STRATEGIC MOTIVES FOR INTERNATIONAL JOINT VENTURE FORMATION IN THAILAND

ABSTRACT

This paper examines the strategic motives for the formation of international joint ventures (IJVs) in Thailand from the comparative perspective of foreign partners and Thai partners. The findings show that the major strategic motives inducing foreign partners to embark on international joint venture (IJV) formation in Thailand are fundamentally related to international market expansion and the firms' strategic position. The two highest ranked strategic motives for foreign partners are gaining presence in new markets, and enabling faster entry to markets. Meanwhile, the principal strategic motivations encouraging Thai partners to form IJVs relate to technology transfer and sharing cost of investment. Their most important strategic motive is accessing technology through the foreign partners. This suggests that the learning and growth benefits of collaboration are essential. The motive of sharing the cost of R&D is ranked second, and sharing cost of investment is ranked third. As hypothesised a number of significant differences are found in the relative importance of strategic motives between foreign partners and Thai partners. Among the strategic motives that have significant mean score differences are found to include exchange technology, sharing investment costs, and sharing cost of R&D.

Keywords: Thailand; international strategic alliances; international joint ventures; strategic motives

1. INTRODUCTION

The OECD (2000) report states that international strategic alliances (ISAs) between firms, especially multinational enterprises (MNEs), have substantially increased over the last three decades. Dunning (1993) argues that these recent trends are interesting and different from those of the past in several aspects, including: a) their growing significance as an inter-organisational form for participating firms to enhance competitiveness and to generate innovation-led growth; b) the range, depth and closeness of the interactions among co-operating partners; and c) the effect that such alliances are having upon corporate and overall industrial performance. Accordingly, ISAs now seem to be a powerful mechanism for combining competition and co-operation and for industrial restructuring on a global basis.

According to Yoshino and Rangan (1995), ISAs are co-operative business activities formed by two or more independent firms for various strategic purposes, whilst Buckley (1992) defines [international] strategic alliances as "an inter-firm collaboration over a given economic space and time for the attainment of mutually defined goals" (Buckley, 1992: 91). Buckley notes a number of important characteristics to this definition. Firstly, it covers only inter-firm agreements, i.e. an alliance operates across the boundaries of a firm. Secondly, the venture must be collaborative in that there must be some input of resources from all the partners. Thirdly, the alliance defined over economic time and apace means that it can range from local to global, and it can be defined in real time or until certain goals are reached. Fourthly, while an alliance will be defined for the achievement of certain goals, it is not necessarily the case that all partners have the same view of the objectives.

Growing interest in ISAs 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 ISAs since "they involve inter-firm collaboration and have inputs from all parties and are defined in terms of goals over a well-defined economic space (Buckley, 1992 cited in Glaister and Buckley, 1996). Many researchers such as Beamish (1985, 1988); Harrigan, (1988, 2003); Lee and Beamish (1995); and Dong and Glaister (2006) argue that international joint venture (IJV) formation is the strategic entry mode used by nearly half of all MNEs from developed countries to enter developing countries.

The term of joint ventures can be defined as the 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 definition 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. 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).

Two classes of joint ventures can be defined: 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, whereas 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).

Despite this remarkable growth in the incidence of IJVs, relatively few studies have been undertaken particularly in the issue of strategic motives for IJV formation in the context of the high-performing economies of the Association of Southeast Asian Nations, (the ASEAN4 countries, namely Thailand, Malaysia, Indonesia and The Philippines) – even though IJV formation in this region has grown significantly, along with the region's economies, in the past three decades (UNCTAD, 2007). Moreover, a recent analysis of strategic entry mode in Thailand by Suwannarat *et al* (2010) provides further evidence to support IJVs in the form of EJVs as one of the most prevalent strategic entry modes in Thailand.

