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# **International Networking Capability on International Marketing Performance of Thai Garment Entrepreneur in CLMV Market**

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#### ABSTRACT

This research had an objective to study an influence of the international networking capability on the international marketing performance of Thai garment industry in CLMV markets. Data were collected from the entrepreneurs, company owner and international affairs manager of garment industry 204 cases using multiple regression analysis. The research's result showed the factors in the international networking capability that had the influence on the international marketing performance comprising 3 factors as partner knowledge, relation skills, and coordination respectively. These 3 factors had the positive influence on the international marketing performance of partner knowledge mostly. Reasoning, the rules, and regulations relating to the foreign entrepreneurs in CLMV markets were inadequately encouraged.

Keywords: International networking capability, international marketing performance, garment.

#### **1. INTRODUCTION**

CLMV (Cambodia, Laos, Myanmar, Vietnam) countries border on Thailand. The government has supported and promoted Thai entrepreneur trading in CLMV countries continuously. Nevertheless, the study by various organizations from both government and the private sector in Thailand found that trading in CLMV countries had multifarious limitations, in particular, a problem of rules and trade licenses for the transnational entrepreneurs (Business research department, Export-Import Bank of Thailand, 2015). Hence, the business network of CLMV markets trading is essential for the entrepreneurs owing to

the trading network aids the entrepreneurs for cooperation with the government sectors and expanding marketing channel.

The garment industry in Thailand is a growing industry continually in CLMV countries market, specifically the export. Its average export rate is 40 percent of national export rate as of 2013 (Ministry of Commerce Thailand, 2016). CLMV countries interest the garment industrial entrepreneurs in trading because the CLMV countries are ASEAN member, have increasing economic growth rate, as well as, the customers in CLMV markets have the culture and lifestyle similar to customers in Thailand. Thus, the product needs, especially the garment, of customers in these countries are increased. Although there is an increased expansion rate in trading by Thai garment entrepreneurs, the garment industrial entrepreneurs have a problem with various restrictions in CLMV countries. Consequently, the international network capability is the essential factor for Thai garment industrial entrepreneurs to recognize.

Referred to studying previous research, the scholars emphasized the importance of the international network capability owing to the network capability supported forming relation with partners in foreign markets to establish and develop the firm position (**T. Mainela & V. Puhakka, 2011**), as well as, it was the cooperative sharing in resources and risks of the firm. Moreover, the research showed the market expansion for the international business running that it was necessary to develop the business network; consequently, the business network drove the foreign market. Therefore the business network had an influence on the firm success or failure, international level in particular (**Stephan et. al., 2015**). The international firm without emphasis on the importance of forming business network resulted in no marketing value added, particularly the firms with a different culture (**Julie et. al., 2016**). Hence the international network capability is the important factor for Thai garment industrial entrepreneurs to increase the marketing value added in CLMV countries.

For the mentioned above reasons, the researcher had been interested in studying a factor of the international network capability that influenced the international marketing performance of the garment industry in CLMV markets. The consequence was recommended to be subsequent guidance for the garment industrial entrepreneurs trading in CLMV countries.

#### 1.1. Objectives of the Study

- To analyze the influence of factor in the international network capability on the international marketing performance of Thai garment entrepreneurs in CLMV markets.
- To indicate the influence of factor in the international network capability on the international marketing performance as a proposal of entrepreneurs from Thailand and other countries for marketing management in CLMV countries.

#### 1.2. Scope of the Study

We have studied the factor of the international network capability influencing the international marketing performance of Thai garment industry in CLMV (Cambodia, Laos, Myanmar, Vietnam) markets. The factors relating to the international network capability were (1) Coordination (2) Partner's Knowledge (3) Internal Communication (4) Relational Skill.

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#### 2. THEORETICAL REVIEWS

**Sullivan Mort et. al., (2005)** studied the foreign market expansion concerning the role of the international network in a small firm. The findings showed that the networking capability played a role in the rapid foreign market expansion, considering the development of knowledge, products and the international marketing performance. The fundamental and secondary international networks are the entrepreneur's capabilities for the small firm, requiring expansion to the global market. Thus, they have to recognize this capability's importance.

