International Joint Venture Instability:
Reconceptualisation and New Evidence

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September 2013
Abstract

International joint ventures (IJVs) are a popular entry mode for multinational enterprises (MNEs) and are believed to be beneficial to investing firms, local parents and other economic agents in the host country economy. It is, however, also recognised that IJVs suffer from high levels of instability. The past decades have seen the topic of IJV instability being studied extensively from different theoretical perspectives with mixed empirical findings. Two major limitations of previous research were the adoption of only the parents’ perspective and not considering the perspective of international joint venture firms (IJVFs). This research seeks to re-conceptualise IJV instability by adopting an IJVF perspective.

This research builds a conceptual framework that highlights the factors influencing IJV instability on the basis of Transaction Cost Approach (TCA) and Knowledge-Based View (KBV), by adopting an IJVF’s point of view. Three studies are included in this thesis. The first investigates how opportunism, autonomy and tacit knowledge influence IJV instability. The second looks at the relationship between stability and instability. To what extent are they completely opposite concepts? The final project focuses on the understanding of parental opportunism.

The results of the first study find that parental opportunism plays a critical role in influencing an IJV’s instability. The interaction of tacit knowledge and autonomy moderates the effect of parental opportunism on IJV instability. The empirical findings of the second study demonstrate that the factors which influence an IJV’s instability do not always have an inverse impact on its stability. The findings of the third study reveal that tacit knowledge will cause parental opportunism only when an IJVF’s autonomy is at a lower level. This thesis makes the following contribution. It develops three conceptual models from knowledge-based and transaction cost theoretical perspectives, agency theory and resource dependence theory, with IJV instability and stability and parental opportunistic behaviour as dependent variables.
List of Contents

Abstract ................................................................................................................................. 2
List of Tables .......................................................................................................................... 7
List of Figures .......................................................................................................................... 8
Preface ...................................................................................................................................... 9
Acknowledgements .................................................................................................................. 11
Author's Declaration ............................................................................................................. 12
Chapter 1 Introduction ......................................................................................................... 13
1.1 Overview .......................................................................................................................... 13
1.2 Research Background and Gaps ..................................................................................... 16
1.3 Terminology .................................................................................................................... 19
1.4 Research Questions and Objectives .............................................................................. 21
1.5 Research Context ......................................................................................................... 23
  1.5.1 Autonomy, Parental Opportunism, Tacit Knowledge and International Joint Venture (IJV) Instability 23
  1.5.2 The Instability and Stability of International Joint Ventures (IJVs): Reconceptualising, Characteristics, Determinants 31
  1.5.3 Direct and Moderating Effects of Autonomy, Tacit Knowledge and Psychic Distance on Parental Opportunism in International Joint Ventures 36
  1.5.4 China as the Research Context 41
1.6 Research Methodology and Data ..................................................................................... 44
1.7 Structure of the Thesis ..................................................................................................... 46
Chapter 2 Literature Review ................................................................................................. 48
2.1 Introduction ..................................................................................................................... 48
2.2 IJV Instability and IJV Stability ..................................................................................... 49
  2.2.1 Overview ....................................................................................................................... 49
  2.2.3 IJV Stability .................................................................................................................... 52
  2.2.4 Reconceptualisation of IJV Instability and IJV Stability: Towards a Comprehensive Understanding 54
2.3 Parental Opportunism ................................................................................................. 62
  2.3.1 Overview ....................................................................................................................... 62
  2.3.2 IJVF Bargaining Power ............................................................................................... 62
  2.3.3 Transaction Cost Approach (TCA) Perspective .......................................................... 63
  2.3.4 Resource-dependence Theory (RDT) Perspective ...................................................... 68
  2.3.5 Agency Theory Perspective ....................................................................................... 70
  2.3.6 Conceptualising Parental Opportunism ................................................................... 78
Chapter 4 Autonomy, Parental Opportunism, Tacit Knowledge and International Joint Venture (IJV) Instability ................................................................. 142

4.1 Introduction ..................................................................................... 142

4.2 Hypotheses Development .................................................................. 143

4.2.1 Relationship Between Parental Opportunism and IJV Instability .......... 143

4.2.2 Relationship Between IJV Autonomy and IJV Instability ...................... 145

4.2.3 Relationship Between IJV Tacit Knowledge and IJV Instability .............. 148

4.2.4 Interaction of Autonomy and Tacit Knowledge Moderates the Effect of Parental Opportunism on IJV Instability ........................................ 148

4.3 Data Analyses and Findings ............................................................... 151

4.3.1 Model Specification ...................................................................... 151

4.3.2 Hypotheses Testing ...................................................................... 151

4.3.3 Assessment of Control Variables ...................................................... 154

4.4 Discussion and Implications ............................................................... 156

4.5 Limitations and Recommendations for Future Research ....................... 162

Chapter 5 The Instability and Stability of International Joint Ventures (IJVs): Reconceptualising, Characteristics, Determinants ........................................ 164

5.1 Introduction ..................................................................................... 164

5.2 Hypotheses Development .................................................................. 165

5.2.1 Relationship Between Parental Opportunism and IJV Instability & Stability ..... 165

5.2.2 Relationship Between Tacit Knowledge and an IJV’s Instability & Stability ..... 168

5.2.3 Relationship Between psychic Distance and IJV Instability & Stability .......... 170

5.3 Data Analysis and Findings ............................................................... 173

5.3.1 Measurement of Model Validity ...................................................... 173

5.3.2 Hypotheses Testing ...................................................................... 175

5.3.3 Assessment of Competing Models ...................................................... 177

5.3.4 Assessment of Path Difference ...................................................... 178

5.3.5 Assessment of Control Variables ...................................................... 179

5.4 Discussion and Implications ............................................................... 183

5.5 Limitations and Recommendations for Future Research ....................... 189

Chapter 6 Direct and Moderating Effects of Autonomy, Tacit Knowledge and Psychic Distance on Parental Opportunism in International Joint Ventures ........................................ 190

6.1 Introduction ..................................................................................... 190

6.2 Hypotheses Development .................................................................. 191

6.2.1 IJV’s Autonomy as A Moderator Which Influence the Positive Relationship Between IJV’s Tacit Knowledge and Parental Opportunism ........................................ 192
6.2.4 Parents’ Psychic Distance as A Moderator Which Influences the Positive Relationship Between an IJV’s Tacit Knowledge and Parental Opportunism .......... 194

6.3 Data Analysis and Findings .................................................................................................................. 195

6.3.1 Model Specification ......................................................................................................................... 195

6.3.2 Assessment of Direct Effects ........................................................................................................ 197

6.3.3 Assessment of Moderating Effects ............................................................................................... 197

6.3.4 Assessment of Control Variables ................................................................................................. 198

6.4 Discussion and Implications ................................................................................................................. 201

6.5 Limitations and Recommendations for Future Research ..................................................................... 206

Chapter 7 Conclusion ............................................................................................................................... 208

7.1 Introduction ........................................................................................................................................ 208

7.2 Revisiting the Research Questions, Objectives and Findings ............................................................ 208

7.3 Revising the Research Contributions ............................................................................................... 211

7.4 Limitations and Future Recommendations ....................................................................................... 213

Appendices .............................................................................................................................................. 214

Appendix 1: Questionnaire to the First Respondent .............................................................................. 214

Appendix 2: Questionnaire to the Second Respondent ........................................................................... 219

Appendix 3: Questionnaire to the Third Respondent ............................................................................. 225

List of Abbreviations ................................................................................................................................ 231

List of References .................................................................................................................................... 232
List of Tables

Table 1 IJV Instability and Stability from Parents’ Perspective ........................................... 58
Table 2 IJV Instability and Stability from IJVF Perspective .................................................. 60
Table 3 Summary of Parental Opportunism ........................................................................... 82
Table 4 Measurement of Parental Opportunism .................................................................. 105
Table 5 Measurement of Tacit Knowledge ............................................................................. 107
Table 6 Measurement of Autonomy ....................................................................................... 109
Table 7 Psychic Distance Stimuli ......................................................................................... 111
Table 8 Measurement of Instability ...................................................................................... 113
Table 9 Measurement of Stability ......................................................................................... 115
Table 10 Measurement of Control Variables ......................................................................... 118
Table 11 Verification of Non-response Bias ........................................................................ 128
Table 12 Nationality Characteristics ..................................................................................... 130
Table 13 Duration of IJVFrs ................................................................................................... 131
Table 14 IJVF Size .................................................................................................................. 131
Table 15 Industry Characteristics ........................................................................................... 132
Table 16 IJVF Function .......................................................................................................... 133
Table 17 Rotated Component Matrix .................................................................................... 136
Table 18 Descriptive Statistics and Correlation Matrix .......................................................... 139
Table 19 Results for CFA and Construct Validity .................................................................. 140
Table 20 Results of Moderated Hierarchical Regressions ..................................................... 153
Table 21 Results of Hypotheses Tests .................................................................................... 155
Table 22 Results of Hypotheses Tests .................................................................................... 179
Table 23 Standardized Path Coefficient, Model Fit Indices and Significance of Path Differences .......................................................................................................................... 180
Table 24 Path Differences ..................................................................................................... 182
Table 25 Results of Moderated Hierarchical Regressions ..................................................... 199
List of Figures

Figure 1 The Interaction of Parental Opportunism, Autonomy and Tacit Knowledge with Instability .......................................................... 155

Figure 2 The Interaction of Tacit Knowledge and Autonomy with Parental Opportunism ......200

Figure 3 The Interaction of Tacit Knowledge and Psychic Distance with Parental Opportunism .................................................................................200
This study is based on my PhD thesis, which was submitted to The University of York in September 2013. It examines the phenomenon of international joint venture instability and stability and uses structured equation modelling and moderated hierarchical regressions to test various hypotheses regarding the impact of tacit knowledge, parent psychic distance, parental opportunism and autonomy on international joint venture instability and stability. Furthermore the relationship between parental opportunism and tacit knowledge when considering autonomy and parents psychic distance into consideration is also discussed in this thesis.

The thesis answers three sets of research questions. The first set of research questions address the factors which determine an IJV’s instability. More specifically, this thesis suggests parental opportunism, autonomy, and tacit knowledge as the foci of interest and examines whether the three factors have an impact on instability. This thesis investigates the relationship between stability and instability which answers the second set of research questions: What factors contribute to an IJV’s stability and instability? Are the factors that contribute to stability different from the factors that contribute to instability? This thesis provides theoretical understanding and empirical investigation of parental opportunism for answering the third set of research questions: Firstly, does IJVF tacit knowledge play an important role in influencing parental opportunism? If it does, to what extent does IJVF tacit knowledge impact upon parental opportunism?

Chapter one presents a general overview of the thesis. Chapter two conducts a detailed literature review of the subject of IJV instability and stability. Chapter two also proposes a theoretical conceptualising of the opportunism which arises from parents towards IJVF. In addition, this chapter reviews the relevant literature on tacit knowledge, autonomy, and parents’ psychic distance. Chapter three gives specific detail and variations in research methodology.
Chapter four sets out the research framework and relevant hypotheses designed to examine IJV instability. This chapter provides empirical investigation to answer the first set of research questions. Chapter five and six provide empirical investigations to answer the second and the third sets of research questions, respectively. Chapter seven revisits the research questions, objectives, findings, and contributions. This chapter concludes with recommendations for future research.
Acknowledgements

This project would not have been possible without the support of many people. Many thanks to my supervisors, Professor Yingqi Wei and Dr Patricia Murtagh, who have read my numerous revisions and guided me through the PhD process. I would also like to thank the Chair of my Thesis Advisory Panel, Dr Philip Linsley, for his invaluable suggestions, guidance and support.

I am grateful to the University of York Management School’s academic and administrative staff and my fellow students for all their help and encouragement offered during the course of my study.

Finally, I thank my family and numerous friends who have endured this long process with me, always offering support and love. Although not mentioned by name, this project would not have reached this stage without their help.
Author’s Declaration

I hereby declare that this thesis is all my own work except where specified in the thesis by references to other sources. The sources of information and materials that I have used (including the Internet) are fully identified and properly acknowledged, as required by the guidelines. I also declare that no material from or content of this thesis has been submitted for other uses.
Chapter 1 Introduction

1.1 Overview

International joint ventures (IJVs) are a popular entry mode for multinational enterprises (MNEs). Via IJVs, both investing firms and local parents can tap into the other party’s strategic assets/resources and acquire complementary ones. IJVs therefore are considered to be a very important governance structure that enables firms to build new sources of competitive advantage (Harrigan 1988). It is, however, equally recognised that an IJV is an inherently unstable and problematic structure, reported instability rates for IJVs range from 25 to 75 per cent (Yan 1998). Given this interesting paradox, there has been a rapid proliferation of IJV instability research over the past forty years.

Different theoretical perspectives have been applied as theoretical foundations and the empirical results are rather mixed. There are a number of possible reasons, but the following three stand out. The first relates to limitations in the conceptualisation and measurement of the term ‘instability’. More specifically, there are no widely accepted criteria for or measures of instability. There is some debate over whether instability is a measure of performance or a determinant of performance (Yan and Zeng 1999). There is also no consensus over whether instability is even a unique issue for IJVs since instability exists in any business (Yan and Zeng 1999).

The second issue is the reliance on a single theoretical perspective. Existing studies often rely on TCA or KBV, two theories which are still limited. A framework based on complementary theories would also still be limited. In this study, I address the issue of IJV instability by developing a conceptual framework by combining the transaction cost approach (TCA) of opportunism and a knowledge-based view (KBV) of tacit knowledge.
The third issue is that the literature generally treats an IJV as a vehicle for parents’ cooperation. When discussing the topic of instability, the literature is mainly concerned with parent influences (Fang and Zou 2010, Nakamura 2005), thus the IJV’s influence on instability has been neglected. The lack of research on influence from the IJV per se results in telling an inadequate story of IJV instability. This thesis focuses on the influence from an IJV per se and investigates what factors account for IJV instability based on TCA and KBV.

This thesis tests hypotheses using structural equation modelling and hierarchical regressions on primary data collected from IJVs in China. It includes three studies. The first study investigates what influences IJV instability, paying particular attention to parental opportunism, IJVF tacit knowledge and IJVF autonomy. It combines transaction-costs theory, a knowledge-based view and agency theory to develop a research framework to examine how parents’ opportunism, IJVF tacit knowledge and IJVF autonomy influence an IJV’s instability. The second study investigates the factors which influence an IJV’s instability and stability. IJV instability and stability have long been considered the opposite of each other. This view has, however, been challenged in the literature, e.g. by Jiang et al. (2008) and Yan and Zeng (1999). Therefore, the second study seeks a conceptual understanding of IJV instability and stability and conducts an empirical investigation which compares the determinants for instability and stability. The third study addresses the concept of parental opportunism, which is the opportunism that arises from IJV parents towards the IJV. Opportunism has been long considered a factor which influences IJV instability. But the opportunism considered in the literature is concerned only with that which arises between parents, while the opportunism which comes from parents towards the IJV per se is under-researched. The third study looks at how parental opportunism occurs and what the factors and determinants of parental opportunism are.
The rest of this chapter offers an overview of the thesis. The research background is provided in Section 1.2. Section 1.3 introduces the terminology which is used in this thesis. Sections 1.4 and 1.5 introduce the first, second and third studies which include the identification of research gaps, setting out the research questions and objectives and an explanation of the contribution to the field. Section 1.7 provides a brief summary of the research objectives and questions. This is followed by a brief introduction to the research methodology and data in Section 1.6. And in the final part of this chapter, the structure of the thesis is described.
1.2 Research Background and Gaps

Shenkar and Zeira (1987) offer a clear definition of an IJV:

An IJV is a separate legal organisational entity representing the partial holdings of two or more parent firms, in which the headquarters of at least one is located outside the country of operation of the joint venture. This entity is subject to the joint control of its parent firms, each of which is economically and legally independent of the other. (p. 30)

With globalisation, many firms use IJVs as an entry mode to explore new markets. From the perspective of transaction cost approach (TCA), firms choose an optimal governance structure (Hennart 1988) in order to minimise transaction costs, such as the costs associated with collecting information, bargaining with business parents and monitoring their behaviour. An IJV is a hybrid form between market and hierarchy. A market relies on a price mechanism and a hierarchy on a bureaucratic governance system. An IJV can exist when the sum of production and transaction costs associated with joint ownership and sharing control is lower than the costs of transactions relying on markets or those of sole ownership. Thus the focus of attention here is on using economic efficiency as the general decision criterion. The design of the governance structure such as an IJVF exists to support economic transactions. In TCA, it is the structural elements of the IJV that matter, not resources owned and controlled by the business parents. Resources are only important insofar as they are an implicit dimension of asset specificity, a key dimension of transactions.

On the other hand, the knowledge-based view (KBV) recognises that an IJV is an effective mode for firms to access valuable knowledge that they do not own themselves. Knowledge, particularly tacit knowledge, has the characteristics of imperfect mobility, inimitability and substitutability. By forming an IJV, both parties can benefit from value creation. Foreign parents can avoid the
uncertainty associated with local knowledge shortages, thus cooperation with a local partner creates value. Meanwhile the local partner can access new business resources and knowledge. Partnering in the form of an IJV therefore has mutual benefits for the firms involved.

IJVs are inherently unstable and fragile (Yan 1998). There are various motives for firms to be part of IJVs. The different motives of different parents are likely to cause conflicts of interest. An MNE may want to use an IJV to overcome the liability of foreignness by linking up with a local partner with inside market knowledge, deep local connections and other resources that it seeks or to use an IJV as a springboard for further growth once enough local knowledge and assets are accumulated. The local partner may be after the advanced technology and knowledge that comes with the MNE. Then, there may also be national, organisational, cultural or psychic distance issues between parents of different nationalities. As IJVs grow, they may develop their own corporate identity and organisational culture different from their parents, adding to the problems of communication and coordination and creating difficulties for knowledge transfer.

The factors which influence IJV instability have been widely studied, including the initial conditions of an IJV (e.g. Blodgett 1992, Millington and Bayliss 1997, Makino et al. 2007), bargaining power (Inkpen and Beamish 1997, Nakamura 2005), the relationship between firms (e.g. Fang and Zou 2010, Inkpen and Beamish 1997, Nakamura 2005), the performance of the IJVF (Gill and Butler 2003) and the cultural differences between parents (Hennart and Zeng 2002, Malik and Zhao 2012, Park and Ungson 1997b). The empirical findings are mixed and empirical research is often based on a single theoretical perspective, e.g. TCE, KBV, real-option theory or organisation learning theory. This research combines TCA and KBV to examine the factors influencing the instability of an IJV. A further dimension of the thesis is that it proceeds to explore the factors influencing IJV parental opportunism. TCA emphasises the importance of opportunism as behavioural uncertainty between an IJV’s parents (Williamson 1991). Due to tacit knowledge being personal and strongly rooted in individual cognition and organizational social
networks (Inkpen and Dinur 1998, Nonaka 1994), opportunism may occur when transferring tacit knowledge (Kogut and Zander 1993). It is especially interesting, therefore, to examine the drivers of TCE-oriented opportunism from both KBV and TCA perspectives.

Not only are TCA and KBV the influential theories in IJV studies, but they also complement each other. First, the important concepts of TCE, such as asset specificity and uncertainty, are linked to the firm resources emphasised in KBV. For example, TCA asserts that asset specificity creates opportunism that must be resolved through a governance structure, e.g. IJV. However, asset specificity requires transaction-specific investments that create the valuable, rare, inimitable and non-substitutable resources (the core of the KBV argument), which give firms a competitive advantage and impact on IJV instability. Second TCA asserts that firms choose an optimum governance structure to promote economic efficiency. Equally, the same governance structure must allow them to possess the necessary bundles of knowledge-based resources and capture the economic benefits that accrue from these resources, as emphasised by KBV.

Furthermore, adopting the view of agency theory, the benefit of forming an IJV is that the principal (IJV parents) grants authority to the agent (IJVF) to act on behalf of the principal to pursue the principal’s interests (Yan et al. 2002). Agency theory offers explanations of ‘how best to organise relationships in which one party (principal) determines the work, which another party (agent) performs’ (Arnold and De Lange 2004: 753). Agency issues arise when principals grant authority to agents to make decisions that are supposed to pursue the best interests of the principal (Arnold and De Lange 2004). Humans, however, are naturally self-seeking, which leads to conflicts of interest between principal and agent (Jensen and Meckling 1994). Agency theory offers insights into the relationship between principal and agent, and these can be applied to discuss the problems which arise for parents of the IJVF.
1.3 Terminology

Before I start the main thesis, it is important to clarify the terminology used (the list of abbreviations is provided in page 241). This thesis uses the term (1) IJV F to refer to an IJV firm, (2) parents refers to joint venture parents, (3) IJV network (IJVN) is the combination of both IJV firm and IJV parents. In each IJV network, there are at least three firms involved: foreign parent, local parent and at least one IJV firm. The literature often mixes the three concepts (IJV firm, parents’ relationship and IJV network) together and uses the term ‘IJV’ to cover them all. The majority of the IJV literature adopts the perspective of parents to discuss IJV instability. This thesis uses an IJVF perspective to discuss IJVF instability. The reasons for employing the perspective of an IJVF are presented in Chapter 2. The aim of this thesis is to investigate the factors influencing IJVF instability from an IJVF point of view. This thesis does not look at instability at the parent or IJVN level, or at instability of the parents’ relationship. It mainly looks at the instability of an IJVF. Therefore, to be clear, in the rest of this thesis, the term instability means the instability of an IJVF rather than the instability of an IJVN or parents’ relationship. The term IJV includes IJV firm, parents’ relationship and IJV network as a whole.