This paper builds on the few prior studies of IJV formation in the ASEAN4 countries by using Thailand as a representative example of the ASEAN4 countries. This is not to suggest that Thailand is at the centre of the ASEAN4. It is rather because Thailand's economic situation, economic policies and other characteristics are similar to those of other members of the ASEAN4. This paper presents new data and new empirical insights into the strategic motivation for IJV formation in Thailand, and it has three main goals: a) to examine the relative importance of the strategic motives for IJV formation in Thailand from the perspective of foreign partners and Thai partners b) to compare the relative importance of the strategic motives for IJV formation in Thailand from the perspective of foreign partners and Thai partners.

The paper is organised in the following manners: The next section reviews the literature on strategic motives for IJV formation and sets out the research hypotheses. The research methods are presented in the following section. The findings and discussion are set out in the next section. The final section contains the summary and implications.

2. LITERATURE REVIEW AND HYPOTHESES

There are a number of theoretical perspectives on IJV formation, which range from a mainstream economics approach (Hladik, 1985; Contractor and Lorange, 1988); the transaction cost economics theory (Buckley and Casson, 1988; Hennart, 1988), agency theory (Reuer and Miller, 1997; Contractor and Kundu, 1998); resourced-based view (Pfeffer and Nowak, 1976; Das and Teng, 2000); behavior perspective (Inkpen and Currall, 1997); organisational learning theory (Hamel, 1991; Inkpen and Crossnan, 1995); political economy perspective (Lecraw, 1984; Lee and Beamish, 1995); and strategic positioning approach (Harrigan, 1988; Lyles and Baird, 1994). Robson, Leonidou, and Katsikeas, (2002); Dong and Glaister, (2006) argue that there is no single paradigm that can provide an adequate foundation for a general theory explaining the phenomenon of IJV formation since each theory tries to explain IJV formation from a different perspective. Different theoretical perspectives identify different strategic motives for IJV formation, while some of the motives overlap. Further, Glaister and Buckley (1996; 303) assert that "the transition from overall theoretical perspective to the firm's strategic motives is not a straightforward one as the theoretical approaches do not map directly on to strategic motive. However, we are able to relate individual theoretical perspectives to motives and thus to test the theories, indirectly at least".

A number of researchers have identified a variety of strategic motives. Harrigan (1985) suggests there are broadly three reasons. These are: internal necessity, competitive necessity, and strategic necessity, whilst Porter and Fuller (1986) focus on four classes of the strategic benefits of the IJV formation in the context of the globalisation. Killing (1983) classifies the strategic motives into three groups: government suasion or legislation; partners' needs for other partners' skills; and partners' needs for the other partners' attributes or assets. The strategic motives for IJV formation identified by various researchers in the literature overlap and are interrelated. These can be summarised as detailed below.

Risk Limitation

Contractor and Lorange (1988: 11) argue 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, Jasperson, and Karmokolias*.* (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.

Economies of Scale

Boateng and Glaister (2003) assert that economies of scale is concerned with the average cost of production in relation to the productive capacity of a plant. A joint venture can reduce average unit cost by pooling together each partner's capability and resources in order to achieve the benefits of large scale production. In addition, 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.

Exchange of and Access to Technology and Management Know-How

One of the attractions of forming a joint venture firm, Contractor and Lorange (1988) identify, 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.

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).

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.

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. 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, 1983).

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 instance, 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".

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. In the form of diversifying joint ventures, parent companies will not consume the products or services of their children.

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, whilst 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 (Harrigan, 1985).

