THE ESTABLISHMENT OF COOPERATIVE AGREEMENTS BY THAI FIRMS

Sunee Thechatakaeng  
Department of Business Administration  
Maejo University, Sansai, Chiangmai 50290, Thailand  
Email: sthecha@yahoo.com  
Tel. (66) 9 4331511  Fax. (66) 53 251876

Josep Rialp-Criado
Dep. Economia de l’Empresa, Edificio B,  
Universidad Autónoma de Barcelona, 08193 – Bellaterra, Barcelona, Spain  
Email: Josep.Rialp@uab.es  
Phone: 34 93 5812266 / Fax 34 93 5812555

Alex Rialp-Criado
Dep. Economia de l’Empresa, Edificio B,  
Universidad Autónoma de Barcelona, 08193 – Bellaterra, Barcelona, Spain  
Email: Alex.Rialp@uab.es  
Phone: 34 93 5812268 / Fax 34 93 5812555

ABSTRACT

Cooperative agreements are considered as an alternative mechanism to the traditional modes of organization that could improve business’ performance under certain conditions. During the last decades, many studies have analyzed the use of cooperative agreements by firms; however, few studies have been focused on the implementation of strategic alliances by firms in countries that have suffered an economical crisis, as the case of Thailand. That is the reason why this paper has studied the implementation of strategic alliances by Thai firms. 503 firms in Thai industrial districts provided information about their collaboration agreements. Data allows us to determine three different aspects: i) if the main features of alliances signed by Thai firms coincide with those observed in other studies on cooperative agreements having a European or a worldwide focus; ii) the perception of Thai firms about their partners behavior and, iii) That firms’ satisfaction with their cooperation agreements. The results of the analysis show that, although some similarity can be found in the main traits, certain singularities in the cooperation agreements of Thai firms also exist that can be interpreted as a consequence of specific environmental reasons.

Key words: Alliances, Co-operation, Joint ventures, Thailand
Introduction

Alliances are not a new concept; their use has always been part of the social and political fabric (Ohmae, 1989). Traditionally, the use of interfirm alliances was limited to vertical relationships in the domestic scope; or as a second best option in the international expansion of multinational firms (García Canal, 1999). These alliances usually involved industries or activities using mature technologies (Yamin, 1996). However, from the 1970s, not only has the number of agreements risen (Booz, Allen and Hamilton study indicated that over 20,000 new alliances were formed between 1987 and 1992 (Harbison and Pekar, 1994; Townsend, 2003) with a growth rate of 25 per cent a year), but also the variety of the alliances has expanded, as new types of alliances have emerged, like those signed by large firms in order to develop new technologies or to coordinate their international strategies.

Since the 1980s many research efforts were addressed to detect trends of cooperation in business (Mariti and Smiley, 1983; Porter, Fuller and Rawlison, 1984; Jacquemin, Lammerant and Spinoit, 1986; Ghemawat, Porter and Rawlison, 1986; Ricotta, 1987; Costa, 1989; Menguzzato, 1992)\(^1\). Researchers were first faced with the absence of census or statistics that obliged them in many cases to construct databases gathering information on the setting up of strategic alliances from the news published by the economic press.

Analyzing their findings, it is possible to identify a series of common trends (García Canal, 1999). In general, it can be stated that many of these alliances have been motivated by the impact of the introduction of information technologies and the globalization of markets. These factors have obliged companies to react rapidly to adapt themselves to a new environment that required competing in more markets and gaining access to new technologies. As a means of achieving this, alliances and cooperative agreements between firms seem to allow not only the sum-up of resources but also the flow of knowledge between organizations (Chi, 1994).

\(^1\)For a literature review see Townsend (2003).
Thailand, as other countries, is not an exception and its firms have to face against these same challenges. However, low attention has received the implementation of collaboration agreements by Thai firms. In fact, it is possible to find some research about classic business and/or management issues considering Thai firms in the specialized literature; for example, regarding to human resources management (Sarker, Crossman and Chinmeteepituck, 2003; Chompookum and Derr, 2004; Fisher and Härtel, 2004); to family business (Rodsutti and Makayathorn, 2005); to Internet and new technologies adoption by firms (Rotchanakitumnuai and Speece, 2003; Larpsiri and Speece, 2004; Kritchanchai, 2004; Sahadev and Islam, 2005; Jaruwachirathanakul and Fink, 2005); to international marketing and marketing in general (Feeny, Vongpatanasin and Soonsatham, 1996; Johri and Sahasakmontri, 1998; Ngamkroeckjoti and Johri, 2003; Choi and Clovutivat, 2004; Cuyvers, 2004) or even topics related to accounting, finance or more general management studies (Kuasirikun and Sherer, 2004; Ngamkroeckjoti and Johri, 2000; Julian, 2000) among others. However, we have only identified a couple of studies focusing on cooperation agreements, although in these agreements libraries more than Thai firms play a primary role (Sacchanand, 1998; Premkamolnetr, 1999).

