CHAPTER SIX
Implication, Future Research, Limitation, Recommendations, and Conclusion

Exports are the primary foreign exchange earners, with direct impacts on the country's trade balance and current account. Export growth rate has greatly diminished since 1996, especially the export of industrial goods. As the industrial enterprises are unable to make profits from their business, those with foreign borrowings are unable to pay back their loans, resulting in lenders losing confidence to provide further long-term loans in sufficient amounts needed by the business.

The weaknesses of the industrial sectors have a direct bearing on the country's economy. As industrial exports weaken, the country cannot earn sufficient foreign exchange to replenish its current reserve as rapidly as expected. The financial instability, due to current deficits, will remain. There will be continued pressure on Baht, and the same financial crisis will recur. As the profit-making abilities of the industrial sectors are not at a level sufficient to assure investors' confidence in the enterprises and their financial returns, investments in the capital market will remain low. Competitiveness worldwide competition has increased. Competitiveness will be decided on capacity to add value to global economic products, services and processes. A key contributor in this regard is the knowledge and skills of the workforce. The ability of industrial entrepreneurs to earn profits depends on their abilities to improve productivity and to upgrade management, marketing, and production technologies. Unless this critical issue is seriously tackled, the current problems cannot be truly solved.

Knowledge is critical to development, because everything we do depends on knowledge. Simply to live, we must transform the resources we have into the things we need, and that takes knowledge. We must use those resources in ways that generate ever-higher returns to our efforts and investments. This also takes knowledge, and in ever-greater proportion to our resources. Thai entrepreneurs lack knowledge and skills in the areas of management, marketing, product design, market information and technology. This weakens the abilities to adapt to fiercely competitive markets of the future. These abilities are marketing ability, management ability, and experience of the upper management in international business (World Competitiveness Yearbook, 1996).

The trend of globalization and the increasingly competitive environment have made entry to foreign markets without a local partner at a greater risk. In addition to counteracting the perceived risks, another purpose of international joint venture formulation is to create and sustain competitive advantage through learning and assimilating new sources of knowledge, skills and core competencies from each other (Parkhe, 1997). JV can help firms to transform their operations and gain access to new and multiple sources of technologies, markets, and insights that would be extremely difficult for the firm to learn solely on its own. The exchange of firm-specific resources regarding technology, marketing, management will take place.

Management, marketing and technology change exist when the change is from the machine age to the information age. At present, rapid changes in the borderless world are caused by the fast developing advance technology, innovations, and Research & Development. In the information age, flexibility is needed instead. Due to the fast changing in modern world, managers should be flexible to manage things. When the control remains, it is difficult to adjust promptly when a manager needs to make a decision. Speed and unpredictability are enemies of control.

The changing boundaries are from domestic to global. This will change the way in management, marketing and technology. Managers have to think more globally, not locally because customers now are worldwide, not in a particular country. The environment of world business keeps on changing endlessly. Managers must develop their mindsets that allow them to have flexibility in the strategy and organization to respond to competitors' strategic actions; to cooperate with competitors as well as traditional economic competition; to unlearn traditional practices, process, and strategies and to be receptive to new ones; and to change from the focus on a vertical to horizontal organizational structure.

Shrinking regional trade flows point to deepening recession in Asia and make export-led recovery. At the onset of the region's financial crisis in 1997, the sharp depreciation in local currencies would boost exports and help spur a quick turnaround. This research will contribute to both the knowledge and the country as mentioned earlier. Three resource factors that are important for each firm are marketing, management, and technological resources.

Implication

The research finding suggests that joint venture firms perform better than fully Thai owned firms due to the presence of firm-specific resources in both agro-based and light industries. This may imply to other industries. Therefore, joint venture ownership structure implies better performance than fully Thai owned ownership structure because of the presence of firm-specific resources.

The result also implies that management or marketing resources are more valuable than technological resources because these resources tend to be appreciated over time, cumulative, unique to the firms (difficult to imitate or identify), and value-added to the firms. On the other hand, technological resources tend to be depreciated over time and quickly or easy to replicated/copied. For example, management experiences are difficult to be copied and not every organization has the same management experiences. These skilled resources take time to be developed and accumulated over times (Dierickx and Cool, 1989).