The previous studies have identified the difference between local partner firms from developing countries and foreign partner firms from developed countries, with respect to the most important strategic motives for IJV formation. For instance, Miller, Jasperson, and Karmokolias. (1996) find that the main strategic reasons of the partner firms from developed countries to form the IJVs include sharing cost and risk, lacking the country familiarity, absenting the relevant contacts within the government and elsewhere, and accessing the existing facilities, whilst the principal strategic motives for IJV creation of local partner firms' perspectives in developing countries consist of accessing to technology, obtaining the management know-how, and accessing to export market. In addition, a large number of researchers (Beamish, 1987; Yan and Gray, 1994; Tatoglu and Glaister, 2000) point out that transfer of technology and access to new product lines are likely superior to other motives of the developing country partners to form the IJVs with the MNEs from the industrial economies. Demirbag, Mirza, & Weir (1995) argue that developing country partners are able to purchase materials and equipments from their overseas partners, expand their international markets, access to advanced technology and management know-how of the foreign partners. At the same time, the overseas partners can use the distribution channels and domestic marketing expertise and other domestic facilities of local partners to enter the host country markets by means of IJVs. Further, Dacin, Hitt, and Levitas (1997) discover from their study that the underlying strategic motives of parent firms from developing countries differ from those from developed countries. Dong and Glaister (2006) assert that considerable heterogeneity in institutional environments (Peng and Heath, 1996), and asymmetry in resources and capabilities (Hitt *et al* , 2000), can affect the strategic choices of firms, with strategic motives for forming IJVs "clearly representing one such vital choice likely to differ between partners from developed and developing countries" (Dong and Glasiter, 2006: 579).

However, to date, very few studies have thus far been undertaken on the relative importance of the strategic motives in forming the IJVs between the local partners from the ASEAN4 developing countries and their foreign partners from developed countries although this region has been one of the fastest growing economies since the 1990s (OECD, 2004). Hence, this is the first attempt to fill such a knowledge gap regarding this aspect in the literature.

On the ground of the discussion above, it leads to the hypothesis:

"The relative importance of the strategic motives for the IJV formation by foreign partners will be different from the relative importance of the strategic motives for IJV formation by Thai partners".

3. RESEARCH METHODS AND SAMPLE CHARACTERISTICS

IJV Database and Survey Instrument

Compiling an IJV database from the financial and business press is problematic. Glaister and Buckley (1994) point out that it is likely that only major ventures which involve relatively large and well known firms will be reported in the press, with perhaps many small ventures going unreported. In addition, Hergert and Morris (1988) argue that in many published articles the source of information is likely to be press releases by the firms involved in the venture and these are likely to provide biased accounts of the characteristics of IJVs. Nor is it possible to estimate the extent of IJV activity that goes unreported (Glaister and Buckley, 1994). For these reasons, many have argued[1] that an official database obtained from government organisations is likely to be superior to one obtained from the financial and business press. Accordingly this study follows their approach and this study has used an official database provided for this study by the Thailand Board of Investment (BOI). Some previous studies have used BOI data sets (such as Julian and O'Cass, 2001, Julian, 2005) but to the researcher's knowledge none have used such an extensive data set which records IJV formation in Thailand from 1951 to 2003.

This study followed the convention established in the literature[2] where at least a 10% shareholding by parents was considered as the minimum equity criterion for defining an international joint venture in a developing country. All companies which had become non-operational were excluded from the database. All IJVs included in the sample have existed for at least three years, because there is considerable evidence to suggest[3] that it takes approximately three years for each partner to devise a comprehensive plan against which to assess the performance of the IJV. These actions yielded a database of 1,597 companies. A systematic sample of 310 firms was identified from the population companies, stratified by industrial sector.

A set of strategic motives for foreign partners and Thai partners were derived from the prior literatures, discussions with researchers in the field, and the feedback from pilot study by mail survey with IJV managers of the IJV firms in Thailand, consisting of each 23 motives for foreign partners and Thai partners. The questions relating to motives were measured of IJV managers' ex-post perceptions of the relative importance of their IJV parent firms (foreign and Thai partner firms) at the time of the IJV formation.

A number of researchers (Geringer and Hebert, 1991; Boateng and Glaister, 2002) argue that IJV managers could 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' motivations as well as 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 conclude that an IJV general manager can provide fairly reliable data not only on each parent's perspective, but also on how each parent perceives its partner's feedback on IJV operation (Geringer and Hebert, 1991). Thus an IJV senior manager, even if only recently appointed, should be able to comment on strategic motivation of their foreign and Thai parent firms 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.