In addition, the exceptional circumstances in which the Thai economy has found itself at the end of last century (the economical crisis) invites one to detect the possible presence of distinctive features in the cooperative agreements signed by Thai firms.

Therefore, this paper analyzes basically the main characteristics of alliances created by Thai firms until the end of last century. The hypothesis that we want to test is whether the characteristics of alliances signed by Thai firms coincide with the trends described in previous empirical studies with an European or a worldwide focus. The interest of the present study is twofold. On the one hand, it allows us to identify the most relevant traits shown in the formation of alliances signed by firms from a developing country (Thailand) which has not been considered before. On the other hand, focusing on Thai firms allows analyzing if an economical crisis situation could have affected the formation of strategic alliances. The structure of
this paper is as follows. In the following section the findings of the more relevant international studies are described. Then, the main features of the agreements created by Thai firms are analyzed, and finally, the results are summarized and discussed.

Interfirm agreements: concepts and trends found in international databases

García Canal (1999) points out that cooperative agreements or strategic alliances can be defined by any kind of joint strategic decision made by two or more independent firms to coordinate part of their actions in order to achieve a shared goal. In general, they form a continuum of ways to coordinate an economic activity between two extreme points: market contracting vs. internal organization within a single firm. As a result, cooperative agreements combine characteristics of both extreme organization forms: from the market, the fact that the partners maintain their autonomy after signing the deal; and from the firm, the fact that the partners make a joint plan to achieve the shared goal.

As García Canal (1999) recognizes, several papers have been dedicated to describe the main trends in the use of inter-firm alliances, often analyzing a database of cooperative agreements created by the authors. Many of these databases have been created collecting information published by the economic press.

After analyzing the most important databases built at European or worldwide levels, García Canal (1999) observed the following trends:

• Sustained growth of the number of agreements since the latter part of the 1970s, as shown in the work by Delapierre (1991) and the studies revised by Chesnais (1988).

• The sectors with the largest number of agreements are those related to the new technologies of information, like electronics and computing, as well as more traditional industries, like chemical, automobiles and energy sectors (Morris and Hergert, 1987; Mariti and Smiley, 1983; Ghemawat et al., 1986).
• On analyzing agreements by their functional area, alliances established to perform R&D or production activities prevailed over those established to perform marketing or multiple activity (those comprising more than one functional area), as shown in the work made by Morris and Hergert (1987) and the studies revised by Ingham (1990).

• Most of the agreements involve partners of different nationalities instead of partners having the same nationality. European firms usually signed agreements with partners from outside the EU, and are more inclined to seek partnerships with US than with Japanese companies, as shown in Morris and Hergert (1987) and the studies revised by Ingham (1990) and Delapierre (1991, p. 152).

• The joint venture is the contractual form most frequently used in strategic alliances. This is somehow expected as it is the form that best protects the interests of all partners. Furthermore, agreements of a vertical nature (buyer-seller) are less common. However, this could be a bias due to the type of research method used, as the principal source of information, the economic press, tend to pay less importance to buyer-seller agreements (Ghemawat et al., 1986; Mariti and Smiley, 1983).

• More than 80 per cent of the agreements are signed by two partners (Morris and Hergert, 1987). This preference can be explained by its organizational simplicity. Because adding partners leads to more coordination problems, firms prefer to set up alliances with one single partner.

These trends are influenced by the factors mentioned above. Both the globalization of markets and the impact of the introduction of new technologies of information have largely contributed to the growth in the number of partnerships.

On the one hand, the increase in the number of international agreements, reflects the importance of the formation of a global market. To increase their global position and facilitate entry in new markets, firms establish partnerships with local companies in countries where their presence is weak or absent.

On the other hand, the high share of agreements in industries related to the new technologies of information, and in the functional areas of technology and
production, seems to be the consequence of the impossibility of keeping up with the increasing number of technologies that the firm must know and must be able to use.