Moreover, this research implies that technological resource factors can become statistically significant in other industries, for example, in the electronic and automobile industries due to different characteristics from labor intensive industries in this study.

Future Research

Future research should also be noted. First, future research should attempt to find better measurement in firm-specific resources since these resources include capabilities that are difficult to codified and priced. It is difficult to quantify knowledge efforts to evaluate the aggregate impact of knowledge on firm performance. The future research should find the way to ask more detail and deeper questions to distinguish between firms that have better firm-specific resources and firms that have less resources under different ownership structures.

Second, because of the ever changing dynamic context of international business, researchers should take a longitudinal view in analyzing the relationship between FSRs and firm performance under different ownership structures. In both short-run and long-run, the study may result differently. If the longitudinal study shows the same results then it can be generalized for this research question.

Third, a cross-cultural/cross-political perspective comparing joint venture and fully Thai owned firms from different countries should be studied to test for the generalizability of the firm-specific resources, ownership structures, and firm performance linkage.

Several directions for future research could extend this study. Although evidence supporting the notion that management, marketing and technological resource factors influence performance outcomes emerged, firm-specific resources also include other factors that are intangible which are difficult to be measured.

Moreover, the future research should include other modes of entry and investment types in the ownership structures to investigate whether the firm-specific resources are intervened the relationship between these ownership structures and firm performance.

Finally, the future research should include the other scales, such as the importance of each item for each type of firm-specific resources, besides the relative level of the firm-specific resources. This will allow researchers to find the index between the importance and the level of firm-specific resources for future research to investigate the relationship between firm-specific resources and performance under different ownership structures. In other words, future research can use an index by asking both the importance (weight) of firm-specific resources and the level of firm-specific resources of the firm in order to get more reliable results.

Limitation

Most obvious limitation is to use perceptual scales in data collection that is subjected to the biases when doing survey study. Also, this study is cross-sectional study. As mentioned earlier, there may be a time lag between firm-specific resources and firm performance under different ownership structures, which can only be studied through a longitudinal analysis. Although the economic or financial crisis has been occurred since 1997, this event does affect all industry and firms. In other words, firms are equally affected by the economic and financial crisis or the variation is the same for all firms.

Furthermore, this study includes 3 years (1996-1998) for financial data in order to use as the objective performance. Therefore, crisis issue is not the major issue. Also, resources are accumulated through time or exist in a firm for a long time.

From the pilot study, it shows that most of respondents try to avoid answering the questions of the financial data or numbers. This research still faces the same problem and limitation for some questions about the financial data. When doing this research, resource limitation in both time constraint and security issue does exist. Managing directors do not tell the real or exact numbers in financial data because of fearing or threatening by government agency, such as Revenue Department.

Another reason is that there are various reasons for selecting joint venture ownership structures. Shared firm-specific resources may be just in theoretical, but not in practical. Firms may be forced/persuaded to choose joint venture because of the host country regulations or tax exemption incentive. This will make it difficult to find an effect or have ambiguous results in performance difference to select or not to select joint venture. Moreover, it is difficult to find enough samples for each purpose in joint venture ownership structures for data analysis.

Furthermore, another limitation, one which may have a more direct impact on the firm-specific resources and performance relationship, is some important contextual, environmental and market variables (e.g. market destination, political risk, exchange rate). Although numerous aspects of the environment including, for example, environmental turbulence, complexity, uncertainty, heterogeneity, and hostility have been demonstrated to impact strategy (Slevin and Covin, 1997; Keats and Hitt, 1988; Miller, Droge and Toulouse, 1988; Fredrickson and Mitchell, 1984), future research should consider other contextual variables that influence the firm performance.

Final limitation is that when asking managing directors to fill in questionnaires, he is only one component of a firm's top management team. Others in the top management team may have different points of view. This study focused on most of the samples that are small and medium-sized firms. There is some evidence that managerial effects may be more pronounced in a small or medium organizations than in large ones since the former are less constrained by organizational inertia (Finkelstein and Hambrick, 1990).

