบริษัทร่วมทุนฯ มีจำนวนหุ้นส่วน (จำนวนบริษัทแม่) ที่เข้ามาร่วมทุน
   จำนวนเท่าใด?________ราย V4 ☐☐
   โดยจำแนกเป็น:1. หุ้นส่วนฝ่ายต่างประเทศ (บริษัทแม่ฝ่ายต่างประเทศ) ________ราย v4.1 ☐☐
   2. หุ้นส่วนฝ่ายไทย (บริษัทแม่ฝ่ายไทย) ________ราย v4.2 ☐☐
5. กรุณาระบุสัญชาติของหุ้นส่วน(บริษัทแม่)ฝ่าย**ต่างประเทศ**
   หากบริษัทร่วมทุนฯของท่านมีหุ้นส่วน(บริษัทแม่)ฝ่ายต่างประเทศที่เข้ามาร่วมทุนมากกว่าหนึ่งรายกรุณาเรียงลำดับสัญชาติ
   โดยเริ่มจากหุ้นส่วน(บริษัทแม่)ที่มีสัดส่วนหุ้นในบริษัทร่วมทุนฯมากที่สุด เป็นรายแรก
   สัญชาติ 1. ____________ 2. ____________ v5.1 ☐ v5.2 ☐
   3. ____________ 4. ____________ v5.3 ☐ v5.4 ☐
   5. ____________ 6. ____________ v5.5 ☐ v5.6 ☐

หมายเหตุ:สำหรับบริษัทร่วมทุนฯที่มีหุ้นส่วน(บริษัทแม่)ฝ่ายต่างประเทศที่เข้ามาร่วมทุนมากกว่าหนึ่งรายคำถามทั้งหมดต่อจากนี้ ขอความกรุณาท่านให้ข้อมูลที่เกี่ยวกับหุ้นส่วนฝ่ายต่างประเทศ **เฉพาะรายที่หนึ่ง** เท่านั้นจากคำถามในข้อ 5

6. บริษัทร่วมทุนฯของท่านยกเลิกการร่วมทุนนั้นแล้วหรือยัง?
   กรุณาใส่เครื่องหมาย ✓

☐ ยังไม่ยกเลิก (ข้ามไปข้อ 9) v6.1 ☐

☐ ยกเลิกแล้ว การร่วมทุนนั้นยกเลิกไปแล้วเมื่อใด? _พ.ศ.__________ (ต่อข้อ 7) v6.2 ☐☐☐☐

หากบริษัทร่วมทุนฯของท่านมีการยกเลิกการร่วมทุนไปแล้วกรุณาตอบคำถามทั้งหมดต่อจากนี้ตามสภาพการณ์ที่ปรากฏ **เมื่อการร่วมทุนดังกล่าวยังคงดำเนินอยู่**

7. เกิดอะไรขึ้นกับบริษัทร่วมทุนฯของท่าน? (กรุณาใส่เครื่องหมาย ✓)

☐ 1) ถูกซื้อหุ้นโดยหุ้นส่วนฝ่ายไทย (บริษัทแม่ฝ่ายไทยซื้อหุ้นทั้งหมดของบริษัทร่วมทุนฯ) v7 ☐

☐ 2) ถูกซื้อหุ้นโดยหุ้นส่วนฝ่ายต่างประเทศ (บริษัทแม่ฝ่ายต่างประเทศซื้อหุ้นทั้งหมดของบริษัทร่วมทุนฯ)

☐ 3) ถูกซื้อหุ้นโดยบริษัทอื่นจากภายนอก

☐ 4) ขายหุ้นเพื่อชำระหนี้ ของบริษัทร่วมทุนฯที่เกิดขึ้น

☐ 5) อื่น ๆ (โปรดระบุ) ____

8. ทำไมบริษัทร่วมทุนฯของท่านจึงถูกยกเลิกการร่วมทุน? (กรุณาใส่เครื่องหมาย ✓)

☐ 1) บริษัทร่วมทุนฯบรรลุวัตถุประสงค์ตามที่ต้องการแล้ว v8 ☐

☐ 2) บริษัทร่วมทุนฯ มีผลประกอบการไม่ดี

☐ 3) มีการเปลี่ยนแปลงกลยุทธ์ของหุ้นส่วนเกี่ยวกับการร่วมทุน

☐ 4) อื่น ๆ (โปรดระบุ) ____

9. มูลค่าการลงทุน **เมื่อแรกเริ่ม** การก่อตั้งบริษัทร่วมทุนฯ มีมูลค่า **<u>หรือ</u>** มีสัดส่วนเท่าใด ระหว่าง:

หุ้นส่วนฝ่ายต่างประเทศ: ______________________________บาท v9.1 (M฿) ☐☐☐☐

หุ้นส่วนฝ่ายไทย: ____________________________________บาท v9.2 (M฿) ☐☐☐☐

<u>หรือ</u>

คิดเป็นสัดส่วน ต่างประเทศ __________ % ไทย __________ % v9.3.1 ☐☐.☐☐

V9.3.2 ☐☐.☐☐

10. ตั้งแต่เริ่มการก่อตั้งบริษัทร่วมทุนฯครั้งแรก จนถึงปัจจุบัน สัดส่วนของผู้ถือหุ้นมีการเปลี่ยนแปลงหรือไม่?