**Empirical evidence on cooperative agreements by Thai firms**

In this section the main features of cooperative agreements signed by Thai firms are analyzed; for example, the number of the partners, if they prefer foreign or domestic partners, the structure of the agreement and the functional areas covered by the alliance. The information related to the implementation of cooperation agreements by Thai firms was obtained from firms in the industrial districts in Thailand. There are 28 industrial districts under the industrial authority of Thailand. 2,136 firms have the right to run their business on these industrial districts but there are only 1,327 (see table 1). We have considered all these firms as units to be analyzed.

**Table 1. Firms in industrial districts in Thailand**

<table>
<thead>
<tr>
<th>Industrial Estates</th>
<th>Allowed Firm</th>
<th>Existing Firm</th>
<th>Industrial Estates</th>
<th>Allowed Firm</th>
<th>Existing Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangchan</td>
<td>167</td>
<td>67</td>
<td>Plangyao (Gateway city)</td>
<td>35</td>
<td>21</td>
</tr>
<tr>
<td>Bangpu</td>
<td>455</td>
<td>271</td>
<td>Auntee</td>
<td>39</td>
<td>25</td>
</tr>
<tr>
<td>Ladkabang</td>
<td>219</td>
<td>146</td>
<td>Ratanakorn</td>
<td>55</td>
<td>35</td>
</tr>
<tr>
<td>Bangple</td>
<td>116</td>
<td>116</td>
<td>Nongkae (Sraburi)</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Lamchabang</td>
<td>128</td>
<td>65</td>
<td>Padang</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Northern Region</td>
<td>88</td>
<td>56</td>
<td>Pichit</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Mabtapud</td>
<td>85</td>
<td>58</td>
<td>Southern Region (Chaloong)</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Chonburee (Boiwin)</td>
<td>48</td>
<td>18</td>
<td>Sraburee (Kangkoy)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Welco</td>
<td>116</td>
<td>77</td>
<td>Eastern Sea Broad</td>
<td>89</td>
<td>53</td>
</tr>
<tr>
<td>Samutsakorn</td>
<td>102</td>
<td>47</td>
<td>(Rayong)</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>Amatanakorn</td>
<td>134</td>
<td>134</td>
<td>Pintong</td>
<td>21</td>
<td>12</td>
</tr>
<tr>
<td>Banwa (Hi-tech)</td>
<td>61</td>
<td>34</td>
<td>Amatacity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bangpainn</td>
<td>122</td>
<td>57</td>
<td>Rachaburee</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Tawanok</td>
<td>27</td>
<td>21</td>
<td>Koankan</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>28</strong></td>
<td><strong>2,136</strong></td>
<td><strong>1,327</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Industrial Estate Authority of Thailand, 2001

Kale et al, (2000) cited that past research show that firms in industries such as pharmaceutical, chemicals, computers (hardware and software), electronics, telecommunications, and services have engaged in alliances. All these sectors were considered in the analysis.
On the other hand, alliance-related data on aspects such as motivations, partner’s behaviors or impressions with the alliance are almost impossible to get through archival sources. One collects these data through interviews or surveys of managers who are responsible or knowledgeable about their firm’s alliances. Simonin (1999 a, b) suggested that the strategic nature of the survey’s content, the focus on cross corporate boundaries issues such as transfer of technological know-how, and the probing of past corporate experience with collaborations required the choice of top executives, whose understanding and field of action pertain to the overall organization. These top executives are the most able to observe and to determine the impact of a specific alliance on the rest of the organization’s activities. Furthermore, these executives are the best qualified to direct the questionnaire to other individuals in the organization who may have been even more competent on the subject.

As a consequence, we collected the data through survey questionnaires administered to relevant managers of industrial firms in the several industrial districts in Thailand. Key executives were identified as potential respondents by their name, address, and function of each selected company, based on their area of responsibility.

With the purpose of testing the questionnaire, 20 firms in the northern industrial district were personally interviewed by one of the authors and 2 trainees. Once the questionnaire was tested, 1,307 questionnaires were distributed to all the firms that exist in the industrial districts nationwide by mail. In total, 1,327 firms were addressed but only 503 provided enough information about the implementation of cooperation agreement (38%)\(^2\).