This thesis uses the term “parental opportunism” instead of “principal opportunism”. This is due to principal opportunism being rooted in agency-theory literature and its main concern being the relationship between principal and agent. In this thesis, however, the main concern is the opportunism of parents towards the IJVF and its impact on IJVF instability; this concern not only relates to the principal(parents)-agent(IJVF) relationship but also the parents-IJVF relationship. Therefore, using the term ‘parental opportunism’ is more appropriate.
The tacit knowledge this thesis looks at is the tacit knowledge which is developed and held by the IJVF, rather than the tacit knowledge developed by the parents. Therefore, the term tacit knowledge refers to the tacit knowledge which is held by the IJVF. Finally, the term autonomy refers to an IJVF’s autonomy.
1.4 Research Questions and Objectives

The main research questions and objectives are listed as follows:

**First Study**

**Research question:** What are the factors that influence an IJVF’s instability?

Three sub-questions are formulated from the main research question. (1) Does parental opportunism influence an IJVF’s instability? (2) Does tacit knowledge in an IJVF influence its instability? (3) How does autonomy in the IJVF play an important role in influencing IJV instability?

**Research objective:** Adapting a view of IJVF to develop a research framework to examine how parental opportunism, an IJVF’s tacit knowledge and autonomy influence an IJVF’s instability.

**Second Study**

**Research question:** Firstly, to what extent are an IJVF’s instability and stability opposite concepts in nature? Second, do these two concepts share the same set of driving forces? More specifically, do parental opportunism, an IJVF’s tacit knowledge and parents’ psychic distance have inverse impacts on an IJVF’s instability and stability?

**Research objective:** Clarifying mixed conceptual understanding and conducting an empirical investigation on an IJVF’s instability and stability.
Third Study

Research question: Firstly, why do parents act opportunistically towards an IJVF? Secondly, what are the factors that influence parental opportunism? More specifically, do the autonomy in an IJVF, the tacit knowledge which is held by the IJVF, and the psychic distance between parents influence parental opportunism? If they do, how do they influence parental opportunism?

The research objective: Developing a comprehensive understanding of parental opportunism in the context of an IJV and determining what factors influence parental opportunism.
1.5 Research Context

Section 1.5 introduces research background, objectives, gaps, questions, contributions, and context for the whole thesis. Section 1.5.1 introduces the first study which identifies the research gaps and sets out research questions, objectives, and contribution. Section 1.5.2 gives an overview of the second study which illustrates the research gaps of the past research on the issue of instability and stability in the IJV context. This section also proposes the research questions, objectives, and contributions in response to the research gaps. Section 1.5.3 provides an introduction to the third study that addresses the under-researched parental opportunism in the context of IJV, followed by proposed research questions and objectives which aim to fill the research gap. Section 1.5.4 illustrates the reasons for selecting China as the empirical context.

1.5.1 Autonomy, Parental Opportunism, Tacit Knowledge and International Joint Venture (IJV) Instability

The factors which determine IJV instability have received ongoing attention in the literature (e.g. Banerjee and Mukherjee 2010, Blodgett 1992, Fang and Zou 2010, Inkpen and Beamish 1997, Millington and Bayliss 1997, Nakamura 2005, Yan and Zeng 1999). The instability which this study focuses on is IJVF instability. This study adopts the view of Fang and Zou (2010), Inkpen and Beamish (1997) and Yan and Zeng (1999) who define IJV instability by noting that ‘An IJV, which currently has experienced conditions, such as contract re-negotiation, that change the relationship between partners or have potential for unpredictable termination in an unplanned or premature way, can be considered as having instability.’
Key factors which are discussed in the literature include: (1) Parents' relationship, such as parents’ learning (Bateson 1973, Fang and Zou 2010, Millington and Bayliss 1997, Nakamura 2005) and interpreter learning (Inkpen & Beamish, 1997), the bargaining power between parents (Inkpen and Beamish 1997) and the competition between them (Das and Teng 2000, Gill and Butler 2003); (2) Parents’ conditions, such as size differences between the parents (Millington and Bayliss 1997) and parents’ cultural differences (Yan and Zeng 1999); (3) External market conditions, such as the foreign investment climate of the host country (Blodgett 1992, Yan and Zeng 1999); (4) IJVF conditions, such as the division of IJVF equity (Blodgett 1992, Millington and Bayliss 1997, Yan and Zeng 1999), IJVF performance (Gill and Butler 2003) and the marketing and production of the IJVF (Millington and Bayliss, 1997).

Despite the richness of the IJV instability literature, it mainly uses a parental perspective to discuss the determinants of instability, while the perspective of IJVs has been largely neglected. For example, Nakamura (2005) pays particular attention to the effect of parents’ learning and relative bargaining power on instability. Fang and Zou (2010) look at the relationship between parents’ joint learning and instability. This is because a major part of the IJV instability literature treats IJVs as a platform or vehicle for parents’ cooperation (Banerjee and Mukherjee 2010, Blodgett 1992, Fang and Zou 2010, Inkpen and Beamish 1997, Millington and Bayliss 1997, Nakamura 2005, Yan and Zeng 1999).

Even though funded by at least two parent firms, an IJVF is an independent entity in terms of economic and legal requirements (Pfeffer and Nowak 1976). In many respects, an IJVF can be seen as an individual firm, especially when considering that it is operating in a host country environment which is different from the home countries of the parents, more often than not (Yan 1998). An IJVF has to manage its own business environment, face challenges and handle suppliers, customers and competitors (Yan 1998). The IJVF may behave as an independent firm and this
plays an important role in influencing its instability. Therefore, when discussing the determinants of IJV instability, one should be concerned not only with the parents’ perspective, but also the IJV’s perspective. To address this research gap, this study investigates three key factors of IJV instability via an IJV perspective: parental opportunism, autonomy and tacit knowledge.

The conventional view held by IJV researchers is that, in an IJV relationship, when the parents’ relationship is damaged or when the parents no longer need the IJV, the IJV will face instability (e.g. Das and Teng 2000, Fang and Zou 2010, Gill and Butler 2003, Inkpen and Beamish 1997, Millington and Bayliss 1997, Nakamura 2005, Yan and Zeng 1999). Transaction cost approach (TCA) has identified important factors that damage the parents’ relationship; these include opportunism between parents and subsequent changes in the parents’ conditions (Hennart 1982, Luo 2007), the parents’ transaction-specific assets invested in an IJV (Kogut 1988), external market uncertainty (Hennart 1982, Kogut 1988, Luo 2007), the parents’ national or cultural distance (Ott et al. 2014, Park and Ungson 1997a), bargaining power or power asymmetry among the parents (Pearce 1997) and information asymmetry (Hennart 1988).

Of particular importance though is a stream of theoretical work that focuses on opportunism between parents as the main driver damaging their relationship. Scholars contend that parents’ opportunism towards each other could increase transaction costs and reduce the trust between parents (Chang et al. 2013, Hennart 1988, Inkpen and Beamish 1997, Luo 2004, Luo 2007, Madhok 1995b, Meschi and Wassmer 2013b, Nippa and Beechler 2013, Park and Russo 1996, Park and Ungson 1997a), which results in destroying the parents’ relationship, along with joint venture instability (Gill and Butler 2003). The literature is, however, mainly concerned with the parents’ relationship and the opportunism which arises among them. The relationship between the parents and the IJV, and parents’ opportunism towards the IJV, has largely been neglected. Parents’ opportunism towards the IJV may sometimes be more harmful as it reinforces the
negative effects on the whole organization due to wrong norms and expectations being set by the parents, thus causing distrust and suspicion (Hoenen and Kostova 2014), which may result in IJVF instability.

To address this research gap, this study makes a first contribution by extending the knowledge on opportunism in international business research. This study seeks therefore to build on transaction cost theory in order to investigate the relationship between parental opportunism and IJVF instability. It intends to document empirically the effects of parental opportunism on IJVF instability within the parents and IJVF relationship. To achieve this goal, this thesis combines agency theory with TCE, and it pays particular attention to ‘principal opportunism’ in the context of an IJV. According to agency theory, principal opportunism refers to the opportunism which arises from a principal with respect to an agent (Dant and Kaufmann 2003, Dant et al. 1996). Building on both agency theory (e.g. Jensen and Meckling 1979) and transaction cost approach (Williamson 1985), it is widely accepted that in a principal-agent relationship, the agent may behave opportunistically towards the principal in order to seek unilateral gains from the principal (Lado et al. 2008). In the opposite scenario, principal opportunism may arise when the principal seeks unilateral gains from the agent (Lado et al. 2008, Yan et al. 2002). For example, in a franchising relationship, the franchisor (principal) may take advantage of a successful franchisee (agent) that shows good performance in operating its local business (Dant and Kaufmann 2003, Dant et al. 1996).

The principal opportunism phenomenon is well researched in the franchising literature (Baker and Dant 2008) and is called ownership redirection (Dant and Kaufmann 2003, Dant et al. 1996). Although the phenomenon of principal opportunism exists, it is still under-researched in the IJV literature. To fill this research gap, this study investigates principal opportunism empirically within the context of IJVs. This study particularly looks at the opportunism which arises from the
parents (principal) towards the IJVF (agent), and it investigate how the parents’ principal opportunism influences IJV instability. In this study, I call the opportunism which arises from the parents towards the IJVF ‘parental opportunism’ rather than ‘principal opportunism’. This is because an IJV involves not only a principal(parents)-agent(IJVF) relationship but also an IJV relationship (foreign and local parents relationship, parents and IJVF relationship). Simply using the term principal opportunism cannot cover opportunism in the context of an IJV. Thus, parental opportunism is selected for use in this study.

The second factor is autonomy in an IJVF. This has long been considered to affect IJVF activities, such as IJVF competitive strategy (Harrigan 1988), IJVF innovation (Zajac et al. 1991), IJVF performance (Glaister et al. 2003, Hill and Hellriegel 1994, Yan et al. 2010), IJVF effectiveness (Newburry and Zeira 1999, Newburry et al. 2003, Park and Harris 2014), trust among parents and IJVF (Fetscherin et al. 2010), IJVF duration (Glaister et al. 2003) and IJVF learning (Park and Harris 2014). Given the rich literature on autonomy influencing IJVF activities, autonomy seems to be a key concern in IJV research. There is, however, little research devoted to investigating the relationship between autonomy and IJVF instability.

Since organizations are considered to maintain their autonomy in order to have control over their domain and key affairs (Gouldner 1959), the issue of autonomy and control in inter-organisational relationships is constantly discussed in the literature (e.g. Aiken and Hage 1968). When firms join an inter-organisational relationship, their autonomy in terms of control over key activities may be weakened due to firms having to compromise with partners in the inter-organisational relationship (Van de Ven and Walker 1984). Both the desire for control and the reluctance to lose autonomy may cause conflicts within the inter-organisation relationship, which is reflected in the organisations’ decision to interact (Oliver 1991). Furthermore, the IJV literature suggests that the IJVF’s desire for autonomy will encourage conflicts between the parents and the IJVF (Beamish
1988, Fey and Beamish 2000, Yan and Gray 1994). Therefore, IJVF autonomy seems to encourage IJVF instability, though the role of IJVF autonomy in IJV instability is still under-researched.

To address this research gap, the second contribution of this study is to seek empirical evidence for the controversial predictions about the impact of autonomy on instability. This study particularly looks at the impact of autonomy on IJVF instability, which is different from past research which has looked at autonomy’s impact on IJVF activities. The first study will look at: first, whether IJVF autonomy has a direct impact on IJV instability; second, whether IJV autonomy plays a moderating role in influencing IJV instability. The reason for looking at this moderating effect is because an IJV can be seen as a platform or vehicle for parents’ cooperation. An IJVF, however, may be granted a high level of autonomy in order to have the power to deal with operational affairs and improve performance (Fang and Zou 2010, Lyles and Reger 1993, Newburry et al. 2003, Taggart and Hood 1999, Yan and Zeng 1999). When an IJVF has a higher level of autonomy, it may operate like an independent firm. Therefore, this study looks at whether the level of autonomy which an IJVF has affects an IJV’s instability and how it affects an IJV’s instability.

Knowledge-based view (KBV) theory suggests that a firm can acquire, transfer and embed context-specific knowledge via IJV network (IJVN) cooperation (Penrose 1959, Rumelt 1984, Wernerfelt 1995). As an important term in the KBV literature, tacit knowledge is a key concern in the IJV literature. Due to the complexity, non-verbalisation and difficulties in codifying, teaching and systemically transferring tacit knowledge, it can only be transferred within an inter-firm relationship (Nielsen and Nielsen 2009, Polanyi 1962, Spender 1996, Zander and Kogut 1995). Therefore, transferring tacit knowledge is seen as a key factor in a cooperative parents’ relationship (e.g. Inkpen 2008, Inkpen and Currall 2004, Nakamura 2005, Park and Harris 2014,
Tsang 2002), which may also play a significant role in IJV instability. Yet the IJV instability literature seems only to be concerned with tacit knowledge from a parents’ perspective (e.g. Das and Teng 2000, Fang and Zou 2010, Inkpen and Beamish 1997, Millington and Bayliss 1997, Nakamura 2005, Yan and Zeng 1999), while considering tacit knowledge from an IJVF perspective seems to be under-researched. To fill this research gap, this study considers the factors from an IJVF perspective and examine whether an IJVF’s tacit knowledge plays an important role in IJVF instability. Therefore, the third contribution this study will make is to extend the knowledge on IJV research by looking at the role of tacit knowledge in an IJVF’s instability.

A fourth contribution this study will make is to solidify the knowledge on IJV research by discovering whether an increasing level of both autonomy and tacit knowledge in an IJVF will change the relationship between parental opportunism and instability. Both autonomy and tacit knowledge may impact on instability and these two factors have also been considered as having some impact on opportunism, thus it will be interesting to look at whether an increasing level of both tacit knowledge and opportunism changes the effect of parental opportunism on instability.

Overall, the first study aims to develop a conceptual framework to examine how parental opportunism, tacit knowledge and autonomy influence an IJVF’s instability by adopting an IJVF perspective. The main research question is: what are the factors that influence IJVF instability? The main research question includes three sub-questions: first, does parental opportunism influence IJVF instability? Second, does an IJVF’s tacit knowledge influence IJV instability? Third, how does autonomy in the IJVF play an important role in influencing IJV instability? The study will make three contributions to the IJV literature: first, examining the relationship between parental opportunism and IJV instability by applying a view of TCA and agency theory; second, examining the direct or moderate role of tacit knowledge in IJV instability by considering this
from an IJVF perspective; third, examining how autonomy in an IJVF plays an important role (direct or moderate) by influencing an IJV’s instability.

Chapter 2 discusses relevant literature on parental opportunism, tacit knowledge and autonomy, and IJVF instability is included to offer a foundation for the research framework and hypotheses development. A research framework and hypotheses development for the first study are proposed in Chapter 4. Chapter 4 presents the statistical steps for conducting data analysis and reports the findings of the first study. A synthesis and discussion of the empirical results and contributions are also presented in Chapter 4.
1.5.2 The Instability and Stability of International Joint Ventures (IJVs): Reconceptualising, Characteristics, Determinants

Both IJV instability and IJV stability have received much attention in the literature. They are often treated as the opposite of each other. However, conceptually, they are not actually two precisely contrasting phenomena. Instability involves dynamic change to the organization (Yan and Zeng 1999), change or dissolution in unplanned or premature ways (Das and Teng 2000, Fang and Zou 2010, Inkpen and Beamish 1997, Yan and Zeng 1999), termination (Millington and Bayliss 1997), contract renegotiation (Blodgett 1992, Grant and Baden-Fuller 2003), liquidation, being sold out or turning to WOS (Wholly Owned Subsidiary) (Banerjee and Mukherjee 2010, Franko 1971, Gill and Butler 2003, Gomes-Casseres 1987) or changes to the control structure (Yan 1998). Stability is linked to IJVF success (Beamish and Inkpen 1995, Dussauge and Garrette 1995, Meschi and Wassmer 2013b, Yan 1998), the potential for reciprocity (Kogut 1989), IJVF performance (Beamish and Inkpen 1995, Dussauge and Garrette 1995, Geringer and Hebert 1989, Meschi and Wassmer 2013b, Sim and Ali 2000, Yan and Gray 1994), parents’ partnership performance (Emden et al. 2005, Yang et al. 2008) longevity or duration (Geringer and Hebert 1989, Roades and Lush 1997, Sim and Ali 2000) and survival (Jiang et al. 2008, Sim and Ali 2000).

Empirically, various indicators are used for instability and stability. For the former, there is/are changes to the division of equity between joint-venture partners (Blodgett 1992), termination (Millington and Bayliss 1997), partial buy-out (or sell-out) of the JV by a JV partner (Banerjee and Mukherjee 2010), unplanned partner exit from the joint venture (Gill and Butler 2003) or IJV agreement or discussion about the possibility of ending the relationship (Fang and Zou 2010). When it comes to stability, the literature seems to treat instability and stability as two sides of the same coin and uses instability measurement to measure stability. For example, Kogut (1988)
measures stability as opposite to the dissolution of a venture, Sim and Ali (2000) and Dietz et al. (2010) treat major changes to the equity division between partners as indicators of stability. The distinction between instability and stability, therefore, is unclear in both concept and empirical measurement (e.g. Das and Teng 2002, De Rond and Bouchikhi 2004, Doz 1996, Ring and Van de Ven 1994).

In addition, the factors that affect instability and stability are unclear in the literature. Key factors which are discussed in the literature include: (1) Parents’ relationship, such as parents’ learning (Bateson 1973, Fang and Zou 2010, Millington and Bayliss 1997, Nakamura 2005) and interpreter learning (e.g. Hamel 1991, Inkpen & Beamish 1997, Park & Ungson 1997), parents’ bargaining power (Inkpen and Beamish 1997), parents’ competition (Das and Teng 2000, Gill and Butler 2003), parents’ dependency (Gill and Butler 2003), parents’ trust (Gill and Butler 2003) and parents’ contribution (Ott et al. 2014); (2) parents’ conditions, such as parents’ size differences (Millington and Bayliss 1997) and parents’ cultural differences (Malik and Zhao 2012, Yan and Zeng 1999); (3) external market conditions, such as the foreign investment climate of the host country (Blodgett 1992, Meschi and Riccio 2008, Yan and Zeng 1999); (4) IJVF conditions and the division of IJVF equity (Blodgett 1992, Millington and Bayliss 1997, Yan and Zeng 1999), equity or non-equity (Starr et al. 2003), an IJVF’s performance (Gill and Butler 2003), marketing and production of the IJVF (Millington and Bayliss, 1997), an IJVF’s function (Makino et al. 2007), and an IJVF’s initial conditions (Makino et al. 2007).

The factors for determining stability are generally mixed with the factors for instability (Deitz et al. 2010, Jiang et al. 2008, Kobernyuk et al. 2014, Meschi 1997). Yan (1998) divides the factors into destabilizing and stabilizing forces. However, this study still treats instability and stability as two side of the same coin. Jiang et al. (2008) separate the determinants of stability from those of instability; however, they do not offer a logical explanation for this separation. Instability
represents the dynamic and multi-faceted process of organizational change (Yan and Zeng 1999) and failure of an IJVF; stability is vital for an IJVF’s success, survival and performance, and it creates the necessary foundations for the IJVF’s development and evolution (Dussauge and Garrette 1995, Inkpen and Beamish 1997). Since both instability and stability are crucial parts of IJVF activities, it is surprising that no research has been devoted to making a conceptual and empirical comparison of them.

This study adopts an IJVF perspective to look at instability and stability, which is different from previous studies which have looked at instability and stability from the parents’ point of view. In the latter view, an IJVF is a platform or vehicle for their cooperation, so instability and stability can refer either to a parents’ relationship of instability/ stability or an IJVF’s instability/ stability, and refer to either two sides of the same coin or represent different aspects of IJVF activities, such as fail, success and performance. In contrast, from an IJVF perspective it is clear that instability or stability can be detected by the IJVF’s current conditions. This study, therefore, proposes that with regard to an IJVF’s instability, ‘An IJV which has experienced conditions such as contract re-negotiation or changes to the relationship between the partners or has potential for unpredictable termination in an unplanned or premature way can be considered as having instability.’ IJVF stability is defined as a ‘relatively stable (developmental) period during an IJV’s operating or maturity mode so that the parents’ goals can be attained’. A detailed discussion on adopting an IJVF view is presented in Section 2.2.

This study reconceptualises IJVF instability and IJVF stability and proposes that these are not in fact fully inversely related; therefore, they should not be treated as two sides of the same coin. It also aims to demonstrate that they are different in character and manifestation. This leads to the first contribution of this research, i.e. to offer comprehensive insights into the different and complex characteristics of instability and stability.
Secondly, this study is going to make a contribution by developing a framework for TCA and opportunism and KBV for tacit knowledge for the simultaneous consideration of instability and stability. This is because TCA for opportunism and KBV for tacit knowledge each effectively addresses the two aspects of relationships which are considered to be crucial for instability and stability: (1) TCA for opportunism offers insight into the transaction costs within an IJV (2) KBV for tacit knowledge is used to explain the learning activities of the parents and how competitive advantage can be created (Steensma and Lyles 2000).

IJV research chiefly relies on TCA and KBV which indicate the critical reasons for success or failure of an IJV and influence the key activities of an IJVF (Arend et al. 2014, Brouthers 2013, Pollitte et al. 2015, Tong et al. 2014). As TCA offers insights into the critical role of an IJVF for parents’ internationalisation (Brouthers 2013), opportunism has long been applied to explain an IJV’s success or failure. As KBV suggests that tacit knowledge is the most strategically important resource and the source of competitive advantage (Grant 1996, Nonaka 1994), the rarer and more valuable the tacit knowledge that a firm has, the greater the chances that a firm can become a success (Arend et al. 2014). Given that TCA for opportunism and KBV for tacit knowledge both offer a theoretical rationale for determining IJVF instability and stability, this study is going to develop a model which compares the effects of opportunism and tacit knowledge on instability and stability. In addition, this study incorporates an agency theory perspective into the model because agency theory has a unique viewpoint in terms of explaining the principal-agent relationship and is suitable for explaining the parents-IJVF relationship.

Past empirical studies have investigated the factors affecting instability (e.g. Banerjee and Mukherjee 2010, Blodgett 1992, Fang and Zou 2010, Millington and Bayliss 1997, Nakamura 2005) and stability (Deitz et al. 2010, Kogut 1989, Sim and Ali 2000) separately. Empirical
research which investigates the two simultaneously is absent. This study, therefore, will make a second contribution by empirically testing a framework for opportunism, tacit knowledge and instability and stability simultaneously.