**Maciej Mitrega et. al., (2011)** conducted conceptual study on the dynamics of the business network that was required for marketing and formulating strategies. The previous research did not target at a dynamic study of the network capability, therefore this research aimed at creating a dynamic network capability model. They studied from three-stage networking process, which was a relationship initiation, relationship development, and end of the relationship. The research results showed that the dynamic network had an effect on the firm's innovation, quality of business relationship and value of the business relationship that influenced the company performance.

**Breda & John (2011)** examined the relationship between the network resources and international performance. As a result, regarding the development of the international firm, networks affected the resources of the firm. The main barriers to international trading were generally created by developing entrepreneurial skills, expertise and entrepreneurial networking capability. All of them had the positive effect on the international performance. Hence, the entrepreneurs in foreign countries have to perform cooperatively with their partner, develop and implement business strategies, with opportunity for success consequences.

**Kenneth & Ingrid (2014)** research was the influence of network capability in small and medium enterprise performance. The findings indicated the factors in the network capability that influenced the firm's performance; there were 3 factors as the internal communication, coordination, and relational skills. The internal communication referred to sharing of strategic information and resources resulting in cooperative learning among workers effectively for a long and short term. The coordination defined as the activities both within and outside firm. According to rapid change in the economic circumstances, the coordination would be the applicable strategy for competing as well as affected performance of the firm. Regarding the relational skills, it was development of relationship with the partners and networks leading to the performance. These relational skills were built of the trust and the impact of the firms upon their partners. Thus, it is necessary for the firm to have sympathy and position itself where was able to build the trust among the partners. For the firm possessed of building up the confidence in the networks, sharing in strategic resources is its consequence adding the firm's value increasing the firm performance.

**Stephan et. al., (2015)** conducted a study into the performance model for the global firm by making the comparison among the international companies. The model was underpinned by the RBV theory and the internalized network perspective. As a research result, the personal networks of an international firm manager would facilitate international firm expansion, specifically, the global firm with partners coming from the founder or personal networks. Building personal network could help provide the other benefit such as development of the inter-firm network, internalization driving. Due to the main function of networks supports marketing in foreign countries, they are significant for the firm success.

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Julie et. al., (2016) identified the key factors relating to the network capability that enhanced the performance. The finding indicated that the related factors to the network capability were "information sharing", "trust", "network coordination" and "human capital resources". These factors could identify or predict the firm performance. A firm, that was ignorant about forming alliance or network, could not add the economic value. The network capability resulted in different performance for each culture. Each country performance was defined by different factors relating to networks such as: in China "information sharing", in Turkey "trust" and "network coordination" and in Germany "human capital resources".

Basing on the literature review, the significant factors in the international network capability comprise:

*Coordination*; refers to boundary extending of connected resources and activities of the firm with the other firm, with the supportive network consequence. Achim Walter et. al., (2006) mentioned that coordination was the combination of the resources and activities connecting the firm to other firms, including connecting different individual relationships into a network for supportive interactions. Kenneth & Ingrid (2014) defined the coordination that was the combination of resources and activities connecting individual firms together with other firms, in the other hand, connecting different individuals into a mutual network and working encouraged. Moreover, Robert Zacca et. al., (2015) depicted the coordination as facilitating mutually for supportive interactions among the firms.

Relational skill; refers to the social competence relating to the relationship management of the firm. **Kale et. al., (2000)** mentioned that the relational skillwas a social competence which was important for the management of relationships. **Achim Walter et. al., (2006)** defined the relational skill as the important social competency for the firm to manage the relationships. **Kenneth & Ingrid (2014)** mentioned that the relational skill was essential to build trust and confidence to networking partners resulting in their willingness to share the competitive resources. Moreover, **Robert Zacca et. al., (2015)** depicted the relational skill as a competence in communication concerning the adoption to various social situations and the appropriate responses to the stimulation.

*Partner's knowledge*; refers to the information about an organization and structure of the firm's partner. Achim Walter et. al., (2006) referred the partner's knowledge as the structural information and organization about the firm's partners (supplier, customer, and competitor). Kenneth & Ingrid (2014) mentioned that partner's knowledge was the organized and structured information about the partner of the firm. Moreover, Robert Zacca et. al., (2015) depicted the partner's knowledge as the specific approaches to build a relationship and effective coordination into the network.