Before presenting the information related to the implementation of strategic alliances by Thai firms, the characteristics of the firms with agreements answering

\(^2\) 62% of the addressed firms did not answer the questionnaire. To distinguish if they did not answer because they had not established any cooperation agreements or they did not want to answer the questionnaire was not possible.
the questionnaire are shown. The firms’ characteristics considered are: firm age, size and type of industries (table 2).

Table 2. Characteristics of the Firms answering the questionnaire

<table>
<thead>
<tr>
<th>Age of the firm</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 yr.</td>
<td>1</td>
<td>0.20</td>
</tr>
<tr>
<td>Between 5 – 10 yr.</td>
<td>124</td>
<td>24.6</td>
</tr>
<tr>
<td>Between 11 – 15 yr.</td>
<td>314</td>
<td>62.3</td>
</tr>
<tr>
<td>Between 16 – 20 yr.</td>
<td>1</td>
<td>0.2</td>
</tr>
<tr>
<td>Between 20 – 25 yr.</td>
<td>2</td>
<td>0.4</td>
</tr>
<tr>
<td>Between 26 – 30 yr.</td>
<td>60</td>
<td>11.9</td>
</tr>
<tr>
<td>Between 21 – 35 yr.</td>
<td>2</td>
<td>0.4</td>
</tr>
<tr>
<td>Total</td>
<td>504</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 50</td>
<td>33</td>
<td>6.50</td>
</tr>
<tr>
<td>50 – 200</td>
<td>194</td>
<td>38.5</td>
</tr>
<tr>
<td>200 – 500</td>
<td>252</td>
<td>50</td>
</tr>
<tr>
<td>&gt; 500</td>
<td>25</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>504</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of industry</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>60</td>
<td>11.9</td>
</tr>
<tr>
<td>Service</td>
<td>32</td>
<td>6.3</td>
</tr>
<tr>
<td>Basic manufacturing</td>
<td>380</td>
<td>75.4</td>
</tr>
<tr>
<td>High Technology</td>
<td>32</td>
<td>6.3</td>
</tr>
<tr>
<td>Total</td>
<td>504</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: own elaboration.

As we can observe in table 2, a vast majority of the firms are between 11 – 15 years old (62.3%), followed up by firms between 5 – 10 years (24.6%). So, the firms participating in this study are well established in the Thai economy.

Firm’s size can affect its market power and thus its ability to dominate the partners in an alliance. Because of this, large firms are likely to seek different types of characteristics than smaller firms in their alliance partners. Size can be measured through number of employees and/or total annual revenue (among other indicators). We used the standard of size measure from the department of industry of Thailand (1999). Attending this standard small firm are those not exceeding 50 employees, medium firms have more than 50 employees but less than 200 and large firms are those having more than 200 employees. Table 2 indicates that 50% of firms that answered the questionnaire have between 200 – 500 employees. However, almost 40% of firms have between 50 – 200 employees.
On the other hand, type of industry could have had some kind of influenced in the establishment of alliances. Hitt et. al. (2000), for example, argued that industry affected the criteria used to make acquisition decisions. Other authors (e.g., Henderson and Mitchell, 1997; McGahan and Porter, 1997) have argued the importance of industry in determining the strategies employed by firms. Based on SIC industries classification and Thai Department of Industry classification, we have categorized four groups: raw materials (feed mills, agricultural process product, wood processing and minerals), basic manufacturing (leather, textile, gem and jewelry, vehicle supplies, heavy fabric, metal, medicine, shoe decorate, plastic), service (wholesale/retail, lodging/entertainment, and general service sectors), and high technology (electronic products, electronics supplies, and telecommunication). The data shows that 75.4% of the Thai firms implementing cooperation agreements belong to basic manufacturing.

Although the classification of industrial sectors is not the same in all the studies, it is common that some of the sectors with the largest number of agreements are related to new technologies of information. However, other sectors, like food and agriculture, finance and energy also have an important number of alliances. This can be explained by the impact of deregulation on those industries (especially finance and energy (Noble, 1994)). All of these factors have created new opportunities for newcomers and have forced firms established in these industries to react to a new competitive environment. In both cases alliances have been a frequent response to these challenges.

Once presented the main characteristics of the firms participating in this research, different aspects related to the implementation of cooperation are analyzed.

