



The Consequence of Partner Relationship Quality to Predict the Successful Performance of Small and Medium Enterprises (SMEs) International Joint Ventures (IJVs) in Thailand Industrial Sectors

Wanida Wadecharoen

Faculty of Business Administration
Thonburi University
Bangkok, Thailand

Athiwat Kanjanavanikul

Faculty of Business Administration
Thonburi University
Bangkok, Thailand

Sombat Teekasap

Faculty of Engineering
Eastern Asia University
Bangkok, Thailand

ABSTRACT

Purpose: This study highlighted the important of partner relationship quality captured by bonding, empathy, reciprocity and trust in SME IJV firms. Despite, there has been no systematic analysis has found in the literature regarding to partnership quality in term of relationship marketing (RM) and its effect on IJV business performance across several Thailand's industrial sectors..

Methodology/Sampling: By systematic random sampling, 835 questionnaires were distributed and 341 (42%) usable cases were returned for the final analysis. The study examines the direct and indirect effect of partner relationship quality and its consequence on SME IJV in Thailand across several industrial sectors.

Findings: The results of the study confirmed the significant important of partner relationship quality represented by bonding, empathy, reciprocity and trust have fully mediated the relationship between MO and SME IJV performance.

Practical Implications: Based on this finding, partner relationship quality is implicit to be important predictors to determine the successful of SME IJV in Thailand.

Keywords: SME, IJV, Relationship Quality, Thailand.

JEL Classification: F23, M13.

* The material presented by the authors does not necessarily portray the viewpoint of the editors and the management of the Institute of Business & Technology (IBT).

* Wanida Wadecharoen: wadecharoen@gmail.com

* Athiwat Kanjanavanikul

* Sombat Teekasap

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1. INTRODUCTION

Small and medium business enterprises (SMEs) have become globalization of business unit recognized by World Trade Organization (WTO), United Nation (UN), European Union (EU) and so on. In ASEAN Economic Community (AEC), SME has become an engine booth up for economic growth, distributes economic wealth to national remote region, reduces income gaps and enhances economic resiliency (Ngammaneeudom, 2012). Since, SMEs in Thailand currently reached to 2.9 million projects across all business sectors. This is generated of national employment for 9.7 million people or accounts about 80 percent of all national jobs (Public Relations Department: 18 March 2013). Particularly, SMEs in Thailand manufacturing sectors are represented by international joint venture (IJV) firms; or 34 percent of manufacturing projects are engaged in SME IJV (Wadecharoen & Nik Mat, 2010). Accordingly, IJV becomes a popularity strategic mode used by foreign firms to enter Thailand (Kajanavanikul, Wadecharoen & Teekasap, 2011; Julion & O’Cass, 2005). This SME IJV trend enhanced the number of projects to 762 in 2010, an increasing of 200 projects or 26 percent from year 2009 and stayed steady to 793 in 2011. Despite this, in the half of year 2012 (Jan-June) the number of SME IJV had reached to 470 projects or caught up to 60 percent as compared to whole year in 2011(refers to table 1). This is a vital evident to support the good sign of Thailand economic position still in a good health and getting fast recovered from flooding crisis in last quarter of 2001 (Wadecharoen, Kanjanavanikul, Lertnaisat&Teekasap, 2012a:c).

Table 1

Foreign Investment through BOI Classified by Mode of Internationalization

Investment Size	2007		2008		2009		2010		2011		2012 (Jan-June)	
	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht
¹ Total IJV	357	267,608	342	191,371	253	54,341	298	95,684	296	108,625	182	70,979
Total FDI	836	505,612	838	351,142	614	142,077	856	279,233	904	278,447	541	171,092
% of IJV/ Total FDI	57%	238,004 (47%)	61%	159,771 (45%)	42%	87,736 (39%)	35%	183,549 (34%)	33%	169,822 (39%)	34%	100,113 (41%)
² SME FDI <500	703	71,954	744	72,568	562	45,979	762	71,931	793	73,163	470	48,214
⁽¹⁻²⁾ % of SME IJV	50%	195,654 (27%)	46%	118,803 (38%)	63%	8,362 (15%)	40%	23,753 (75%)	37%	35,462 (33%)	39%	22,765 (32%)

Source: Author’s calculation based on data provided by Board of Investment (BOI) Thailand: 2012

The largest of SME IJVs are engaged in metal and machinery following by electric and electronic sector while the second largest are engaged in chemicals and paper sector. In 2011, the 300 of foreign investment projects were engaged in metal and machinery with worth 86,158 million baht followed up by 180 projects from electric and electronic sector worthy 61,196 million baht and 101 projects in chemicals worthy 37,960 million baht (refers to table 2). Over looked into electric and electronic sector, the investment value was 61,194 million baht, a decrease of 44,922 million baht or 42 percent decline as compared to year 2010. The phenomenon cause by the impact of floods on industrial productivity, particularly in hard disk drives and electric appliances production (MCOT: 6 Jan 2012). Despite



this, in the first half of year 2012 after the flooding disaster returned to normal situation, Thailand foreign investment project has rebounded sharply as well as most of industrial factories boosts up their productivity rapidly from 2011 year's floods (BBC: News Business; 21 May 2012). In Jan to June 2012, the investment projects rose up to 692 worthy 278,470 million baht, the value investment in the first half of year 2012 was equal to whole year 2011. This phenomenon can clarify by critical rationale of Thailand competitive advantage in term of cheap labor and available of resources to respond of domestic consumption and for export orientation. Based on this view, Thai's government has been promoting SME plan in term of enhance Thai's SME knowledge-based and organization dynamics. Thus, IJV is the right alternative used for acquiring core-knowledge from foreign partner such as technology transfers, marketing knowledge to keep moving into quality ladder (Mohamad, Ramayah & Hathaivaseawong, 2010).