☐ ไม่มีการเปลี่ยนแปลง (ข้ามไปข้อ 12) v10 ☐

☐ มีการเปลี่ยนแปลง (ต่อข้อ 11)

11. หากสัดส่วนของผู้ถือหุ้นของบริษัทร่วมทุนฯมีการเปลี่ยนแปลง มูลค่าการลงทุน**ในปัจจุบัน**มีมูลค่า **<u>หรือ</u>** มีสัดส่วนการลงทุนเท่าใด ระหว่าง :

บริษัทแม่ฝ่ายต่างประเทศ: ______________________________บาท v11.1 (M฿) ☐☐☐☐

บริษัทแม่ฝ่ายไทย: ____________________________________บาท v11.2 (M฿) ☐☐☐☐

<u>หรือ</u>

คิดเป็นสัดส่วน ต่างประเทศ __________ % ไทย __________ % v11.3.1 ☐☐.☐☐

v11.3.2 ☐☐.☐☐

12. ท่านจัดประเภทของหุ้นส่วนฝ่ายต่างประเทศและหุ้นส่วนฝ่ายไทยดังกล่าวอย่างไร?(กรุณาใส่เครื่องหมาย ✓)

หุ้นส่วนฝ่ายต่างประเทศ (บริษัทแม่ฝ่ายต่างประเทศ)

☐ 1) บริษัทเอกชน ☐ 2) หน่วยงานของรัฐบาล v12.1 ☐

☐ 3) อื่นๆ (ระบุ) ______________________________

หุ้นส่วนฝ่ายไทย (บริษัทแม่ฝ่ายไทย)

☐ 1) บริษัทเอกชน ☐ 2) หน่วยงานของรัฐบาล v12.2 ☐

☐ 3) อื่นๆ (ระบุ) ____________________________

13. กรุณาระบุประเภทธุรกิจของบริษัทร่วมทุนฯของท่าน ธุรกิจของหุ้นส่วนฝ่ายไทย (บริษัทแม่ฝ่ายไทย) และธุรกิจของหุ้นส่วนฝ่ายต่างประเทศ (บริษัทแม่ฝ่ายต่างประเทศ) โดยใส่เครื่องหมาย ✓ในประเภทของธุรกิจของแต่ละบริษัท

ประเภทธุรกิจ	**บริษัทร่วมทุนฯ**	**บริษัทแม่ ฝ่ายไทย**	**บริษัทแม่ฝ่ายต่างประเทศ**
	v13.1 ☐☐	v13.2 ☐☐	v13.3 ☐☐
เครื่องจักรอิเล็กทรอนิกส์และไฟฟ้า			
คอมพิวเตอร์และซอฟท์แวร์			
การผลิตอาหารและเครื่องดื่ม			
สิ่งทอ เสื้อผ้า และเครื่องหนัง			
รถยนต์และอุปกรณ์ที่เกี่ยวข้อง			
ผลิตภัณฑ์พลาสติก			
โลหะและสินแร่			
เคมีภัณฑ์			
เภสัชภัณฑ์			
เทคโนโลยีชีวภาพ			
อุตสาหกรรมการเกษตร			
อุตสาหกรรมการผลิตอื่น ๆ (โปรดระบุ) ____________________			
ธุรกิจนำเข้าส่งออก			
การท่องเที่ยวและที่พักอาศัย			
การขนส่งและการกระจายสินค้า			
โทรคมนาคม			
การก่อสร้างและตัวแทนอสังหาริมทรัพย์			
การบริการทางการเงินและการธนาคาร			
การบริการอื่น ๆ (โปรดระบุ) ____________________			

ส่วนที่ 2: ปัจจัยเกี่ยวกับตำแหน่งที่ตั้งและนโยบายของรัฐ

14. **ในความเห็นของท่าน** ท่านคิดว่าปัจจัยดังต่อไปนี้มีความสำคัญต่อ **หุ้นส่วนฝ่ายต่างประเทศ** (บริษัทแม่ฝ่ายต่างประเทศ) มากน้อยเพียงใด ในการตัดสินใจเลือกเข้ามาลงทุน**ในประเทศไทย** (โดยที่ 1 = ไม่มีความสำคัญเลย 2 = สำคัญน้อย 3 = สำคัญปานกลาง 4 = สำคัญมาก 5 = สำคัญมากที่สุด กรุณาใส่เครื่องหมาย ✓)

ปัจจัย	ความสำคัญ					
	1	2	3	4	5	
ต้นทุนค่าแรงถูกกว่า						v14.1

การส่งเสริมและความช่วยเหลือจากรัฐบาลไทย						v14.2
มีบริษัทร่วมทุนฝ่ายไทยที่เหมาะสมอยู่ในธุรกิจอยู่แล้ว						v14.3
การคาดการณ์การเติบโตของตลาดในภูมิภาคนี้						v14.4
การมีสิ่งอำนวยความสะดวกพื้นฐานที่เอื้ออำนวย						v14.5
จำนวนแรงงานที่มีฝีมือชาวไทย						v14.6
เสรีภาพในการควบคุมการแลกเปลี่ยนเงินตราต่างประเทศ และโอกาสในการส่งผลกำไรกลับประเทศ						v14.7
เสถียรภาพทางการเมืองและเศรษฐกิจ						v14.8
สภาพสังคมและวัฒนธรรมไทย:						v14.9
วัตถุดิบมีราคาถูก						v14.10
การเข้าถึงแหล่งทุนภายในประเทศ						v14.11
ทำเลที่ตั้งและระยะทางเป็นที่เอื้ออำนวย						v14.12
เป็นการลดอุปสรรคในการกีดกันทางการค้า						v14.13
เป็นการพัฒนาตลาดใหม่ๆ						v14.14
เพื่อให้ทัดเทียมกับกลยุทธ์ของบริษัทคู่แข่ง						v14.15
อื่น ๆ (โปรดระบุ) ______________________________						v14.16