Internal communication; refers to a share in communicated information for collaborative work within the firm supporting the firm's partner learning. Achim Walter et. al., (2006) mentioned that the internal communication was open and responsive for effective organizational learning with partnerships. Kenneth & Ingrid (2014) defined the internal communication that was sharing of strategic information, resources, and agreement with all employees in the firm to improve coordination between partners and focus efforts at their responsible for the beneficence of the firm. Moreover, Robert Zacca et. al., (2015) depicted the international communication as the collaborative communication within the firm that facilitated assimilating and disseminating the latest information on partners. International Networking Capability on International Marketing Performance of Thai Garment Entrepreneur in CLMV Market

## **3. METHODOLOGY**

This research was a quantitative research. Studying population was the management, entrepreneur, and export department manager of the Thai garment industry in CLMV markets, 416 cases. Sampling based on **Yamane (1973)**, the sample size was 204, subsequently; the actual sample collection was 204 cases equaling100 percent.

Research tool used the questionnaire comprising 76 questions, Seven-point Likert Scale (Likert, 1970) type. The score started with 1 entirely disagree to 7 entirely agree, for example, your business had knowledge about marketing alliance.

The tool assessment was to examine reliability, making by 5 experts in accordance with Index of Item Objective Congruence (IOC) technique. As a result of testing questionnaire's quality, all questions had IOC over 0.6. Furthermore, a value of validity was tested by using Try-out with the similar population, 30 cases, with Cronbach's value of 0.976 consistencies.

Data analysis and statistics for this research involved the descriptive statistics and the inferential statistics. The descriptive statistics were an average, alpha-Coefficient, as well as, the inferential statistics were the multiple regression analysis.

#### 4. RESULTS

#### 4.1. General Information on Population

Thai garment industrial entrepreneurs who are the research samples were 114 females, 90 males, at 44 years of average age approximately, 18 years average business duration, 11 years average international business duration, 8 years average international business duration in CLMV countries. The firms were generally medium and small size.

# 4.2. Result of Research in Influence of International Network Capability on International Performance of Thai Garment Entrepreneurs in CLMV Markets

Table 1 showed the average score; Internal Communication (IN) score as 5.69, Relational skill (RN) score as 5.64, Partner's Knowledge (PN) as 5.56, Coordination (CN) score as 5.55. Concerning all 4 factors, the garment industrial entrepreneurs in CLMV markets expressed the opinion in most level. In addition, the average score of International Marketing Performance (MP) was 5.52 expressing the opinion in the same most level.

Table 1

Basic Statistics and Estimation of Population Factors			
Coordination (CN)	5.55	0.77075	Most
Partner's knowledge (PN)	5.56	0.77078	Most
Internal communication (IN)	5.69	0.82037	Most
Relational skill (RN)	5.64	0.77630	Most
International marketing performance (MP)	5.52	0.80873	Most

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and independent variable					
Variable	CN	PN	IN	RN	MP
CN	1.000	0.717*	0.603*	0.643*	0.559*
PN		1.000	0.656*	0.626*	0.584*
IN			1.000	0.609*	0.467*
RN				1.000	0.553*
MP					1.000

#### Table 2 Correlation Coefficient between International Marketing Performance (MP) and Independent Variable

\*Significant at 0.01 level

Table 2 showed that all independent variables; Coordination (CN), Partner's knowledge (PN), Internal communication (IN), Relational skill (RN); had the significant correlation with the dependent variable, International Marketing Performance, at 0.01 level. The correlation coefficient between variables showed positive correlation resulting in the correlation coefficient from 0.467 to 0.643. The variable with the greatest correlation coefficient to the dependent variable, International Marketing Performance (MP), was Partner's knowledge (PN) as 0.584.

Concerning correlation coefficient from 0.467 to 0.643, the number of correlation coefficient should not over 0.80 to avoid multicollinearity. The research result indicated the correlation coefficient of all variables lower 0.80. Thus, they were perceived as a good variable to analyze multiple regression, tolerance, and VIF for testing the relationship among the independent variables.

Variable ———	Collinearity	y Statistics
	Tolerance	VIF
CN	0.414	2.413
PN	0.392	2.550
IN	0.494	2.026
RN	0.491	2.037

 Table 3

 Tolerance and VIF for Testing Relationship among Independent Variables

Table 3 indicated the tolerance range of 0.392 to 0.494. Due to these tolerance numbers were over 0.2, we perceived that the independent variables had a weak relationship to each other and no multicollinearity which complied with the conditions of multiple regression analysis. Furthermore, VIF (Variance Inflation Factor) was 2.026 to 2.550; which if more than 10, indicating the correlation among the independent variables or the multicollinearity problem. Thus, multiple regression analysis could be carried out.