Table 2
Foreign Investment Projects Approved by BOI classified by Sector

Sector	2007		2008		2009		2010		2011		2012 (Jan-June)	
	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht
Agriculture	43	23,415	54	9,674	60	16,171	72	17,534	62	18,361	38	1717,754
Mineral & Ceramics	28	32,379	33	25,071	13	3,284	18	33,449	31	24,961	16	7,677
Light Industrial	58	9,442	67	10,371	48	5,612	65	9,324	62	11,501	37	15,463
Metal & Machinery	212	122,020	220	87,141	157	44,424	217	49,258	300	86,158	240	108,881
Electric & Electronic	175	100,300	141	60,133	108	37,624	189	106,118	180	61,196	134	59,657
Chemicals & Paper Services	114	96,451	117	41,737	63	15,438	107	19,114	101	37,960	97	27,331
	206	121,606	206	117,015	165	19,525	188	44,435	166	38,309	130	41,704
Total	751	266,644	836	505,612	838	351,142	614	142,077	904	278,447	692	278,470

Source: Author's calculation based on data provided by Board of Investment (BOI) Thailand: 2012

Despite this, IJV partners in term of information and technology interaction, such foreign partners are welcome to share their advance knowledge with their local partner is still diversity and inconclusive (Wadecharoen, Kanjanavanikul, Pattana, & Sombat, 2012:b). As this point becomes critical issue of IJV disputation with finally ending with IJV dissolution (Millington & Bayliss, 1999). There are numerous lessons that explore the high failure rate of IJV ranging between 30 to 70 percent in several countries (Makino, Shige, Beamish & Zhao, 2004; Yeheskel, Newburry & Zeira, 2004; Hennart, Kim & Zeng, 1998) and particularly IJV in Thailand has failure as high as 25 percent (Wadecharoen et al., 2012:b; Wadecharoen & Nik Mat, 2010a:b; 2009).

Consequently, this study is over-emphasizing inter-partner relationship problem causing high failure rate of IJVs (Robson, Leonidou & Katsikeas, 2002). Despite this, the effect of relational factors on successful SME IJV performance is fragmented and unpredictable (Wadecharoen & Nik Mat, 2011: 2010a:b; Thuy & Quang, 2005; Demirbag & Mirza, 2000). Hence, this is the first study grouping the relationship marketing variable represented by bonding, empathy, reciprocity and trust into concept of partnership quality and testing each variable individually. The concept of partner relationship quality is adapted from Yau, McFetridge, Chow, Lee, Sin & Tse, (2000). In doing so, the purpose of this study

attempts to represent an innovation concept of partner relationship quality and its consequence effect on SME IJV in Thailand industrial sectors. The variable to define the concept of partner relationship quality is adapted from relationship marketing variable which has not been tested individually before in IJV setting. Both direct and indirect effects are included in the research model and tested empirically.

2. LITERATURE REVIEW

Clarifying the definition of partners relationship quality ‘what it is?’ and ‘how it works?’ in inter-organization is the initial stage to interpreting the clear picture of joint venture partnership in small and medium enterprise (SME) international joint venture (IJV) organization. Following by the definition of SME IJV and its performance measurement which will be discussing in the following section below.

2.1 Definition of Partner Relationship Quality

The definition of partner relationship quality is still fragmented and limited in the literature. Among them two definitions are as follows:

‘Relationship quality in inter-firm power was operationalized as satisfaction, cooperation and relationship stability’.

Johnson, Sakano, Cote & Onzo, (1993)

‘The inter-firm relationship (IFRs) effectiveness was conceptualize as the presence of norm of reciprocity, quality of information exchange and the degree of cooperative between the firms’.

Johnson & Sohi, (2001)

Based on the definition of Johnson, Sakano, Cote & Onzo, (1993) and Johnson & Sohi, (2001) have given the similarity concept of partner relationship quality as far as, these relationship concepts were originated from relational theory (Macualay, 1963). Thus, this study will be developed a rich picture of inter-partner interactions and responses to bonding, empathy, reciprocity and trust (Yau, MaFetridge, Chow & Lee, 2000).

2.2 Definition of SME and IJV Organization

The several definition of small and medium enterprises or SMEs were diversified into difference concept depend up on the countries. Noticeably, the concept of SME is originated up on the number of employees and fixed assets. Moreover, in USA annual receipt was used to define SME in some particular sectors such as general & heavy construction, special trade contractor and agricultural industries (refers to table 3).

