

The Japanese and Local Partner Relationship on Small and Medium Enterprises (SMEs) and International Joint Ventures (IJVs) Performance in Thailand Industrial Sectors

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The trend of Japanese investment inflow is increasing in Thailand as recipient country year after year. Thailand's economic sustainability could be enhanced by the introduction of Japanese-Thai SME IJV in the industrial sector. This investment from Japan is using Thailand as the base location for their offshore production, and at least 80 percent of their productivity is export oriented. Despite the Thai partner as the host country, the company could not enhance their firm's competitive advantage as much as they expect before engaging in IJV. This is caused by a large difference of the firm's investment size in which one of them is dominated by the other. Hence, no wonder '*why Japanese and Thai partners are lacking in dependency*'. MO and RMO were identified as the success factors contributing to IJV operation. . Particularly, RMO enables them to explore and push out partner synergy and finally cause them to transfer to knowledge from one to another. A total of 441 cases were distributed to Japanese-Thai SME IJVs general manager through survey method, and 145 cases were returned. The result of the study shows the linkage between MO, RMO and SME IJV performance. This will be discussed in more detail in this study.

1. Introduction

Small and Medium enterprises (SMEs) are the major sources of national businesses which have driven Thailand's economy dramatically. This fact is confirmed by the actual number of SMEs relatively close to 3 million (2,924,912) enterprises or 95 percent of the national business units. Moreover, SMEs are contributing to national GDP up to 42 percent and directly generated national employment up to 78 percent (OSMEP: 2011). Hence, SME is one of national strategic

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economic tools to boost up Thailand's economic sustainability. In doing so, one of the imperative factors supporting this phenomenon is the International Joint Venture (IJV) whereby its performance as the mode of internationalization is used by foreign investors to enter in ASEAN region and Thailand in particular (Julian & O'Cass, 2005).

The largest of the foreign direct investment (FDI) inflow comes from Japan and continue to increase from 1,362 million USD in 2009 before reaching to 4,561 in 2011 (Wadecharoen, Kanjanavanikul, Lertnaisat & Teekasap, 2012:c). The large amount of Japanese FDI mainly engaged in Thailand manufacturing as it is presented in the form of SME IJV. This is because IJV could be the best alternative for foreign investors to enter Thailand as required by Thai government with a minimum foreign capital of at least 10 percent (BOI: 2011). By the use of IJV mode, local partners can acquire better access to advance technology, marketing distribution management in order to meet a higher quality performance (Mohamad, Ramayah & Hathaivaseawong, 2010). In reality, the question here is, '*Does the foreign firm willing to share such knowledge and transfer the core technology with their local partner?*'. This point may become a critical issue of partners' disputation and finally cause to the termination of partners relationship (Millington & Bayliss, 1999).

Thailand has be standing as a well foreign investment recipient country among ASEAN member countries particularly from Japanese investment inflows (Wadecharoen et al, 2012:c). Japanese investors are performing as a major player to sustain Thailand economy holistically. The trend of Japanese IJV projects and its investment is increasing year after year. Particularly in 2011, Japanese IJV has boosted up to 480 projects, from 138 projects or 29 percent-in 2010. Moreover, the number of Japanese IJV reaches nearly 300 projects in the first 6 months of year 2012; this involved 60 percent compared to year 2011 (refers to table 1).

Table 1: Japanese IJV Projects Submitted to BOI

	2007	2008	2009	2010	2011	2012 (Jan-June)
No. of projects	330	324	343	342	480	291
Total Investment	146,323	106,155	58,905	100,305	158,968	160,281
Total Registered Capital	32,060	24,148	5,168	7,677	31,745	15,511
- Japanese	23,360	22,192	3,557	6,167	28,450	14,493
- Thai	6,344	1,477	879	1,017	2,542	965

Note: 1) Japanese investment projects refers to projects with Japanese capital of at least 10%
International Affairs Bureau, BOI
As of July 9, 2012

Japanese IJV used Thailand as the location for their offshore production and at least 80 percent of their productivity is export orientated (Kanjanavanikul, Wadecharoen & Teekasap, 2011). However, the local Thai IJV partners could not enhance their firm's competitive advantage as expected. The possible reason explaining this event is the size of Japanese-Thai IJV partners which is largely different (refers to table 1). Contrasting between the Japanese and the Thai registered capital, Japanese partner is 15 times larger as compare with the local Thai partner in 2008, and 11 times larger in 2011.