Recommendations:

The research results should be utilized for different institutions, such as government agencies, academic institutions, or businesses. Due to the recent crises and changing market's environment, all agencies have responsibilities to help the country to compete with others in both domestic and overseas markets. The economic crisis is not unique to Thailand. Such crises have been encountered all over the world. from time to time. The general solution for climbing out of such situations is, number one, political stability, number two, addressing the problems of the banking system, number three, addressing the problems of the corporate sector. Thailand still needs more action on these three fronts.

Furthermore, Thailand has to prepare itself for the coming winds of liberalization; otherwise, our economy may buckle even more. Preparation is vital to improve our economic viability for the millennium. To increase firm-specific resources and adjust to changing environment in the coming century, the government, businesses, and academic institutions in Thailand should prepare themselves in the following ways.

Government Agencies

1). The Board of Investment (BOI) should set strategic economic plans or policies so that they allow joint venture to create benefits to Thailand.

If firms from foreign countries would like to have joint venture with firms in a host country such as Thailand, the BOI has to make sure that this joint venture is not just to take advantages by extending their markets into the local market of host country. The purpose for the joint venture should be beneficial to Thailand in learning the technology, marketing and management skills or know-how.

The strategic policy, for example, is to gain the firm-specific resource transfer in management, marketing and technology from the joint ventures partners. Then, Thailand can be more advantageous. At present in Thailand, when there are problems about the increasing production costs in wages, foreign joint venture partners will move to new locations for cheaper production such as in Vietnam, Indonesia or China. For example, according to MOI (1998), Chinese labor is more efficient than Thai labor and has 2.94 times cheaper than Thai labor. Indonesia has lower customs rate for both imported machine and raw material than Thailand and Indonesian labor has 3.06 times cheaper than Thai labor. Vietnamese labor has 3.61 times cheaper than Thai labor. When foreign joint ventures leave and invest in those countries, Thailand could at least gain benefits by learning these firm-specific resource factors or skills.

Therefore, when foreign firms come to joint venture with local Thai firms, if policies are strategically and carefully designed by the BOI, these will create more competitive advantages toward the country by increasing firm-specific resources from joint venture ownership structure. For example, in airplane industry, the Chinese government has the policies that make sure that when there is joint venture, the foreign firms have to train local people to be able to maintenance or fix the plane. This will allow the Chinese to be able to build planes by themselves after the joint venture is terminated.

2). The Ministry of Commerce and the Ministry of Industry should provide training courses that are related to increasing the firm-specific resources.

From the study, it shows that the training for management, marketing and technological is 1-10, 0, and 0 days per year respectively which is quite low (See Table 4.4). Most firms in both industries still do not have training in marketing and technology. Although Thai manufacturers want to use new technology, there is a lack of competent personnel such as engineers, scientific researchers and skilled labor to use modern technology. The government must hurry and produce skilled personnel to fill the qualitative and quantitative gaps in the projected labor market. To do this, the government must help train unskilled laborers and re-train those who are in labor-intensive industries. This training will generate more skills. Then these skills will contribute more directly to the economy.

3). The Ministry of Commerce and the Ministry of Industry should establish protectionary measures to protect the domestic markets.

From the study, it shows that trade barriers affect performance negatively. Many countries apply the non-tariff barriers on Thai exports such as the EU, Australia, and the United States. For example, the United States has cited environmental protection as a reason for blocking imports of Thai prawn by claiming that Thailand's fishery methods are harmful to endangered species of sea turtles. Therefore, to Thai products, the Thai government should establish protectionary measures. One important lesson Thailand should learn from developed nations is how to form valid and legitimate trading barriers that can protect its own domestic markets. Thailand must learn how to use similar but different techniques to protect its domestic markets. Thailand can forge alliances of developing nations to strengthen its bargaining power on the negotiation table and demand fair trade conditions. For instance, Thailand can use civil rights issues as trade shields. These measures would include preparing a team of international level lawyers, organizing interest groups and contributing to a fund to support international level litigation.