Table 3

The definitions of SME in Asian Pacific Economic Cooperation (APEC)

Country	Sector	Employment	Other Measures
Australia	Manufacturing	Less than 100 employees	
	Service	Less than 20 employees	
Canada	Manufacturing	Less than 500 employees	
	Service	Less than 50 employees	
China	Varies with Industry	Usually less than 100 employees	
Indonesia		Less than 100 employees	
Japan*	Manufacturing	Less than 300 employees	¥ 300 million assets
	Wholesaling	Less than 100 employees	¥ 100 million assets
	Retailing-Service	Less than 50 employees	¥ 100 million assets
Korea	Manufacturing	Less than 300 employees	
	Service	Less than 20 employees	
Malaysia	Varies (for SMI)	Less than 75 employees (Different for Bumiputra Enterprises)	Less than RM 2.5 million
Thailand**	Production	Less than 200 employees	Less than THB 200 million
	Service	Less than 200 employees	Less than THB 200 million
	Wholesale	Less than 50 employees	Less than THB 100 million
	Retail	Less than 30 employees	Less than THB 60 million
Philippines		Less than 200 employees	P 40 million assets
Singapore	Manufacturing		Less than \$12 million fixed assets
	Service	Less than 100 employees	
USA***	Manufacturing	Less than 500 employees	
	Wholesaling	Less than 100 employees	
	Retailing-Service		\$ 7 million of annual receipts for most retail and service industries
	General & heavy construction		\$ 33.5 million of annual receipts for most general & heavy construct industries
	Special trade contractor		\$ 14 million of receipts for all special trade contractors
	Agricultural industries		\$ 0.75 million of receipts for most Agricultural industries

Source: (Wadecharoen, Kanjanavanikul, Lertnaisat&Teekasap, 2012)

Based on the table 4, the definition of Thai SME is similarity to SME Bank who defined SME as an enterprise which has employee less than 200 and fixed capital less than 200 million baht, excluding land and properties (SME bank, 2008). Thus, the concept of Thai SME defined by SME Bank is universally recognized and adapted in this study.

International joint venture or IJV is the organization established upon cooperation between multinational enterprises (MNEs) and the local firms, rapidly broadening a new

economic trend since the beginning of 1990 (Park, 2010). IJV partner collectively invests financial as well as non-financial resources to pursue their certain objectives (Schuler & Tarique, 2005). Each partner has an equity position representative on the company's board of directors separately and each expected proportionate share of dividend as their compensation (Glaister, 1998). Thus, IJV is an entity organization consists with two or more partners from different countries combining property and their expertise to carry out a single business organization. Then both partners are jointing proprietary interest, jointing right of control and sharing risk profits or losses (Nasution & Mavondom, 2008). These specific characters of IJV seem problematic and difficult to manage due to lack of uncertain management skills. Furthermore, the numbers of IJVs involved in small and middle enterprises were not reported in the literature. Rather, only major ventures which involve relatively middle and large size were reported in company's directory. This rational is similarly supported by (Glaister & Buckley, 1994; Hergert & Morris, 1988).

As of the limitation of SME IJV conceptual operation and its definition as discussion above, this study has adopted the concept of SME IJV from Wadecharoen, Kanjanavanikul, Lertnaisat & Teekasap, (2012:a) who gave the most appropriate definition of SME IJV in Thailand as cited in the citation below;

“Small and Medium Enterprise (SMEs) International Joint Venture (IJV) is refers to IJV project with required minimum 10 percent of foreign capital and totals investment size is less than 500 million Baht”

(Wadecharoen et al., 2012:a)

2.3 Is Partner Relationship Quality for SME IJV Successful Performance?

The reasons for IJV formulation need to be explored in order to answer the question, ‘Does SME IJV need partnership quality? The holistic review of IJV formulation could be expanded into three reasons for instance (1) efficiency composed of cost reduction, utilized resources effectively, reduced risks or overcome governmental restrictions; (2) competition composed of enhancing market power or reduced competition; (3) learning composed of gaining a partner's know-how or resources (Banai & Akande, 2005). Based on these reasons behind IJV motivation can contribute to firm competitive advantage over other modes of internationalization. This is because IJV opens the opportunity for MNEs or foreign firms to push out their resources and generate organization synergy. Additionally, the IJV goals congruity and the similarity of IJV motive become significant factors to determine successful IJV performance (Boateng & Glaister, 2002). Thus, making a right partner is the initial stage of successful IJV. The partners who have similar goals seem to succeed. This is because both partners will contribute their resources to complementary motives for IJV achieving its goals. The possible approach to make this logic comes true is creating or generating IJV partner's relationship quality. Such relationship quality is concerned with inter-firm satisfaction, cooperation and relationship stability (Johnson et al., 1993); reciprocity, information exchange quality, partner's cooperative (Johnson & Sohi, 2001); bonding, empathy, reciprocity and trust (Wadecharoen, Kajanavanikul & Teekasap, 2011; Wadecharoen & Nik Mat, 2009:2008; Yau et al., 2000). With these entire relational variables will contribute to partner relationship quality for making SME IJV successfully.