Respondents were asked, "In your opinion, how important were the following motives for the foreign and Thai parent company establishing the IJV company?" Response were assessed using five-point scale, i.e., 1= "is not important at all," 5= "is very important." 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 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.

In March 2006, a postal questionnaire in Thai/English was administered to the IJV managers in the sample companies asking a number of questions about their parent companies' motivations for forming IJVs. The response rate was 28.39%. This compares favourably with similar studies in the extant literature, where rates range from 10-40%[4].

Statistical Analysis

Ranking of the mean responses was used to measure the relative importance of each of the strategic motives for IJV formation by foreign and Thai partners. Then, the hypothesis was tested using a *t*-test by considering differences in the mean of the respective strategic motives. Also, factor analysis was used to derive a parsimonious set of strategic motives.

Sample Characteristics

90% of the IJV samples fall into the manufacturing sector, whilst those in the service sector showed only 10%. The majority of the IJVs in the manufacturing sector were those in the metal products, machinery and transport equipment sector (45%) and the agriculture and agricultural products sector (15%). Each 10% of the total IJV samples was in the in electronic industry and electrical appliance sector; and chemicals, paper and plastics sector, whereas IJVs in mining, ceramics and basic industrial sector as well as those in light industrial sector showed 5% each of the total. More than an half of IJV samples (59%) were formed in the 1990s, followed by the 1980s (20%) and the 2000s (16%). The average age of the IJV samples was 13.31 years. The majority of IJV samples were formed with foreign partners from Japan (52%), while the NIEs (the first tier newly-industrialising economies of Taiwan, Singapore, Hong Kong, and South Korea) partner firms were proportionately in second place (16%). IJVs with EU firms amounted to 15%, while IJVs formed with the North American partners represented 9%. In addition, 81% of the IJV samples were dominated by Thai partners in terms of equity participation; they are the major shareholders (holding more than 49%) in the IJVs.

4. THE FINDINGS AND DISCUSSION

Strategic Motives of Foreign Partners

The rank order of the strategic motivations for IJV formation of foreign partners based on the mean measure of the importance of 23 motives is shown in Table 1.

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 partners for IJV formation in Thailand. The motive of gaining presence in new markets has the greatest value with a mean score of 3.83. 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.

Table 1: Strategic Motivation of Foreign Partners 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 partner to human resources (skilled labour)	14	3.14	0.98
Gain access to low cost labour of 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 partner to natural resources	19=	2.95	1.11
Avoid difficulties with agents or licensees	21	2.84	0.96
Conform to host government policies	22	2.76	0.99
Exchange patents or territories	23	2.60	0.90

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

The leading strategic motives (ranked 1- 7) are clearly related to strategic positioning perspectives. 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 is 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 since 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. Further, Harrigan (1985) argue 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. 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. By forming IJVs in which they have only a minority equity stake, foreign partners 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. The second most important motive in this group relates to the strategic choice of using IJVs to obtain faster reimbursement of the investment, since foreign partner 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.

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. 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 partner firms are likely to have indigenous knowledge and expertise in such areas as marketing and distribution channels, which foreign partner companies need. Foreign partners 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.

The group of strategic motives of foreign partners 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” are found to be relatively unimportant IJV motives for foreign partners from developed countries when forming IJVs with partners from developing countries. This is consistent with the literature. In general, IJV researchers presented in the prior literature (Miller, Jasperson, and Karmokolias,1996; Chen and Glaister, 2005) 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 prior literature, 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 partner 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 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 partners in the survey ranked it so low.