15. กรุณา **ประเมินความสำคัญ** ของความช่วยเหลือประเภทต่างๆ ที่รัฐบาลจัดสรรให้กับบริษัทร่วมทุนฯของท่าน ดังต่อไปนี้ (โดยที่ 1 = ไม่มีความสำคัญเลย 2 = สำคัญน้อย 3 = สำคัญปานกลาง 4 = สำคัญมาก 5 = สำคัญมากที่สุด กรุณาใส่เครื่องหมาย ✓)

ประเภทความช่วยเหลือ	ความสำคัญ					
	1	2	3	4	5	
สิทธิพิเศษต่างๆ ของการตั้งอยู่ของกิจการในเขตส่งเสริมการลงทุนในเขตต่าง ๆ (เขต 1, 2 และ 3)						v15.1
ความช่วยเหลือทางด้านการเงิน (เช่น โครงการเงินกู้ดอกเบี้ยต่ำสำหรับอุตสาหกรรมที่รัฐบาลส่งเสริม)						v15.2
การยกเว้นหรือลดอากรขาเข้าสำหรับเครื่องจักร						v15.3
การยกเว้นหรือลดอากรขาเข้าสำหรับวัตถุดิบ						v15.4
การยกเว้นภาษีเงินได้นิติบุคคล						v15.5
การได้รับกรรมสิทธิในการถือครองที่ดินสำหรับบริษัทต่างประเทศ						v15.6
การได้รับใบอนุญาตทำงาน(แรงงานต่างชาติ)						v15.7
การได้รับอนุญาตในการนำเข้าแรงงานต่างชาติ						v15.8
การได้รับอนุญาตการส่งผลกำไรและรายได้กลับต่างประเทศ						v15.9
อื่น ๆ (โปรดระบุ) ______________________________						v15.10

16. **ในความเห็นของท่าน** หุ้นส่วนฝ่ายต่างประเทศ (บริษัทแม่ฝ่ายต่างประเทศ) หุ้นส่วนฝ่ายไทย (บริษัทแม่ฝ่ายไทย) และผู้จัดการของบริษัทร่วมทุนฯ มีความพึงพอใจในความช่วยเหลือของรัฐบาลไทยมากน้อยเพียงใด? (โดยที่ 1 = ไม่พอใจมาก 2 = ไม่พอใจ 3 = พอใจปานกลาง 4 = พอใจมาก 5 = พอใจมากอย่างยิ่ง กรุณาใส่เครื่องหมาย ✓)

ประเภท	ระดับความพึงพอใจ					
	1	2	3	4	5	
หุ้นส่วน(บริษัทแม่)ฝ่ายต่างประเทศ						v17.1
หุ้นส่วน(บริษัทแม่)ฝ่ายไทย						v17.2
ผู้จัดการของบริษัทร่วมทุนฯ						v17.3

ส่วนที่ 3: มูลเหตุเชิงกลยุทธ์ในการก่อตั้งบริษัทร่วมทุนระหว่างประเทศ

17. **ในความเห็นของท่าน** มูลเหตุดังต่อไปนี้มีความสำคัญมากน้อยเพียงใดกับ **หุ้นส่วนฝ่ายต่างประเทศ** (บริษัทแม่ฝ่ายต่างประเทศ) ที่เข้ามาร่วมก่อตั้งบริษัทร่วมทุนฯนี้ขึ้นมา? (โดยที่ 1 = ไม่มีความสำคัญเลย 2 = สำคัญน้อย 3 = สำคัญปานกลาง 4 = สำคัญมาก 5 = สำคัญมากที่สุด กรุณาใส่เครื่องหมาย ✓)

ประเภท	ความสำคัญ					
	1	2	3	4	5	
เพื่อเป็นการกระจายความเสี่ยงทางธุรกิจ						v18.1
เพื่อให้ได้การประหยัดจากขนาดการผลิต						v18.2
เป็นการแลกเปลี่ยนเทคโนโลยี						v18.3
เพื่อให้ได้ส่วนแบ่งในตลาดใหม่						v18.4
เป็นการลดภาระต้นทุนการวิจัยและพัฒนา						v18.5
เป็นการลดภาระต้นทุนการลงทุน						v18.6
เพื่อให้ได้ผลตอบแทนจากการลงทุนที่เร็วขึ้น						v18.7
เพื่อแข่งขันกับบริษัทคู่แข่งรายอื่น						v18.8
เพื่อลดภาวะการแข่งขันโดยจัดตั้งบริษัทร่วมทุนกับบริษัทคู่แข่งหรือบริษัทที่มีแนวโน้มเป็นคู่แข่ง						v18.9
สามารถเข้าถึงตลาดได้รวดเร็วขึ้น						v18.10
เพื่อดำเนินตามนโยบายของรัฐบาลไทย						v18.11
เพื่อให้เกิดความหลากหลายของผลิตภัณฑ์						v18.12
เป็นฐานการส่งออกสำหรับตลาดต่างประเทศ						v18.13
เพื่อมุ่งเน้นเฉพาะธุรกิจที่ทำกำไรได้มากกว่า						v18.14
เป็นการย้ายฐานการผลิตไปยังทำเลที่ต้นทุนต่ำ						v18.15
เพื่อรักษาส่วนแบ่งทางการตลาด						v18.16
เพื่อเอื้อต่อการขยายธุรกิจไปยังต่างประเทศ						v18.17
เพื่อให้มีภาพลักษณ์หรือเอกลักษณ์ของบริษัทในตลาดท้องถิ่น						v18.18
เป็นการแลกเปลี่ยนสิทธิบัตรหรือพรมแดนทางธุรกิจ						v18.19
เพื่อสามารถเข้าถึงทรัพยากรธรรมชาติของหุ้นส่วนฝ่ายไทย						v18.20