The trend of the Japanese registered capital kept moving higher as compare to the Thai local partner (refers to table 1). Thus, technology transfer from the Japanese partner to the local Thai partner seems to become difficult due to the lack of partner dependency (Wadecharoen, Kanjanavanikul, Pattana & Teekasap, 2012). Moreover, the success factors of IJV are still unpredictable and fragmented in the literature (Wadecharoen & Nik Mat, 2011:2010(a):2009; Robson, Leonidou & Katsikeas, 2002). Finding the right partner is becoming a primary successful step of IJV in Thailand. The first step in selecting the right partner is *'the firm investment size'* where most of IJV firms are engaged in. Hence, the sample size in this study is focus on SME IJV size as defined by Wadecharoen, Kanjanavanikul, Lertnaisat & Teekasap, (2012:a) who proposed the concept of *'SME IJV in the project which required at least 10 percent of foreign capital and a total foreign investment size which is less than 500 million Baht'* (refers to table 2). The study focuses on the Japanese SME IJV in manufacture setting where most of the Japanese investments are engaged in metal &

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machinery production followed by electric & electronic sectors (refers to table 3). Based on this evidence, Japanese –Thai SME IJV is taking a part of Thailand's economic development, therefore survival of a long-term partner- relationship is required for Thailand to maintain its national competitive advantage. Thus, this study will examine the success factors contributing to Japanese – Thai SME IJV partner-relationship quality by using relational factors.

Table 2: Japanese IJV Projects Classified by Investment Size

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 Japanese IJV	330	164,323	324	106,155	243	58,905	342	100,305	484	87,474	291	106,281
<50	126	2,314	136	2,613	97	1,869	131	2,606	205	4,214	104	1,972
50-99	52	3,741	43	3,094	48	3,478	72	5,173	78	5,723	37	2,606
100-499	100	24,404	105	26,706	74	18,850	105	27,307	141	33,833	105	25,717
500-900	29	18,908	20	13,088	13	8,726	18	12,495	31	20,708	24	16,117
>1,000	23	114,957	10	60,654	11	25,981	16	52,725	29	94,490	21	59,868
² Japanese SME IJV<500	278	30,459	284	32,413	219	24,197	308	35,086	424	43,770	246	30,295
Total Registered Capital		32,060		24,148		5,168		7,677		31,745		15,511
- Japanese		23,360		22,192		3,557		6,167		28,450		14,493
- Thai		6,344		1,477		879		1,017		2,542		965
⁽¹⁻²⁾ %of Japanese SME IJV	84%	19%	88%	32%	90%	41%	90%	35%	88%	50%	85%	29%

Source: Author's calculation based on data provided by Board of Investment (BOI) Thailand: 2013

Table 3: Japanese 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	12	5,499	14	4,800	12	10,167	15	4,323	14	8,102	8	1,999
Mineral& Ceramics	10	17,355	15	8,441	6	2,814	6	1,222	21	14,944	10	16,134
Light Industrial	11	2,147	10	3,417	8	1,234	7	662	13	4,045	8	2,005
Metal & Machinery	118	77,092	120	64,189	98	19,756	137	29,891	234	66,851	117	38,457
Electric & Electronic	59	32,111	49	14,271	38	15,874	69	46,383	83	36,886	55	29,263
Chemicals & Paper Services	44	18,683	39	7,258	23	5,174	49	8,695	51	25,745	38	13,413
	76	11,456	77	3,779	58	3,886	59	9,130	68	2,395	55	5,009
Total	330	164,323	324	106,155	243	58,905	342	100,305	484	158,978	291	106,281

Source: Author's calculation based on data provided by Board of Investment (BOI) Thailand: 2013

2. Literature Review

The Definition of SME

The concept of SME is defined according to *the number of employees* and *fixed capital*. Although, the definition differs in different countries such as in USA, *the annual receipt is used* to defined SME in those particular trade sectors such as general & heavy construction, special trade contractor and agricultural industries, while in Singapore *fixed asset* is being used (refers to table 4).