Strategic Motives of Thai Partners

Table 2 shows strategic motives of Thai partners for IJV formation. The findings indicate 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. It can be seen that the most important strategic inducement for IJV formation for the Thai partners relates to technology transfer and sharing the cost of investment. This outcome is not surprising, since the literature (Ghoshal, 1987; Beamish, 1987; Miller, Jasperson, and Karmokolias,1996) indicates that accessing technology from a partner from a developed country is one of the most important motives of partner firms in developing countries entering into IJVs. This suggests that the learning and growth benefits of the collaborative process are critical. Sharing the cost of R&D and of investment, and spreading project risk are ranked among the principal motives of Thai partners in forming IJVs with their foreign 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 partners 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 17. 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.

Among other important motives in this group 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 partners to reduce their production cost by gaining economies of scale through greater mass production with their foreign partners. Also IJVs can provide Thai partners 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 one of the important success factors. Last in this group, in terms of strategic choice, IJVs can be used by Thai partners 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.

Table 2: Strategic Motivation of the Thai Partners 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 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 government policies	20=	2.84	1.06
Transfer production to lowest cost location	20=	2.84	1.14
Gain access through partner to natural resources	21	2.83	1.01
Gain access to low cost labour of partner	22	2.43	1.15

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

To date, there has been very few researches which provide a comparative analysis of strategic motives for IJV formation from the perspective of both developed country partner firms and developing country local partner firms especially in the Southeast Asian region. Because each sample of partners operates in a different setting, the underlying motives of developing country local partner firms would be expected to differ from those of foreign MNEs (Tatoglu and Glaister, 2000). This is mostly confirmed by comparing the ranking of strategic motives in Table 1 and 2. However, the appropriate two-tailed *t*-test for comparing differences in the means of strategic motives of both groups of partners was also conducted. Table 3 shows the comparison of the mean scores of strategic motives of both partners that have significant difference. There is reasonable support for the established hypothesis, with the mean scores of eight strategic motives being significantly different: exchange technology ($p<0.01$), share cost of R&D ($p<0.01$), share cost of investment ($p<0.01$), spread risk of project ($p<0.05$), enable product diversification ($p<0.01$), exchange patents or territories ($p<0.01$), transfer production to lowest cost location ($p<0.01$), and gain access through partner to low cost labour ($p<0.01$). While the first four motives are explicitly more important for Thai partners than for foreign partners, the last two motives show in the opposite direction. This finding is not surprising since generally most local partner firms in developing countries including Thai partner firms may have limited capital and technological resources compared to foreign partners from developed countries. Hence, the IJV mode could be a vehicle for them to access these kind of resources from foreign partner firms from developed countries. Whilst the motives of transferring production to lowest cost location, and gaining access through partner to low cost labour are among of the key strategic motives of partners from developed countries to form the IJVs with local partners in developing countries, which have been well documented in the literatures. These findings provide somewhat consistence with those of the prior literature (Miller, Jasperson, and Karmokolias, 1996; Dong and Glaister, 2006).

Table 3: The Comparison of the Strategic Motivation of Foreign Partners and Thai Partners for IJV Formation in Thailand

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 host 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. The Mean is the average on a scale raging from 1 = 'not important at all' to 5 = 'very important'
2. SD = Standard Deviation
**p<0.01; *p<0.05

The Comparison of the Findings between the Prior Studies and this Study

Tables 4 and 5 present the findings of this study with respect to strategic motive for IJV formation with the findings of the prior studies. Table 4 indicates that, overall, the most important reasons for foreign partners to form IJVs, based on the findings 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 partner 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 partner 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. However, 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. Chen and Glister (2005: 66) argue that one of the main reasons for the different results of each study in that "although the different studies identified common motives for IJV formation they also identified a number of motives that are specific to the sample of firms being studied".

The strategic motives of local partner firms to form IJVs are shown in Table 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 4: The Comparison of the Findings of the Strategic Motives of Foreign Partners

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: 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.