4). The Ministry of Industry should help entrepreneurs to upgrade manufacturing technology and develop their owns technology.

Table 5.7 indicates that technological resource factors have no statistically significant to all types of performances. This implies that technology for both industries are still outdated. Rapid information and manufacturing technology advancements are changing both production and consumption paradigms. Manufacturers with better technology, lower production costs and more efficient services will survive global trade networks and strong competition. For example, using new technology, such as Computer Aided Design (CAD) and Computer Aided Manufacturing (CAM) will help manufacturing faster, reduce less waste by efficient calculating for using of raw material, and improve the standard quality. These will increase production efficiency by reducing production costs in energy, maintenance, and waste of raw material.

Meanwhile, the rapid development of information technology allows the customer to demand higher quality goods. The Thai economic golden age of cheap-price advantage has passed. Now, competitor countries with lower labor rates are taking big bites out of Thailand's market share. Thai products that rely on intensive labor cannot compete with the more efficiently created products of other countries. Sadly, Thai entrepreneurs have not developed their own manufacturing technology, and have instead relied on adopting technologies from other countries, which can be ineffective or inappropriate. Thai export figures will never grow until Thailand's manufacturing technology is upgraded. To do this, Thailand must either buy technology or build up momentum. From the study, Table 4.1 shows that most firms have none of the employees in the field of R&D and technology. Therefore, the government should help businesses to develop their owns technology by increasing budgets to at least 2 % of gross domestic product for research and development like the Singaporean government[6]. Moreover, Collis (1991) indicated that FSRs are the source of sustainable competitive advantage and later contribute to better performance. Firms must be capable of continuous improvement if any competitive advantage is to be sustained. Firms should have continuous improvement in innovation and develop their owns technology.

In summary, the government has a vital role in shaping the goals of investors, managers, and employees through policies in various areas. The government should aim to encourage sustained investment in human skills, in innovation, and in physical assets. The government should play the proper supportive role of national competitiveness.

[6] Ministry of Trade and Industry (MTI, 1991). Towards a Developed Nation: The Strategic Economic Plan: National Printers

Businesses

1). Businesses should select the joint venture ownership structure to increase the firm-specific resources and firm performance.

From this research. it shows that there is the difference in performance between the joint venture and 100% Thai ownership structures due to the presence of firm-specific resources. Joint venture ownership structure will improve firm performance and increase firm-specific resources. Therefore, new businesses should select the joint venture ownership structure to increase the firm performance.

2). Businesses must adopt and accelerate the development of international standards.

Developed nations demand higher standards because of more efficient manufacturing technologies and a higher GNP than those in developing countries. Unfortunately this means that many Thai products do not meet international standards so they cannot be exported to developed countries. Or Thai products with different standards of cleanliness, health safety, infection or packaging might be blocked at border checkpoints and perhaps even returned to Thailand. This could hamper Thailand's major export sector, food and agricultural products, despite their potential for a strong international competitive value. If Thailand wants to be recognized as a serious trading partner in the world market place, it must accelerate the development of the entire business system so that it is equal to international standards.

Thailand needs investment from foreign companies that can help improve our corporate skills and experience in management, technology and marketing. Thai's not to say Thailand does not have skilled business people. But, it is fair to say that Thai companies have learnt their business skills in a relatively closed market. There has been a difference between operating locally and globally. To ensure recovery, competitiveness and growth, they must close that gap. They must adopt global standards, even if their business is 100 per cent for the domestic market. If Thai companies do that, they can remove barriers to entry to the foreign markets and can extend new markets. They will create a genuinely open economy and the prospect of growth, and more growth. From this survey, the Table 4.2 shows that 70.7 % of firms still do not receive the certified management standard (ISO's series).

Trade during the next millennium will be conducted in one world-encompassing market. Standards for goods will become internationalized. Although such standards are set by developed countries with more economic power, as they control a higher proportion of imports, the future's international standards will be more stringent than those ever set by developing nations. For example, ISO will be an important tool to increase the competition for entrepreneurs for both industries. Therefore, Thai businesses should implement international standards.