Table 4: The definitions of SME in Asian Pacific Economic Cooperation (APEC)

Country	Sector	Employment	Other Measures
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
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
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:a)

Comparing between Japan* and Thailand SME's definition (refers to table 4) it is important to determine the appropriate concept of SME IJV in Thailand. Since Japan SME in manufacturing sector has less than 300 employees and a fixed capital of less than ¥ 300 million, in contrast, Thailand SME has less than 200 employees and a fixed capital of less than THB 200 million. The two perspectives (employees/fixed capital) are generally used as the standard measurement to identify SME in Japan and Thailand. Comparing between Japan and Thai SME, Thai SME has fixed capital asset more than Japan's SME up to 76 million THB, while the employment of Japan SME has 100 employees more than Thai SME. Additionally, USA SME in manufacturing sectors focus only on employment dimension which has employees less than 500. In another view, USA SME in general and heavy construction sectors have fixed annual receipt of 33.5 millionUSD (see detail in Table 4).

The Definition SME IJV

As far as SME is concerned, it refers to an enterprise which has a number of employees that is less than 200 and fixed capital of less than 200 million baht, excluding land and properties (SME Bank, 2010). However, the character of SME in IJV setting has not been recorded in the literature. In fact, a certain number of IJV reported in multinational companies directory may involved only middle and larger enterprises while small enterprises seem to be unreported in the literature (Wadecharoen et al., 2012:c)

According to the statement above, this study proposed a new merge of SME IJV whereby SME IJV firm refers to business projects joining between foreign and local partners with a required minimum of 10 percent foreign capital (International Affairs Bureau., BOI, 2012). Consequently , this study is putting a new line of SME IJV concept adapted from appropriate researchers in the caption below:

“Small and Medium Enterprise (SMEs) International Joint Venture (IJV) refers to IJV projects with a required minimum of 10 percent foreign capital and total investment size that is less than 500 million baht” (Wadecharoen et al., 2012:a)

SME IJV Performance Measurement

Measuring the performance of IJV firms is a complicated and fragmented process due to the multiple partners engaged in IJV. Since several measurements have been used in IJV, such financial indicators indicated by company profitability, sale growth and cost position (Lecraw, 1983; Ding, 1977; Tomlinson, 1970; Venkatraman & Ramanujam, 1986), objective measurement is measured by IJV survival and non-survival from the time of its formation (Geringer, 1990; Killing, 1983; Stopford & Wells, 1972; Franko, 1971) and IJV duration or longevity (Kogut, 1988, Harrigan, 1986). Anyway, financial and objective measures can evaluate only a single dimension of IJV performance whereby IJV precise goal is focus on the company's profitability (Venkatraman & Ramanujam, 1986). These measurements have failed to capture the real extent of IJV goal when profitability isn't the most important objective (Blodgett, 1987; Killing, 1983). In summary, financial and objective measurement methods are inadequately taken into consideration of SME IJV performance where poor profitability, liquidation or instability may not indicate a poor performance of SME IJV especially if the IJV's expectation are not met or has exceeded its objectives (Anderson, 1990).

Accordingly, subjective approach will be adapted in this study in order to depict the real extent of Japanese-Thai SME IJV performance in Thailand industries . The performance measurement constructs were developed from Thuy & Quang, (2005) and Cullen, John, Johnson, Jean, Sakino & Tamoaki, (1995). Their research constructs were tested in Vietnamese IJV setting and Japanese IJV with several local partners where their businesses were conducted in England. The constructs have shown very high reliability according to Cronbach alpha of 0.90 in Thuy & Quang, (2005) and 0.88 in Cullen et al., (1995). Development of this study instrument will be justified as the appropriate device used in Japanese- Thai SME IJV in industrial sectors and will be tested in the research model empirically.