The factors relating to the network capability had a relationship with the international marketing performance in medium level. The multiple regression coefficient was 0.643 and with 41.40 percent predictive power. Regarding the multiple regression coefficient of the predictor, Internal communication (*p*-value = 0.762) was unable to predict the international marketing performance. The other variables could influence the international marketing performance and were predictive according to the following weight respectively; Partner's knowledge (PN) ( $\beta = 0.287$ ), Relational skill (RN) ( $\beta = 0.242$ ) and Coordination (CN) ( $\beta = 0.186$ ); with a significant at 0.01.

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	Multiple Regression Analysis by Enter Method			
Variable	В	Beta (β)	t	Р
(Constant)	1.531		5.569	0.000*
CN	0.182	0.186	2.738	0.007*
PN	0.284	0.287	4.095	0.000*
IN	0.016	0.019	0.303	0.762
RN	0.231	0.242	3.862	0.000*

Table 4
Multiple Regression Analysis by Enter Method

R = 0.643,  $R^2 = 0.414$ ,  $R^2_{Adi} = 0.406$  P-value < 0.01

The regression equation of raw scores was:

$$MP = 1.531 + 0.182_{CN} + 0.284_{PN} + 0.016_{IN} + 0.231_{RN}$$

According to above equation of multiple regression analysis by enter method, the multiple regression analysis by stepwise method could be subsequently conducted as the following.

Table 5
Multiple Regression Coefficient (R), Coefficient of Determination (R <sup>2</sup> ) and Statistical Significance of
Stepwise Multiple Regression Analysis of Factors in International Marketing Performance

Variable	R	$R^2$	$R^2_{adjust}$	F
PN	0.584	0.341	0.339	159.472*
PN, RN	0.631	0.399	0.395	101.703*
PN, RN, CN	0.643	0.414	0.408	71.985*

\*Significant at 0.01 level

Perceiving the independent variables by analyzing multiple regression equation, the selected variable stop 1, 2 and 3 in accordance with the following stage. The selected best variable for stage 1 was Partner's knowledge (PN); multiple regression coefficient 0.584; predictive power 34.10; statistically significant at 0.01 level. Relational skill (RN) was selected for the stage 2 making the equation coefficient 0.631; predictive power 39.90; statistically significant at 0.01 level. The last selection was Coordination (CN) making the equation coefficient 0.643 and predictive power 41.40.

Regarding importance weight analysis of the variables influencing the international marketing performance, its result could be calculated for the variables' importance weight in the form of the standard score ( $\beta$ ) and raw score (B) as the followings.

Table 6

Multiple Regression Analysis by Stepwise Method			
1.539		5.631	0.000*
0.291	0.294	4.446	0.000*
0.236	0.247	4.107	0.000*
0.186	0.190	2.819	0.005*
	B           1.539           0.291           0.236	B         Beta (β)           1.539         0.291         0.294           0.236         0.247	B         Beta (β)         t           1.539         5.631           0.291         0.294         4.446           0.236         0.247         4.107

R = 0.643,  $R^2 = 0.414$ ,  $R^2_{Adi} = 0.408$ ,  $SE_{est} = 0.62225$ , P-value < 0.01

It was found that Partner's knowledge (PN), Relation skill (RN), Coordination (CN) had multiple correlations with the international marketing performance significantly at 0.01 level, multiple correlation coefficient of 0.643 and could make prediction of the international marketing performance 41.40 percent with the standard deviation of  $\pm 0.62225$ .

Concerning the regression coefficient of predictors, partner's knowledge (PN) could make the most accurate prediction of the international marketing performance with significant at 0.01 level, the regression coefficient of 0.294. The next most accurate predictor was relation skill (RN) that could predict the international marketing performance with significant at 0.01 level, the regression coefficient of 0.247. Coordination (CN) could make the least accurate prediction of the international marketing performance with significant at 0.01 level, the regression coefficient at 0.01 level, the regression coefficient of 0.247.