2.4 How to Managing IJV Partners in long-term relationship?

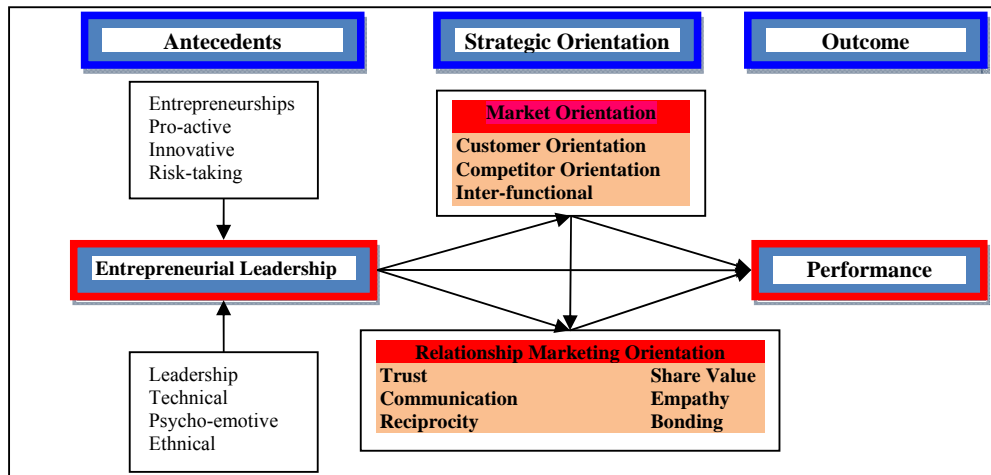
The established IJV is embarked for specific objective which is differ for the local and foreign partners. Such foreign firms enter into host country to gain local resources like cheap labor and access to its domestic market. Conversely, the local firms engaged with foreign partners from developing counties are behind advance technology know-how, management knowledge and access to its financial resources (Akanda, Adetoun, Tserere, Adewuyi & Akande, 2010). Despite this, there has been no managerial system on how to manage partner relationship and its effect on inter-firm business’s performance.

Based on the literature, it is found that IJV target market overlapping and transferring of technology between IJV partners are the cause of inter-partner competition and finally lead to unsuccessful of joint venture experience (Klendauer & Deller, 2009). As of this point, an increase or decrease in IJV competition is one of the important factors that determines possibility of success of the IJV.

2.5 The Consequence Dimension of Partner Relationship Quality

Zyl & Helm (2007) has presented a comprehensive model that can capture the partner relationship quality by using MO and RMO concept. They explored links between entrepreneurial leadership, strategic orientation and performance of South Africa’s small tourism companies with RMO as mediators (refers to figure 1).

Figure 1
Model of Partner Relationship Quality

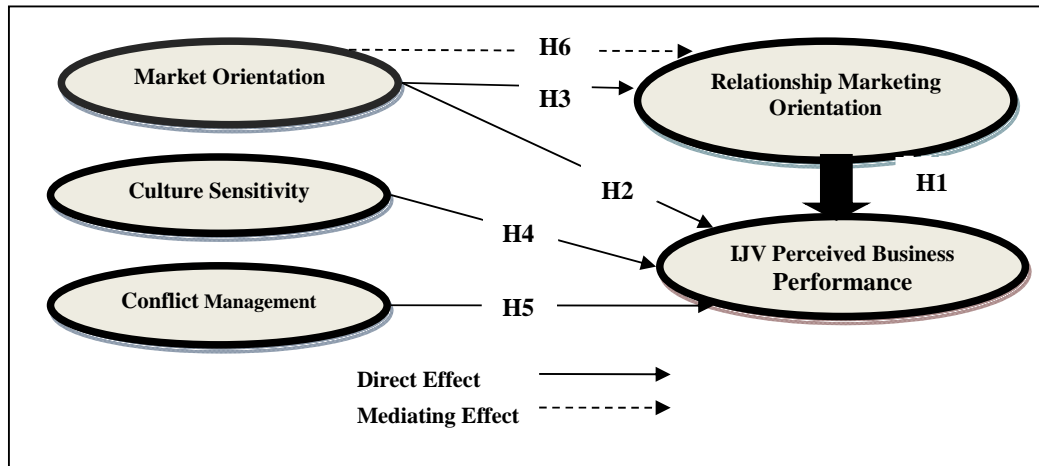


Source: Zyl& Helm (2007)

Two year later, the study by Wadecharoen & Nik Mat, (2009) who adapted the concept of MO and RMO in the IJV partner relationship and their impact on IJV firms’ performance. The result has shown a positive relationship impact between MO and IJV business performance ($\beta=.179$; $CR= 2.102$; $P\text{-value}<0.036$). RMO has a mediator effect between MO and IJV business performance ($\beta_{indirect}=.364 > \beta_{direct}=.179$) (refers to figure 2).

Figure 2

Concept of MO and RMO in the IJV Partner Relationship and their Impact on IJV Firms' Performance



Source: Wadecharoen&Nik Mat, (2009)

Although relationship marketing (RM) was cited in simplistic research by using only a one-dimensional RM (Yau et al., 2000; Yau, 1995; Gronroos, 1990), the exact nature of RMO components in a single dimension such as bonding, empathy, reciprocity and trust and their effect on business performance has not been investigated earlier in IJV setting. To fulfill this research gap in the literature, this is the initial study to verify the concept of partner relationship quality by using RMO component in a single dimension and test their relationship effect on IJV business performance individually. Thus, the consequence dimension of partner relationship quality is representing in the research framework of the study as exhibited in the figure 3.

3. RESEARCH FRAMEWORK OF STUDY

The research framework of the study highlights the partnership quality in Thailand SME IJV industrial sectors. The quality of partner relationship represented by RMO is an individual dimension namely bonding, empathy, reciprocity and trust (Yau et al., 2000). These relationship marketing variables are assumed to be having a significant positive impact on the success of SME IJV performance. Consequently, a research framework of this study is established in order to empirically test the linkage relationship in thirteen hypotheses as exhibited in the figure 3.