The third contribution this study will make is to investigate and compare the effects of parents’ psychic distance on IJVF instability and instability. The literature includes the term ‘psychic distance paradox’ (O’Grady and Lane 1996), meaning that psychic distance can have both positive and negative influence on a firm’s internationalisation or operations. This study will conduct an empirical investigation to compare the effects of parents’ psychic distance on IJVF instability and stability.

Overall, the objective of the second study is to improve the conceptual understanding of IJVF instability and stability and conduct an empirical investigation. It aims to answer the two following questions: (1) to what extent are instability and stability opposite concepts in nature? (2) do they share the same set of driving forces? More specifically, do parental opportunism, tacit knowledge and parents’ psychic distance have inverse impacts on IJVF instability and stability?

In Chapter 2, a critical review of IJVF instability, stability and reconceptualization is presented. The data collected and the research methodology are reported in Chapter 3. The structure of a framework to compare the factors which determine an IJVF’s instability and stability is described in Chapter 5. Empirical results and a discussion and interpretation of the results for the second study are also reported in Chapter 5.
1.5.3 Direct and Moderating Effects of Autonomy, Tacit Knowledge and Psychic Distance on Parental Opportunism in International Joint Ventures

Managing opportunism within an international joint venture (IJV) has always been a central topic of interest in international business and strategic management research (e.g. Zhou and Poppo 2010, Deeds and Hill 1999, Luo 2007). Opportunism defined by transaction cost approach (TCA) is ‘self-interest seeking with guile’ (Williamson 1975: 6). It is generally agreed that the harm that results from opportunism in a relationship is due to risks such as misrepresenting the relationship, taking advantage of a partner or distorting the truth (Alchian and Woodward 1988, Hölmstrom 1979). The literature on opportunism in the context of IJVF predominantly focuses on the opportunism arising between parents (e.g. Luo 2007, Madhok 1995a, Madhok 2006, Hennart 1988); an IJVF is treated as a platform for parents’ cooperation and mechanisms are put in place in an IJVF to curb opportunism from one parent to the cost of the other (e.g. Tsang 2002, Fang and Zou 2010).

Little consideration is given to the relationship between parents and the IJVF, and more specifically to the opportunism that may arise from parents in relation to the IJVF. Following on from principal-agency theory, a principal-agent relationship exists when ‘one economic entity (the principal) authorizes the other (the agent) to act on the principal's behalf (Eisenhardt, 1989; Fox, 1984)’ (as cited in Yan et al., 2002: 376). In the context of an IJV, the parents as the principals, the IJVF as the agent and principal (parents) and the agent (IJVF) can potentially behave opportunistically towards one another (Hoenen and Kostova 2014, Lado et al. 2008).
This study describes a phenomenon called ‘parental opportunism’ which occurs “when the IJVF perceives that its parents act opportunistically towards the IJVF in order to benefit themselves at the expense of the IJVF”.

Instead of using the term ‘principal opportunism’, this thesis prefers the term parental opportunism to refer to this phenomenon because principal opportunism is rooted in the agency theory literature and its main concern is the relationship between principal and agent. This study, however, develops the concept of opportunism not only from an agency theory perspective but also based on transaction cost and resource dependency theories. In this regard, the term ‘parental opportunism’ is more suitable for my research topic than ‘principal opportunism’.

In the third study, I focus on principal opportunism in the context of IJV, i.e. parents (principals) behaving opportunistically towards an IJVF (agent), as this indicates both the conflict between principal and agent and the conflict within a whole organisation that can be more crucial than the opportunism which arises between parents. There seem to be four main reasons for principal opportunism, and these reasons suggest a vital position for principal opportunism. First, as well-researched in the agency-theory literature (e.g. Verbeke and Yuan 2005, O’Donnell 2000, Foss et al. 2012), an agent may exhibit opportunistic behaviour due to seeking an economic rent or autonomy from the principal (Foss and Knudsen 2003, Mudambi and Navarra 2004, Foss et al. 2012, Andersson et al. 2007). Principal opportunism may therefore preempt this agent opportunism. Second, similar to the agent, the principal can pursue its own self-interest by acting opportunistically to take advantage of the agent (Foss et al. 2012, Yan et al. 2002, Dant et al. 1996). Principal opportunism may have several causes, such as divergent goals of the principal and agent (Yan et al. 2002) or reflections of the power struggles and internal politics on the principal’s side (Foss et al. 2012), such as multiple principals in conflict or principal-principal conflicts (Young et al. 2008). These four reasons suggest that opportunism on the principal’s side
may be more harmful than on the agent’s side as it exacerbates the negative effects on the whole organization due to wrong norms and expectations being set by the principal, causing distrust and suspicion (Hoenen and Kostova 2014). The existing literature, however, does not address opportunism from the principal’s side in any of the IJV literature.

In addition, there is limited empirical research on the antecedents of parents’ principal opportunism. Despite both the IB and strategy literature having empirically investigated the factors causing principal opportunistic behaviour using different units of analysis (e.g. Baker & Dant 2008, Hoenen & Kostova 2014, Lado et al. 2008), the majority of the literature mainly focuses on franchisor opportunism. No research has been devoted to an empirical examination of the antecedents of parents’ principal opportunism. In summary, there are two major research gaps in relation to parents’ principal opportunism: first, the absence of any conceptualisation of parents’ principal opportunism; second, an empirical gap regarding the antecedents of parents’ principal opportunism.

This study seeks an overall understanding of parents’ principal opportunism by developing a view based on TCE, agency theory and resource-dependent theory (RDT). An IJV relationship involves one agent (IJVF) and at least two principals (foreign and local parents). Simply using any of TCE, RDT and agent theories to explain parents’ principal opportunism may be inadequate. This thesis, therefore, combines all three theories to offer a more comprehensive understanding of principal opportunism in the context of an IJV relationship.

To fill the empirical gap, this study examines three focal variables: first, autonomy causes inter-partner conflict since organizations normally wish to retain their autonomy even in a cooperative relationship (Fey and Beamish 2000, Van de Ven and Walker 1984). The loss of managerial
autonomy within an inter-organizational relationship will provoke opportunistic behaviour (Provan and Skinner 1989). Therefore, it is interesting to look at whether the loss of managerial autonomy on the parents’ side within a parents-IJV relationship will provoke parental opportunism.

Second, *tacit knowledge* is personal and strongly embedded in individual cognition and organisational, social networks (Nonaka 1994, Inkpen and Dinur 1998). Tacit knowledge is difficult to transfer due to the strength of the embeddedness of tacit knowledge, which can be arduous for other firms to obtain (Nielsen and Nielsen 2009, Killing 1980, Stopford and Wells 1972). Unobtainable tacit knowledge can pose significant and arguably insurmountable problems for transferring or sharing knowledge within a relationship (Szulanski 1996), thus creating conflict that acts as a stimulus to opportunism. In this regard, this study includes tacit knowledge as the second focal variable.

Third, *psychic distance* between the foreign and local parents, according to TCE, is a problem of opportunism that is compounded in the context of distance, in relation to knowledge-sharing and transference (Adarkar et al. 1997, Lowen and Pope 2007, Makino et al. 2007). Psychic distance is widely accepted as ‘the sum of factors preventing the flow of information from and to the market’ (Johanson and Vahlne 1977: 24). A great psychic distance between the parties seems to encourage their opportunism (Barkema and Vermeulen 1997, O'Grady and Lane 1996). This study investigates the effects of psychic distance on parental opportunism by considering psychic distance as a moderator of the relationship between tacit knowledge and parental opportunism.

Overall, the third study aims to conceptualise parental opportunism in the context of an IJV and empirically investigate the factors that influence parental opportunism. Furthermore, the third
study aims to answer two research questions which aspire to make both conceptual and empirical contributions: firstly, why do parents act opportunistically towards the IJVF? Secondly, what are the factors that influence parental opportunism? More specifically, do autonomy in an IJVF, the tacit knowledge which is held by an IJVF and the psychic distance between parents influence parental opportunism? If they do, then how do they influence parental opportunism? In addressing these two questions, this study will make two significant contributions. First, this study will offer a comprehensive understanding of parental opportunism by combining perspectives from several theories. Second, it will make an empirical contribution by empirically examining the effects of IJVF autonomy, tacit knowledge and psychic distance on parental opportunism.

To answer the third research questions, in Chapter 2, this thesis conducts a literature review and conceptualises parental opportunism. This thesis structures a research framework and hypotheses according to the causal relationship between parental opportunism and the focal variables in Chapter 6. The data analysis and empirical results are reported in Chapter 6, which also includes a discussion of the study’s contributions and limitations and future research directions.
1.5.4 China as the Research Context

This thesis investigates 203 Chinese–foreign IJVFs in China. China is chosen as the research context for the first study as an emerging market is considered to be more uncertain and unpredictable in terms of turbulent political, institutional and economic conditions than a developed market (Burgers and Padgett 2009, Fang and Zou 2010). IJVFs in an emerging market, therefore, face more instability, such as unplanned and premature changes or termination (Fang and Zou 2010). China is also suitable for the research framework because it is the second largest economy in the world (Barboza 2010, Zhang and Liu 2009), and it attracts a significant amount of foreign direct investment (FDI) (Fang and Zou 2010). Thus, IJVFs in China are a significant and growing economic phenomenon that is of timely concern to managers. As a transitional economy and the largest FDI recipient (Peng 2006), China offers the perfect scenario to examine the effects of parental opportunism, IJVF autonomy and IJVF tacit knowledge’s influence on IJV firm instability.

I select China as research laboratory for the second study for the following reasons. First, as an emerging market, China has enjoyed a dynamic transition and rapid integration into the global economy, which makes it a suitable case for investigating the managerial issues in an IJV (Meschi and Wassmer 2013a). As for instability, in order to adapt to an unstable and uncertain institutional environment and a rapidly changing market, some IJV parents adopt a short-term view of their IJVF, which leads to IJVFs becoming unstable in China (Luo 2000). Regarding stability, optimism about the Chinese market, such as investment opportunities, the economic growth rate and favourable investment policies, has caused parents to adopt a more long-term view of their IJVF, thereby stabilizing their IJVFs (Yan and Zeng 1999).
Second, IJVs in emerging markets, especially in China, are generally facing massive, complex changes in a variety of institutions; these changes create the conditions for IJVs facing uncertainties, such as ‘the changing dynamics of the IJV partners’ relationship, cross-cultural or psychic differences in business practices, fast-changing market conditions, and weak institutional and legal environments’ (Fang and Zou 2010: 906). Such dynamic and uncertain conditions have been thought to raise the importance of managerial opportunism, tacit knowledge and the psychic distance between partners, which lead to IJVs’ shorter lifespan, unplanned and abrupt termination or failure (Child and Yan 2003, Cuypers and Martin 2010, Inkpen and Beamish 1997, Li et al. 2002, Luo 1997, Meschi and Wassmer 2013a). In other words, IJVs’ instability in China tends to be impacted upon significantly by opportunism, tacit knowledge and psychic distance.

In contrast, since high-risk emerging markets can bring high returns for investors, this incentive allows parents to retain IJVs in order to gain high returns, which in turn stabilizes IJVs. Therefore, the risks affecting IJV instability may not necessarily influence stability in emerging markets. As a result, China offers a suitable context to test my research framework.

Finally, China is a suitable research context for the third study since, in emerging economies such as China, law enforcement is generally weak (Delios and Henisz 2000), along with varied enforceability across regions (Brown 1997). Weak legal protection in emerging markets increases uncertainty and insecurity in terms of property rights and legitimate returns and disturbs fair competition (Delios and Henisz 2000), which in turn increases transaction costs and information processing costs. Uncertainty and insecurity affect transaction costs and information processing costs which means there is a substantial opportunity for this research to investigate the effects of psychic distance and tacit knowledge on opportunism.
Moreover, since legal institutions to support market transactions are not well established, the institutional environment brings high risks for parents conducting business (Luo 2000). Parents may treat an IJVF as a tool for short-term goals (Luo 2000), and after parents utilize an IJVF to a great extent, they no longer need it. The short-term view of the parents of an IJVF tends to increase the conflict between parents and the IJVF.

In addition, principal opportunism is more likely to occur in an emerging market than in a mature one. Principal-principal conflicts can be more serious in emerging than mature markets due to legal enforcement being more difficult in emerging markets; thus it is harder to enforce a principal-principal joint contract (North 1990, Wright et al. 2005). Due to this difficulty, principal opportunism is more likely to occur in an emerging market.
1.6 Research Methodology and Data

A quantitative approach is applied to the three empirical studies in the thesis. Measurements of the construct are developed by a scale development procedure, as recommended by Hinkin (1995). The survey instrument is developed by paying careful attention to common methods of variance (Hill 1990, Podsakoff et al. 2003, Podsakoff and Organ 1986). This thesis employs several steps to collect data, most of the steps follow the suggestions made by Dillman (2000). Two pilot tests were run before large-scale data collection to ensure clarity in the questionnaire (Emory and Cooper 1991). A total of 283 questionnaires were returned by IJVs in five major Chinese cities, which represents a 28.3% initial response rate. After examining missing data and assessing data validity, 203 cases were included in the final data set.

To produce valid and reliable results, construct validity is extremely important (Hair et al., 2006). The assessment of converging validity and discriminant validity follow the suggestions of Hair et al. (2006). A moderated hierarchical regression is employed to undertake direct and three-way interaction for the first study. This thesis uses SPSS 21 to calculate results and hypotheses are tested by calculating the significance of t-values and standardized beta coefficients. To interpret the results of three-way interactions, this thesis uses a typical process for interpreting three-way interactions by following Stewart and Barrick’s (2000) suggestions.

Structural Equation Modelling (SEM) is employed to test my hypotheses for the second study. To ensure the validity of the measurement and structural models, model fit indices are applied to assess model validity (as recommended by Bagozzi and Yi 2012, Byrne 2013, Hair et al. 2006, Holmes-Smith et al. 2004, Hulland et al. 1996, Kline 2005, Lin and Wang 2006). Hypothesis testing is carried out by examining t values and path-coefficient estimates (Byrne 2013, Hair et al. 2006). Indirect effects are tested by SEM with a bootstrap method.
The primary research objective of the third study is to discover the antecedents of parental opportunism. In this study, I employ a moderated hierarchical regression technique to uncover relationship between key factors and parental opportunism.
1.7 Structure of the Thesis

This thesis comprises seven chapters. The following describes the content and objectives of each chapter. This thesis aims to answer three research questions that lead to three studies. Therefore, each chapter is more or less related to all three studies.

Chapter 1 – Introduction

This chapter gives an overview of the thesis and identifies the context for the three studies of the thesis. It also introduces the methodology for and structure of the thesis.

Chapter 2 – Literature Review

This chapter conducts a review of IJVF instability and stability and offers reconceptualised definitions for these two concepts. This chapter conceptualises parental opportunism and aims to provide an understanding of this concept. It also reviews relevant material on tacit knowledge in the IJV literature, followed by reviewing autonomy and psychic distance in the same literature.

Chapter 3 – Research Methodology

The research methodology covers details and variations in methods and analytic techniques contingent on each topic of the empirical chapters. This chapter contains four main sections: a) the methodological approach to measurement; b) data collection, sampling, scale development and ethical approval; c) data validity, which includes non-response and normality tests and outlier detection; and d) sample characteristics, including IJVF size, age, parent nationalities, IJVF function and industry. This chapter also reports the assessment of measurement validity for the key constructs.

Chapter 4 – Autonomy, Parental Opportunism, Tacit Knowledge and International Joint Venture (IJV) Instability
This chapter investigates the effects of autonomy, parental opportunism and tacit knowledge on IJV instability. It develops a framework of parental opportunism, autonomy, tacit knowledge and instability and tests it by using a sample of 203 Chinese-foreign joint ventures in China.

Chapter 5 – The Instability and Stability of International Joint Ventures (IJVs): Reconceptualising, Characteristics, Determinants
This chapter tests and compares the ascendants of IJVF instability and stability. It develops a framework for IJVF instability and stability and uses structural equation modelling to find out whether parental opportunism, tacit knowledge and psychic distance have inverse impacts on IJVF instability and stability.

Chapter 6 – The Effects of Autonomy, Tacit Knowledge and Psychic Distance on Parental Opportunism in International Joint Ventures
This chapter proposes a framework of factors that influence parental firm opportunism and reports on the rationale for hypotheses development. It also describes in detail the data analysis steps, the result of hypothesis testing and interpretations of the findings.

Chapter 7 – Conclusion
This chapter revisits the research questions, objectives and findings and summarises the research contributions. Finally, it discusses the limitations of the research and makes recommendations for future research to draw the thesis to a close.
Chapter 2 Literature Review

2.1 Introduction

This chapter conducts a literature review for this thesis. Section 2.2 reviews the literature on the concept of IJVF instability and stability, discusses the limitations of past research, and then reconceptualises IJVF instability and stability, along with proposing new definitions. Section 2.3 reviews and discusses the relevant literature on parental opportunism in terms of transaction cost economics, agency theory and resource dependence theory. It explains how the three theories are conceptually applied to parental opportunism, followed by discussing the limitations of applying the three theories to explain parent opportunism. The rest of this chapter reviews the relevant literature on tacit knowledge, autonomy and psychic distance in the context of IJV.
2.2 IJV Instability and IJV Stability

2.2.1 Overview

The primary focus for Section 2.2 is the concepts of instability and stability in IJV. It is widely discussed in the literature that IJVF are prone to high levels of instability. Yet this hybrid organisational form is seen as a route to building new sources of competitive advantage, it is very popular. This is an intriguing paradox with important international business and management implications. IJV instability has been studied extensively from different perspectives and with mixed empirical findings. A major limitation of previous research was its treatment of the instability concept. Most research begins from implicit assumptions that instability is a negative phenomenon and termination is an indication of poor performance. This chapter rejects these ideas and considers a different conjecture: a) termination can be the result of successful completion of IJV objectives ahead of expectations; and b) instability is not always a devastating phenomenon but can be a locus for learning and knowledge development, and as such, periods of instability can be rectified without negative consequences for the duration of the IJV arrangement.

IJVF stability also has been studied in a member of conceptual and empirical studies. A major limitation of stability research is its treatment of the instability concept. The literature often mixed the concepts of performance, success, duration, or the inverse of instability, and has yet to offer a clear definition of stability based on the nature and characteristics of this concept.

Therefore, given the limitations of the literature, this chapter offers a comprehensive understanding and reconceptualising of these two concepts. Furthermore, adopting a certain view of IJV firms, this chapter defines that: "An IJV which has experienced conditions such as contract re-negotiation that changes the relationship between partners or that has the potential for
unpredictable termination in an unplanned or premature way can be considered as having instability” and “an IJV’s stability is a relatively stable (developmental) period when goals can be carried out”.

2.2.2 IJV Instability

Numerous studies have defined IJV instability differently. These can be classified into three approaches: outcome-oriented, process-oriented (Yan and Zeng 1999) and a more comprehensive view. With the outcome-oriented approach, a narrower view judges instability according to a venture’s final outcome, including termination, dissolution, selling out and acquisition (e.g. Banerjee and Mukherjee 2010, Franko 1971, Gill and Butler 2003, Gomes-Casseres 1987, Millington and Bayliss 1997). Process-oriented definitions take a broader perspective which treats notable changes during the lifespan of an IJV as a proxy for instability, such as contract renegotiations, equity change, power shifts or reconfigurations (e.g. Blodgett 1992, Das and Teng 2000, Inkpen and Beamish 1997). Some of the literature uses this approach but further emphasises that notable changes have to be undesirable (e.g. Inkpen & Beamish) and stresses the unplanned and premature character of instability (Yan and Zeng 1999).

Yan and Zeng (1999) offer a more comprehensive view which, first, suggests that using change as a proxy to detect an IJV’s instability is problematic since change in an IJV is normal. Change in an IJV allows it to adapt quickly to the external environment and deal with challenges to the source of the IJV (Killing 1983, Doz, 1996). Conversely, to use no change as proxy for an IJV’s stability is also problematic since it is abnormal for an IJV to remain unchanged during its lifespan. An unchanged IJV implies a lack of ability for it to adapt itself to turbulence and unpredictability.
Second, they propose that instability is a dynamic process which cannot be detected solely by a static outcome. In their view, it should be detected, measured and observed by ‘the way in which original behavior, status, or structure is altered over time and the causes behind the observed changes are to be revealed’ (p.406). In their view, a process-oriented approach provides an understanding of an IJVF’s dynamic development and an outcome-oriented approach has consequences for that development. Therefore, they suggest that a combination of both process-oriented and outcome-oriented approaches to study IJVF instability is necessary.

Third, they view instability as a multifaceted concept which includes changes to the ownership/control structure and inter-partner relationship, IJVF contract renegotiation, the IJVF redirecting its strategic foci, reconfiguration of the venture's ownership/control structure and the parents’ relationship. Overall, a more comprehensive definition includes both outcome-oriented and process-oriented approaches and defines instability as a dynamic, changeable and diverse scenario which concerns not only the outcome of the IJVF but also contract renegotiations, equity changes, power shifts or reconfigurations (Yan & Zeng 1999). This view requires a long period of observation to detect change processes within an IJVF.

However, all of these definitions have their weaknesses. From an outcome-oriented perspective, the termination of an IJV may be because aims and objectives have been attained ahead of time and thus may well represent an IJVF's success and not its failure (Gomes-Casseres 1987). Alternatively, the termination of an IJV may be consistent with the original plan and not because of instability (Kogut 1989, Inkpen & Beamish 1997). In a process-oriented approach, an organisational change perspective views instability as the natural state of things, as firms are always changeable or reproducible in nature (Poole and Van de Ven 1989). Finally, in a comprehensive approach, adopting a perspective that includes both output-oriented and process-oriented approaches merely incorporates their weaknesses; it also has another drawback in that it
would require a longitudinal study to capture dynamic change which would limit the number of cases that could be examined, with no guarantee of success.