Motivations for establishing cooperation agreements

Firms were asked for their motivation for establishing cooperation agreement. The motives driving the proliferation of alliance activity can be broadly grouped into two dimensions (Varadarajan and Cunningham, 1995; Townsend, 2003): first, there are firm level considerations corresponding to strategic factors;
second, there are environmental factors that engender corporate responses, and a realignment of objectives.

The factors commonly used in the literature: the international competence, the continuous technology advance, the reduction of the product life cycle, and the search of flexibility (Mariti and Smiley, 1983; OCDE, 1989; Costa, 1989; Ahern, 1991) were considered and the firms had to mention if they considered these factors as a very important motivation or not.

Table 3. The motivation of establishing alliances

<table>
<thead>
<tr>
<th>Items</th>
<th>Level of importance*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>n</td>
</tr>
<tr>
<td>The international competence</td>
<td>58</td>
</tr>
<tr>
<td>The continuous technology advance</td>
<td>1</td>
</tr>
<tr>
<td>The reduction of the products life cycle</td>
<td>65</td>
</tr>
<tr>
<td>The search of flexibility</td>
<td>2</td>
</tr>
</tbody>
</table>

*From 1 not important at all to 5 very important.
Source: own elaboration.

The data demonstrate that Thai firms consider the continuous technology advance, the search of flexibility, and the international competence as very important motives for implementing cooperation agreements (table 3).

**Number of partners**

Regarding the number of partners, in the empirical literature about strategic alliances, the percentage of alliances with two partners moves around the range of 75 to 85 percent\(^3\). However, it is possible to find studies acknowledging a higher number of partners (Casani, 1995). Precisely, this study shows that alliances receiving public financial aids present a higher number of partners.

On the other hand, and coherent with other studies, research and development alliances have a higher number of partners; while to set up an international alliance

---

\(^3\) See Marangozov (2005) for a list of articles presenting this percentage.
with only one partner is often enough when obtaining access to a new market is the only goal. The only restriction is to select a suitable partner, either with knowledge of the political, economical, social and cultural situation of the country involved, or with access to local distribution networks. In addition, it should not be forgotten that some political regimes impose restrictions on foreign investment and require using one – single – local partner (Fagre and Wells, 1982; Lecraw, 1984; Wallace, 1990; Hines, 1997; Ihring, 2000).

In the case of Thailand, 52% of the firms participating in the study pointed out that, in average, the number of partners in the alliances they were involved is 4; although 41.1% participate in alliances of 2 partners and 6.7% participate in alliances of 3 partners (table 4).

These figures allow us to say that the cooperation agreements established by Thai firms are not going to be addressed, at this moment, for reaching foreign markets but they could be mostly addressed to research and development tasks. We can also understand these alliances as survival tools, so more than 2 partners are usually participating.

<table>
<thead>
<tr>
<th>Number of partners</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>207</td>
<td>41.1</td>
</tr>
<tr>
<td>3</td>
<td>34</td>
<td>6.7</td>
</tr>
<tr>
<td>4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>&gt; 4</td>
<td>262</td>
<td>52.1</td>
</tr>
<tr>
<td>Total</td>
<td>503*</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*One observation did not answer this question. Source: own elaboration.

Nationality of the partners

Table 5 shows the distribution of the cooperative agreements regarding the nationality of the partners. 52.9% of Thai firms participating in collaboration agreements have developed their alliances only with foreign firms while 47.1% established agreements where all, or at least another partner, were from Thailand.
Table 5. Partner of alliance

<table>
<thead>
<tr>
<th>Allied partners</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign</td>
<td>266</td>
<td>52.9</td>
</tr>
<tr>
<td>Domestic or domestic and foreign</td>
<td>237</td>
<td>47.1</td>
</tr>
<tr>
<td>Total</td>
<td>503</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: own elaboration.

The establishment of international alliances is a clear tendency shown by other studies covering different periods of time and using different sources of information (Menguzzato and Renau, 1992; Morris and Hergert, 1987; Ricotta, 1987). This preference for foreign partners could be interpreted as a consequence of the globalization of the economy. In most cases, the formation of strategic alliances has been the reaction to this new environment, as they are a mean for surviving in the new global markets. In the case of Thailand, this tendency is not clearly observed, reinforcing our idea of alliance as a survival tool where Thai firms enter for guaranteeing their survival after an important economical crisis.