เพื่อสามารถเข้าถึงทรัพยากรมนุษย์ของหุ้นส่วนฝ่ายไทย (แรงงานมีฝีมือ)						v18.21
เพื่อสามารถเข้าถึงแรงงานค่าแรงต่ำของหุ้นส่วนฝ่ายไทย (แรงงานไร้ฝีมือ)						v18.22
เพื่อลดอุปสรรคต่างๆ เกี่ยวกับบริษัทตัวแทนหรือลิขสิทธิ์						v18.23
อื่น ๆ (โปรดระบุ) ______________________						v18.24

18. **ในความเห็นของท่าน** มูลเหตุดังต่อไปนี้มีความสำคัญมากน้อยเพียงใดกับ **หุ้นส่วนฝ่ายไทย** (บริษัทแม่ฝ่ายไทย) ที่เข้ามาร่วมก่อตั้งบริษัทร่วมทุนฯนี้ขึ้นมา? (โดยที่ 1 = ไม่มีความสำคัญเลย 2 = สำคัญน้อย 3 = สำคัญปานกลาง 4 = สำคัญมาก 5 = สำคัญมากที่สุด กรุณาใส่เครื่องหมาย ✓)

ประเภท	ความสำคัญ					
	1	2	3	4	5	
เพื่อเป็นการกระจายความเสี่ยงทางธุรกิจ						v19.1
เพื่อให้ได้การประหยัดจากขนาดการผลิต						v19.2
เพื่อสามารถเข้าถึงเทคโนโลยีของหุ้นส่วนฝ่ายต่างประเทศ						v19.3
เพื่อให้ได้ส่วนแบ่งในตลาดใหม่						v19.4
เป็นการลดภาระต้นทุนการวิจัยและพัฒนา						v19.5
เป็นการลดภาระต้นทุนการลงทุน						v19.6
เพื่อให้ได้ผลตอบแทนจากการลงทุนที่เร็วขึ้น						v19.7
เพื่อแข่งขันกับบริษัทคู่แข่งรายอื่น						v19.8
เพื่อลดภาวะการแข่งขันโดยจัดตั้งบริษัทร่วมทุนกับบริษัทคู่แข่งหรือบริษัทที่มีแนวโน้มเป็นคู่แข่ง						v19.9
สามารถเข้าตลาดได้รวดเร็วขึ้น						v19.10
เพื่อดำเนินตามนโยบายของรัฐบาลไทย						v19.11
เพื่อให้เกิดความหลากหลายของผลิตภัณฑ์						v19.12
เป็นฐานการส่งออกสำหรับตลาดต่างประเทศ						v19.13
เพื่อมุ่งเน้นเฉพาะธุรกิจที่ทำกำไรได้มากกว่า						v19.14
เป็นการย้ายฐานการผลิตไปยังทำเลที่ต้นทุนต่ำ						v19.15
เพื่อรักษาส่วนแบ่งทางการตลาด						v19.16
เพื่อเอื้อต่อการขยายธุรกิจไปยังต่างประเทศ						v19.17
เพื่อสามารถเข้าถึงเทคนิคในการบริหารจัดการที่ทันสมัยจากหุ้นส่วนฝ่ายต่างประเทศ						v19.18
เป็นการแลกเปลี่ยนสิทธิบัตรหรือพรมแดนทางธุรกิจ						v19.19
เพื่อสามารถเข้าถึงทรัพยากรธรรมชาติของหุ้นส่วนฝ่ายต่างประเทศ						v19.20
เพื่อสามารถเข้าถึงทรัพยากรมนุษย์ของหุ้นส่วนฝ่ายต่างประเทศ (แรงงานมีฝีมือ)						v19.21
เพื่อสามารถเข้าถึงแรงงานค่าแรงต่ำของหุ้นส่วนฝ่ายต่างประเทศ (แรงงานไร้ฝีมือ)						v19.22
เพื่อลดอุปสรรคต่างๆ เกี่ยวกับบริษัทตัวแทนหรือลิขสิทธิ์						v19.23
อื่น ๆ (โปรดระบุ) ______________________						v19.24

ส่วนที่ 4: การบริหารจัดการ

19. จำนวนผู้บริหารในคณะผู้บริหารของบริษัทร่วมทุนฯ มีจำนวนเท่าใด_________ราย v20 ☐☐