2.2.3 IJV Stability

Compared with the well-developed stream of IJVF instability literature, there are far fewer studies that address IJV stability. Most of the literature defines stability in one of two ways. Firstly, stability is the converse of instability. For instance, Kogut (1989) uses the measurement of instability to detect stability. Park and Ungson (1997b) see stability as a situation in which instability conditions, such as unexpected termination, through a dissolution, a sell-off or an acquisition, do not happen. Other studies treat no major change in an IJV as evidence of stability (Deitz et al. 2010, Rhoades and Lush 1997, Sim and Ali 2000). Occasionally, some literature reviews stability and offers a conceptualisation on stability but inappropriately conducts an empirical study on the failure of an IJVF (e.g. Meschi and Wassmer 2013a).

The second group mixes the stability concept with IJVF success, performance, longevity or duration, or survival (e.g. Beamish and Inkpen 1995, Dussauge and Garrette 1995, Meschi and Wassmer 2013a, Sim and Ali 2000, Yan and Gray 1994). It is suggested that the factors which lead to success, performance, longevity, survival and stability are identical, or that these constructs influence one another (e.g. Jiang et al. 2008, Meschi and Wassmer 2013a). However, for the following reasons, an IJVF’s stability, such as success or performance, may result in instability, such as termination, contract renegotiation and equity change. Firstly, the parents’ goal is achieved and the parents do not want to keep the IJVF anymore; therefore, the IJVF is terminated. Secondly, after the parents’ goal is achieved, they may want to re-negotiate the IJVF contract or a change in equity to achieve the next goal. With this concern, an IJVF’s stability may result in IJV instability.
A few studies also define IJVF stability as the period before the parents achieve their goal(s). For example, if the parents’ goal is mutual learning, the IJVF must undergo a relatively stable (developmental) period so that the parents’ learning aspirations can be realised (Fang and Zou 2010, Inkpen and Beamish 1997, Jiang et al. 2008). Stable cooperation between the parents is therefore maintained for the mutual benefit of all partners, due to the reciprocal relations between them (Kogut 1989). This definition provides a clearer conceptualisation of stability but also avoids the weaknesses of the above two categories: treating instability and stability as opposites of the same construct, or conflating IJVF success with stability. However, this definition exists largely at the conceptual level and has yet to be operationalised (e.g. Kogut 1989, Yan 1998, Yan and Zeng 1999).
2.2.4 Reconceptualisation of IJV Instability and IJV Stability: Towards a Comprehensive Understanding

Very little existing research pays attention to the link between IJVF stability and instability. Most treat them as two sides of the same coin. However, Yan and Zeng (1999) adopt the viewpoint of Poole and Van de Ven (1989) and argue that organizations are not stable in nature, a changeable organisation is a necessary pre-requisite that allows the organisation to adapt to the changeable environment; therefore, instability should come as no surprise. The rationale from an organizational change perspective therefore assumes that instability exists in any IJVF as a natural course of events and stability need not be addressed, since it is not a natural part of organisational life (Poole and Van de Ven 1989). From the viewpoint of an IJV parent, changes are normal and necessary to adapt to turbulence and unpredictability. Thus, organizations are not stable in nature; a changeable organisation is a positive phenomenon that allows effective organisational adaptation (Poole and Van de Ven 1989). Therefore, no discussion about an IJVF’s instability or stability is necessary.

This research asserts, however, that an IJV or an IJVF is a particular type of largely temporary governance form that is not subject to the same contingencies, since it is not entirely subject to the market, having some elements of shelter due to hierarchy. From the viewpoint of an IJV network (IJVN),1 therefore, any change which is related to an equity agreement, termination, contract renegotiation, sell out or the parents’ relationship should be seen as evidence of instability, because these kinds of change directly reflect on an IJVN’s fundamental organisational state. A discussion of IJVF stability is also necessary, if taking an IJVN perspective, because

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1 In this research, I distinguish IJV firm and IJV network. IJVF refers to the IJV firm, parents refers to the IJV parents, IJVN refers to the IJV network. Each IJV network includes both IJV parents and IJV firms.
parents’ unchanged decisions about an IJV exist, such as prolonging the IJV’s lifespan, which directly implies that an IJV is in a stable fundamental organizational stage.

From the perspective of an IJV that has been set up by parents, this thesis takes the view that “An IJV, which currently has experienced conditions, such as contract re-negotiation, that change the relationship between partners or have potential for unpredictable termination in an unplanned or premature way, can be considered as having instability.” This definition is based on a comprehensive view that avoids their drawbacks. From an IJV perspective, no matter what reasons make things happen in the IJV, if it currently experiences conditions, such as contract re-negotiation or a power shift, it can be considered as experiencing instability. Past research argues that instability may not necessarily be negative. Instability may be the result of positive factors that lead to a positive outcome (Blodgett 1992, Gomes-Casseres 1987, Yan 1998); for example, termination may be consistent with the original plan and not be because of instability (Kogut 1989). However, this argument fails to distinguish between the perspectives of parents or IJVs. From the perspective of the parents, termination may be due to the IJV successfully achieving its goals; therefore, termination does not mean instability. However, from the perspective of the IJV, it may be quite clear that the termination of an IJV in a premature way should be seen as instability.

In a process-oriented approach, from a parent perspective, notable premature changes during the lifespan of an IJV are treated as a proxy for instability (e.g. Blodgett 1992, Fang and Zou 2010, Franko 1971, Hamel 1991, Inkpen and Beamish 1997, Kiliing 1983, Lee and Beamish 1995). However, changes in organizations are normal and part of the natural order of things since firms are always changeable or reproducible in nature (Poole and Van de Ven 1989). From a parents’ perspective, parents making changes to an IJV is normal and natural. Parents take the initiative for making changes. However, from an IJV point of view, an IJV has little control over parents’
changes, or an IJV may be forced to change by its parents, whereby instability is more likely to be a negative sign for an IJV.

In a comprehensive approach, from the parents’ point of view, instability is a dynamic process and must include concepts that can be detected by both major changes in the IJV and the outcome of the IJV. Therefore, a comprehensive view suggests a combination of both process-oriented and outcome-oriented approaches to detect instability. However, since the foregoing discussion suggests that both outcome-oriented and process-oriented approaches have their drawbacks from a parents’ point of view, separating out the viewpoint of parents is necessary for a comprehensive view. From the parents’ perspective, unplanned and premature changes, unpredicted termination and sell-out are normal in order to respond to the changeable external and internal environment and match parents’ changeable needs. From an IJV perspective, unplanned and premature changes, unpredicted termination and sell-out are undesirable, and so an IJV may reluctant to agree to these changes by parents. Therefore, instability is clearly a negative sign from an IJV point of view. Tables 1 and 2 describe and compare the perspectives of the parents and the IJV.

The above reconceptualisation of instability and stability therefore suggests that instability is a point, or an event which happens, in an IJV, but stability refers to a period which can be at either long or short. Instability and stability can therefore coexist and influence each other. An unstable point or event can influence a stable period, given that the unstable event can decrease the level of stability which the stable period should have. Unstable events, such as equity change, power shift or parent conflict, may decrease the parents’ willingness to achieve the original goal. Once the motivation for the goal being achieved decreases, the level of stability of the IJV also decreases. Conversely, a stable period can prompt unstable events to occur.
During a stable period, the parents’ goals have not yet been achieved. The parents will prefer to protect the IJVF from unstable events which might damage the IJVF so that the parents’ goals can continue to be achieved. In addition, during a stable period, the parents’ goals have not yet been achieved. In order to achieve their goals, parents will want to deal with any problems that might damage the IJVF. Therefore, during a stable period, the parents are supposed to minimize unstable events and thus protect their IJVF. In this regard, I propose “an IJVF’s stability is a relatively stable (developmental) period during which goals can be worked towards”. Redefinitions of instability and stability are proposed and compared in Tables 1 and 2.
**Table 1 IJV Instability and Stability from Parents’ Perspective**

<table>
<thead>
<tr>
<th>Instability</th>
<th>Stability</th>
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<tbody>
<tr>
<td>Outcome-oriented approach</td>
<td>Converse of instability</td>
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<tr>
<td><strong>Definition:</strong></td>
<td><strong>Definition:</strong></td>
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<td>Instability as termination (e.g. Banerjee and Mukherjee 2010, Franko 1971, Gill and Butler 2003, Gomes-Casseres 1987, Millington and Bayliss 1997)</td>
<td>Stability is defined as no changes in the ownership of JVs, as well as their termination, as a result of acquisition or liquidation (Dietz et al. 2010, Kogut 1989, Rhoades and Lush 1997, Sim and Ali 2000).</td>
</tr>
<tr>
<td><strong>Limitations:</strong></td>
<td><strong>Limitations:</strong></td>
</tr>
<tr>
<td>The termination of an IJVF may be because the aims and objectives have been attained ahead of plan and thus may well represent an IJV or IJVF’s success and not a failure (Gomes-Casseres 1987).</td>
<td>Instability and stability are not the converse of each other.</td>
</tr>
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</table>

<p>| Process-oriented approach | Widely mixed with IJV success, performance, survival, longevity etc. |
| <strong>Definition:</strong> | <strong>Definition:</strong> |
| Notable changes during the lifespan of an IJVF as a proxy for instability, such as contract renegotiations, equity change, power shifts or reconfigurations (e.g. Blodgett 1992, Das and Teng 2000, Inkpen and Beamish 1997) | No clear definition in this approach. It mixes stability with success, performance, survival and longevity (e.g. Jiang et al. 2008, Meschi and Wassmer 2013a). |
| <strong>Limitations:</strong> | <strong>Limitations:</strong> |
| From the parents’ perspective, change is necessary to adapt to a changeable world. Therefore, based on the rationale of an organizational change perspective, discussions of instability or stability are inappropriate | 1) The literature does not clearly identify what success and performance they are looking for or in what ways. IJV success and performance may end up leading to instability, not stability. |
| | 2) IJVF success, performance, survival and longevity are not identical to stability. |
| | 3) The literature mixes the stability concept with survival and longevity but uses the argument for instability to discuss stability. |</p>
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<th>A comprehensive view</th>
<th>Cooperation perspective</th>
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<td><strong>Definition:</strong></td>
<td><strong>Definition:</strong></td>
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<tr>
<td>Instability is defined as a major change in the partner relationship status that is unplanned and premature from one or both partners' perspectives (Inkpen and Beamish, 1997).</td>
<td>A stable IJV is the situation before the IJV parents have achieved their goals.</td>
</tr>
<tr>
<td>Yan and Zeng (1999) define instability as something that happens when an IJV or IJVF’s contract re-negotiation, structural reorganisation or strategic directions alters.</td>
<td>The literature does not provide a good measurement for stability (e.g. Jiang et al. 2008, Kogut 1989, Yan 1998).</td>
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<td><strong>Limitations:</strong></td>
<td><strong>Limitations:</strong></td>
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<tr>
<td>1) There are drawbacks in both the outcome-oriented and process-oriented approaches.</td>
<td>1) A long period to observe dynamic change is complicated and time-consuming and can easily fail to measure and detect it.</td>
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<tr>
<td>2) A long period to observe dynamic change is complicated and time-consuming and can easily fail to measure and detect it.</td>
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Table 2 IJV Instability and Stability from IJVF Perspective

<table>
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<th>Instability</th>
<th>Stability</th>
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<tr>
<td><strong>Outcome-oriented approach</strong>&lt;br&gt;Definition of this research:</td>
<td>Converse of instability&lt;br&gt;Definition of this research:</td>
</tr>
<tr>
<td>No matter whether the parents’ original plan is for an IJVF’s termination or success, termination significantly indicates an IJVF’s instability.</td>
<td>Instability and stability are not opposite sides of the parents’ relationship as stability does not mean the IJVF is experiencing stable conditions. For example, when the parents’ relationship is stable, parents can gain more benefit from their cooperative relationship. However, if parents benefit and achieve their goals too quickly, they may no longer need the IJVF. Therefore, the IJVF experiences instability.</td>
</tr>
<tr>
<td>Contribution: By distinguishing the perspectives of parents and the IJVF, this research deals with the weaknesses in the literature in this approach.</td>
<td>Contribution: By distinguishing the perspectives of parents and the IJV, this research deals with the weaknesses in the literature in this approach.</td>
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</table>

<p>| Process-oriented approach&lt;br&gt;Definition of this research:                   | Widely mixed with success, performance, survival, longevity etc.            |
| From the parents’ perspective, change is necessary to adapt to a changeable world. However, from an IJV perspective, major changes which the parents make in terms of parents contract renegotiation or IJVF equity changes will create an instability condition for the IJVF. | No matter whether it concerns stability, success, performance, survival or longevity, future research should always be careful which perspective it is using, and also what stability, success, performance, survival or longevity it is looking for and in what ways. |
| Contribution: By distinguishing the perspectives of parents and IJVF, this research deals with the weaknesses in the literature in this approach. | Contribution: Addresses a recent call to distinguish and identify the difference perspectives of parents and IJVF. |</p>
<table>
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<th><strong>A comprehensive view</strong></th>
<th><strong>Cooperation perspective</strong></th>
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<tr>
<td><strong>Definition of this research:</strong></td>
<td><strong>Definition of this research:</strong></td>
</tr>
<tr>
<td>From an IJVF perspective, ‘An IJV, which currently has experienced conditions, such as contract re-negotiation, that change the relationship between partner or have potential for unpredictable termination in unplanned or premature way, can be considered as having instability.’</td>
<td>This research, therefore, defines that ‘an IJV’s stability is a situation such that, before the IJV parents have achieved their goals, the IJV must go through a relatively stable (or developmental) period so that the goals can be achieved’.</td>
</tr>
<tr>
<td><strong>Contribution:</strong></td>
<td><strong>Contribution:</strong></td>
</tr>
<tr>
<td>1) By distinguishing the perspectives of parents and the IJVF, this research deals with the weaknesses in the literature in this approach.</td>
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<tr>
<td>2) Provides a clear definition which means measurement can be good for development.</td>
<td>2) Provides a clear definition which means measurement can be good for development.</td>
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<tr>
<td>3) Different from past research, which treats an unchanged structure as a proxy for stability, this research states that as long as the parents’ goals have not been achieved, the parents will make changes to adapt and keep their IJVF on track. Under this circumstance, change is acceptable and normal.</td>
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2.3 Parental Opportunism

2.3.1 Overview

Section 2.3 offers a comprehensive understanding of parental opportunism based on theoretical grounds. Before starting to develop a comprehensive understanding of parental opportunism, it is necessary to have knowledge about an IJVF’s bargaining power due to its link to the understanding of parental opportunism. Therefore, Section 2.3 starts with knowledge about IJVF bargaining power. In Section 2.3.2, I employ a transaction cost approach (TCA) perspective to explain the appearance of parental opportunism, and I suggest that due to the IJVF being owned by the parents, using only TCA theory cannot fully explain parental opportunism. Section 2.3 starts with a basic rationale concerning the appearance of opportunism within the relationship from a general TCA point of view, followed by incorporating resources dependence theory (RDT) and agency theory to develop a conceptualisation of parental opportunism. Conceptualising parental opportunism is done next, once several theories and rationales have been discussed.

2.3.2 IJVF Bargaining Power

The concept of bargaining power is considered as a party’s power to adjust the "bargaining set" and pursue its own interests (Sebenius and Lax 1986) with the other party’s accommodation or compromise during negotiations (Dwyer and Walker Jr 1981). The literature suggests that bargaining power generally comes from three domains: (1) the bargaining resources of each party; (2) the importance of the agreement to each party; and (3) the degree of similarity of interests of each party (Inkpen and Beamish, 1997; Grosse and Behrman, 1992; Eiteman, 1990; Fisher and Ury, 1987; Kobrin, 1987; Fagre and Wells, 1982) (as cited in Brouthers and Bamossy 1997).
Subsidiary literature states that subsidiaries are considered to strive to gain bargaining power in order to seek economic rent within the MNC (Foss and Pedersen 2004). Managers in the subsidiary are generally seen to be pursuing two objectives: (1) profit-seeking, this is an external goal which aims to maximize profits through market operations; (2) rent-seeking, this is considered an internal goal within the organization and one which can be reached via the profit gained from the market (Mudambi and Navarra 2004). Managers in the subsidiary who have strong bargaining power within the MNC enable the MNC’s resources to be allocated in their own interests and in pursuit of internal goals (Foss and Pedersen 2004). Subsidiaries can increase their bargaining power by controlling a resource that is crucial to the whole MNC (Mudambi and Navarra 2004). A strong subsidiary is not desirable on the MNC side as it may become recalcitrant and reluctant to obey the MNC’s decisions, thus increasing the decision-making problem on the MNC side (Mudambi and Navarra 2004). Since an IJVF is one type of subsidiary in which the MNE owns a share ranging from 5% to 95% (Gomes-Casseres 1987), managers in an IJVF have the same incentive to seek bargaining power within an IJVN, which causes the same strategic problem on the parents’ side. This thesis suggests that parental opportunism more or less links with the strategic problem caused by an IJVF’s strong bargaining power. The rest of Section 2.3 offers an explanation of this suggestion.

2.3.3 Transaction Cost Approach (TCA) Perspective

TCA defines opportunism as ‘self-interest seeking with guile’ (Williamson 1975: 6). It is widely held that the assumption of opportunism as an inherent human tendency is a key contribution to transaction cost theory (e.g. Anderson 1996, Deeds and Hill 1999, Dwyer and Oh 1988, Parkhe 1993). Williamson (1975) suggests that opportunistic behaviours refer to distorted information, cheating, lying and stealing. The costs due to opportunistic behaviours, such as monitoring and negotiating, are thus part of transaction costs (Hill 1990). IJVs require inter-firm cooperation to
achieve local and foreign parents’ mutual goals (Judge and Dooley 2006). By combining at least two firms’ resources to build one IJV, parents can both reduce the transaction costs and collect host-market information. Maximising benefits, however, is the nature of every business, thus self-protecting behaviour and self-interest usually exist. As a result, by behaving selfishly, parents may behave opportunistically during international inter-firm cooperation.

This thesis focus is on opportunism rather than the other important TCA factor – bounded rationality. Bounded rationality is likely to be most significant in the set up and negotiation stage of the IJV. During the IJV lifecycle, post IJV agreement, bounded rationality would be closely aligned to opportunistic behaviour. In other words, bounded rationality would be a contributing factor to opportunism and is not therefore included as a separate and distinct variable in the study. This is similar to Johanson and Mattsson (1987) who similarly treat bounded rationality as implicit in their study of interorganisational relations in industrial systems.

Opportunistic behaviour is a vital factor damaging the trust between partners (Gill and Butler 2003). Trust has been considered critical in influencing business relationships across different nations (Gill and Butler 2003). A lack of trust is likely to result in an unstable relationship between joint-venture parents (Gill and Butler 2003). Trust has received a wide range of conceptualizations (Lado et al. 2008); however, there is as yet no universally accepted definition (Blois 1999). In line with McEvily et al. (2003: 101) whose view is that 'the field would be better served by researchers acknowledging that trust is a multi-faceted concept, clearly identifying which definition is most relevant for their particular research question, and applying that definition consistently', this thesis adopts the definition that trust is one party's 'confidence in the goodwill' of its partners (Ring and Van de Ven 1994: 93). In an IJV relationship, when the parents trust each other, the relationship between them tends to be more stable, which leads to stability in the IJVF (Yan 1998). Conversely, a breakdown in the trust between parents can damage the
relationship between them, which can be a major source of IJVF instability (Yan 1998). A high level of opportunism can destroy trust, and once a parent loses trust the relationship of cooperation will break down and relationship stability will be damaged, along with the benefits of keeping the IJV, which results in instability in the IJVF (Das and Teng 2000). Since a high level of opportunism is a major factor that can destroy trust (Das and Teng 2000), this thesis, therefore, focuses on opportunism, rather than other TCA factors, to investigate IJVF instability.

Executive opportunism may be influenced by external market conditions, such as political condition, regulations and market growth. Opportunism usually occurs in a weak regulatory environment, this kind of environment is associated with a high degree of information uncertainty (Luo, 2007). Information uncertainty, such as market information unverifiability, refers to true information being difficult to obtain, and it also means that macro- and micro-business environment information is difficult for investors to access, analyse and verify (Luo 2007). If investors cannot acquire verifiable information, they will lose confidence in continuing to invest in the IJV and also lose confidence in co-operating with their partner (Dess and Beard 1984). A loss of confidence may lead to self-protection and self-interest as investors believe that they cannot achieve mutual benefits by trusting their partner (Beamish and Banks 1987). Investors’ defensive perceptions vis-à-vis safeguarding their benefits may be accompanied by opportunism (Luo, 2007).

Executives’ opportunism also depends upon the degree of an industry’s structural stability and their own attitude towards macro and micro market conditions (Luo, 2007). For example, if the IJVF is set up in a high-growth industry, environmental volatility influences both the local and foreign parents, thus opportunistic behaviour will be weak (Sitkin and Weingart 1995). This is due to firms seeking great returns from high-growth industries and being willing to take high risks because of high expected rates of return (Sitkin and Weingart 1995). Compared to low-growth industries, high-speed growth industries have more changes, which bring higher returns to firms

In a cooperative relationship, trust (Griesinger 1990) is considered to determine the level of executive opportunism. Based on TCE, high levels of trust in a cooperative relationship lead to an increase in the willingness of firms to cooperate with each other when dealing with the uncertainty and volatility of external conditions (Parkhe 1993). The closer their relationship, the greater power they will have to face any external challenges. Inter-organisational trust is thus a key to encourage firms to face external market uncertainty with their partners (Ring and Van de Ven 1994). Judge and Dooley (2006) conclude that inter-organisational trust restrains the openings for opportunistic behaviour. In addition, Griesinger (1990: 487) proposes that ‘the more a party depends on an exchange relationship, the less likely it is that the party will engage in opportunistic behaviour that can threaten the continuity of the relationship’.