Structure of the alliance

In the literature, it is possible to find different classifications for alliance structures (see, for example, Pisano et al., 1988; Pisano 1989; Osborn and Baughn, 1990; Gupta and Singh, 1991; Tallman and Shenkar, 1990, 1994; Gulati, 1995; García Canal, 1996; Butler, Kenny, and Anchor, 2000; Townsend, 2003; Das, 2005; Jagersma, 2005).

Due to the fact that agents participating in exchanges are often forced to rely on incomplete contracts⁴, where the allocation of “residual decision rights” solves the contingencies when they appear, in this paper governance forms will be classified in two main groups attending how residual decision rights are allocated:

- Separated ownership: ownership of the assets is distributed among transacting parties. Each participant possesses individual decision rights

---

⁴ When the contract is written down it is impossible or extremely costly to anticipate all future contingencies, or such contingencies will be unverifiable by third parties (mainly the courts) when they actually occur.
over some of the assets in the relationship. The degree of involvement among the parties is not always the same when the ownership is separated. When this degree is high, although the ownership remains separated, the parties can agree to establish penalties for certain behavior or explicit dispute resolution mechanisms. Therefore, we could consider separated ownership with and without safeguards. Oxley (1997) distinguishes between “bilateral” (less safeguards) and “multilateral” (more safeguards) contracts.

- Joint ownership: each of the two or more transacting parties has veto power on the use of the assets. A 50–50 equity joint venture between two firms would be a form of joint ownership. In this case, the fact that a new firm is created suggests that the market is substituted by the hierarchy. Notice, however, that the governance form differs from the pure hierarchy (hierarchical governance) because in the later assets in both sides of the transaction are owned by a single party; single ownership.

In fact, to hold residual decision rights over the non-human assets of the transaction means to have the rights to decide on any non-anticipated contingency, and matters in terms of incentives to invest more or less in the specific assets, before the transaction takes place.

According to this classification, 82.7% of the firms answering the questionnaire participate or have participated in joint ownership structures, basically in “joint venture” and almost 50% of the firms have also developed separated ownership structures (Table 6).

<table>
<thead>
<tr>
<th>Alliance Type</th>
<th>Num. of firms</th>
<th>Frequency (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint ownership (Joint venture)</td>
<td>416</td>
<td>82.7</td>
</tr>
<tr>
<td>Separated ownership</td>
<td>241</td>
<td>49.9</td>
</tr>
</tbody>
</table>

Table 6. The structure of alliances

Total number of firms: 503.
Source: own elaboration.

Functional areas

Researchers trying to categorize alliances according to the functional area covered tend to classify them using a simplified version of the value chain (Porter
and Fuller, 1986). In this way, we can distinguish between alliances made only for research and development, production or commercial purposes and multiple activity alliances (those created to perform more than one functional activity).

Some studies point out that multiple activity alliances tend to dominate, followed by those with commercial objectives (Dussauge and Garrette, 1991; Rialp and Rialp, 1996). Both of them are the type of alliance chosen when a firm seeks international expansion, according to Dussauge and Garrette’s (1991) findings. However, the importance of these types of alliances is smaller in studies having a European or a worldwide focus. In this case, the most frequent types of agreements are those in the areas of R&D and production. Table 7 lists the wide range of functional areas in which responding Thai firms participated.

Table 7. Functional areas

<table>
<thead>
<tr>
<th>Functional Area</th>
<th>Number of responses</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term agreements relating to marketing</td>
<td>126</td>
<td>25.05</td>
</tr>
<tr>
<td>Distribution</td>
<td>237</td>
<td>47.12</td>
</tr>
<tr>
<td>Production</td>
<td>292</td>
<td>58.05</td>
</tr>
<tr>
<td>Export management or trading companies</td>
<td>203</td>
<td>40.36</td>
</tr>
<tr>
<td>Technology alliances</td>
<td>293</td>
<td>58.25</td>
</tr>
<tr>
<td>Outside contracting</td>
<td>29</td>
<td>5.77</td>
</tr>
<tr>
<td>Purchaser-supplier relationships</td>
<td>238</td>
<td>47.32</td>
</tr>
<tr>
<td>Other</td>
<td>34</td>
<td>6.76</td>
</tr>
</tbody>
</table>

Source: own elaboration.

The results of the survey show that most of these firms have developed strategic alliances in more than one functional area. However, the number of firms developing alliances related to production and technology is remarkable.