Relationship Marketing Orientation (RMO)

The components of RMO consist of bonding, empathy, reciprocity, and trust as originally proposed by Callaghan, McPhail & Yau, (1995). The actual concept of RMO is explained by the citation below;

“The RMO centers on the creation and maintenance of relationship between two parties of exchange, the supplier as an individual and the customer as an individual through the possession of the desire to be mutually empathic, reciprocal, trusting and to form bonds. (Challaghan, McPhail, & Yau, 1995)

Market Orientation and Performance

Market Orientation (MO) is the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers, and thus continuous superior performance for the business market orientation which consists of three behavioral components: customer orientation, competitor orientation, inter-functional coordination and two decision criteria: long-term focus and profitability (Narver & Slater, 1990). Farrelly, Oczkowski & Kharabsheh, (2008) examine the relationship between market orientation and IJV performance in Malaysian manufacturing and service sectors. Their result has proven that market orientation has positive, significant impact on sales growth, customer retention, new product success and overall IJV business performance. In Thailand, market orientation has been found to be positively and significantly related to IJV satisfaction and overall economic performance in cross industry sectors such as agricultural, metal-working electrical and chemical industries (Julian & O’Cass, 2008; 2005; 2004; 2002). Thus, the following hypothesis is formulated regarding this relationship:

H1: Market Orientation (MO) has positive influence on SME IJV performance.

Market Orientation and RMO

This study defines market orientation (MO) as composite factors suggested by Narver & Slater, (1990) and relationship marketing orientation (RMO) as a composite factors as suggested by Yau et al, (2000) Only one study conducted in IJV setting by Racela & Chaikittisilpa and Thourungroje, (2007) found strong positive significant support for the relationship between composite MO and cooperation (RMO) among exporters in Thailand exporting firms. Other studies found positive and significant relationship between market orientation and relationship marketing orientation RMO as a single dimension in non-IJV settings such as MO with trust (Farrelly & Quester, 2003; Siguaw, Simpson & Baker, 1998), commitment (Castro, Armario & Rio, 2005; Caruana, 1997; Jaworski & Kohli, 1993; Farrelly & Quester, 2003), cooperation (Racela et al, 2007; Siguaw, Simpson & Baker, 1998) while there is only one study that has found positive relationship but no significant support between distributor's MO and commitment to the suppliers (Siguaw, Simpson & Baker, 1998). Thus, the relationship between MO and dimension of RM is still fragmented with inconsistent finding results. This gives a strong reason for this study to carry out further investigation on linkage between MO and RMO as a composite factor. Thus, the following hypothesis is formulated with regards to this relationship:

H2: Market Orientation (MO) has positive influence on Relationship Marketing Orientation (RMO).

Relationship Marketing Orientation and Performance

The relationship marketing orientations (RMO) have been empirically tested mostly in non-IJV setting. Those studies conducted in the non-IJV setting reveal equivocal finding in that several studies have found a positive and significant relationship between RMO and business performance (Chattananon & Trimetsoontorn, 2009; Gorden, Pires & Stanton, 2008; Sin, Tse, Chan, Heung & Yim, 2006; Sin, Tse, Yau, Chow & Lee, 2005; Sin, Tse, Yau, Lee & Chow, 2002; Skarmear, Katsikeas & Schlegelmilich, 2002) while some studies have found insignificant positive relationship in manufacturing sectors (Sin et al, 2005; Siguaw, Simpson & Baker, 1998). Other previous studies also support positive impact of single dimension RMO with performance in

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IJV setting such as trust (Chattananon & Trimetsoontorn, 2009; Lin & Wang, 2008; Ng, Lau & Nyam, 2007), commitment (Julian & O’Cass, 2002; Demirbag & Mirza, 2000; Cullen et al., 1995), cooperation (Luo & Park, 2004; Peach, 2001; Tiessen & Linton, 2000). Thus, the following hypothesis is formulated:

H3: Relationship Marketing Orientation (RMO) has a positive influence on SME IJV performance.