โดยมาจาก บริษัทแม่ฝ่ายต่างประเทศ จำนวน ______________ ท่าน v20.1 ☐☐

บริษัทแม่ฝ่ายไทย จำนวน ______________ ท่าน v20.2 ☐☐

อื่น ๆ (โปรดระบุ) ________________________ จำนวน _____________ ท่าน v20.3 ☐☐

20. ใครเป็นคนแต่งตั้งผู้จัดการทั่วไปคนแรกของบริษัทร่วมทุนฯ? (กรุณาใส่เครื่องหมาย ✓)

☐ 1) หุ้นส่วน (บริษัทแม่)ฝ่ายต่างประเทศ ☐ 2) หุ้นส่วน (บริษัทแม่) ฝ่ายไทย v21 ☐

☐ 3) อื่น ๆ (โปรดระบุ) ___________________

21. ใครเป็นคนรับผิดชอบการแต่งตั้งผู้จัดการทั่วไปคนต่อๆ มา? (กรุณาใส่เครื่องหมาย ✓)

☐ 1) หุ้นส่วน (บริษัทแม่)ฝ่ายต่างประเทศ ☐ 2) หุ้นส่วน (บริษัทแม่) ฝ่ายไทย v22 ☐

☐ 3) อื่น ๆ (โปรดระบุ) ___________________

22. ในความเห็นของท่าน**หุ้นส่วนฝ่ายต่างประเทศ**(บริษัทแม่ฝ่ายต่างประเทศ)ของท่านมีส่วนร่วมในการให้ความช่วยเหลือบริษัทร่วมทุนฯ ของท่าน ในประเด็นต่าง ๆ ดังต่อไปนี้มากน้อยเพียงใด? (1 = ไม่ได้ช่วยเหลือเลย 2 = ช่วยเหลือน้อย 3 = ช่วยเหลือปานกลาง 4 = ช่วยเหลือมาก 5 = ช่วยเหลือมากอย่างยิ่ง กรุณาใส่เครื่องหมาย ✓)

ประเด็นการมีส่วนร่วม	ระดับการมีส่วนร่วม					
	1	2	3	4	5	
การออกแบบโรงงาน เทคโนโลยี และการก่อสร้าง						v24.1
การฝึกอบรมพนักงาน						v24.2
การตลาดและการสร้างภาพลักษณ์/เอกลักษณ์ของบริษัทในตลาดท้องถิ่น						v24.3
การได้รับการสนับสนุนทางการเงินจากต่างประเทศ						v24.4
การได้รับการสนับสนุนทางการเงินจากในประเทศ						v24.5
การได้รับการสนับสนุนและคำอนุมัติจากรัฐบาล						v24.6
การส่งออก						v24.7
การเป็นคนกลางในการนำสินค้าเข้าจากต่างประเทศ						v24.8
การนำเข้าสินค้าประเภททุน เช่น เครื่องจักร ฯลฯจากต่างประเทศ						v24.9
การให้ความรู้และเทคโนโลยีอย่างต่อเนื่อง						v24.10
การปรับปรุงและการปรับเปลี่ยนเทคนิคการบริหารจัดการรูปแบบใหม่						v24.11
การปรับปรุงและการปรับเปลี่ยนเทคนิคการผลิตสินค้ารูปแบบใหม่						v24.12
การดำเนินการทำวิจัยและพัฒนาผลิตภัณฑ์						v24.13
การให้คำแนะนำเกี่ยวกับกลยุทธ์ทางธุรกิจ						v24.14
อื่นๆ (โปรดระบุ) ______________________________						v24.15

23. ในความเห็นของท่าน **หุ้นส่วนฝ่ายไทย** (บริษัทแม่ฝ่ายไทย) มีส่วนร่วมในการให้ความช่วยเหลือ บริษัทร่วมทุนฯของท่านในประเด็นต่างๆ ดังต่อไปนี้มากน้อยเพียงใด? ? (1 = ไม่ได้ช่วยเหลือเลย 2 = ช่วยเหลือน้อย 3 = ช่วยเหลือปานกลาง 4 = ช่วยเหลือมาก 5 = ช่วยเหลือมากอย่างยิ่ง กรุณาใส่เครื่องหมาย ✓)

ประเด็นการมีส่วนร่วม	**ระดับการมีส่วนร่วม**					
	1	2	3	4	5	
การออกแบบโรงงาน เทคโนโลยี และการก่อสร้าง						v25.1
การฝึกอบรมพนักงาน						v25.2
การตลาดและการสร้างภาพลักษณ์/เอกลักษณ์ของบริษัทในตลาดท้องถิ่น						v25.3
การได้รับการสนับสนุนทางการเงินจากต่างประเทศ						v25.4
การได้รับการสนับสนุนทางการเงินจากในประเทศ						v25.5
การได้รับการสนับสนุนและคำอนุมัติจากรัฐบาล						v25.6
การส่งออก						v25.7
การเป็นคนกลางในการนำสินค้าเข้าจากต่างประเทศ						v25.8
การนำเข้าสินค้าประเภททุน เช่น เครื่องจักร ฯลฯจากต่างประเทศ						v25.9
การให้ความรู้และเทคโนโลยีอย่างต่อเนื่อง						v25.10
การปรับปรุงและการปรับเปลี่ยนเทคนิคการบริหารจัดการรูปแบบใหม่						v25.11
การปรับปรุงปรับเปลี่ยนเทคนิคการผลิตสินค้ารูปแบบใหม่						v25.12
การดำเนินการทำวิจัยและพัฒนาผลิตภัณฑ์						v25.13
การให้คำแนะนำเกี่ยวกับกลยุทธ์ทางธุรกิจ						v25.14
อื่นๆ (โปรดระบุ) ________________________						v25.15