**Partners’ behavior**

In the course of a relationship, different events cause the partners to either engage in renegotiation of the terms of the contract, or to modify their behavior unilaterally, in an attempt to restore balance to the relationship (Ariño and De La Torre, 1998). They pointed out that the process feeds back until a new mutual
understanding of equity is restored, or else the relationship deteriorates gradually until a point when the venture is dissolved.

The interviewed firms were also asked about the behavior of their partners in the cooperation agreements. A seven rating scale was also used to rate their partners’ behavior (whether they acted opportunistically) from strongly disagree to strong agree. The survey tried to collect information related to opportunism behavior of the partners, trust, forbearance, and reciprocity.

Opportunism was trapped with two questions. The respondents were asked if their partners provided their firms with a truthful picture of their businesses and if their allied partners seem to feel that it was acceptable to do anything within their means that would help further their organization’s interest. Trust is also covered by 2 questions; whether their allied partners have carried out their duties even if they did not check up on them, and whether partners have sometimes promised to do things without actually doing them later. Forbearance and reciprocity were surveyed by one question each: whether their partners have usually registered a complaint if their organizations fail to meet cooperative agreement, and if allied firms expected an equal exchange of benefits from our cooperative agreement.

Results demonstrate that most of the firms consider that their partners have the right behavior (table 8). Thai firms consider that allied firms have not behaved opportunistically. They believed that their allied partners have provided them with all information about their firms and feel that partners do anything that will help their interests.

Regarding trust, Thai firms did believe that their partners would carry out their duties even if they did not check them up. However, Thai firms did not believe their partners would actually do their job even though they have sometimes promised to do things.
Table 8. Partner behaviors

<table>
<thead>
<tr>
<th>Items</th>
<th>Level of importance*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>N %</td>
</tr>
<tr>
<td>Provide us with a truthful picture of their business</td>
<td>30 5.9</td>
</tr>
<tr>
<td>Seem to feel that it is acceptable to do anything within their means that will help further their organization’s interest</td>
<td>30 5.9</td>
</tr>
<tr>
<td>Carry out their duties even if we do not check up on them</td>
<td>28 5.5</td>
</tr>
<tr>
<td>Have sometimes promised to do things without actually doing them later</td>
<td>32 6.3</td>
</tr>
<tr>
<td>Usually register a complaint if our organization fails to meet our cooperative agreement</td>
<td>123 24.4</td>
</tr>
<tr>
<td>Expect an equal exchange of benefits from our cooperative agreement</td>
<td>54 10.7</td>
</tr>
</tbody>
</table>

*1 strongly disagree to 7 strongly agree.

Source: own elaboration.

Regarding forbearance, the majority of Thai firms seem to be satisfied with their allied even if their organization had not achieved the purposes with the agreement. Finally, most of the firms have expected an equal exchange of benefits from their cooperative agreement. Our data have shown that firms achieved their satisfaction level, even though it was not so high level but acceptable and positive. Therefore, we point out here that the majority of Thai firms have had positive alliances experienced with their allied partners.

**Satisfaction**

Whereas some well-known alliances—for example, Toshiba and Timer Warner, and Merck and AB Astra—have clearly benefited the partner firms, many other alliances have been plagued by unsatisfactory cooperation and poor performance in the marketplace (Das and Teng, 2003). According to some researchers, about 60 percent of alliances can be considered as failures (Beamish, 1985; Das and Teng, 2000). Also, alliances are found to have a lower success rate than formal or single organizations (Bleeke and Ernst, 1991; Kent, 1991). Given
these developments, practitioners and researchers alike are intrigued by the question of alliance performance.

Thai firms participating in cooperation agreements were also asked for rating their global experiences with their allied partners expressing their general satisfaction with these intermediate forms of organization. More precisely, they were asked for rating the firm’s experience with alliance(s), how they would characterize the financial returns produced by their company’s alliance relationships and, finally, how far the alliances had accomplished their expectations. Therefore, three five point scales were used to rate the satisfaction as follows: the first item from number 1, extremely poor, to number 5, extremely good; the second item from 1 = large loss to 5 = very profitable; the last item from 1, very poorly to 5, very well.

Table 9 presents the responses to those survey items assessing impressions of alliance experience. Of the firms responding to these items, the experiences were, in general, good or extremely good (65.5% of responses). However, the financial returns had been profitable or very profitable for not more than 48.4% of the firms. Almost a similar proportion (48.7%) indicated their alliance experiences to be at least as expected.