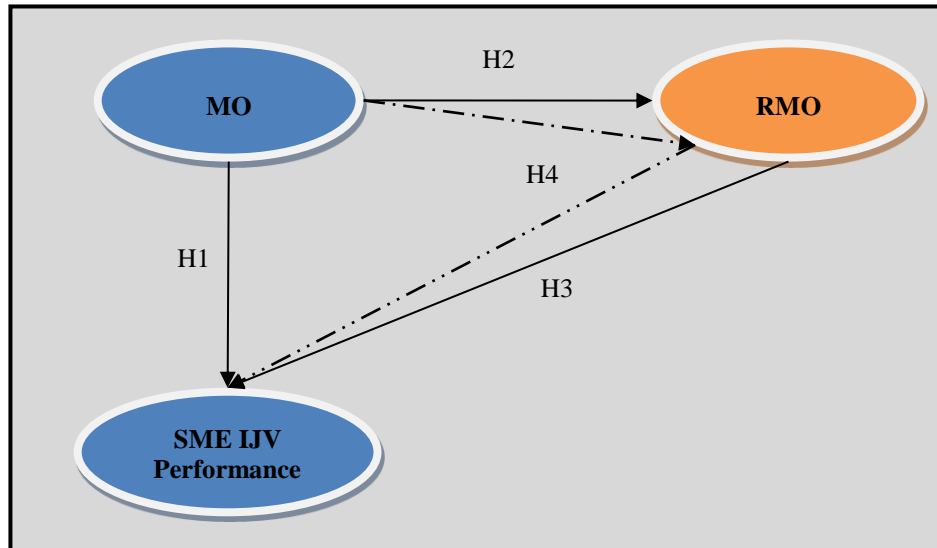
Market Orientation, RMO and Performance

The mediating effect of RMO has been suggested by Zyl and Helm (2007) who explored the conceptual model link between entrepreneurial leadership with performance of South Africa’s small tourism companies with MO and RMO as mediators. RMO represented by cooperation has been investigated as a middle intervening variable, but it has not been empirically tested as a mediator between MO and IJV performance of textile exporting firms in Thailand (Racela et al, 2007).

H4: The relationship of Marketing Orientation (RMO) has a mediating effect on the relationship between Market Orientation (MO) and SME IJV performance.

3. Research Model

This study represents the research model of partner- relationship by highlighting the significant effect of RMO consisting of ‘*bounding, empathy, reciprocity and trust*’ and SME IJV performance, since RMO is determined to have a direct and indirect positive impact on SME IJV performance. Hence, this study intends to test the quality of relationship of IJV partners by hypothesizing the linkage of relationship into 4 hypotheses as exhibited in figure 1 below;

Figure 1: Research Model of Partner Relationship

4. Research Methodology

Sampling and Research Setting

Proportionate stratified random sampling was used in this study. (see Table 5). The sample of the study was taken from identified groups or subgroups. Such identified group of the study were SME IJVs in industrial sub-sectors (Black, 1999). This method was used with 441 SME IJV where these companies were having a number of employees of less than 200, foreign capital at least 10 percent and a total investment of less than 500 million Bath. The list of the companies' name was from Thailand Company Information (2010-2011) and Factory Directory in Thailand (2011). The IJV general manager (IJV GM) or IJV managing director (IJV MD) was selected as the research respondent, because he/she is the key person who knows about IJV management and considered as information gatekeepers (Julian, 2008; Julian & O'Cass, 2005: 2004: 2002). Previous research provides support for relying on the IJV general manager for reliable data (Geringer & Hebert, 1991; Child, Yan & Lu 1997).

Table 5: Proportionate stratified random sampling methods and Responses Composition by Industrial sectors

Industrial Sectors	Listed Number	Percentage (%)	Sampling Size	Respondent	Percent (%) of Respondent
1. Oil & Gas	2	15	7	1	1
2. Light Industry	9	67	35	17	11
3. Heavy Industry	35	255	155	58	38
4. Manufacturing	32	245	145	52	34
5. Food Industry	11	85	45	11	7
6. Construction	4	32	20	8	5
7. Agriculture Industry	3	26	16	2	1
8. Transportation	2	21	12	4	2
9. Telecommunication	2	12	6	1	1
Total	100	758	441	154	100

Research Instrument

The instrument developed for this study is adopted from past prominent studies in the area of IJV setting. The SME IJV performance measured 6 items adapted from Cullen et al, (1995) and Thuy & Quang, (2005). The cronbach alpha is 0.90. The RMO 12 had items adapted from Yau et al., (2000). The cronbach alphas of each four components ranged from 0.764 to 0.908. The MO 12 items were adapted from Narver & Slater, (1990). The cronbach alpha is 0.88.