Opportunism in the parents’ relationship is defined ‘as an act or behaviour performed by a party to seek its own unilateral gains at the substantial expense of another party’ (Luo 2007: 41). Both TCE’s definition of opportunism and the definition of parents’ opportunism mention that opportunism always starts with self-interest seeking; and then, as it continues, such behaviour may damage other parents’ interests. It is widely held that the assumption of opportunism being part of human nature is a key contribution of transaction cost theory (Deeds and Hill 1999, Dwyer and Oh 1988, Lado et al. 2008, Parkhe 1993). Opportunism has long been considered a key factor that destroys parents’ relationships (e.g. Das and Teng 2000, Chang, Chung & Moon 2013, Meschia and Wassmerb 2013) and then foments instability in the IJVF (Chang et al. 2013, Das and Teng 2000, Fang and Zou 2010, Meschi and Wassmer 2013b). This is because parents seek a free ride off other partners’ specific assets by behaving opportunistically (Das and Teng 2000, Hennart 1982).
The costs due to opportunistic behaviour, such as monitoring and negotiating, are thus part of transaction costs (Hill 1990). Williamson (1983) proposes that market practitioners in a relationship will act opportunistically, especially when a relationship-specific asset invests in the relationship. This is because the non-deployability of relationship-specific investment outside this exchange relationship hinders the investor’s freedom to leave this exchange relationship, which in turn creates an opportunity for the receiver to behave opportunistically (Baker and Dant 2008, Rokkan et al. 2003, Klein 1980). Therefore, the greater the relationship-specific resources invested in the relationship, the more difficult it is for the investor to leave the exchange relationship, which in turn creates an opportunity for the receiver to behave opportunistically (Rokkan et al. 2003). Since the parents own the IJVF, they have no need to act opportunistically to gain self-interest.

The conventional view held by users of TCA is that, in an IJV relationship, it is the foreign and local parents that invest relationship-specific resources within the IJVF, prompting both parents to adopt mechanisms to curb the opportunism of the other. The traditional view of a parents-IJV relationship is that the parents are the investors and the IJVF is the receiver. Parents invest relationship-specific resources within the IJVF (Das and Teng 2000). Therefore, under TCE, as a receiver, the IJVF should have a great opportunity to behave opportunistically towards the parents. However, with the IJVF being owned by the parents, they have the power to overrule the IJVF’s decisions (Foss and Foss 2002). Thus the IJVF has little bargaining power to act opportunistically against the parents, whereby the issues of relationship-specific investment and receivers’ opportunism will not arise in the parent-IJV relationship. The opposite is also true; since the IJVF is owned by the parents, they will see no need to behave opportunistically towards the IJVF to pursuit their needs. As a result, using TCA to explain parental opportunism seems to be problematic and makes no sense, thus this thesis incorporates resource-dependence theory and agency theory to offer an understanding of parental opportunism.
2.3.4 Resource-dependence Theory (RDT) Perspective

An alternative perspective, nested in the resource-dependence theory (RDT) literature, portrays an IJVF as a form of resource-integrated organization by complementing foreign and local parents’ resources. Since there is no organization that can be self-contained and independent in terms of supplying all of its necessary resources, an organization must have external sources to meet its needs (Oxenfeldt and Kelly 1969). Resource-dependence theory (RDT) (Aldrich and Pfeffer 1976, Pfeffer and Salancik 2003) holds that external resources, such as monetary or physical resources, information and social legitimacy, strongly affect the behaviour of the organization. It therefore aggravates the problem if one organization which has a hold over the other organization’s vital resources has additional power over that organization and may constrain its wish to pursue its own self-interest (Wry et al. 2013). In this regard, RDT emphasises “resource dependence and power use” in the relationship and considers that asymmetric dependence leads to power asymmetry, which creates an opportunity for the power-advantaged organization to dominate the relationship, thereby taking advantage of the power-disadvantaged organization (Casciaro and Piskorski 2005).

In a relationship, the level of an organisation’s resource dependence is governed by the level of the organisation’s investment in the assignment and the possibility of completing that assignment without the partner (Emerson 1962). When two parties have equal dependence, damaging the exchange relationship will cause equal harm to both of them (Kumar et al. 1995). In order to complete the assignment and achieve mutual benefit, parties with equal dependence must prevent behaviour which might hurt the relationship (Lusch and Brown 1996). Since opportunistic behaviour has been long considered likely to destroy a relationship, partners with balanced dependence should seek to minimize such behaviour. Parties with asymmetric dependence,
however, are subject to opportunistic behaviour (Crosno and Dahlstrom 2008). The party which depends less on the exchange relationship has more power than the more dependent party, which allows the less dependent party to take advantage of the more dependent party. Therefore, opportunistic behaviour may arise on the part of the less dependent party towards the more dependent one (Crosno and Dahlstrom 2008).

In a parents-IJVF relationship, the IJVF depends on its parents for tangible and intangible resources. Especially for its equity, the IJVF is financially dependent on its parents. RDT states that ‘An entity’s dependence is determined by its motivational investment in goals mediated by its exchange partner and the availability to achieve those goals outside the relationship’ (as cited in Crosno and Dahlstrom 2008: 193). In a parents-IJVF relationship where the IJVF’s goal is to achieve the parents’ goal, the motivational investment for the IJVF to satisfy the parents is market share, innovation or anything which the parents want from the IJVF. The IJVF cannot achieve its goal outside this relationship. Unless the IJVF leaves its parents, it is bound by the relationship. Since opportunism may appear when one party strongly depends on the other party, an IJVF that is highly dependent on its parents will encourage them to act opportunistically towards the IJVF.

However, as with RDT, to explain parental opportunism is problematic due to the IJVF being owned by the parents, that do not need to act opportunistically to pursue their interests. Therefore, using RDT to explain parental opportunism seems problematic and does not make sense. Since both TCA and RDT both can offer some thoughts about parental opportunism but not a persuasive explanation of it, this thesis incorporates agency theory to propose an overall understanding on it.
2.3.5 Agency Theory Perspective

Agency theory assumes that a principal-agent relationship exists when ‘one economic entity (the principal) authorizes the other (the agent) to act on the principal’s behalf (Eisenhardt, 1989; Fox, 1984)’ (As cited in Yan et al. 2002: 376). In the context of an IJV, the parents are the principals and the IJVF is the agent. Agency theory offers another view to explain parental opportunism in a parents-IJVF relationship. In this regard, four explanations can be drawn from agency theory: Firstly, parental opportunism stems from the power asymmetry between parents and IJVFIs. Secondly, parental opportunism is managerial intervention that acts for the parents. Thirdly, parental opportunism occurs when parents try to keep the IJVF’s self-commitment and the parents and the IJVF have divergent views (or goals) of the same situation. Fourthly, parental opportunism is a reflection of parents’ conflicts.
Parental Opportunism Stems from Power Asymmetry Between the Parents and the IJVF

The agent-theory literature considers that conflicts arise in the principal-agent relationship as both parties pursue their own self-interest and there is low verifiability (Yan et al. 2002). It generally considers that it is the agent that behaves opportunistically due to the agent not wanting to pursue the best interests of the principal but, rather, its own (Jensen and Meckling 1976). However, not only the agent but also the principal acts opportunistically to take advantage of the principal-agent relationship to pursue their own interest.

A significant body of literature on agency theory addresses opportunism from the principal’s side towards the agent. This stream of literature starts with Oxenfeldt and Kelly (1969) and has been developed by copious literature (e.g. Dant and Kaufmann 2003, Caves and Murphy 1976, Windsperger and Dant 2006). This literature mainly discusses the franchisor(principal)-franchise(agent) relationship and addresses a phenomenon called ownership redirection (Dant et al. 1996), believing that this phenomenon stems from franchisor opportunism. Ownership redirection appears when ‘a franchisor (principal) repurchases an apparently successful franchise operation from the franchisee (agent) at less than its market value, thus enriching itself at the expense of the franchisee (Dant and Kaufmann 2003; Dant, Paswan and Stanworth, 1996)’ (Lado et al. 2008: 402). The literature suggests that the appearance of franchisor’ opportunism leads to principal redirection, which is due to the power asymmetry and resource endowments between franchisor and franchisee (Lado et al. 2008).

In a relationship, when two parties have asymmetric power, it creates conditions for the power-advantaged side to act opportunistically towards the power-disadvantaged side and pursue its self-interest (Lado et al. 2008). When the franchisor has a power advantage over the franchisee, the asymmetrical power between franchisor and franchisee enables the franchisor to act opportunistically, thereby causing principal redirection. In the current research, I suggest that
power asymmetry may also exist in a parents(principals)-IJVF(agent) relationship, thus opportunism which is caused by power asymmetry may also exist. However, most of the agent literature is limited to discussing principal redirection in a franchisor-franchisee relationship. With a few exceptions, such as Lado et al. (2008) and Yan et al. (2002), the literature has not yet addressed principal opportunism within the context of an IJV. Therefore, this thesis proposes the first explanation, which is drawn from agency theory, that parental opportunism stems from power asymmetry between parents and an IJV.

Parental Opportunism is Managerial Intervention that is Acted upon by Parents

Some recent literature has addressed a phenomenon of managerial intervention which is seen as a source of parental opportunism (Foss et al. 2012). The literature suggests that a principal may intervene with an agent in a manner that demotivates the agents, which harms the agent’s motivation and has negative implications for value creation (Foss et al. 2012: 248). According to Foss et al. (2012), a principal’s managerial intervention may result from not only positive but negative intentions; however, when an agent perceives these managerial interventions as negative and harmful, principal opportunism occurs.

For a positive intention, the principal engages to add value to the overall principal-agent network; such intervention may be perceived as harmful or opportunistic by a single agent but as value added by other members of the principal-agent network. In the case of an HQ(principal)-subsidiary(agent) relationship, HQ seeks to add value to the overall MNC by applying various types and levels of coordination and control mechanisms based on dynamic change in the subsidiary situation (Nohria and Ghoshal, 1994). Such value-adding activities act as heterogeneous managerial intervention that may be perceived as opportunistic behaviour by the subsidiary. In the case of a parents(principal)-IJVF(agent) network, the parents may engage in adding value to the whole IJV network and achieve the parents’ mutual goal, which may involve
a certain level of managerial intervention and sacrificing some IJVF benefit. Such managerial intervention may be perceived as opportunistic on the IJVF side.

For a negative intention, first, the principal may exercise various managerial interventions in order to seek self-benefit in relation to the agent. In the case of an HQ-subsidiary relationship, Foss et al. (2012) separate HQ from the MNC owner and suggest that HQ may take advantage of the subsidiary in order to put on a good in front to the MNC owner. Foss et al. (2012) give the example that HQ can exercise looser or tighter autonomy over the subsidiary according to the performance of the managed subsidiary, which HQ reports to the MNC owner. In the case of a parents-IJVF network, the parents may utilise the IJVF to a great extent, such as to acquire partners’ resources and knowledge, explore the local market, develop local channels or pool capital.

Second, the principal’s managerial intervention may be applied in response to a recalcitrant agent (Foss et al. 2012). Drawing from the agent literature, an agent’s rent-seeking behaviour and the principal’s response to this behaviour can be employed to explain the parental opportunism. Since rent-seeking behaviour is an outcome of the agent’s opportunism which may hurt the principal, it is necessary for the principal to reduce this kind of behaviour (Mudambi and Navarra 2004). The principal can employ several strategies to curtail the agent's rent-seeking and opportunistic behaviour, such as imposing tighter controls and monitoring (Mudambi and Navarra 2004).

Control, however, cannot always be employed by the agent, even when the principal holds a majority of the agent’s equity (Bartlett 2001). For example, when the agent has superior bargaining power over the principal, it creates an opportunity for the agent to go against the principal’s control or decisions (Bartlett 2001, Mudambi 1999). The literature addresses this phenomenon in an HQ-subsidiaries relationship and suggests that a powerful subsidiary can go against HQ’s decisions in order to seek a more economic rent from the entire MNC (Andersson et al. 2007, Mudambi and Navarra 2004). Therefore, the principal (HQ) has to exercise a certain
level of intervention to manage the agent (subsidiary) and show ‘who the boss is’ (Foss et al. 2012). Such managerial intervention may be perceived as opportunism by the agent (Foss et al. 2012). In a relationship of parents (principal) and IJVF (agent), the IJVF may seek an economic rent and act opportunistically against the IJPVs. Due to the IJVF having an advantage in terms of bargaining power against the parents, the latter cannot employ a control mechanism to curtail the IJVF’s opportunism. Parents, therefore, have to exercise a certain level of managerial intervention to manage the IJVF and this may be a seed of parental opportunism.
Parental Opportunism Occurs When Parents Try to Keep the IJVF’s Self-Commitment When Parents and IJVs Have Divergent Goals or Attitudes Towards the Same Thing

By incorporating a career-theory perspective, agency theory offers another lens for viewing parental opportunism; this view is mainly suggested by Yan et al. (2002). An individual’s career is defined as ‘the sequence of work-related experiences and attitudes that the individual has over the span of his or her work life (Hall & Associates, 1996)’ (as cited by Yan et al. 2002: 375). The career-theory literature suggests that an individual’s career development is strongly affected by the organization in terms of ‘the corporate culture (e.g. the value placed on employees and employee development), human resource policies (e.g. whether the firm promotes localization of management talent), and the firm’s overall business strategy (e.g. whether the firm cultivates and deploys the talents and commitment of its employees as key competencies to gain strategic advantage)’ (as cited by Yan et al. 2002: 375).

The career-theory literature explains the opportunistic behaviour which arises between organizations (principal) and expatriates (agent); it is stated that an organization’s opportunism occurs when the organization and expatriates have divergent views of the same situation. For instance, an expatriate may perceive a situation as a chance for promotion within the organisation or a long-term alignment with it and therefore devote him or herself to greater commitment (Yan et al. 2002). The organization, however, may treat the situation as a short-term objective or goal which is of no strategic importance to the organization. In order to encourage the expatriate’s self-commitment and loyalty, the organization may act opportunistically towards the expatriate, therefore, an organization’s opportunism occurs (Yan et al. 2002).

In the context of an IJV where parents treat an IJVF as a temporary agreement, once the parents achieve a short-term goal they may no longer need the IJVF. For example, a foreign parent may treat an IJVF as a platform to enter the host country while the local parent may see the IJVF as a
way to access the foreign parent’s particular knowledge. Once both parents achieve their goals they no longer need the IJVF. On the IJVF side, managers of the IJVF may perceive it as a long-term career, a current assignment of the IJVF or an obstacle to their promotion in the whole organization. The parents and IJVF’s divergent views on the IJVF may lead the parents to act opportunistically in order to encourage managers in the IJVF to engage in self-escalating commitment. In this regard, I propose that parental opportunism is a strategy for them to maintain the IJVF’s self-commitment when parents and IJVFs have divergent goals or different attitudes to the same situation.
Parental Opportunism is a Reflection of Parental Conflicts

Another explanation which can be drawn from agency theory is that parental opportunism is a “reflection of principal-principal conflict” (Young et al. 2008). The agency-theory literature addresses the phenomenon of multiple principals and emphasises that when the principals have divergent goals or interests, principal-principal conflict may occur (Young et al. 2008, Chen and Young 2010, Su et al. 2008). The conflicts between different principals can drive them to become involved in exploiting the agent's vulnerabilities to pursue their own interests, giving rise to principal opportunism towards the agent (Foss et al. 2012).

Agency theory suggests that principals who have distant backgrounds are more likely to be in conflict than principals who have close backgrounds (Hoennen and Kostova 2014). Principals who have distant backgrounds are more likely to have divergent interests, goals and agendas, thus the conflicts between principals will potentially increase (Hoennen and Kostova 2014). This explanation especially applies when explaining IJV parental opportunism, since an IJVF is owned by at least two parents, and these two parents have distant backgrounds. Shared ownership involving two parties with distant backgrounds is more likely to cause principal-principal conflict. This conflict may lead the parents to engage in inappropriate behaviour in order to exploit the IJVF opportunistically in pursuit of their own interests. For example, an IJVF has long been seen as a platform which enables parents to exchange knowledge or complementary resources. If, for instance, parents (a) want to access parents’ (b) resources through the IJVF, but the parents (b) do not want to share their resources, then the parents (a) may behave opportunistically towards the IJVF in order to acquire those resources. Given the above discussion, I therefore draw a fourth reason for parental opportunism from agency theory.
2.3.6 Conceptualising Parental Opportunism

One single theory cannot provide a comprehensive understanding of parental opportunism. The TCA rationale offers an explanation for the appearance of opportunism in a relationship in general. TCA states that opportunism occurs when a high-level and non-deployability relationship-specific investment is in the relationship, which binds the investor to stay in the exchange relationship, which therefore creates an opportunity for the receiver to behave opportunistically (Baker and Dant 2008, Rokkan et al. 2003, Klein 1980). However, relationship-specific investment and an investor-receiver relationship are problematic when applied to explain parental opportunism. Even though an IJVF is generally considered to be a receiver, it is also owned by the parents. Due to being owned by the parents, they do not need to act opportunistically towards the IJVF to promote their own interests. Therefore, a discussion of parental opportunism seems unnecessary from a TCA perspective.

By adopting the concept of resource dependence and power asymmetry, RDT seems to offer a better explanation of parental opportunism. If the IJVF is generally resource-dependent on the parents, they have a power advantage over the IJVF, and this therefore encourages the parents to act opportunistically towards the IJVF. However, the RDT rationale also seems problematic; since the IJVF is owned by the parents, they have no need to act opportunistically towards the IJVF to gain any self-interest. Therefore, RDT also has a limitation in terms of explaining parental opportunism. Both TCA and RDT seem to have advantages and limitations when they are employed to explain parental opportunism (as shown in Table 3). Therefore, this thesis incorporates a third theory, agency theory, to offer a more comprehensive understanding.

By treating a parents-IJVF relationship as the principal-agent relationship, this thesis draws four explanations from the agency-theory literature. Firstly, parental opportunism stems from the
power asymmetry between parents and an IJVF. Secondly, parental opportunism is managerial intervention from the parents. Thirdly, parental opportunism occurs when the parents try to maintain the IJVF’s self-commitment when the parents and the IJVF have divergent views (or goals) of the same affair. Fourthly, parental opportunism is a reflection of their conflict.

Nevertheless, using an agency-theory perspective still has drawbacks due to this perspective mainly explaining a single principal and a single agent relationship. Except for the fourth explanation, the other three explanations mainly explain the single principal and single agent’s relationship. The fourth explanation addresses multiple-principals conflict and is a reflection of principal-principal opportunism; however, it has not yet been properly developed in the existing literature (Hoenen & Kostova 2014). In addition, the first explanation seems to be strongly rooted in a shift in bargaining power. However, the bargaining power between two parties is strongly dependent upon a relationship-specific investment and resource dependence. Therefore, the first explanation has to be linked with TCA and RDT.

Considering all four perspectives from an agency theory perspective has limitations in explaining the concept of parental opportunism (see Table 3); thus to offer a comprehensive explanation, I build on TCA, RDT and agency-theory perspectives and suggest that the appearance of parental opportunism can be explained by four main motivations. These four motivations are rooted in agency-theory literature. Before describing the four motivations, this chapter proposes a fundamental prerequisite: ‘parent’s actions towards an IJVF result from either positive or negative intentions, or both; however, once an IJVF perceives an action as negative, opportunism exists’. This prerequisite adopts the view of Foss et al. (2012), i.e. that the principal’s actions or managerial intervention can be motivated by both positive and negative intentions, and when an agent perceives an action as harmful, opportunism exists. Based on this prerequisite, this chapter proposes a definition that parental opportunism occurs ‘when an IJVF perceives that its parents act opportunistically towards the IJVF in order to benefit themselves at the expense of the IJVF’.
Four reasons that account for parental opportunism are proposed next. The first reason: parental opportunism stems from the power asymmetry between parents and the IJVF. Both TCA and RDT can explain how and why asymmetry in the power between parents and IJVF occurs.

The second reason: the parents’ managerial intervention that applies to the IJVF is the source of parental opportunism. Following Foss et al.’s (2012) view, I suggest that parents’ managerial intervention as applied to the IJVF can come from either positive or negative intentions; when an IJVF perceives parents’ intervention to be negative, parental opportunism occurs. If parents’ intervention comes from a positive intention, then the parents add value to the overall IJV network, and such intervention may be perceived as harmful or opportunistically by a single IJVF but as value added to the overall IJV network. If parents’ intervention comes from a negative intention: (1) Parents may exercise various managerial interventions in order to seek self-benefit at the expense of the IJVF; (2) Parents’ managerial intervention may occur in response to an IJVF’s rent-seeking behaviour. Both TCA and RDT can explain how an IJVF’s bargaining power develops. When an IJVF has strong bargaining power, it has strong power to seek an economic rent from the parent. Under this circumstance, parents may exercise various levels of intervention towards the IJVF in response to the IJVF’s rent-seeking behaviour. No matter whether there is a positive or negative intention behind the parents’ managerial intervention, as long as the IJVF perceives it as negative, parental opportunism occurs.

Thirdly, parental opportunism occurs when parents try to keep the IJVF’s self-commitment when parents and the IJVF have divergent views (or goals) of the same situation. Since parents and IJVF are separate units, they may, more or less, have divergent interests, goals and attitudes towards the same thing. Therefore, in order to keep the IJVF’s self-commitment and loyalty, parents may exercise a certain level of managerial intervention or act opportunistically towards the IJVF. Once an IJVF perceives its parents’ actions as opportunistically, parental opportunism exists.
The fourth reason: parental opportunism is a reflection of conflict. The conflicts between parents corresponding to opportunistic behaviour are widely discussed in the IJV literature. Due to foreign and local parents coming from different countries and backgrounds, the conflicts between and opportunism of parents have long been considered a key issue in the IJV literature. In this thesis, I go one step further and incorporate an agency-theory perspective to look at the conflicts between parents and consider that such conflicts may reflect on parental opportunism towards the IJVF.
Table 3 Summary of Parental Opportunism

<table>
<thead>
<tr>
<th>Theory</th>
<th>Rationale</th>
<th>Case of IJVF</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCE</td>
<td>The investor-receiver relationship will cause the receiver’s opportunism.</td>
<td>Parents invest relationship-specific resources within the IJVF (Das and Teng 2000). Therefore, under TCE, as a receiver, the IJVF should have a great opportunity to behave opportunistically towards the parents. However, the IJVF being owned by parents, it has little bargaining power to act opportunistically against the parents, whereby the issue of relationship-specific investment and receivers’ opportunism will not arise in the parent-IJVF relationship.</td>
<td>Since parents own the IJVF, they have no need to act opportunistically to pursue their own self-interest.</td>
</tr>
<tr>
<td>RDT</td>
<td>Asymmetric resource-dependence leads to power asymmetry, which creates an opportunity for the power-advantaged organization to dominate the exchange relationship, thereby taking advantage of the power-disadvantaged organization (Casciaro and Piskorski 2005).</td>
<td>When parents control resources vital to the operations of the IJVF, parents have power over the IJVF, thereby providing parents with opportunities to act opportunistically to pursue their own self-interest.</td>
<td></td>
</tr>
</tbody>
</table>
| Agency Theory | **First explanation**  
In an exchange relationship, when two parties have asymmetric power, it creates the conditions for the power-advantaged side to act opportunistically towards the power-disadvantaged side and pursue its own self-interest (Lado et al. 2008). | When parents have a power advantage over the IJVF, parental opportunism occurs. | This view has to take RDT into consideration. RDT can explain why an IJVF is able to gain superior power compared to the parents. |
|         | **Second explanation**  
Parental opportunism is a managerial intervention from the parents. | Parents may exercise certain levels of managerial intervention over the IJVF. Such intervention can from either positive or negative intentions, or both. | |
No matter whether there is positive or negative intention behind the parents’ managerial intervention, as long as the IJVF perceives it as negative, parental opportunism occurs.