Figure 3

Theoretical Framework of Partner Relationship Quality

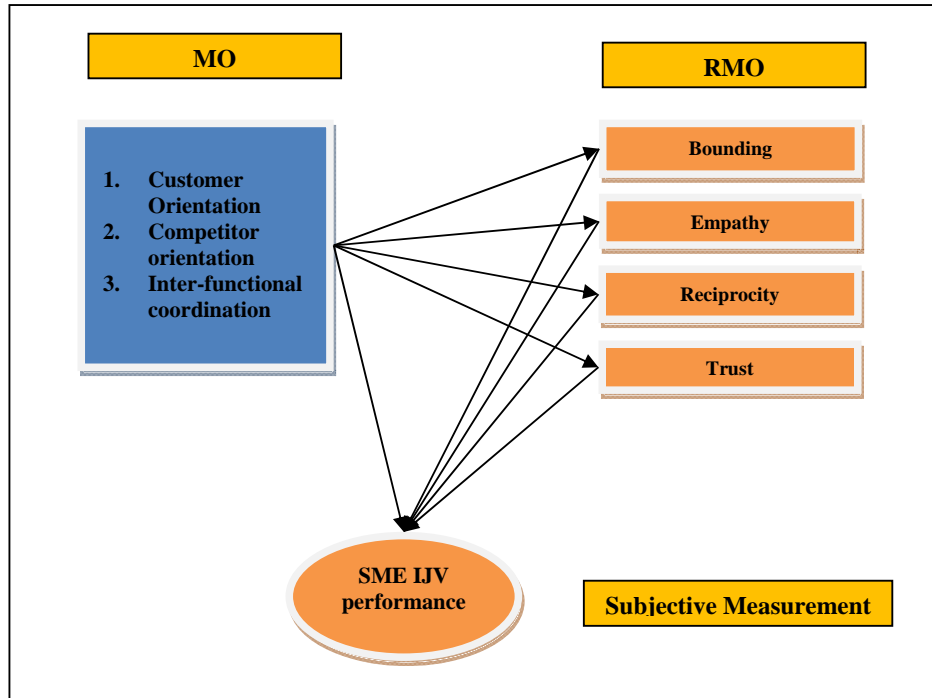


Table 5

Research Hypothesis

Direct Relationship Effect	
H1	MO has positively effect on SME IJV performance.
H2	MO has a positively effect on bonding.
H3	MO has positively effect on empathy.
H4	MO has a positively effect on reciprocity.
H5	MO has positively effect on trust.
H6	Bonding has positively effect on SME IJV performance.
H7	Empathy has positively effect on SME IJV performance.
H8	Reciprocity has positively effect on SME IJV performance.
H9	Trust has positively effect on SME IJV performance.
Indirect Relationship Effect	
H10	Bonding has mediating effect on the relationship between MO and SME IJV performance
H11	Empathy has mediating effect on the relationship between MO and SME IJV performance
H12	Reciprocity has mediating effect on the relationship between MO and SME IJV performance.
H13	Trust has mediating effect on the relationship between MO and SME IJV performance.

4. METHODOLOGY

4.1 Research Sampling

The sampling of SME IJV in this study was classified by size of operation based on the legal definition of SME IJV whereby the number of employees were less than 200 and foreign equity ownership of less than 50 percent (SME bank, 2008). The list of the local companies was attained from Thailand Company Information (2010-2011) and Factory Directory in Thailand (2011). By using systematic random sampling, a sample size of 835 SME IJVs firms was selected for the study. IJV managing directors (MD) or general managers (GM) who are the representative of SME IJV (either local or foreign partner) operating in Thailand was targeted as the key information person in this study. This is because he/she is the key person who knows about IJV management and is considered as information gatekeepers (Julian, 2010:2008; Julian & O' Cass, 2005: 2004: 2002). Previous research provides a support for relying on the IJV general manager for reliable data (Geringer & Hebert, 1991; Child, Yan & Lu 1997).

4.2 Instrument, Data Collection and Analysis Method

Market orientation (MO) consists of three behavioral components: customer orientation, competitor orientation, inter-functional coordination, and two criteria decision: long-term focus and profitability. In this study, the measurement construct of MO was originally developed by (Narver & Slater, 1990) and adapted into partner orientation where this instrument has been used by Farrell, Oczkowski, & Kharabsheh, (2008) in IJV setting. The measurement or RMO construct is adapted from (Yau, et al., 2000). The SME IJV performance measurement is adopted from Cullen, John, Johnson, Jean, Sakino & Tomoaki, (1995) and Thuy & Quang, (2005).

Since MD or GM was identified as a respondent of the study. Questionnaire was distributed to MDs and GMs of 835 companies list by Thailand Company Information (2010-2011) and Factory Directory in Thailand (2011). However, 341 filled questionnaires returned constituting 42% of the total numbers sent. These 341 data cases were input into SPSS and analysis through AMOS to test a fix of research model and hypothesis respectively.