Data collection

The research information data was gathered from both Japanese and Thailand representatives of SME IJV firms. 441 Questionnaires were sent to 441 Japanese-Thai SME IJV companies whose address was listed by Thailand Company Information (2010-2011) and Factory Directory in Thailand (2011). A research questionnaire was provided both in English and Thai subtitle language, a cover letter explaining about the research project, and also a letter encouraging respondent to take an active participation with ensured privacy and confidentiality of their responses. After two weeks, a non-responding companies were followed-up by phone call to remind them to fulfill the questionnaire.

Then a couple weeks later, a total of 154 responded cases were returned, approximately 35 percent of respondent rate was received.

Analysis method

A total of 154 responded cases were returned and computed into SPSS data set for the data analysis. A descriptive analysis method was used to explore the respondent's composition followed by reliability analysis to test the reliability of each variable constructed. The reliability results of three variables constructed have shown cronbach's Alpha above .80 (refers to Table 6) which is a highly accepted (Nunnally, 1978). Finally, these 154 responded cases were analyzed through AMOS to test the result of the research model and hypothesis respectively.

Table 6: Reliability of Research Variables

Research Variables	No. of Items	Cronbach's Alpha
1. Market Orientation (MO)	12	.948
2. Relationship Orientation (RMO)	12	.910
3. SME IJV Business Performance (BP)	6	.862

The data collected, a total 154 respondents are from 65 Thai representatives and 89 Japanese partner representatives of SME IJVs showed the results. (refers to Table 7). A total of 65 Thai and 89 Japanese responses originated from different IJVs. This is because of some difficulty in obtaining the data from both sides of IJVs. Since IJV board of directors were appointed by IJV GM to monitor IJV daily operation, IJV GM from both sides are in cooperation and interaction regarding information to those content of both partners. Thus, both partners' sides are represented as one IJV unit, and the data collected from each side were consider as one.

Table 7: Partner Representative

Partner Representative	Japanese-Thai SME IJV	Percentage (%) of Representative
Thai Partner	65	42
Foreign Partner	89	58
Total	154	100

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The majority of Japanese-Thai SME IJVs are engaged in heavy industry (38%) followed by manufacturing sector (34%), light industry (11%) and food industry (11%) (refers to Table 8). These companies are having a minimum of Japanese capital of at least 10percent and maximum of 76 percent plus (refers to Table 8). Over 80 percent of these IJVs firm have been operating business in Thailand for more than 10 years which indicated the confidence of Japanese investors towards Thailand’s economy and its location advantage.

Table 8: Japanese SME IJV Capital

Japanese Capital	Respondent	Percent
10-15%	3	2
16-25%	2	1
26-50%	68	44
51-75%	41	27
76% plus	40	26
Total	154	100

Note: 1) Japanese investment projects refers to projects with Japanese capital of at least 10%

Based on table 8, the Japanese capital of at least 10 percent as required by the Broad of Thailand Investment (BOI) is shown. IJV who has a Japanese capital over 76 percent may probably become a dominant partner while the Thai local partner has no authority to do any actions or can be called a ‘sleeping partner’ (Killing, 1983). In another view, IJV who has a Japanese capital ranging from 26 to 50 percent is probably sharing capital resources dependently and whose objective is to decrease the cost of production (Wadecharoen et al., 2012:b). Bases on this point of view, Japanese –Thai SME IJVs are truly integrating their own capital resources to pursue their common and private objectives. The majority of Japanese capital is ranging from 26 to 75 percent or an accumulated of 71 percent, while only 26 percent of IJV firms are having Japanese capital over 76 percent. This is sufficient to justify that both Japanese and Thai local partners are dependently coordinating with each other.