<table>
<thead>
<tr>
<th>Items</th>
<th>Level of importance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>n</td>
</tr>
<tr>
<td>Your firm’s experience with alliance(s) has been</td>
<td>30</td>
</tr>
<tr>
<td>How would you characterize the financial returns produced by your company’s alliance relationships?</td>
<td>30</td>
</tr>
<tr>
<td>In your overall assessment, how has the alliance(s) performed as compared to your expectations?</td>
<td>56</td>
</tr>
</tbody>
</table>

Source: own elaboration.

In overall assessment, Thai firms are satisfied with their alliance’s experience but firms do need to adjust themselves more with their allied partners to achieve their objectives.
SUMARY, CONCLUSIONS AND LIMITATIONS

In order to detect the main trends in the formation of cooperative agreements and strategic alliances signed by Thai firms, this paper analyses the data obtained through a survey to all the firms in the industrial districts in Thailand. Our analysis has allowed the detection of the following trends in the alliances signed by Thai firms:

- Alliances are implemented by well established firms in the Thai economy, essentially medium or large firms of basic manufacturing industries.

- Thai firms consider the continuous technology advance, the search of flexibility and the international competence as very important motives for implementing cooperation agreements.

- Regarding the number of partners, more than 50% of firms answering the questionnaire point out that, in average, the number of partners in the alliances they were involved is 4.

- The percentage of Thai firms participating in collaboration agreements only with foreign firms is not far away from the percentage of Thai firms establishing agreements with other Thai firms or agreements where at least another Thai firm was among the partners.

- More than 80% of the firms answering the questionnaire participate or have participated in joint ownership structures (basically in “joint venture”) and almost 50% of the firms have also developed separated ownership structures.

- The number of firms developing alliances related to production and technology is remarkable.

- Most of the Thai firms participating in collaborations consider that their partners behave right. They believe that allied firms have not behaved opportunistically, have provided them with all information about their firms and their cooperation has increased organization’s interest.
• Regarding trust Thai firms did believe that their partners would carry out their duties even if they did not check them up. However, Thai firms did not believe their partner would actually do their job even though their partners have sometimes promised to do things.

• The majority of Thai firms are satisfied with their allied even their organization has not achieved the expected result with the agreement.

• Most of the Thai firms participating in agreements have expected an equal exchange of benefits from their cooperative agreement.

• Thai firms participating in cooperation have achieved their satisfaction level, even though it was not so high level but acceptable and positive.

• We point out here that the majority of Thai firms have had positive alliances experienced with their allied partners. The experiences were, in general, good or extremely good and almost 50% of the interviewed firms indicated that their alliance experiences to be at least as expected. However, the financial returns had been profitable or very profitable for not more than 48.4% of the firms.

• In overall assessment, Thai firms are satisfied with their alliance’s experience but firms do need to adjust themselves more with their allied partners to achieve their objectives.

Comparing these characteristics with the trends detected in other empirical studies using databases containing European and worldwide data, common trends exist. For example, in both types of databases there is a clear dominance of joint ventures as the contractual form. Likewise, the number of firms developing alliances related to production and technology is remarkable. Nevertheless, a number of singularities were found. For example, although the establishment of international alliances is a clear tendency shown by other studies covering different periods of time and using different sources of information (Menguzzato and Renau, 1992; Morris and Hergert, 1987; Ricotta, 1987); this tendency is not clearly observed in the case of Thai firms. Likewise, the number of partners participating in
alliances with Thai firms is higher than the average considering other collaboration relationships. Both aspects reinforce our assumption of alliance as a survival tool where Thai firms enter for guarantying their survival after an important economical crisis.

Finally, we would like to suggest some future research directions which are mostly derived from certain limitations of the present study. Clearly, more research is needed into the topic of implementation of cooperative agreements by Thai firms because, although it could sound a triviality, the main limitation of this study is the data. For example, we believe that to precise the nationality of the foreign partner could add value to the analysis related to the partners’ behavior. On the other hand, we have approximated the structure of the alliance attending ownership aspects. We believe that specific information about the selected structure should be obtained and analyzed.

As we have mentioned, it is difficult to collect the right information for developing a deeper analysis and that is the reason why this paper should be considered as the first stone of a long road to be followed for other researchers because we really believe that the implementation of cooperation agreements by Thai firms could be an interesting alternative for Thai firms of competing in a complex environment and any piece of information that the Thai managers could receive would be of high utility.

References