3). Businesses should develop brand image and brand name to improve performance with the help of joint venture firms.

Most exporters in Thailand receive the manufacturing contract or licensing under well-known brand names from overseas for many years. These companies can build brand image and brand name with their joint venture firms because they have already been manufactured quality products acceptably and exported for a long period of times. These partners can help increase firm-specific resources and extend to new market overseas. Also, joint venture allows Thai partners to learn marketing skills from foreign joint venture. These skills, for example, are sales promotion, marketing research and analysis, marketing planning and policies, and marketing knowledge for overseas markets. According to MOI (1998), building brand name, having sales promotions, and continuous penetrating/searching for new markets are the success for market development. Therefore, joint venture manufacturing companies should try to create the brand name and image for the products that are manufactured in Thailand.

In summary, overseas investors can benefit financially from showing us the right way to do things and bringing about much greater efficiencies. In doing so, they can shift the way local companies operate by the success of their investment and operating know-how. Their joint-venture partners will also benefit in terms of market share and reputation. They also bring international expertise and high operating and governance standards to their operations. Entrepreneurs must change the way they do business. They must disclose information to the market that previously was kept private and confidential. And that will help all other Thai companies to change - no matter whether they are aiming to cater to domestic demand or the export market. Thailand will be more competitive internationally, helping our economy to grow.

Academic Institution

1). Academic institutions should help businesses in research and development by producing more researchers to do the research in the field of how to increase the firm-specific resources.

Corporations are no longer high-volume producers, they are becoming high-value producers serving the unique needs of particular customers. The more products are adjusted to customers, the more costs and time the company has to take. In other words, in order to satisfy customers, companies have to spend and invest both money and time doing research in order to adapt products to consumers. These products will lose their competitiveness due to higher costs because price is still a major factor for most consumers when they want to purchase products.

Academic institutions can help preparing the educational context, so vital for producing the more researchers who can do the research necessary to support international trade development and increase the firm-specific resources. From the study in Table 4.1 and Table 4.4, it shows that most firms still do not obtain the research and development employees and the percentage of the total sales for R&D budgets is less than 1%. Therefore, the academic institutions can help business sectors by doing the R&D in order to save costs and to increase productivity for business sectors.

2). The academic institutions should provide experts and scholars to give recommendation or suggestions and organize the training courses that are related to improving or increasing the firm-specific resources to businesses.

Experts or scholars from universities in various fields should provide recommendation or suggestions to any businesses that apply for the recommendations. Table 4.4 indicates that most firms still do not hire any specialists, experts or consultants in management, marketing and technological areas. Therefore, universities can provide or organize training courses to improve the management, marketing or technology skills for businesses.

Conclusion

Joint ventures have become a critical concern for international business because joint ventures increase in frequency and strategic importance. Joint ventures are also increasingly being perceived as critical elements of an organization's business unit network, as strategic weapons for competing within a firm's core markets.

In conclusion, this empirical study expands existing body of knowledge by testing the resource-based view of the firms (Tallman and Fladmoe-Lindquist, 1994; Grant, 1991; Barney, 1986a, b, and c; Wenerfelt, 1984; Penrose, 1959). The results confirm with the resource-based view of the firm that has not been well tested. The finding from this study indicates that firm-specific resources that are the source of competitive advantages generate better firm performance.

Although joint ventures will make firm have better performance, the government should aware that joint ventures can also make Thailand be disadvantageous. After foreign partners learn the marketing, management, and technology from Thai partners, they can use them against us when the joint ventures break up to compete in the global markets.

Moreover, this study shows that there is statistically significant difference in performance between joint venture and fully Thai owned firms due to the presence of management and marketing resources factors, but not the technological resource factors. In other words, management or marketing resource factors mediate the relationship between the ownership structures and firm performance. These firm-specific resources will be improved from the joint venture and help the firms perform better than fully Thai owned firms. This study also enhances the understanding of the relationship between the ownership structures and firm performance.

Finally, this study is the first attempt to examine and measure the firm-specific resources in terms of management, marketing and technological resource factors.