5. RESULTS OF THE STUDY

5.1 Demography Profile of SME IJV in Thailand

The research samples of the study are from 9 sub-industrial sectors and the largest sectors whereby SME IJVs are engaged into is manufacturing sector 33%; second largest is heavy industrial 30.8%; following by light industrial 14.4%; food industry 7%; construction 4.7%; oil & gas 3.2%; agriculture industry 3.2%; transportation 2.9% and telecommunication .6% (see table 6).



Table 6
Industrial Sectors

Industrial Sectors	Frequency	Percent
1. Oil & Gas	11	3.2
2. Light Industry	49	14.4
3. Heavy Industry	105	30.8
4. Manufacturing	113	33.1
5. Food Industry	24	7.0
6. Construction	16	4.7
7. Agriculture Industry	11	3.2
8. Transportation	10	2.9
9. Telecommunication	2	.6
Total	341	100

The majority partner is Japanese 45.8%; follow up by Taiwanese 2.6%; American 2%; Singaporean 1.8; British 1.8%; Swiss 1%; Korea 1% and others consist of 0.3% each (Australian, Dutch, French, Indian, New Zealand) (see table 7). The majority of SME IJVs have been operating in Thailand more than 10 years.

Table 7
Multi-nationality of IJVs partner

Respondents	Frequency	Percent
1. American	7	2
2. Australian	1	.3
3. British	6	1.8
4. Dutch	1	.3
5. French	1	.3
6. Indian	1	.3
7. Japanese	156	45.8
8. Korea	3	1
9. New Zealand	1	.3
10. Singaporean	6	1.8
11. Swiss	3	1
12. Taiwanese	9	2.6
13. Thai	146	42.8
Total	341	100

5.2 Descriptive Analysis of Variables

The research mode of this study combines with one exogenous and two endogenous variables. Each construct shows Cronbach alpha readings of acceptable values of above 0.8, well above Nunnally, (1978) recommendation of 0.6 limits.

5.3 Goodness of Fit Results

Table 8 shows the goodness fit indices for the empirical screening through confirmation factor analysis (CFA) of all factors included in this study. The overall CFAs of constructs (market orientation & business performance) produced a relatively good fit as indicated by the goodness of fit indices such as CMIN/df ratio (<2); p-value (>0.05); Goodness of Fit Index (GFI) of $>.090$; and root mean square error of approximation (RMSEA) of value less than 0.08 (<0.08) (Hair, Anderson, Tatham & Black, 2006). Despite, TLI, NFI, AGFI, CFI of RMO CFA construct is below then $.90$ and p-value is below than 0.05 .

Table 8
Goodness of Fit Analysis-Confirmatory Factor Analysis (CFA) of Models (N=341)

CFA Model	Items	CMIN	df	p-value	CMIN/df	TLI	NFI	GFI	AGFI	CFI	Rmsea
Market Orientation	12	20.745	54	1.00	.384	1.017	.991	1.00	.986	1	.000
RMO											
1. Bonding											
2. Empathy	12	224.967	50	.000	4.499	.777	.796	.907	.854	.831	.101
3. Reciprocity											
4. Trust											
Business Performance	6	10.203	9	.334	1.134	.997	.986	.990	.977	.998	.020
Hypothesis Model	30	436.759	396	.77	1.103	.990	.910	.910	.894	.991	.017

5.4 Hypothesis Testing

This section discusses the hypotheses from two perspectives: direct and indirect impacts. The result of hypothesis model or structure equation model (SME) is exhibited in figure 5. The overall goodness of fit indices of hypothesis model is relatively good fit with achieved the required threshold levels using assessment criteria such as GFI, CFI, TLI, RMSEA (Bagozzi, Yi & Nassan, 1998) (refers to table 9). The findings of direct and indirect effect are exhibited in table 9 and 10, respectively.