5. Results of the Study

Figure 1: Hypothesis Model

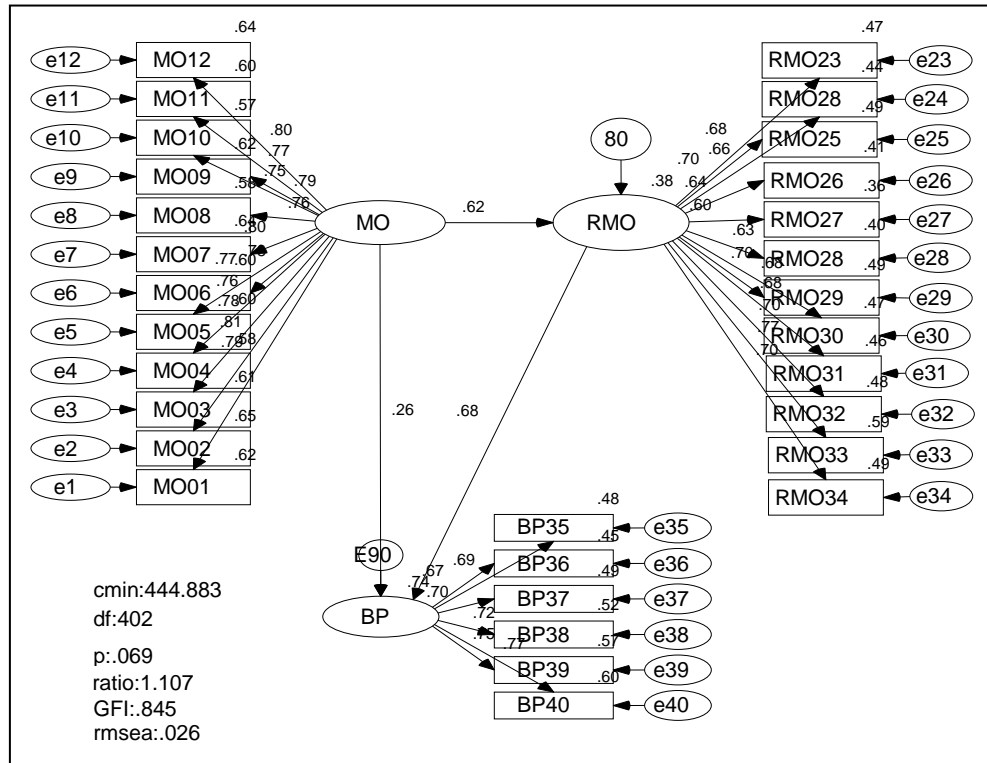


Table 9: Hypothesis Model (Goodness-Of-Fit indices)

Measures	Fit Indices	Threshold Values
Absolute Fit Level		
RMSEA	0.026	Less than 0.08
GFI	0.841	0.9 and Above
P-Value	0.069	P-Value \geq 0.05
Increment Fit Level		
AGFI	0.821	0.90 and Above
CFI	0.984	0.90 and Above
TLI	0.982	0.90 and Above
NFI	0.854	0.90 and Above
Parsimonious Fit Level		
CMIN/df	1.107	Less than 2.0
SMC (R ²)	0.74	Bigger better

Structural equation modeling (SEM) is justified as the appropriate tool for combination of categorical and continuous latent variables. SEM was performed by AMOS in order to test the hypothesis and casual relationship between constructs. They are such moderating variables between MO and RMO with SME IJV performance, direct relationship between MO and SME IJV performance.

Table 9 exhibits the goodness of fit indices (GOF) of the hypothesis model with were consistent with CMIN/df = 1.107 SMC (R^2) = 0.74, AGFI = 0.821, CFI = 0.984, TLI = 0.982, NFI = 0.854, RMSEA = 0.026, GFI = 0.841, and P-Value = 0.069 (refers to table 9). These indicators revealed that the model fitted the data exceptionally, accepted the AGFI and NFI that was below 0.90 and the P-value is 0.069 which indicates a significance of the overall model at the level of 0.05.

Table 10 shows the statistical finding of the direct effect among market orientation (MO), relationship marketing orientation (RMO) and SME IJV business performance. From the results, H1; H2; H3 were accepted based on the C.R. values which was over than 1.96 (C.R.>1.96). The P-value level is below 0.10 which indicated the significant status of all hypotheses presented.