<table>
<thead>
<tr>
<th>Third explanation</th>
<th>Parental opportunism is a strategy for parents to keep the IJVF’s self-commitment when parents and the IJVF have divergent goals.</th>
<th>The focus of this view seems to be at an individual level. The focus of this thesis is at the firm’s level.</th>
</tr>
</thead>
<tbody>
<tr>
<td>In order to encourage the expatriate’s self-commitment and loyalty, the organization may act opportunistically towards the expatriate; therefore, an organization’s opportunism may occur (Yan et al. 2002).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fourth explanation</td>
<td>Parental opportunism is a reflection of conflict between parents.</td>
<td>This view has not yet been properly developed in the existing literature.</td>
</tr>
<tr>
<td>Conflict between different sets of principals can drive principals to become involved in exploiting the agent's vulnerabilities to pursue their own self-interest, giving rise to principal opportunism (Foss et al. 2012).</td>
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</tr>
</tbody>
</table>
2.4 Tacit Knowledge

2.4.1 Knowledge-based Perspective

The emergence of the resource-based view of a firm has given us a rich and persuasive explanation of the nature and source of sustainable competitive advantage. It is widely accepted that the knowledge-based view of a firm is an extension of resource-based reasoning, but with a slightly different focus of interest. The remit of the knowledge-based view (KBV) shares some determinants with the boundaries of a firm. Many firms consider that to act with efficacy in today’s economy, it is imperative for them to become a knowledge-based organisation, and IJVs may be seen as a fast route to knowledge acquisition. However, few firms understand what it means to become a knowledge-based firm and how to make the changes necessary to achieve it. This may be particularly true for IJVs, which are an unusually troublesome governance structure. The knowledge-based literature provides a theoretical base that problematizes knowledge acquisition and knowledge transfer within and between firms. This insight is clearly of significance when thinking about IJV and IJV instability.

At the centre of KBV are the conditions under which knowledge assets generate superior performance (Grant 1996, Kogut and Zander 1992). These knowledge assets are important and need to be accounted for when studying the instability of IJVs, where requisite capabilities for the creation of an enduring joint-venture partnership cannot be assumed and where production functions between the parties are clearly of significance in ensuring the stability of joint-venture relations (Demsetz 1988). Past research has highlighted the importance of knowledge transference and the development of capabilities as central to IJVF success (Geppert and Clark 2003, Kandemir and Hult 2005, Richards and De Carolis 2003). There is also a growing body of research that
examines how inter-firm relationships, such as IJVs, provide opportunities for firms to create and acquire knowledge (Laursen and Salter 2006, Rothaermel 2001, Cloodt et al. 2006).

Firm-specific knowledge refers to a firm’s specific knowledge, which includes knowledge to develop a unique product or service (Demsetz 1988, Grant 1996). Firm-specific knowledge is normally very sticky and deeply rooted in the human brain. This kind of knowledge is called tacit knowledge. Tacit knowledge requires humans to understand it subconsciously and it develops from long-term personal experience, sometimes shared via long-term interactive commutations (Nonaka 1994, Polanyi 1962, Zack 1999). This has vital implications for the endurance of IJVs, particularly as one of the dominant motivations for IJV activities is the reapportionment of knowledge between parents (Hamel 1991). Thus, resolving knowledge discrepancies and gaining access to knowledge assets means relying on a partner to the extent that knowledge becomes internalised (Si and Bruton 1999). Lyles and Salk (1996) examine how novel knowledge from foreign parents in international joint ventures may lead to the transmission of tacit knowledge. It is therefore posited that an IJVF may be used for the transference of sticky knowledge (Kogut 1988) and this description has developed so that firms use inter-firm arrangements to acquire new knowledge quickly (Ahuja and Katila 2001, Hagedoorn and Duysters 2002, Chung and Yeaple 2008). Thus, firms access knowledge beyond the boundaries of the firm (Gulati 1999) and work together to develop new knowledge (Powell et al. 1996, Emden et al. 2006).

In the case of IJV, this seems to be borne out by Li et al. (2010) who find that poor perceptions and a propensity to behave opportunistically (operationalised as trust) promote the acquisition of tacit knowledge in inter-firm arrangements; they further find that this is achieved through contractual transference arrangements. This is important, since prior research seems to indicate that inter-firm relations are more stable where knowledge transference is effective (e.g. Lane et al. 2001, Lyles and Salk 1996, Steensma and Lyles 2000). The reason for this increased stability
is that with more trust between parent firms, there is more stability in inter-firm relations, and as a result more effective knowledge will be transferred (Lane et al. 2001).
2.4.2 IJV F Tacit Knowledge

This thesis adopts the view of Polanyi (1958) that tacit knowledge is opposite to explicit knowledge, which cannot be codified and systemically transferred. According to the rationale of KBV, a firm has the ability to develop tacit knowledge (Kogut and Zander 1996, Nonaka 1991, Nonaka 1994, Nonaka et al. 2000, Teece et al. 1990), therefore an IJV F should also be capable of developing embedded tacit knowledge. This research suggests that the tacit knowledge which is held by the IJV F comes from two potential sources: First, it is acquired from individual parents: in the relationship between an IJV F and its parents, the parents are involved in both demand and supply issues, while the IJV F serves as the medium for transferring knowledge. Therefore, IJV Fs have long been seen as acquiring knowledge from both local and foreign parents (Benavides and Espinosa 2012, Inkpen 2006, Inkpen 2008, Lyles 1994, Madhok 2002, Tong and Li 2013, Tsang 2002, Yao et al. 2013). After receiving knowledge from either parent, the IJV F takes responsibility for the resolution of unexpected problems that may arise when any of the parents use their knowledge in the running of the company (Von Hippel and Tyre 1995). This allows the IJV F to have its own specific knowledge.

Second, created from its experiences: from an organisation’s learning perspective, an organisation has the ability to deal dynamically with a changing external environment, not only to develop knowledge efficiently but also to process and transfer that knowledge (Nonaka 1994, Szulanski 2000). Even though funded by at least two parent firms, an IJV F is an independent entity in terms of economic and legal requirements (Pfeffer and Nowak 1976). In many respects, an IJV F can be seen as an individual firm, especially when considering the host country environment (Yan 1998). To be an individual firm, an IJV F has to manage its own business environment, face challenges and handle suppliers, customers and competitors (Yan 1998). In this regard, an IJV F has tacit knowledge which is widely developed from its experience of daily tasks, such as handing
suppliers, customers and competitors or knowledge of the host country, such as the political, social and economic environments (Yan 1998).

Given the sources of an IJVF’s tacit knowledge, it suggests that tacit knowledge in IJVF has strategic importance, not only to the IJVF but also to the parents; thus it may play a vital role in influencing an IJVF’s instability/ stability. Discussion of the relationship between knowledge (either tacit or explicit) and IJV instability/ stability, however, seems only to concern knowledge from the parents’ perspective. For example, Inkpen and Beamish (1997), Millington and Bayliss (1997), Das and Teng (2000), Fang and Zou (2010), Nakamura (2005) and Yan and Zeng (1999) are concerned with the relationship between parents’ learning or knowledge transfer and IJV instability. Rahman & Korn (2014) examine the relationship between partner-specific alliance experience and alliance longevity. Cui et al. (2011) look at the impact of partner marketing and R&D resources and the propensity of partnership termination. The tacit knowledge which is created and embedded in an IJVF from an IJVF perspective seems to be neglected by IJVF instability/ stability research. Some literature pays significant attention to the knowledge which is created in an IJV (e.g. Fang and Zou 2010, Nakamura 2005), but it still uses a parents’ perspective to discuss the relationship between knowledge and IJV instability/ stability. Given the strategy importance of an IJVF’s tacit knowledge, it is necessary to look at the relationship between an IJVF’s tacit knowledge and IJV instability/ stability. Therefore, both Chapters 4 and 5 look at this relationship from different aspects.

In addition, the IJV literature has discussed the relationship between tacit knowledge and opportunism; however, this literature mainly focuses on tacit knowledge which is created at the parents’ level and its impact on opportunism (e.g. Kogut 1988, Shenkar and Li 1999, Pak and Park 2004, Hennart 1991). Once again, since tacit knowledge in an IJVF is of strategic importance to both the IJVF and the parents, it is worth investigating its impact on opportunism. Therefore, Chapter 6 focuses on this impact in depth.
2.5 Autonomy

Autonomy refers to an organization having the ability to choose an approach and actions as it pleases to achieve a final goal (Clark and Wilson 1961). Organisational autonomy is defined as the organisation having the “freedom to make its own decisions about the use and allocation of its internal resources without reference or regard to the demands or expectations of potential linkage partners” (Oliver 1991: 944–5). According to (Oliver 1991), when an organisation has a high level of autonomy it has extensive authority to control its internal key decision-making and minimise commitments to satisfy external demands or sustain an external entity. In contrast, when an organisation has a low level of autonomy it has to devote considerable time and resource investment according to the interests of external entities (Oliver 1991).

First addressed by Killing (1983) and then discussed by several researchers (e.g. Fey and Beamish 2000, Glaister et al. 2003, Harrigan 1988, Hearn 2014, Hill and Hellriegel 1994, Jiang et al. 2011, Lyles and Reger 1993, Newbury and Zeira 1999, Oliver 1991, Park and Harris 2014, Zajac et al. 1991), IJV autonomy has received ongoing attention in the IJV literature. There is also an established literature on the relationship between autonomy and resource dependence. For example, Butler and Sohod (1995) explore Joint-venture autonomy: resource dependence and transaction costs perspectives, while Guo and Acar (2005) investigate interorganisational resource Dependence and autonomy. There are also studies that examine the relationship between autonomy and resource dependence from a number of perspectives including external control (Pfeffer and Salancik 2003), non-profit organisations (Froelich 1999, Guo and Acar, 2005), the institutional environment (Guo and Acar 2005).

In the context of the IJV, however, it still does not have a consensus definition. Some studies envisage IJVF autonomy as the antithesis of parents’ control (Fey and Beamish 2000, Hearn 2014, Kumar and Seth 1998, Park and Harris 2014, Zhang and Li 2001).
Other researchers examine autonomy when the IJVF is given the authority to make decisions, and this authority is not viewed as an aspect of control, as in other research. In their research, autonomy refers to the ‘degree of decision-making latitude allowed to the joint venture management by the partners’ (Hill and Hellriegel 1994: 596). Newbury and Zeira (1999) and Newbury et al. (2003) further develop Hill and Hellriegel’s (1994) concept and make a distinction between autonomy and control, defining autonomy as an informal phenomenon not based on authority, whereas control refers to authority over the IJVF, so that when the parents allow latitude in decision-making, this is a manifestation of light control. Thus, autonomous joint-venture firms have the potential to develop strategy independently and to make independent operational or functional decisions when given the authority to do so. This view is adopted by many researchers, such as Glaister et al. (2003), Park and Harris (2014), and Yeheskel et al. (2004). However, the rationale for their discussion of IJVF autonomy still turns into a discussion about parents’ control.

Overall, the literature seems to agree that a high level of IJVF autonomy equates to a low level of parents’ control. Control in management studies is generally defined as ‘a purposeful and goal-oriented activity (Anthony 1965, Camillus 1986, Green & Welsh, 1988) that influences the acquisition, interpretation, and dissemination of information with an organizational setting (Ansari 1977, Lowe, 1971, Simons, 1987, 1994)’ (Makhija and Ganesh 1997: 509). Parents’ control is defined as the mechanism which parents employ to ensure that the IJVF complies with their interests (Ding 1997, Schaan 1983). The literature concerning IJVs has tried to separate IJVF autonomy from parents’ control by paying attention to an IJVF’s freedom and latitude in decision-making (e.g. Fey and Beamish 2000, Glaister et al. 2003, Harrigan 1988, Hearn 2014, Hill and Hellriegel 1994, Jiang et al. 2011, Lyles and Reger 1993, Newbury and Zeira 1999, Oliver 1991, Park and Harris 2014, Zajac et al. 1991). The discussion found in the literature, however, still falls within the broad concept of parents’ control.
Before this thesis proceeds to the next section, it is important to clarify something about control and autonomy. Compared to the concept of parents’ control, the concept of IJVF autonomy is IJVF-oriented, towards the freedom or latitude allowed to the joint venture to manage its own key activities. The parents’ control over key decision-making by the IJVF is obviously parent-oriented and concerns the parents’ interests and goals and how much control the parents can exert over the IJVF in order to protect their interests and achieve their goals. In this regard, I suggest that IJVF autonomy is different from parents’ control; also, IJVF autonomy adopts the view of the IJVF rather than the view of the parents. Hence, this thesis must clarify the concepts of parents’ control and IJVF autonomy. For parents’ control, this thesis proposes that parents’ control is the parents’ view of how much control the parents can have over the IJVF in order to protect their interests and achieve their goals. For IJVF autonomy, this thesis proposes that IJVF autonomy is the IJVF’s view of how much freedom it is allowed to manage the key aspects of IJVF activities.

In line with the focus of this thesis – concerning the IJVF factors determining IJVF instability – I adopt the view of the IJVF and accept that “IJVF autonomy is defined as the degree of decision-making latitude allowed to the joint venture management by the partners” (Hill and Hellriegel 1994). This definition is also the one most widely accepted by many researchers (e.g. Fey and Beamish 2000, Glaister et al. 2003, Harrigan 1988, Hearn 2014, Hill and Hellriegel 1994, Jiang et al. 2011, Lyles and Reger 1993, Newburry and Zeira 1999, Oliver 1991, Park and Harris 2014, Zajac et al. 1991). This thesis adopts the definition of Hill and Hellriegel (1994) and concurs with Newburry et al.’s (2003) focus on autonomy in prominent IJVF activities: 1) strategic plan formulation and implementation; 2) formulation and implementation in limited functional areas. Apart from prominent IJVF activities which are recommended by two items suggested by Newburry et al. (2003), the thesis also looks at the IJVF’s autonomy in research and development activities. This is suggested by IJVF managers in China.
Organisations are considered to retain their autonomy in order to have control over their domain and key affairs (Gouldner, 1959). The issues of autonomy and control in inter-organisation relationships are constantly discussed in the literature (Aiken & Hage 1968, Aldrich 1979, Cook 1977, Evan 1966, Fennell, Ross & Warnecke 1987, Provan 1982, 1983, Rogers 1974, Schermerhorn 1981, Thompson 1967, Thompson & McEwen 1958, Whetten 1977, Whetten & Leung 1979). When firms enter into an inter-organisation relationship, their freedom of control over key activities may be lost (Van de Ven & Walker, 1984). In addition, firms may invest specific resources into the inter-organisation relationship in order to achieve their goals; however, the potential return on their investment is not always clear and easy to define (Van de Ven & Walker, 1984). An intention to keep control and an unwillingness to lose autonomy will lead to conflict between the partners in an inter-organisation relationship, which will result in the wrong norms or an organisation’s wrong decisions (Oliver, 1990). In the case of an IJV, when parents enter into a parent-IJVF relationship, their freedom of control over key activities may be lost. In addition, parents may invest specific assets into a parent-IJVF relationship in order to achieve a mutual goal; however, the potential return on their investment is not always clear and easy to define. Therefore, both the desire for control and the reluctance to lose autonomy cause conflicts between parents and the IJVF, which may lead to an IJVF’s instability or parental opportunism. However, the literature pays little attention to the impact of autonomy on an IJVF’s instability and there has been no effort made to investigate its impact on parental opportunism. Given that autonomy may be a major source of parent-IJVF conflict, it is worth examining its effects on both IJVF instability and parental opportunism; thus, Chapters 4 and 6 investigate this impact in detail.
2.6 Psychic Distance

Introduced by Beckerman (1956) and developed by Evans and Mavondo (2002), Johanson and Vahlne (1977), Nordstrom and Vahlne (1994), and Vahlne and Wiedersheim-Paul (1973), the term psychic distance is widely accepted as ‘the sum of factors preventing the flow of information from and to the market’ (Johanson and Vahlne 1977: 24). Whilst psychic distance refers to the degree to which group members differ regarding the dimensions of language, social status, religion, politics, economic conditions and basic assumptions about reality, psychic distance captures the perceptions of the differences between the home and host countries that impede information flows between firms or between parties in hybrid organisational forms (Johanson and Vahlne 1977).

The rationale for the effect of psychic distance on an IJV’s instability and stability is related, mixed and contradicted in the literature. On the one hand, earlier research concerns the direct impact of psychic distance on firms’ internationalization and generally agrees that psychically close countries find it easier to communicate and learn local market knowledge than psychically distant countries (Johanson and Vahlne 1977, Nordstrom and Vahlne 1994). Firms’ internationalization should be more successful when entering a psychically close market than entering a psychically distant one (Johanson and Vahlne 1977, Nordstrom and Vahlne 1994). Therefore, in the context of an IJV, an IJVF should be more stable or successful when the parents have psychically close backgrounds rather than psychically distant ones.

On the other hand, the empirical findings of earlier research are contradicted by this general argument (O'Grady and Lane 1996, Stöttinger and Schlegelmilch 1998). The contradictory findings for psychic distance and companies’ success in internationalization is called the psychic
distance paradox (O’Grady and Lane 1996). Therefore, it is necessary to discover the impact of psychic distance on an IJV’s instability and stability to resolve the psychic distance paradox.

Despite much research on psychic distance in international business research, empirical studies which investigate the impact of psychic distance on both instability and stability simultaneously are still scarce. The IJV literature has paid particular attention to the impact of cultural distance on IJV instability and stability separately (e.g. Franko 1971, Park and Ungson 1997a). According to Sousa and Bradley (2008), a group of researchers believe that psychic distance incorporates elements of cultural distance, these researchers believe that cultural distance is a key element of psychic distance since several empirical findings show that there is a positive relationship between cultural distance and psychic distance (Håkanson and Ambos 2010); although early researchers treat cultural distance as the central element of psychic distance (Benito and Gripsrud 1992, Kogut and Singh 1988, Morosini et al. 1998, Ronen and Shenkar 1985, Tihanyi et al. 2005), not the different concept of culture and psychic distance² (Avloniti and Filippaios 2014, Dow and Karunaratna 2006, Nebus and Chai 2014), the research on cultural distance cannot be seen as equal to the research on psychic distance. Furthermore, the discussion of either psychic distance or cultural distance and their impact on IJV instability and stability is always separate in both conceptual and empirical studies. There has been no attempt to conduct a comparative study on the impact of psychic distance on both IJVF instability and stability simultaneously. With both the positive and negative impacts of psychic distance on companies’ internationalisation activities to be found in empirical research, it is interesting to look at its impact on both IJVF instability and stability simultaneously in one study. Chapter 5, therefore, examines this impact.

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² 'CD was developed by Hofstede (2001, p. 9) who advocated that it is “the collective programming of the mind that distinguishes the members of one group or category of people from another”. On the other hand, PD is defined as the factors, such as language, religion and education, which disrupt the flow of information between two countries (Johanson & Wiedersheim-Paul, 1975)” Avloniti, A. & Filippaios, F. 2014. ‘Unbundling the differences between Psychic and Cultural Distance: An empirical examination of the existing measures.’ International Business Review, 23:3, 660–74.
In addition, psychic distance is widely accepted as a barrier to information flow, which results from the distance between two parties in terms of language, social status, religion, politics, economic conditions and basic assumptions about reality (Johanson and Vahlne 1977). Due to psychic distance disabling the information flows between firms within a relationship, psychic distance increases the uncertainty for inter-firm cooperation (Johanson and Vahlne 1977). Psychic distance is well researched in the IJV literature, the conventional view which is held by the literature is that within an IJV network (IJVN), the psychic distance between foreign and local parents tends to raise the barrier for parents wanting to understand each other and predict each other’s behaviour; therefore, opportunism cannot be prevented (Lee 1998, Katsikeas et al. 2009, Barnes et al. 2010). Psychic distance generally creates ‘additional difficulties and challenges for managers, who must allocate more time to communication, the design of compatible work routines, and the development of common managerial approaches (Olk 1997) (Meschi 1997)’ (as cited in Simonin 1999a: 602), which in turn increases the opportunism between managers. Since psychic distance is a barrier to information flow that exacerbates the opportunism between managers, this barrier may also exacerbate the parental opportunism in an IJV. Therefore, it is interesting to look at the impact of psychic distance on parental opportunism in this thesis, and this is done in Chapter 6.


2.7 Conclusion

Section 2.2 critically reviews the concepts of and literature on IJVF instability and stability. IJVF instability broadly refers to changes to or the failure of an IJVF while IJVF stability suggests the stability and success of an IJVF. However, both concepts are mixed and unclear in the IJV literature. Therefore, this chapter conducts a critical review of both instability and stability in the context of an IJV. Based on the limitations of past research this chapter, then, reconceptualises the concepts of IJVF instability and stability, followed by proposing new definitions for IJVF instability and stability based on an IJVF perspective rather than a parents’ perspective. Furthermore, this chapter suggests that instability and stability are clear at the IJVF level but not at the parents’ level; therefore, it employs a perspective of IJVF to detect whether an IJVF’s instability and stability are meaningful.