24. ท่านประเมิน **ระดับการพึ่งพา** ที่บริษัทร่วมทุนฯของท่านต้องพึ่งพา หุ้นส่วนฝ่าย(บริษัทแม่)ต่างประเทศ และหุ้นส่วน(บริษัทแม่)ฝ่ายไทย สำหรับกิจกรรมดังต่อไปนี้อย่างไร? (กรุณาประเมินระดับการพึ่งพาเป็นตัวเลข 1 ถึง 5) โดยที่ 1 = ไม่มีการพึ่งพาเลย 2 = มีการพึ่งพาน้อย, 3 = มีการพึ่งพาปานกลาง, 4 = มีการพึ่งพามาก, 5 = มีการพึ่งพามากอย่างยิ่ง กรุณากรอกเพื่อให้**คะแนน**ทุกช่อง

กิจกรรม	**หุ้นส่วน ฝ่ายไทย**		**หุ้นส่วน ฝ่ายต่างประเทศ**	
การเงิน		v26.1.2		v26.1.3
กิจกรรมทางการตลาด		v26.2.2		v26.2.3
การวิจัยและพัฒนาผลิตภัณฑ์		v26.3.2		v26.3.3
การบริหาร และการจัดจ้างทรัพยากรมนุษย์		v26.4.2		v26.4.3
นโยบายและการปฏิบัติด้านการตอบแทน		v26.5.2		v26.5.3
การฝึกอบรมและการพัฒนา		v26.6.2		v26.6.3
กระบวนการผลิต		v26.7.2		v26.7.3
ความรู้ด้านเทคนิค		v26.8.2		v26.8.3
ความรู้ด้านบริหาร		v26.9.2		v26.9.3
วัตถุดิบ		v26.10.2		v26.10.3

กิจกรรมการควบคุมคุณภาพ		v26.11.2		v26.11.3
การส่งออก		v26.12.2		v26.12.3
การนำเข้า		v26.13.2		v26.13.3

25. บริษัทร่วมทุนฯของท่าน มีการดำเนินงานต่าง ๆ ในเรื่องต่อไปนี้ **เหมือนกันกับ** หุ้นส่วน(บริษัทแม่)ฝ่ายต่างประเทศหรือหุ้นส่วน(บริษัทแม่)ฝ่ายไทย มากน้อยเพียงใด? (กรุณาใส่เครื่องหมาย ✓)

โดยที่1 = เหมือนกับหุ้นส่วน(บริษัทแม่)ฝ่ายต่างประเทศทุกประการ

2 = ค่อนข้างเหมือนกับหุ้นส่วน(บริษัทแม่)ฝ่ายต่างประเทศ

3 = ผสมผสานการดำเนินงานตามวิธีของหุ้นส่วน(บริษัทแม่)ทั้งสองฝ่าย

4 = ค่อนข้างเหมือนกับหุ้นส่วน(บริษัทแม่)ฝ่ายไทย

5 = เหมือนกับหุ้นส่วน(บริษัทแม่)ฝ่ายไทยทุกประการ

การดำเนินงาน	**ระดับความเหมือน**					
	1	2	3	4	5	
นโยบายและการปฏิบัติด้านการตอบแทน						v27.1
การบริหารและการสรรหาทรัพยากรมนุษย์						v27.2
การฝึกอบรมและพัฒนา						v27.3
กระบวนการผลิต						v27.4
การวิจัยและพัฒนาผลิตภัณฑ์						v27.5
การกำหนดกลยุทธ์						v27.6
การวางแผนงบประมาณ						v27.7
การวางระบบบัญชีและการปฏิบัติด้านบัญชี						v27.8
การ บริหารต้นทุนและการวางระบบต้นทุน						v27.9
ระบบสารสนเทศทางการบริหาร						v27.10
ระบบการกำหนดราคา						v27.11
การตลาด						v27.12
การควบคุมคุณภาพ						v27.13
อื่นๆ (โปรดระบุ) ________________________________						v27.14

ส่วนที่ 5: ผลการดำเนินงาน ความสามารถในการเรียนรู้ และข้อตกลง ของบริษัทร่วมทุนระหว่างประเทศ

26. เมื่อบริษัทร่วมทุนฯก่อตั้งขึ้น โดยได้มีการกำหนดระยะเวลาการร่วมทุนเป็นที่ชัดเจนหรือไม่?