The fundamental conclusion from comparing the findings of this study with those of prior studies that the leading motives inducing foreign partner companies from developed countries to form IJVs with local partner firms in developing countries are basically linked to the market and geographical expansion and the firms' strategic position. This is consistent with the literature. Harrigan (1985; 1987) and Contractor and Lorange (1988) argue that these strategic motives are generally the principal motives of foreign MNEs from developed countries embarking on IJV formation with local firms in order to expand their markets, particularly into emerging markets. Also, Schlosstein (1991) and Indro and Richards (2007) point out that the development of the ASEAN economy might present business opportunities for foreign 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).

The other conclusion can be drawn from comparing the findings of this study with those of previous empirical studies that technology transfer are likely to be more important strategic motives, encouraging developing country partners to form IJVs with foreign partners from industrial economies. However, other strategic motives of local partners from developing countries in each prior study in a different country are more diverse than those of foreign partners from developed countries. This diversity may result from the very different regional features of these various developing countries in terms of market structure, economic development, host government policy, industrial development, and so forth. These may explain the diversity in the relative importance of particular strategic motives for local partner companies in different countries.

Table 5: The Comparison of the Findings of the Strategic Motives of Local Partners

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.

5. SUMMARY AND IMPLICATIONS

This paper is first attempt to fill such a knowledge gap regarding the strategic motives for IJV formation in the context of the high-performing economies of the Association of Southeast Asian Nations, (the ASEAN4 countries, namely Thailand, Malaysia, Indonesia and The Philippines) by using Thailand as a representative example of the ASEAN4 countries.

This paper has identified and explained the principal strategic motives for IJV formation between foreign partners and local Thai partners for a sample of IJV firms in Thailand. The relative importance of strategic motives for IJV formation is found to vary between foreign and Thai partner firms. The findings show that the major strategic motives inducing foreign firms to embark on IJV formation in Thailand are basically linked to 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 main strategic motivations encouraging Thai partner 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 essential. Other principal motives include sharing the cost of R&D, and sharing cost of investment.

Also, 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.

Although the motives of the respective IJV partner firms may be different, they are complementary. Accessing technology from partners is likely to be more important strategic motives for developing country partners to form IJVs with foreign 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.

This study suggests, firstly, that foreign partner firms should embark on the ISAs in the form 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 partner 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 partner 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. Foreign MNEs need to be fully aware of both these principal motives when forming IJVs with Thai firms. Fourthly, 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.

This study indicates a number of further research issues. First of all, this paper examines the strategic motives for IJV formation in Thailand between foreign partner firms and Thai partner firms. A similar research in this issue could be conducted 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 the strategic motivation for IJV formation in the ASEAN region. Second, 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, foreign partner companies, and local partner companies. Third, given that the IJV samples in this study were almost entirely firms doing business in the manufacturing 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. Finally, another interesting area for future research would be an investigation of partner section criteria for IJV formation in the ASEAN4 country context. This study provides a basis for future study of partner selection criteria, which is an issue closely associated with strategic motives in this study.

NOTES

1. Those such as Morris and Hergert (1987); Garcia Canal *et al.* (2003); and Marangozov (2005).
2. See studies such as those by Beamish (1988) and Chowdhury (1992).
3. See those such as Pan and Chi (1999); and Pangarkar and Klein (2004).
4. For instance Chen and Glaister (2005) report a 10% response rate in respect of a study of Chinese and Taiwanese joint ventures.

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APPENDIX

Factor Analysis of Strategic Motivation for Foreign Partners

After conducting preliminary analysis with a correlation test (Spearman correlation coefficients), the results indicate that a great number of individual strategic motives of foreign partners correlate among themselves moderately. 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 Zou *et al*. (1997); 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 A1. 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 A2 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 A2. 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.

Table A1: Factor Analysis of Strategic Motivation of Foreign Partners 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
K-M-O Measure of Sampling Adequacy = 0.81; Bartlett's Test of Sphericity = 865.57, p<0.000)

Table A2: Factor Analysis of Strategic Motives of Thai Partners 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
K-M-O Measure of Sampling Adequacy = 0.81
Bartlett's Test of Sphericity = 928.14, $p<0.000$