Section 2.3 discusses relevant literature on parental opportunism and conceptualises parental opportunism in the context of an IJV. Since there is a lack of research devoted to the study of parental opportunism, it is necessary to establish an understanding of this concept based on theoretical grounds. This chapter reviews the concept of opportunism from several theoretical perspectives. However, none of the theories seem to offer a persuasive view of parental opportunism. Thus this chapter develops a mixed theories view on parental opportunism that offers a comprehensive understanding of this concept. A comprehensive understanding of parental opportunism that derives from several theories offers a foundation for a research framework and hypotheses development for three studies.

This chapter also conducts a relevant literature review and discusses an IJVF’s tacit knowledge, autonomy and the psychic distance between parents. This chapter offers an assessment and evaluation of past literature that leads to identifying these three concepts for this thesis. For tacit
knowledge, this chapter adopts the view of Polanyi (1958) that tacit knowledge is opposite to explicit knowledge which cannot be codified and systemically transferred (Polanyi 1958). For the autonomy in an IJVF, this chapter follows the definition proposed by Hill and Hellriegel (1994: 594) who define IJVF autonomy as ‘the degree of decision-making latitude allowed to the joint venture management by the partners’. For psychic distance, a view that sees psychic distance as ‘the sum of factors preventing the flow of information from and to the market’ (Johanson and Vahlne 1977: 24), is considered appropriate for this thesis.
Chapter 3 Data and Methodology

3.1 Introduction

This chapter reports the research methodology. The objective of this thesis is to find ways to measure instability, stability and opportunism and examine what factors affect them. To achieve the research objectives, a questionnaire survey approach is adopted for data collection and hierarchy regressions and a structural-equation modelling approach are adopted for data analysis. A sophisticated data analysis can only be conducted when the data-collection strategy is of a high standard (Kelloway 1998). Therefore, this research follows suggestions made in the literature when undertaking data collection (e.g. Neuman 2005, Hair et al. 2006, Hinkin 1995).

The thesis includes three empirical investigations. Each empirical investigation has a separate data-analysis section that appertains to the three specific topics that the three empirical investigations address. This thesis uses a single data set which was collected in China in 2012. In order to avoid repetition, the purpose of this chapter is to describe the research methodology adopted for the study. Therefore, this chapter contains eight sub-sections. Section 3.1 is an introduction to this chapter. Section 3.2 describes the methodological approach. Section 3.3 presents the measurement of the constructs. Section 3.4 reports the questionnaire design and the rationale behind it for selecting the measurement scales. Section 3.5 explains the concern over research ethics and how these are addressed. Section 3.6 reports the assessment of data validity. Section 3.7 sets out the profile of the sample characteristics, it also proves that the data are equally spread out. Section 3.8 reports the construct validity. This part involves exploratory factor analyses (EFA) and confirmatory factor analyses (CFA). The purpose of conducting EFA and CFA is to ensure the quality of the data and the reliability and validity of the measurements and
thus guarantee the results of the hypotheses testing that can then be used to draw conclusions (Hair et al. 2006). Section 6.9 draws a conclusion to this chapter.
3.2 Rationale for the Selected Methods

A deductive approach methodology is adopted in this research as this methodology makes a strong link between theory and research (Bryman and Bell 2003). This thesis develops hypotheses based on a theoretical rationale that explains the relationship between the focal variables, thus a deductive approach is suitable for this work. This thesis aims to adopt a view of IJVF's in order, firstly, to investigate the impact of several key factors (autonomy, tacit knowledge and parental opportunism) on instability. Second, it compares the determinants of instability and stability. Thirdly, it identifies the roles of autonomy, tacit knowledge and psychic in relation to parental opportunism. Empirical investigations enable this thesis to answer several research questions which this thesis asks: (1) Does parental opportunism influence an IJVF’s instability? (2) Does tacit knowledge in an IJVF influence its instability? (3) How does autonomy in the IJVF play an important role in influencing IJV instability? (4) Do these IJVF’s instability and stability share the same set of deriving forces? (5) Do parental opportunism, an IJVF’s tacit knowledge and parents’ psychic distance have inverse impacts on an IJVF’s instability and stability? (6) What are the factors that influence parental opportunism? (7) Do autonomy in an IJVF, the tacit knowledge which is held by an IJVF and the psychic distance between parents influence parental opportunism? If they do, how do they influence parental opportunism?

Regarding the nature of the research objectives and the research questions proposed, this thesis employs a quantitative approach as a research method. A quantitative approach suggests that the best way to study a phenomenon or problem is to investigate or discover the existing causal relationship underlying the study (Pugh and Hinings 1976). A quantitative approach involves collecting numerical data to answer the research questions that involve causal relationships between the variables (Saunders et al. 2003). Therefore, regarding the main objective of this thesis
which is to discover the causal relationships between focal factors and instability, stability and parental opportunism, a quantitative approach is the most appropriate method. This thesis employs a questionnaire-based survey to collect data as this enables the researcher to ‘examine and explain relationships between variables, in particular cause and effect relationships’ (Saunders et al. 2003: 282). Structural equation modelling (SEM) and moderated hierarchical regression are selected to undertake the statistical analysis. The empirical investigation in the second study involves a test of the mediating effect and a comparison between instability and stability models, hence SEM is the most appropriate technique for the second study (MacKinnon 2008). The first and third studies involve the examination of two-way and three-way interactions to determine the potential moderating impact of focal variables on instability and parental opportunism. Thus, a moderated hierarchical regression is the most appropriate technique to be employed to clarify this complex causal relationship (Björkman et al. 2004, Cohen et al. 2013).
3.3 Measurement of Variables

Parental Opportunism

Seven items measure parental opportunism, these were developed from previous studies and adopted for the purposes of this research (e.g. John 1984, Lado et al. 2008, Luo 2007, Demsetz 1966, Dwyer and Oh 1988) (questionnaires items are presented in Table 4). The literature suggests that, in a firm-level principal-agent relationship, there are several areas where a principal may behave opportunistically at the expense of the agent: (1) information misrepresentations: principal’s misrepresentations in terms of the operation or a disclosure problem, especially regarding making a profit; (2) restrictions on resources supply: principal’s restrictions on supplying resources or services to the agent; and (3) a capricious attitude: a principal’s capricious attitude towards the principal-agent agreement (Diamond 1969).

However, the literature investigating principal opportunism only focuses on franchisor opportunism; empirical investigations on principal opportunism in the area of IJV are absent. Since parental opportunism in an IJV is not identical to franchisor opportunism, in order to develop a proper measurement for parental opportunism, I include behavioural elements which have long been seen as representing opportunistic behaviour. These elements include: (1) Distorting or hiding information, altering the truth, blocking key knowledge or technology; (2) Breaking contract obligation, empty promises, failing in duties, breaches of formal or informal agreements; (3) Self-benefit seeking; (4) Exaggerating needs, perfunctory role performance, cheating.

In addition, opportunism is a type of intangible cognitive concept. It is not easy to measure something intangible and it has its source in qualitative phenomena. In this regard, I use several empirical studies as references to develop my measurement. The first systematic study on
measuring opportunism was by John (1984). John (1984) suggests that three dimensions can be used to measure governance forms – affective, cognitive and opportunism – and he developed measures whereby effective and cognitive factors are separated from opportunism as they are different for human beings.

The example comments for the affective dimension are: ‘I feel that I get a fair deal from my supplier. My dealings with my suppliers’ representatives are quite tense at times.’ The example comments for the cognitive dimension are: ‘I do not volunteer much information regarding my business to my supplier.’ The particular comments for opportunism include: ‘Sometimes, I have to alter the facts slightly in order to get what I need. I have sometimes promised to do things without actually doing them later’ (John 1984). Questions are put to respondents who self-report their feelings for each question. There are five levels of feelings, which range from strongly agree to strongly disagree, and the respondent ticks their degree of feeling. These measures are widely adopted in empirical research (e.g. Dwyer and Oh 1988, Lado et al. 2008, Parkhe 1993, Cavusgil et al. 2004).

To assess opportunism other alternatives can be used, for example Kim and Mauborgne (1993) investigated trust by asking questions, such as: (1) "How much confidence and trust do you have in head office management?" (2) "Head office management at times must make decisions which seem to be against the interests of your unit. When this happens, how much trust do you have that your unit's current sacrifice will be justified by the head office's future support for your unit?"

Later researchers redesigned the questions for measuring trust and opportunism. An alternative example of this was employed by Judge and Dooley (2006) who measured the opportunism of parents in an alliance. Their question examples are: ‘1. Their TMT fully implements final strategic decisions made for our alliance even if these decisions are not parallel with their interests. 2.
When presented with the opportunity, their TMT tends to disregard strategic decisions of the alliance in the interests of their firm.’

Other measures of opportunism that have been applied by previous empirical studies (e.g. Dwyer and Oh 1988, Lado et al. 2008, Parkhe 1993, Cavusgil et al. 2004, Luo 2007) are as follows:

• **Information**: distorting or hiding information, altering the truth, blocking key knowledge or technology;

• **Agreement**: breaking a contract, empty promises, failing in duties, breaches of formal or informal agreements;

• **Self-benefit**: pursuing one’s own self-benefit;

• **Dishonesty**: exaggerating needs, perfunctory role performance, cheating.
Table 4 Measurement of Parental Opportunism

| DEFINITION | ‘When an IJVF perceives that its parents act opportunistically towards the IJVF in order to benefit themselves at the expense of the IJVF’. |
| ITEMS | To what extent do you agree with the following statements?  
(On a scale from 1 to 5: 1 strongly disagree, 2 disagree, 3 undecided, 4 agree, 5 strongly agree.)  
- Both parents provide sufficient resources to develop IJVF strategies.  
- Both parents take advantage of the IJVF to exploit the other parent’s specific information (know-how).  
- Both parents provide sufficient knowledge (know-how) to develop a JV strategy.  
- Both parents provide overpriced quotations to the IJVF.  
- Both parents provide substandard input to the IJVF.  
- Both parents fail to provide all relevant information in a timely manner to the IJVF.  
- Both parents do not misrepresent any aspect of their joint business relationship to further their own objectives.  
- Both parents exaggerate their requirements for the operation of the IJVF.  
- Both parents are in breach of formal or informal agreements with the IJVF. |
Tacit Knowledge

The level of knowledge tacitness: Due to tacit knowledge being an intangible asset, similar to opportunism, tacit knowledge is also difficult to measure. Previous research has used questionnaires to ask interviewees about their perceptions as to whether the knowledge owned by a firm is well defined and can be systematically transferred (e.g. Zander and Kogut 1995, Simonin 1999b, Dhanaraj et al. 2004, Nielsen and Nielsen 2009). Whilst tacit knowledge is challenging to operationalise, the same measuring technique can be used as that adopted for opportunism, i.e. five degrees on a scale for interviewees to report their feelings. From strongly agree to strongly disagree, interviewees may tick any of them to show their feelings.

Zander and Kogut (1995) set five dimensions to measure whether knowledge is tacit or explicit; these five criteria are codifiability, teachability, complexity, system dependence and product observability. The intention of codifiability is to measure the degree to which knowledge can be written down and embodied in software. Teachability is used to measure how difficult or easy it is for knowledge to be formally transferred. Complexity is designed to assess the level of difficulty and the complexity of knowledge. System dependence measures the feasibility of knowledge being transferred in isolation (Reuer and Ariño 2007). To explain further, if workers want to learn of one type of knowledge, they also have to be familiar with other different types of knowledge; otherwise they are unable to understand the knowledge which they intend to learn. This kind of knowledge has a high level of system dependence. Product observability can be used to measure how easy or difficult it is for knowledge to be obtained by competitors from public reports, such as learning how to make products by analysing descriptions of products in product instruction leaflets (Zander and Kogut 1995). Zander and Kogut's (1995) measures of tacit knowledge are widely adopted in the literature e.g. Lord and Ranft 2000. Questionnaires items for measuring tacit knowledge are presented in Table 5.
**Table 5 Measurement of Tacit Knowledge**

<table>
<thead>
<tr>
<th>DEFINITION</th>
<th>Tacit knowledge is opposite from explicit knowledge as it cannot be codified and systemically transferred (Polanyi 1958).</th>
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<tbody>
<tr>
<td>ITEMS</td>
<td>• Manuals describing IJVF activities and processes can easily be written.</td>
</tr>
<tr>
<td></td>
<td>• Large parts of IJVF processes are captured in standard software that can be modified for needs.</td>
</tr>
<tr>
<td></td>
<td>• Extensive documentation describing critical parts of the business processes exists in the IJVF.</td>
</tr>
<tr>
<td></td>
<td>• New staff can learn systems and procedures by talking to skilled employees in the IJVF.</td>
</tr>
<tr>
<td></td>
<td>• New staff can learn systems and procedures by studying documents and manuals in the IJVF.</td>
</tr>
<tr>
<td></td>
<td>• Educating and training new staff in the IJVF is a quick and easy task.</td>
</tr>
<tr>
<td></td>
<td>• It is impossible for anyone in our firm to have a good standard of knowledge about the entire international joint-venture operational process.</td>
</tr>
<tr>
<td></td>
<td>• To get high product or service quality, it is very important that our staff have extensive experience of our working practices.</td>
</tr>
<tr>
<td></td>
<td>• Workers in important parts of the international joint venture have to be in constant contact with experts, such as such as engineers and colleagues in other departments, otherwise product or service quality will go down.</td>
</tr>
<tr>
<td></td>
<td>• A competitor can easily learn how we produce our products and/or services by testing them in use or becoming one of our customers.</td>
</tr>
<tr>
<td></td>
<td>• A competitor can easily learn how we produce our products and/or services by analyzing descriptions of them in catalogues, promotional material etc.</td>
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</table>
Autonomy

This research adopts the definition proposed by Hill and Hellriegel (1994) that “IJVF autonomy is defined as the degree of decision-making latitude allowed to the joint venture management by the partners.” This definition is also the most widely accepted definition in the IJV literature and has also been efficiently operationalised in empirical contexts (e.g. Yan et al. 2010, López-Navarro and Camisón-Zornoza 2003, Newburry et al. 2003). Items were adapted from Newburry et al. (2003) and complemented by suggestions from IJVF managers. Newburry et al. (2003) suggest three aspects which are of strategic importance to the IJV. These are: first, formulate and implement the IJVF’s strategic business plan; second, formulate and implement the IJVF’s business plan only with respect to a limited functional area; and third, implement the IJVF’s strategic business plan independently.

Newburry et al. (2003) further state that there two reasons for selecting these aspects: ‘1) they are more or less important to global coordination and the integration of efforts between the various components of a multinational corporation; and 2) they are more or less tied to local social, political and economic conditions, thus requiring autonomy in order to achieve local adaptation’ (Newburry et al. 2003: 398). After consulting with managers in the IJVF, this research developed two items which cover the aspects from Newburry et al.’s (2003) suggestions. These two items are presented in the following table. This research also includes two items about research and development (R&D) which are considered to be very important to IJVF managers. One of the important issues that this research looks at is the strategy role of tacit knowledge for IJV instability and parents’ principal opportunism; an IJVF’s autonomy in terms of managing R&D assets is, therefore, critical for this issue. In this regard, this research develops two items, which are presented as the following table.
**Table 6 Measurement of Autonomy**

<table>
<thead>
<tr>
<th>DEFINITION</th>
<th>ITEMS</th>
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<tr>
<td>“IJVF autonomy is defined as the degree of decision-making latitude allowed to the joint venture management by the partners” (Hill and Hellriegel 1994: 594). This definition is also adopted by Newburry et al. (2003).</td>
<td>• The IJVF has authority in the formulation of strategic business plans (including subsequent implementation).</td>
</tr>
<tr>
<td></td>
<td>• The IJVF has the consent of the parent firms in the formulation and implementation of strategic business policies only in limited functional areas (such as human resources management).</td>
</tr>
<tr>
<td></td>
<td>• The IJVF has the authority to execute R&amp;D roadmaps without the consent of the parent firms.</td>
</tr>
<tr>
<td></td>
<td>• The IJVF has the authority to allocate R&amp;D assets without the consent of the parent firms.</td>
</tr>
</tbody>
</table>
Psychic Distant Stimuli

For psychic distance stimuli, I use secondary data provided by Dow and Karunaratna (2006) (as shown in Table 7). The measurement of psychic distance has long received constant debate on whether to use a subjective approach or an objective approach (Nebus and Chai 2014, Dow and Karunaratna 2006). A subjective approach measures psychic distance as perceived by the individual, while an objective approach measures psychic distance by examining factual macro-level differences (Dow and Karunaratna 2006). The subjective approach uses primary data which capture key decision-makers’ perceptions of a country’s distance, such as a country’s markets and economics (Dichtl et al. 1990, Holzmüller and Kasper 1990, Stöttinger and Schlegelmilch 1998), or country factors, such as culture, politics, business, governance, geography and language (Evans and Mavondo 2002, Håkanson and Ambos 2010).

The objective approach uses a composite index which covers country-level differences, such as cultural, political, historical, social, language, geographic or institutional differences (Berry et al. 2010, Brewer 2007, Dow and Karunaratna 2006, Kogut and Singh 1988, Morosini et al. 1998, Tihanyi et al. 2005). A subjective approach suits predicting the outcome of a specific firm, while an objective approach suits predicting aggregate behaviour across a population of firms (Dow and Karunaratna 2006). This study investigates the factors influencing IJV instability and stability via a sample of 203 IJVF in China. Therefore, an objective approach is adopted for this research.
Table 7 Psychic Distance Stimuli

<table>
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<tr>
<th>DEFINITION</th>
<th>Definition: ‘the sum of factors preventing the flow of information from and to the market.’ (Johanson and Vahlne, 1977, p.24).</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITEMS</td>
<td>• Differences in education level</td>
</tr>
<tr>
<td></td>
<td>• Differences in industrial development</td>
</tr>
<tr>
<td></td>
<td>• Differences in language</td>
</tr>
<tr>
<td></td>
<td>• Differences in political systems</td>
</tr>
<tr>
<td></td>
<td>• Differences in religion</td>
</tr>
</tbody>
</table>
Instability

For instability, this research takes a view of an IJV and defines that 'an IJV, which is currently experiencing conditions, such as contract re-negotiation or power shifts, can be considered as experiencing instability'. In this view, this research suggests that no matter what causes things to happen in an IJV, if it is currently experiencing certain conditions, such as contract renegotiation or a power shift, it can be considered as experiencing instability. Detailed definition development is presented in Chapter 3. This research develops a measure of instability based on measures from previous research complemented by IJV managers’ suggestions. Measures from previous research include three approaches, outcome-oriented, process-oriented and comprehensive (a detailed literature review is conducted in Chapter 2). The outcome-oriented approach detects IJV instability when an IJV is terminated or sold out (e.g. Banerjee and Mukherjee 2010, Franko 1971, Gill and Butler 2003, Gomes-Casseres 1987, Millington and Bayliss 1997). In this regard, this research includes an IJV’s premature termination and unplanned selling-out as indicators for measurement.

A process-oriented approach considers that instability can be detected when there are notable changes during the lifespan of an IJV, which include contract renegotiations, equity changes, power shifts or reconfigurations (e.g. Blodgett 1992, Das and Teng 2000, Inkpen and Beamish 1997). Therefore, this research includes equity change, contract renegotiation, reorganization of the structure of an IJV and changes to the management structure of an IJV as indicators. A comprehensive approach covers both outcome-oriented and process-oriented approaches, thus this research also covers indicators that are comprehensive. It also includes the indicators suggested by IJV managers, such as lawsuits between parents and a high level of managers’ turnover. Questionnaire items for measuring instability are presented in Table 8.
Table 8 Measurement of Instability

<table>
<thead>
<tr>
<th>DEFINITION</th>
<th>ITEMS</th>
</tr>
</thead>
</table>
| ‘An IJV which is currently experiencing certain conditions, such as contract renegotiation or changes to the relationship between partners or which has the potential for unpredictable termination in an unplanned or premature way, can be considered as having instability.’ Adopted from Yan and Zeng (1999). | • Parent firms may plan an IJV’s transfer to a wholly-owned subsidiary.  
• Parent firms have renegotiated the IJV contract frequently.  
• It has been necessary to reorganize the structure of the IJV.  
• The IJV has a high turnover rate for managers.  
• There are many lawsuits between two parent firms.  
• The management structure of the IJV has been changed frequently.  
• Parent firms have planned to sell the IJV to a third party.  
• Parent firms plan to sell the IJV to a third party because objectives have changed.  
• The IJV’s equity agreement has been changed frequently.  
• Parent firms have planned to terminate the IJV.  
• Parent firms plan to terminate the IJV and redeploy, liquidate or divest assets. |
For stability, this research defines that ‘an IJVF is in a relatively stable (developmental) period when goals can be carried out’. A detailed definition and development are presented in Chapter 6. However, it is not possible to develop a measure for stability from this definition. This research develops a measure for stability based on the indicators of a stable condition. Before parents achieve their goals, they will wish to prolong their IJVF contract, invest in and expand the IJVF, or adding some more functions to the IJVF, so that the IJVF can run well and the parents’ goals can be achieved. Since the parents will want to keep the IJV stable until they achieve their goals, they will desire to keep the IJVF active and running well. Therefore, this research suggests that parents’ actions to keep an IJVF active and running well will reflect an IJVF’s stability; these actions are thus indicators of stability. With numerous actions devoted to keeping an IJVF active and running well, I limit this research and subsequent interpretations to the extension of joint ventures that have no fixed duration, where parents are committed to investing in and expanding the IJVF and adding more functions to the IJVF as measures of stability. Questionnaire items to measure stability are presented in Table 9.
DEFINITION

An IJVF’s stability is defined as a ‘relatively stable (developmental) period during an IJV’s operating or maturity mode so that the parents’ goals can be attained’.

ITEMS

- Parent firms would co-operate again, to build another IJVF.
- Parent firms may prolong their co-operation contract (IJVF contract).
- The parents’ firms are committed to investing in and expanding the IJVF.
- Parent firms intend to add more functions to this IJVF, e.g. marketing, research, manufacturing etc.