Figure 4
Hypothesis Model

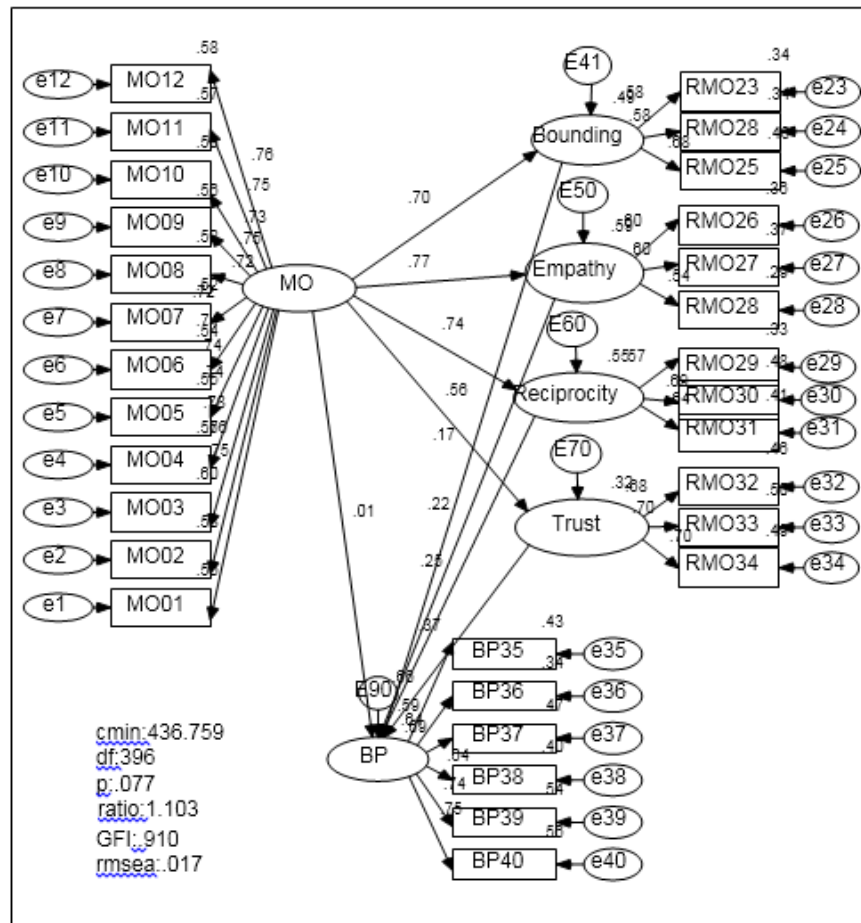


Table 9
Hypothesis Model (Goodness-Of-Fit indices)

Measures	Fit Indices	Threshold Values
Absolute Fit Level		
RMSEA	.017	Less than 0.08
GFI	.910	0.9 and Above
P-Value	.77	P-Value \geq 0.05
Increment Fit Level		
AGFI	.897	0.90 and Above
CFI	.991	0.90 and Above
TLI	.990	0.90 and Above
NFI	.910	0.90 and Above
Parsimonious Fit Level		
CMIN/df	1.103	Less than 2.0
SMC (R ²)	.64	Bigger better

5.4.1 The Direct Impact Hypothesis

The result of the hypothesis model in table 9 and figure 4 (hypothesis model) demonstrates the relationship marketing orientation (RMO) in a single dimension consists with bonding, empathy, reciprocity and trust with SME IJV business performance. The results show a positive relationship between trust and SME IJV business performance ($\beta=.373$; $CR=5.035$; $P\text{-value}<0.001$) thus H9 is asserted. Despite, bonding, empathy, reciprocity have no relationship effect on SME IJV business performance or H6; H7; H8 were not asserted respectively (see table 10).

Marketing orientation (MO) has insignificant positive impact on SME IJV business performance ($\beta=.012$; $CR=.081$) thus, H5 was not asserted. Likewise, marketing orientation has significant positive impact on RMO in each single dimension is as MO and bonding ($\beta=.699$; $CR=.7904$; $P\text{-value}<0.001$); MO and empathy ($\beta=.766$; $CR=8.729$; $P\text{-value}<0.001$); MO and reciprocity ($\beta=.740$; $CR=8.282$; $P\text{-value}<0.001$); MO and trust ($\beta=.562$; $CR=7.775$; $P\text{-value}<0.001$) thus, H1; H2; H3; H4 were asserted respectively. In summarize, hypotheses H1; H2; H3; H4 and H9 were asserted (significant Beta) while hypothesis H5; H6; H7; H8 were rejected (insignificant Beta).

The variance explaining by exogenous variables in the hypothesis model, firstly, MO explains 49% variance in bonding; 59% variance in empathy; 55% in reciprocity and 32% in trust respectively. Secondly, MO and RMO in single dimension such as bonding, empathy, reciprocity and trust explain 64% in SME IJV performance.

Table 10
Hypothesis Testing of Hypothesis Model (Direct Effect)

H	Exogenous		Endogenous	Std. Estimate	S.E.	C.R.	P-value	Status
H1	Marketing Orientation	→	Bonding	.699	.067	7.904	***	Sig.
H2	Marketing Orientation	→	Empathy	.766	.066	8.729	***	Sig.
H3	Marketing Orientation	→	Reciprocity	.740	.063	8.282	***	Sig.
H4	Marketing Orientation	→	Trust	.562	.057	7.775	***	Sig.
H5	Marketing Orientation	→	SME IJV BP	.012	.125	.081	.936	Non-sig.
H6	Bonding	→	SME IJV BP	.169	.099	1.894	.058	Non-sig.
H7	Empathy	→	SME IJV BP	.220	.128	1.925	.054	Non-sig.
H8	Reciprocity	→	SME IJV BP	.253	.117	2.560	.010	Non-sig.
H9	Trust	→	SME IJV BP	.373	.079	5.035	***	Sig.

5.4.2 The Indirect Impact Hypothesis

Mediating Effect Analysis of Revised Model

Table 11 shows the indirect effect estimates to test mediating effects of RMO in a single dimension namely bonding, empathy, reciprocity and trust on market orientation and SME IJV business performance as hypothesized in hypotheses H10 to H13. Based on the result in table 11 bonding, empathy, reciprocity and trust have mediating effect on MO and



SME IJV business performance, hence asserted H10 ($\beta_{\text{indirect}}=.119 > \beta_{\text{direct}}=.012$); H11 ($\beta_{\text{indirect}}=.169 > \beta_{\text{direct}}=.012$); H12 ($\beta_{\text{indirect}}=.185 > \beta_{\text{direct}}=.012$) H13 ($\beta_{\text{indirect}}=.207 > \beta_{\text{direct}}=.012$) respectively.