Table 10: Hypothesis Testing of Hypothesis Model (Direct Effect)

H			Std. Estimate	S.E.	C.R.	P-value	Status	
	Exogenous	Endogenous						
H1	Marketing Orientation	→	SME IJV BP	.257	.067	3.233	.001	Sig.
H2	Marketing Orientation	→	RMO	.620	.073	6.141	***	Sig.
H3	RMO	→	SME IJV BP	.677	.136	5.847	***	Sig.

Table 11 shows relationship marketing orientation (RMO) having mediating relationship between MO with Japanese-Thai SME IJV business performance, thus, H4 is accepted.

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
H4	Market Orientation	→	RMO	→	SME IJV BP	.422	.257	.679	Mediating

6. Conclusion & Discussion

Since the trend of Japanese investment inflow is increasing in Thailand as recipient country year after year, these investment from Japan is using Thailand's location for their offshore production, and 80 percent of their productivity is export orientation (Kanjavanikul, Wadecharoen & Teekasap, 2011). Despite the fact that Thai partner as the host company could not enhance their firm's competitive advantage as much as they expect before they engaged in IJV. This is caused by a large difference of firm investment size in which one of them dominates the other. Hence, no wonder '*why Japanese and Thai partners are lacking in dependency*'. Size of firm is identified as the number one problem causing SME IJV partner stucked in knowledge transfer and finally may result to merger and acquisition. Thus, the analysis sampling of the study were 154 Japanese-Thai IJV and over 70 percent of sampling were falling between 26-75 percentage share. This is an indication that Japanese and Thai partners are dependent in some particular business functions.

To push out of partner knowledge transfer and cooperation, RMO needs to exist as the mediator or moderator of the relationship between IJV partners. This study is logically emphasized on Japanese-Thai partnering relationship in SME IJV in Thailand industrial sectors, by testing the effect of RMO both direct and indirect effect with SME IJV business performance. The result shows that RMO is mediating the relationship between MO and Japanese-Thai SME IJV across multi industrial sectors for instant heavy industry, manufacturing, light industry and so on (refers to table 7 and 10). As well as MO and RMO have direct positive relationship to Japanese-Thai SME IJV business performance (refers to table 10). Based on this finding it can be inferred and confirmed the significant importance of MO and RMO with SME IJV business performance. Since most of Japanese and Thai partners are similar in

terms of company's size in which they are sharing equality of capital investment, this makes IJV partners work independently, interact, share and exchange of all information resources related to those particular functions to fulfill all IJVs expected goal (Wadecharoen et al., 2012:b). In this study it was found out that MO is becoming a dominant determinant of Japanese-Thai SME IJV performance in industrial sectors, this is similarly supported by several studies (Farrell, Oczkowski & Kharabsheh, 2008; Julian & O'Cass, 2008; 2005; 2004; 2002). When IJV partner (Japanese and Thai) are market orientated then they are able to outperform their competitors. This is because IJV partners understand their customers' needs through inter-functional coordination across all IJV organization departments and organization responsiveness which in turn enhances performance (Kohli & Jaworski, 1990). Similarly, RMO has found a positive relationship with Japanese-Thai SME IJV, since partners requiring long lasting bonds, empathy, being reciprocal and having a high degree of trust in order to create an excellent relationship between Japanese-Thai SME IJV.

In conclusion, to make Japanese-Thai SME IJV successful, IJV partners must be oriented with its customers in order to achieve IJV's mutual goals and objectives. Furthermore, IJV partnership quality is equally important as same as customer orientation. When partners having a high degree of bonding, empathy, reciprocity and trust then they will explore know how technology, advance management, logistic management, sharing and utilizing of partners resources for pursuit of IJV goal. The high degree of partner's RMO created by IJVs organization synergy which lead to higher business performance and hence contribute to the organization's competitive advantage. Thus, IJV could be justify as the tool for creating company's competitive advantage since the IJV was established from a minimum of two expert firms. For instant, Japanese firms are expert in knowhow technology and management skill while Thai local firms are well know for marketing channel, local employment requirement, local business connection, access to cheaper material sources and local business culture. , These partners' diversity will be contributing to higher performance of IJVs more than when it is done alone. Thus, partner orientation and partner relationship qualities are the important part contributing to IJV partner's synergy, creating organization's competitive advantage and making Japanese-Thai SME IJV in Thailand industrial successful in long-term business orientation.

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