☐ ไม่มี v28.1 ☐☐

☐ มี เป็นระยะเวลากี่ปี? _________ปี และจะสิ้นสุดในปีใด? _พ.ศ.___________ v28.2 ☐☐☐☐

27. บริษัทร่วมทุนฯมีวิธีการประเมินผลการดำเนินงานของบริษัทอย่างไร? (ตอบได้มากกว่า 1 ข้อ)

☐ 1) ระดับของรายรับ ☐ 2) ระดับของความสามารถในการทำกำไร v29.1 ☐ v29.2 ☐

☐ 3) ชื่อเสียง	☐ 4) ผลปฏิบัติงานของพนักงาน	v29.3 ☐ v29.4 ☐
☐ 5) มูลค่าหุ้น	☐ 6) ปริมาณของการถ่ายโอนเทคโนโลยี	v29.5 ☐ v29.6 ☐
☐ 7) ส่วนแบ่งทางการตลาด	☐ 8) ระดับของการควบคุมต้นทุน	v29.7 ☐ v29.8 ☐
☐ 9) การควบคุมคุณภาพ	☐ 10) อื่น ๆ (ระบุ) ____________________	v29.9 ☐ v29.10 ☐

28. ในแต่ละข้อความด้านล่างนี้ กรุณาใส่เครื่องหมาย ✓ ในช่องที่แสดงถึงความคิดเห็นของท่านได้ดีที่สุด
โดยที่ 1= ไม่เห็นด้วยอย่างยิ่ง, 2 = ไม่เห็นด้วย, 3 = เฉย ๆ, 4 = เห็นด้วย, 5 = เห็นด้วยอย่างยิ่ง

การดำเนินงาน	**ความคิดเห็น**					
	1	2	3	4	5	
วัฒนธรรม**องค์กร**ของหุ้นส่วน(บริษัทแม่)ฝ่ายต่างประเทศคล้ายคลึงกับวัฒนธรรมองค์กรของหุ้นส่วน(บริษัทแม่)ฝ่ายไทย						v30.1
วัฒนธรรม**ประจำชาติ**ของหุ้นส่วน(บริษัทแม่)ฝ่ายต่างประเทศคล้ายคลึงกับวัฒนธรรมประจำชาติของหุ้นส่วน(บริษัทแม่)ฝ่ายไทย						v30.2

29. **ก่อนก่อตั้งบริษัทร่วมทุนฯ** ขนาดของหุ้นส่วน(บริษัทแม่)ฝ่ายต่างประเทศ และขนาดของหุ้นส่วน(บริษัทแม่)ฝ่ายไทย / (คิดจากมูลค่าสินทรัพย์สุทธิ)

☐ 1) มีขนาดใกล้เคียงกัน ☐ 2) มีขนาดต่างกัน v31 ☐

30. ท่านให้การประเมินกิจกรรมของบริษัทร่วมทุนฯต่างๆดังต่อไปนี้อย่างไรบ้าง **เมื่อเทียบกับความคาดหวัง** ของท่านเมื่อเริ่มก่อตั้งบริษัทร่วมทุนฯนี้?

กิจกรรม	**ความคิดเห็น**					
	ดีกว่าที่คิดมาก	ค่อนข้างดีกว่าที่คิด	เท่ากับที่คาดไว้	ค่อนข้างแย่กว่าที่คิด	แย่กว่าที่คิดมาก	
ด้านการตลาด						
ส่วนแบ่งทางการตลาด						v32.1.1
การโฆษณาและการส่งเสริมการขาย						v32.1.2
การกระจายสินค้า						v32.1.3
ชื่อเสียง						v32.1.4
การบริการลูกค้า						v32.1.5
ด้านการเงิน						
ระดับยอดขาย						v32.2.1
ความสามารถในการทำกำไร						v32.2.2
ผลตอบแทนต่อการลงทุน						v32.2.3
การควบคุมต้นทุน						v32.2.4
ระยะเวลาคืนทุน						v32.2.5
ด้านกลยุทธ์						
ความมีอิสระของบริษัทร่วมทุนฯ						v32.3.1
ความไว้วางใจระหว่างหุ้นส่วน						v32.3.2
ความร่วมมือกันระหว่างหุ้นส่วน						v32.3.3

การบรรลุวัตถุประสงค์เชิงกลยุทธ์						v32.3.4
ด้านเทคโนโลยี การวิจัยและพัฒนา						
การถ่ายโอนเทคโนโลยีและการพัฒนา						v32.4.2
การมีส่วนร่วมของหุ้นส่วนในเรื่องการวิจัยและพัฒนา						v32.4.3
การออกแบบผลิตภัณฑ์						v32.4.4
การผลิตและการควบคุมคุณภาพ						v32.4.5
ด้านการบริหารทรัพยากรมนุษย์						
การบริหารค่าตอบแทน						v32.5.1
ผลการปฏิบัติงานของพนักงาน						v32.5.2
การปรับปรุงทักษะของพนักงาน						v32.5.3

31. **ในความเห็นของท่าน** ท่านคิดว่า ระดับความพึงพอใจต่อผลการดำเนินงานของบริษัทร่วมทุนฯของแต่และฝ่ายเป็นอย่างไร? (โดยที่ 1 = ไม่พอใจมาก 2 = ไม่พอใจ 3 = พอใจปานกลาง 4 = พอใจมาก 5 = พอใจมากอย่างยิ่ง
กรุณาใส่เครื่องหมาย ✓)

ประเภท	**ระดับความพึงพอใจ**					
	1	2	3	4	5	
หุ้นส่วน(บริษัทแม่)ฝ่ายต่างประเทศ						v33.1
หุ้นส่วน(บริษัทแม่)ฝ่ายไทย						v33.2
ผู้จัดการของบริษัทร่วมทุนฯ						v33.3

32. หุ้นส่วน(บริษัทแม่)แต่ละฝ่ายดำเนินธุรกิจมาเป็นระยะเวลาเท่าใด?