#### **5. DISCUSSIONS**

As a consequence of researching significant factors in the international network capability affecting the international marketing performance of Thai garment industry in CLMV countries; Partner's knowledge (PN) was the most important factor that influenced the international marketing performance; the next most important factor was Relation skill (RN); and the last factor was Coordination (CN), with significant at 0.01 level respectively.

*Partner's knowledge (PN)* was the most significant factor affecting the international marketing performance. The findings showed Partner's knowledge (PN) had the positive relationship with the international performance. This was in accord with the research of **Achim Walter et. al., (2006), Robert Zacca et. al., (2015), Kenneth & Ingrid (2014)** results that the firm with partner's knowledge had more tendencies to capable business partner that the other firms, due to the firm partner's knowledge build the entrepreneur's confidence in international trading with partner nation, with preventing exploitation consequence. The business partner's knowledge was the most important for Thai garment industry. The reason that, conducting business in CLMV countries, the restrictions on international business or trading by foreign entrepreneurs were quite strict and complicated. For example in some countries of CLMV countries, a trade agreement with federal government didn't mean that the trader could trade with countrywide, but a memorandum of understanding had to be made with the state government of those countries additionally. Hence, having a good and reliable business partner, the firm will know a way, realize the rules. Moreover, the partner, that is capable of building a good relation with the federal and state government, makes the successful garment industrial entrepreneurs.

Relation skill (RN) was the second most factor affecting the international marketing performance. The findings showed the relational skill had the positive relationship with the international marketing performance. This resulted in accordance with research of Achim Walter et. al., (2006), Robert Zacca et. al., (2015), Kenneth & Ingrid (2014) that the relational skill established the relationship, especially the long-term development of the relationship, bringing about the firm's performance. The firm could gain the resources from the relationship through the exchange among partner networks. Development of relation skill was to build the confidence and trust to the partners. For Thai garment industry in CLMV markets, relational skill was the significant factor. The characteristics of CLMV domestic garment market was the low purchasing power, however, in the future, it tends towards the increasing purchase power considered from GDP growth rate. Thus, the entrepreneurs, who would like to marketing in CLMV countries by themselves, have limitations on the purchasing power of the customer. A self-marketing at the present causes the high

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cost, therefore selling by a sales agent, consignment or business partnership are the best channels for the garment industrial entrepreneurs to market faster. Hence, the relation skill is the significant factor owing to improving the relationship between the entrepreneurs and their partners, with the cooperative marketing in CLMV countries consequence.

Coordination (CN) was the last factor affecting the international marketing performance. The findings showed that the coordination (CN) had the positive relationship with the international marketing performance. It was in accord with the study of **Robert Zacca et. al., (2015)** and **Julie 0 et. al., (2016)** that the coordination had the positive influence on the performance of the firm, the investment in particular. **Kenneth & Ingrid (2014)** suggested to the contrary that the coordination had the negative influence on the performance. **Kenneth & Ingrid (2014)** found the coordination involved the integration of benefit sharing. The lower beneficial coordination resulted in the higher performance which encountered opposition from this research. Concerning the Thai garment industry in CLMV markets, the coordination is the significant factor and has the positive influence on the international marketing performance. The coordination is to connect the firms together with the other firms. Customer behavior, distribution channel and characteristic of the cooperative market with the business partner will be learned for developing the strategic marketing and new product to fulfill the customer needs together.

## 6. CONCLUSION AND RECOMMENDATION

## 6.1. Conclusion

The results indicated the significant factors in the international marketing capability of Thai garment industrial entrepreneurs in CLMV markets were the partner's knowledge, relation skill land coordination. For Thai garment entrepreneurs requiring CLMV markets penetration, the most importance was to seek the reliable and trustworthy business partner. Moreover, it was essential to build up the good relationship and coordination with the partners in CLMV countries owing to consumption behavior, rules and regulations of CLMV countries do not support the international trade by foreign business. Hence, to improve the international marketing improvement, the garment entrepreneurs had to emphasize the importance of these factors.

## 6.2. Recommendation

This research was conducted to study factors in the international network capability of Thai garment industrial entrepreneurs in CLMV markets. Consequently, there were 3 variables of the significant factors in the international network capability comprising partner's knowledge, relational skill and coordination. A research in the future should study on the other industries, aside from garment industry, by comparing factors in the international network capability of the other industries within the same market.

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