Table 11
Hypothesis Testing of Hypothesis Model (Indirect and total Effect)

	Exogenous	Mediated	Endogenous	Indirect Effects (Std) Estimate	Direct Effect (Std)	Total Effect	Mediating Hypothesis
H10	Market Orientation	→ Bonding	→ SME IJV BP	.119	.012	.131	Mediating
H11	Market Orientation	→ Empathy	→ SME IJV BP	.169	.012	.181	Mediating
H12	Market Orientation	→ Reciprocity	→ SME IJV BP	.185	.012	.197	Mediating
H13	Market Orientation	→ Trust	→ SME IJV BP	.207	.012	.219	Mediating

6. DISCUSSION & CONCLUSION

The finding of the study was demonstrated the positive significant important of RMO in an individual constructs consists with bonding, empathy, reciprocity and trust (Yau et al., 2000). Based on the literature, the positive significant direct relationship between composite RMO and SME IJV performance is supported by various previous studies in non-IJV setting (Chattananon & Trimetsoontorn, 2009; Gorden, Pires & Stanton, 2008; Sin, Tse, Chan, Heung &Yim, 2006; Sin, Tse, Yau, Chow & Lee, 2005; Sharmas, Katsikeas & Schlegelmilich, 2002). Similarity, the positive impact of a single dimension RMO with business performance in IJV setting such as trust (Wilson & Bernnan, 2009; Kwon, 2008; Lin & Wang, 2008; Ng, Lau &Nyam, 2007; Herbert, 1996), commitment (Julian & O’Cass, 2008: 2004: 2002; Julian, 2003: 2005: 1998; Dermibag & Mirza, 2000), and cooperation (Luo & Park, 2004; Pearch, 2001; Tiessen & Linton, 2000). Despite, composite RMO in IJV setting is still limited and fragmented. Only the study by Wadecharoen & Nik Mat, (2011: 2010: 2009) reveal the positive impact of composite RMO and IJV performance. However, an individual RMO dimension with business performance has not been testing before in the literature.

This study is the first innovator testing the relationship of individual RMO (bonding, empathy, reciprocity and trust) with SME IJV business performance. Surprisingly, there was no any relationship effect between bonding, empathy, reciprocity with IJV performance excepted trust. In other hand, bonding, empathy, reciprocity and trust have shown a mediator effect between MO and SME IJV performance while MO has no direct relationship impact on SME IJV performance. This finding implies SME IJV acquiring an excellent relationship marketing quality with partners in term of creating long lasting bonds, empathy, being reciprocal and having a high degree of trust among SME IJV partnering. When these RMO dimension exist in IJV partnership, both partners will be quickly wide responsiveness to customer needs (customer orientation) through inter-functional coordination across organization departments and they are able to outperform their competitor (competitor orientation) (Kohli & Jaworski, 1990), this will be enhance SME IJV business performance respectively. Since MO has no relationship impact to SME IJV performance. Thus, to make

this finding worthy, we recommend MO need to go to RMO in each individual dimension in order to increase SME IJV performance.

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Appendix A. Measures

A: Market Orientation (MO)

Scale: 1 = Very Unlikely, 2 = Unlikely, 3 = Quite Unlikely, 4 = Equitable, 5 = Quite Likely, 6 = Likely, 7 = Very Likely

1. Our IJV objectives are driven primarily by partner satisfaction
2. Both IJV partners constantly monitor our level of commitment and orientation to serving partner satisfaction.
3. Our IJV measure both partners satisfaction systematically and frequently.
4. Our IJV regularly share information within our partners concerning competitor's strategies.
5. Our IJV freely communicating information about our successful and unsuccessful of IJV partner experiences across all business functions.
6. Exchanges of information between IJV partners take place frequently, informally, and openly.
7. All of our IJV business functions (e.g. marketing/sales, manufacturing, R&D, finance/accounting etc.) are integrated in serving the needs of our target markets.
8. All of our IJV managers understand how everyone in our business can contribute to creating partner value.
9. Before foreign and local partners share resources for inter-functional IJV operation.
10. Our IJV strategies for competitive advantage are based on our understanding of partner's needs.
11. Both IJV partners rapidly respond to competitive actions that threaten us.
12. Our IJV target new market where we have an opportunity for competitive advantage.

B: Relationship Marketing Orientation (RMO)

Scale: 1 = Very Unlikely, 2 = Unlikely, 3 = Quite Unlikely, 4 = Equitable, 5 = Quite Likely, 6 = Likely, 7 = Very Likely

1. **Bonding**
 - My enterprise achievement builds on our reliance on each other
 - We keep in touch constantly
 - We work in close co-operation
2. **Empathy**
 - We know how each other feels
 - We always see things from each other's view
 - We care about each other's feelings
3. **Reciprocity**
 - If anyone helps my company to solve difficulties, I am responsible to reply his/her kindness
 - We always regard "never forget a good turn" as our business motto
 - We keep our promise
4. **Trust**
 - He/she is trustworthy on important things
 - I trust each other
 - We trust each other

C: SME IJV Performance

Scale: 1 = Far Less than expected, 2 = Less than expected, 3 = Less than expected, 4 = Equitable, 5 = Quite than expected, 6 = More expected, 7 = Far more than expected

1. Our IJV has show less growth potential than we expected
2. Overall we consider our IJV to be successful
3. The IJV output has achieved good Thai market penetration
4. The IJV overall performance is high
5. Return on Investment (ROI) is high
6. Both IJV partner's goals (both foreign and Thai parents) are achieved