<u>หุ้นส่วน(บริษัทแม่)ฝ่ายต่างประเทศ</u>

☐ 1) น้อยกว่า 5 ปี ☐ 2) 5 – 10 ปี v34.1 ☐

☐ 3) 11 – 20 ปี ☐ 4) มากกว่า 20 ปี

<u>หุ้นส่วน(บริษัทแม่)แม่ฝ่ายไทย</u>

☐ 1) น้อยกว่า 5 ปี ☐ 2) 5 – 10 ปี v34.2 ☐

☐ 3) 11 – 20 ปี ☐ 4) มากกว่า 20 ปี

33. หุ้นส่วน(บริษัทแม่)ฝ่ายต่างประเทศเคยมีประสบการณ์ทำงานร่วมกับบริษัทต่างชาติใดๆ มาก่อนหรือไม่?

☐ ไม่มี v35 ☐

☐ 1) มีน้อยกว่า 5 ปี ☐ 2) มี 5 – 10 ปี

☐ 3) มี 11 – 20 ปี ☐ 4) มีมากกว่า 20 ปี

34. หุ้นส่วน(บริษัทแม่)ฝ่ายไทยเคยมีประสบการณ์ทำงานร่วมกับบริษัทต่างชาติใดๆ มาก่อนหรือไม่?

☐ ไม่มี v36 ☐

☐ 1) มีน้อยกว่า 5 ปี ☐ 2) มี 5 – 10 ปี
☐ 3) มี 11 – 20 ปี ☐ 4) มีมากกว่า 20 ปี

35. กรุณาประเมิน **ระดับความสามารถในการเรียนรู้** (learning capability) ของบริษัทร่วมทุนฯที่เกี่ยวกับประเด็น ต่าง ๆ ดังต่อไปนี้: (โดยที่ 1 = ต่ำสุด 2 = ต่ำ 3 = ปานกลาง 4 = สูง 5 = สูงสุด กรุณาใส่เครื่องหมาย ✓)

ประเด็น	ความสามารถ					
	1	2	3	4	5	
เรียนรู้ในการหลีกเลี่ยงความขัดแย้งทางวัฒนธรรมประจำชาติ						v37.1
เรียนรู้ในการหลีกเลี่ยงความขัดแย้งทางวัฒนธรรมองค์กร						v37.2
เรียนรู้ในการตอบสนองเป้าหมายของบริษัทร่วมทุนระหว่างประเทศ						v37.3
เรียนรู้ในการตอบสนองเป้าหมายของบริษัทแม่แต่ละฝ่าย						v37.4
เรียนรู้ในการเลือกกลยุทธ์ที่เหมาะสม						v37.5
เรียนรู้ในการออกแบบโครงสร้างองค์กรที่เหมาะสม						v37.6
เรียนรู้ในการรักษาและการสร้างผลกำไรให้แก่บริษัทแม่ทั้งสองบริษัท						v37.7
เรียนรู้ในการบริหารทรัพยากรมนุษย์อย่างมีประสิทธิภาพ						v37.8
ภาพรวมของการเรียนรู้ของบริษัทร่วมทุนฯ						v37.9

36. กรุณาประเมิน **ระดับของความผูกพันจริงจังขององค์กร** (organisational commitment) ของบริษัทร่วมทุนฯ ในหน่วยงานหน้าที่หลักต่าง ๆ ที่มีต่อความสำเร็จขององค์กร (โดยที่ 1 = น้อยมาก 2 = น้อย 3 = ปานกลาง 4 = มาก 5 = มากที่สุด)

ฝ่าย	ระดับ					
	1	2	3	4	5	
ผู้บริหารบริษัทร่วมทุนฯระดับสูง						v38.1
ฝ่ายการตลาด						v38.2
ฝ่ายผลิต						v38.3
ฝ่ายทรัพยากรมนุษย์						v38.4
ฝ่ายการเงิน						v38.5
ฝ่ายวิจัยและพัฒนาผลิตภัณฑ์						v38.6
ภาพรวมของบริษัทร่วมทุนฯ						v38.7

37. กรุณาประเมิน **ระดับของความผูกพันจริงจังระหว่างหุ้นส่วนฝ่ายต่าง ๆ** ที่มีต่อความสำเร็จของบริษัทร่วมทุนฯ (โดยที่ 1 = น้อยมาก 2 = น้อย 3 = ปานกลาง 4 = มาก 5 = มากที่สุด)

ฝ่าย	ระดับ					
	1	2	3	4	5	
หุ้นส่วนฝ่ายต่าง ๆ (บริษัทแม่ฝ่ายไทยและฝ่ายต่างประเทศ)						v39

38. ทางท่านมีความต้องการรายงานสรุปผลการศึกษาในครั้งนี้หรือไม่? V40 ☐

☐ 1) ไม่ต้องการ

☐ 2) ต้องการ, กรุณาระบุชื่อและที่อยู่เพื่อที่จะได้จัดส่งมาให้ในภายหลัง

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39. ข้อเสนอแนะอื่น ๆ (ถ้ามี) อาทิ ข้อคิดเห็นเกี่ยวกับ คำถามในแบบสอบถาม หรือ ข้อมูลเพิ่มเติมเกี่ยวกับบริษัทร่วมทุนฯของท่านเป็นต้น

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