Control Variables

This research includes a number of control variables that may influence instability, stability or all three dependent variables. Questionnaire items and the measurement of control variables are presented in Table 10. I use two types of control variables, variables at the IJVF and parent levels.

At the IJVF level: ‘IJVF age’ This variable is measured by asking participants how long the IJVF has been set up (Beamish 1988, Hennart and Zeng 2002, Meschi 1997, Steensma and Lyles 2000, Makino et al. 2007). The literature suggests that an IJVF’s longevity has a positive impact on an IJVF’s stability since, as an IJVF gets older, the parents change and get to know each other better which helps to resolve problems between them (Meschi and Riccio 2008). In addition, the literature includes the longevity of an exchange relationship as a control variable to examine exchange partners’ opportunism (Handley and Angst 2014, Lado et al. 2008, Luo 2007).

This thesis also include an IJVF’s size, as the large size of an IJVF implies that it is difficult for parents to terminate the IJVF (Meschi and Riccio 2008). When the termination costs for an IJVF are high, the IJVF’s survival can be secured (Meschi and Riccio 2008, Steensma and Lyles 2000). In addition, the agent-theory literature includes agent size (i.e. the number of full-time employees)
as a control variable to test principal opportunism (e.g. Lado et al. 2008). IJVF size is measured by the number of employees in the IJVF (Lado et al. 2008, Steensma and Lyles 2000).

The level of technology involved in an industry is suggested as a factor which may impact on the exchange parties’ opportunism (e.g. Zhou and Xu 2012, Hagedoorn and Hesen 2007). An exchange relationship that involves a higher level of technology has to change more to accommodate the issues of asset specificity and external uncertainty which are seen as causing opportunism (Hagedoorn and Hesen 2007). To measure IJVF industry, this thesis employs a dummy variable: 1 to classify industries based on higher technology intensity, high-technology and medium-high-technology industries (e.g. computing equipment, motor vehicles, electrical machines etc.), 0 to classify industries based on lower technology intensity, medium-low-technology industries and low-technology industries (e.g. metal products, food, beverages & tobacco). The definition of high technology intensity is based on that used by the OECD (1996). The sectors that are covered by the OECD definition and the UK 1992 SIC codes are presented in Hatzichronoglou (1997). The literature suggests that an IJVF’s better performance increases an IJVF’s stability while poor performance is predicted to incur more instability (Fang and Zou 2010, Yan and Gray 1994, Yan and Zeng 1999). In this regard, this thesis includes an IJV’s financial performance as a control variable, and it is operationalized by a 5-point Likert scale and asking participants whether an IJVF is financially successful.

At the parents level, this research includes two variables suggested by the literature, equity share (Meschi and Riccio 2008, Beamish 1988, Hennart and Zeng 2002, Meschi 1997) and parents’ prior cooperation. The literature seems to have an opposite view on the relationship between parents’ equity share and IJV’s instability. On the one hand, parents that hold equal (50/50) shares have equal bargaining power, thus avoiding the opportunism which is caused by a power asymmetry imbalance (Meschi and Riccio 2008). In contrast, equal shares lead to an IJV’s instability as equal shares contribute to parents’ conflicts in decision-making when decisions
involve frequent negotiations between partners (Geringer and Hebert 1989, Gomes-Casseres 1987, Kiliing 1983). This thesis suggests that asymmetry in equity shares may impact on parents ‘opportunism because it indicates the degree of inter-party asymmetry in the stake competition’ (Luo 2007), which may reflect on the parents’ opportunism towards an IJVF.

Equity share is operationalized by the absolute difference in equity shares between the foreign parent and the local parent (Steensma and Lyles 2000). Finally, the literature suggests that an IJV’s instability and stability are associated with the parents’ cooperation experience prior to forming an IJVF (Luo 2002, Fang and Zou 2010, Blodgett 1992). This is because parents that cooperate prior to forming an IJVF are able to establish knowledge about each other, thus misunderstandings and conflicts can be avoided. Parents’ prior cooperation is measured by a dummy variable: 1 for parents without prior cooperation, 2 for parents with prior cooperation.
## Table 10 Measurement of Control Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>IJVF Age</td>
<td>The number of years the IJVF has been in operation</td>
<td>Survey &amp; Company websites</td>
</tr>
<tr>
<td>IJVF Size</td>
<td>The total number of employees.</td>
<td>Survey &amp; Company websites</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>Degree to which the international joint venture firm has been financially successful.</td>
<td>Survey</td>
</tr>
<tr>
<td>Equity Share</td>
<td>Consistent with Steensma and Lyles (2000), equity share is operationalized by the absolute difference in equity shares between the foreign parent and the local parent.</td>
<td>Survey &amp; Company websites</td>
</tr>
<tr>
<td>Prior Cooperation</td>
<td>Coding: 1. Local and foreign parents cooperated prior to establishing the IJVF. 2. Local and foreign parents did not cooperate prior to establishing the IJVF.</td>
<td>Survey</td>
</tr>
<tr>
<td>Industry Type</td>
<td>Dummy variable: 1 for the classification of industries based on higher technology intensity, high-technology and medium-high-technology industries (e.g. computing equipment, motor vehicles, electrical machines etc.), 0 for the classification of industries based on lower technology intensity, medium-low-technology industries and low-technology industries (e.g. metal products, food, beverages &amp; tobacco). The definition of high technology intensity is based on that used by the OECD (1996). The sectors that are covered by the OECD definition and the UK 1992 SIC codes are presented in Hatzichronoglou (1997).</td>
<td>Dun &amp; Bradstreet and ZSHY Investment Advisory</td>
</tr>
<tr>
<td>Psychic Distance</td>
<td>This study employs an objective approach to measure psychic distance rather than a subjective approach as an objective approach suits predicting aggregate behaviour across a population of firms, while a subjective approach suits predicting the outcome of a specific firm (Dow and Karunaratna 2006). Therefore, the scale developed by Dow and Karunaratna (2006) was chosen for the purposes of this study. The data were obtained from: <a href="https://sites.google-com.ezproxy.york.ac.uk/site/ddowresearch/">https://sites.google-com.ezproxy.york.ac.uk/site/ddowresearch/</a>.</td>
<td>Dow and Karunaratna (2006)</td>
</tr>
</tbody>
</table>
3.4 Sample and Data Collection

3.4.1 IJVF Selection

This research follows Shenkar and Zeira (1987) definition to select qualified IJVFIs. Three further requirements are set. First, the foreign partner should hold a share of at least 10% in order to avoid being an offshore parent. Second, control for an IJVF type that excludes IJVFIs that may be purely output-oriented (Westney 1988); these IJVFIs include IJVFIs whose sole function is trading or that act in a representative role for parents. Third, IJVFIs must be older than 6 months to exclude newly-formed IJVFIs. Finally, exclude IJVFIs that have no knowledge input from parents. Therefore, a qualifying IJVF has the following characteristics:

1. Built by at least two separate legal organisational entities more than 6 months previously at the time of the survey.

2. Has at least one parent firm whose headquarters are in China.

3. Has at least one parent firm whose headquarters are outside of China and holds a share of at least 10%.

4. Performs functions involving more than trading or being a representative of parents.
3.4.2 Sampling

The sampling frame is established based on five highly developed cities in China: Beijing, Shanghai, Hong Kong, Guang Zhou and Chongqing. These cities share common characteristics, such as urbanization and economic development, which are suitable for this research (He and Xie 2006). Due to a list of qualifying IJVs which can be used for this research not being available, this research created a database gathered from two sources: joint venture lists and contact information purchased from Dun and Bradstreet and ZSHY Investment Advisory and replenished from public sources (such as Qiyetuigang and Waizi Mingluji).

The data were collected in Hong Kong, Chongqing, Beijing, Shanghai and Guangzhou, because these are the five most economically developed regions in China. Beijing, Shanghai, and Guangzhou are located in the east and are the most popular areas for foreign investment. Chongqing is one of five municipalities in China. In addition, Hong Kong is a predominately urban economy city and also attracts much foreign investment (Yearbook.gov.hk 2010). Therefore, this research includes Hong Kong in the research framework.

In March 2012, at the time of this survey, there were a total of 2,099 IJVs in the aforementioned five cities in China. Of these IJVs, 325 are in Hong Kong, 432 in Beijing, 999 in Shanghai, 250 in Guangzhou and 93 in Chongqing. However, these JVFs include all types of IJVs without any details about whether the IJVs qualify for this research. In addition, some of the IJVs in the database only have their names recorded. Many important details including whether these firms still exist or not and companies’ contact details are missing. This may be due to the owners of the IJVs not wanting to share company information at will.
Since not all the information about the IJVFs is available, this research restricts the sample to IJVFs (1) that are equity IJVFs, (2) have at least one parent firm’s headquarters based in the host country, (3) have at least one parent firm’s headquarters outside the host country (4) include a record of company’s background and contact information. At this point, 1,017 IJVFs are selected. This research, then, seeks to identify two participants in each IJVF. Out of these 1,017 IJVFs, 198 IJVFs refused to participate for several reasons, such as no longer being an IJVF, being unwilling to disclose the firm’s information, being unwilling to take the time to participate and considering this survey to be a fraud. It was not possible to reach 68 IJVFs for various reasons, such as termination, bankruptcy or incorrect contact details. Therefore, the effective population size is reduced from 1,017 to 751. This research finally received information about 283 cases, which is equivalent to a 38 per cent response rate from the effective population (283/751) and 28 per cent of the raw population (283/1,017).

3.4.3 Respondents Selection

For each IJVF, this research selected three respondents to acquire information. The first respondent was chosen to provide information about stability and instability, and the second information about tacit knowledge, opportunism and autonomy. Given the information that is required by this thesis, executives were selected to be the first and second respondents. A special effort was made to identify and contact them. The executive in an IJVF who is directly responsible for contact and maintaining a relationship with parents is selected as the first respondent; and the executive who is directly responsible for an IJVF’s daily operations is selected as the second respondent. The third respondent is chosen to give company background information. General or divisional managers are chosen to be third respondents as they are knowledgeable about company-specific information (Lazzarini et al. 2008). Respondents were contacted by email and telephoned to be invited to participate and to identify qualifying IJVFs and participants for this study.
3.4.4 Scale Development

This research follows Hinkin’s (1995) recommendations for scale development. This research first generates items based on suggestions from the literature, followed by items which are suggested by senior business practitioners and academics. In addition, some reverse-score items may have a relatively low factor loading when conducting factor analysis (Hinkin 1995). In general practice, items with a low factor loading may have to be deleted in order to achieve ideal construct validity and reliability (Hair et al. 2006). Therefore, this research includes more than enough items to measure each construct to allow for reverse-score items to be deleted during the validity and reliability assessment stage.

Second, content validity is assessed by asking 12 participants (including doctoral researchers, lecturers, professors and business practitioners) to put items which have similar meaning into the same category. Items which do not fall into this category as predicted are deleted.

Third, the questionnaire follows the recommended designs of several well-known studies. The number of items in each scale are all above the recommended number, ≥ 3, suggested by Hair et al. (2006). To avoid the issue of under-identification (Hair et al. 2006), each item is designed to be as short and clear as possible to prevent bias (Podsakoff et al. 2003). Finally, a few items are measured by a non-metric scale according to the nature of the question; all other items use a 5-point Likert-scale, which is also recommended as an adequate way of scaling (Hinkin 1995).

3.4.5 Pilot Testing

Saunders et al. (2003) suggest that pilot testing/pre-testing is necessary to discover the weaknesses and faults of a questionnaire’s design. Therefore, this research employs two pilot tests to check
whether the questionnaire has any weaknesses or misunderstandings. The first pilot test was implemented during the scale development stage, which enabled any weaknesses and faults of the questionnaire design to be identified (Podsakoff et al. 2003) and to control for common method variances. The feedback from the first pilot test indicates that the quality of translation from English to Chinese needed to be checked again. The questionnaire was designed in English and translated into Chinese. Some translation may not properly represent the meaning of questions. Hence back translation is suggested. Thus, the questionnaire was final checked by three professional translators before it went to pre-test.

A second pilot test was then carried out by distributing questionnaires to 60 IJVs. This enabled the researcher to determine the potential response rate and check the effectiveness of the data collection. After the second round of pre-testing, a standardized questionnaire was distributed to the respondents. I sent questionnaires to 60 IJVs in the data set. After getting seven questionnaires back and finding there were no major weaknesses or misunderstandings in the questionnaire, I then confidently started the main data collection. The comments from pilot testing suggest: 1) A Likert scale should be employed in the questionnaire. Then, participants can rank parents firms’ resources and contributions on a Likert scale. However, after pre-testing, I found that it was very difficult for participants to complete Likert-scale questions because they could not assess the degree of parents firms’ contributions in that way. So I decided to use tick boxes for the questionnaire (see Appendix – Questionnaire). 2) The questionnaire asked the participants to report the parent firms’ shareholdings by proportion. However, the results from pre-testing showed that the participants had difficulty in assessing proportions. Thus, I modified the questions to ask about the percentages of shareholdings.
3.4.6 Common Method Variance (CMV)

To avoid CMV, Podsakoff and Organ (1986), Podsakoff et al. (2003), and Spector’s (2006) recommendations are applied to control for CMV through the questionnaire design and a statistical remedy. In the questionnaire design, first, the dependent and independent variables are developed from different sources and are also different in their notions. Second, the data for dependent and independent variables come from different participants to avoid the problem whereby participants try to avoid being retrospective in their attitudes, perceptions or behaviours and changing their answers (Podsakoff et al. 2003). Third, some of the items are deliberately reverse-scored to prevent participants establishing a response pattern. Fourth, the questionnaire was originally designed in English and then translated into Chinese. Three bilingual professional translators assisted with checking the translation. Fifth, the questionnaire was reviewed by 15 academics and top business managers for the first pilot-testing to make sure that the introduction to the questionnaire was clear and easy to understand, i.e. each question is simple, clear and with no ambiguity or leading questions. Finally, the questionnaire does not require participants to give their own name or their company name. It is optional whether participants leave their name and contact details to see the results of the research.
3.4.7 Data Collection

Primary data were collected at the firm level via a full-scale research which was launched by sending the questionnaire to selected IJVs. Chinese managers are expected to be highly sensitive to disclosing information and leaking individual firms’ information (Zou et al. 2003). To encourage the response rate, this research, therefore, does not require participants to give their name on the returned questionnaire. In addition, intensive follow-up telephone calls to participants were necessary to boost the response rate. During those telephone calls, I employed a high level of personal involvement to explain the purpose of the research, to identify qualifying IJVs and participants for this study, and to invite participants’ cooperation and show my gratitude.

3.4.8 Ethical Approval

This research and the questionnaire were approved by an ethics committee before the questionnaire was distributed. Ethical approval requires the research to meet several conditions. The following describes these and how this research satisfies the ethical requirements:

1) The research has to have clear aims and objectives: the research aims and objectives are described in Chapter one.

2) The research has to have clear methods for data collection and sampling: detailed information about sampling and data collection methods is reported in Chapter four.

3) The research questionnaire is required to provide participants with an information sheet and a consent form: the questionnaire includes a participants’ information sheet and a consent form, as attached in the Appendix.
4) All the information and opinions which participants report in the questionnaire are only for academic research: the people who are involved in this research will not release any individual participants’ information and opinions.

5) Each questionnaire is given a code name or number to replace the participant’s real name and position and these are kept on a separate sheet: On the coding name sheet, there are no real names, company names or participants’ personal information. Only code names and numbers are shown on the coding sheet. In addition, the researcher is the only person who has access to participants’ identities. Furthermore, any data published only include code names, any information which relates to a participant’s identity is not shown in published work.

5) Safe data storage:
   a) All hard-copy data are locked away in a secure storage space and electronic data are securely protected in the department’s computer. I am the only one person who has access to the data.
   b) The matter of how data are collected and stored, with reference to data-protection legislation, is made clear to participants.
   c) All electronic data are stored in a secure computer which is provided by the York Management School.
   d) A hard copy of the questionnaire answer sheet is locked away in a secure storage space. The researcher is the only person who has a key to access that space.
3.5 Data Validity

3.5.1 Sample Size

To boost the response rate, intensive follow-up telephone calls to the participants were necessary. A total of 283 questionnaires were collected representing a response rate of 28.3%. Considering the extreme difficulty of data collection in the international business field, the response rate of this research is considered reasonable (Hitt et al. 2000).

3.5.2 Examination of Data Entry and Missing Data

To ensure the returned questionnaires are valid, I first checked the percentage of completeness and then the logic of the answers. Questionnaires with less than 10% of missing answers and all answer logically correct are seen as valid questionnaires. However, if a questionnaire has more than 10% of missing answers (Hair et al. 2006) and answers are logically incorrect, it is seen as an invalid questionnaire. After a check of the questionnaires’ validity, 72 questionnaires were seen as invalid and excluded from the data set. Among the remaining 211 in the sample, a few with missing values in different scales were detected. No variable has missing values of more than 10%, so the results for missing values detected show no such variables are detected (Hair et al. 2006). In addition, to deal with these few randomly missing value, I follow Hair et al.’s (2006) suggestion and replace missing values by each indicator’s mean.
3.5.3 Non-response Bias

Non-response bias testing is done by comparing early and late response groups on the assumption that the later response group is more similar to the non-response group (Armstrong and Overton 1977, Lambert and Harrington 1990). The results, shown in Table 11, indicate that there are no significant differences between the early and late groups in terms of industry type, nationality of foreign parents and IJVF’s age and size. Further, this research randomly selected 50 IJVF, that did not respond to this research, to compare industry type, nationality of foreign parents, and IJVF’s age and size with the responses of the IJVF. The results show no significant differences at the $p < 0.1$ level.

<table>
<thead>
<tr>
<th></th>
<th>Response Group</th>
<th>N</th>
<th>Mean</th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IJVF age</td>
<td>Early response</td>
<td>89</td>
<td>12.2697</td>
<td>-0.33</td>
<td>209</td>
<td>0.74</td>
</tr>
<tr>
<td></td>
<td>Late response</td>
<td>122</td>
<td>12.6751</td>
<td>-0.88</td>
<td>209</td>
<td>0.38</td>
</tr>
<tr>
<td>IJVF industry</td>
<td>Early response</td>
<td>89</td>
<td>4.17</td>
<td>-</td>
<td>209</td>
<td>0.38</td>
</tr>
<tr>
<td></td>
<td>Late response</td>
<td>122</td>
<td>4.44</td>
<td>-</td>
<td>209</td>
<td>0.19</td>
</tr>
<tr>
<td>Foreign parent</td>
<td>Early response</td>
<td>89</td>
<td>1.92</td>
<td>-</td>
<td>209</td>
<td>0.19</td>
</tr>
<tr>
<td>nationality</td>
<td>Late response</td>
<td>122</td>
<td>1.76</td>
<td>1.327</td>
<td>209</td>
<td>0.19</td>
</tr>
</tbody>
</table>
3.6 Data Profile

3.6.1 Nationality Characteristics

As shown in Table 12, 91 IJVF have foreign parents who come from Asia, which accounts for 43.1% of the sample. Of these 91 IJVs, 56 IJVF have parents who come from Japan; this is also the highest number of foreign parents in the total sample. And 73 IJVF have European parents, which is 34.6% of the total sample. Of these European parents, UK parents are present in the highest number (n= 24, 11.4% of the total sample), followed by Germany (n= 23, 10.9% of the total sample). There are 39 IJVF with foreign parents who come from North America. Of these 39 IJVF, the majority of the foreign parents come from the USA, which account for 16.1% of the total sample.
### Table 12 Nationality Characteristics

<table>
<thead>
<tr>
<th>Continent</th>
<th>Number of IJVFs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asia</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>56</td>
<td>26.5</td>
</tr>
<tr>
<td>Taiwan</td>
<td>14</td>
<td>6.6</td>
</tr>
<tr>
<td>Other Asian countries</td>
<td>21</td>
<td>10.0</td>
</tr>
<tr>
<td>Asia (total)</td>
<td>91</td>
<td>43.1</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>24</td>
<td>11.4</td>
</tr>
<tr>
<td>Germany</td>
<td>23</td>
<td>10.9</td>
</tr>
<tr>
<td>Other European countries</td>
<td>26</td>
<td>12.3</td>
</tr>
<tr>
<td>Europe (total)</td>
<td>73</td>
<td>34.6</td>
</tr>
<tr>
<td><strong>North America</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>34</td>
<td>16.1</td>
</tr>
<tr>
<td>Canada</td>
<td>5</td>
<td>2.4</td>
</tr>
<tr>
<td>North America (total)</td>
<td>39</td>
<td>18.5</td>
</tr>
<tr>
<td><strong>Other continents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>211</td>
<td>100.0</td>
</tr>
</tbody>
</table>

#### 3.6.2 Duration of IJVFs

In terms of IJVF age, Table 13 shows there are 97 IJVFs with an age of between 0 and 10 years, which accounts for around half of the total sample. There are 79 IJVFs with an age of between 11 and 20 years, making up more than one third of the total sample. The rest of the IJVFs, with an age over 20 years, only account for 16.6 % of the total sample. Approximately 83% of the IJVFs in the total sample are young (age 0–10 years) or middle-aged (age 11–20 years), whilst 16.6% of IJVFs are aged ≥ 21 years. The mean duration is 13.322 years; this is consistent with past empirical studies that reported that the average duration of Chinese IJVFs in their samples was around 13 years (e.g. Hu and Chen 1996, Reuer 2000).
### Table 13 Duration of IJVFs

<table>
<thead>
<tr>
<th>Duration (years)</th>
<th>Number of IJVFs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–10</td>
<td>97</td>
<td>46.0</td>
</tr>
<tr>
<td>11–20</td>
<td>79</td>
<td>37.4</td>
</tr>
<tr>
<td>≥ 21</td>
<td>35</td>
<td>16.6</td>
</tr>
<tr>
<td>Total</td>
<td>211</td>
<td>100.0</td>
</tr>
</tbody>
</table>

#### 3.6.3 IJVF Size

Table 14 presents the numbers of employees in the IJVFs, corresponding with firm size. Firm size is categorised into four groups according to EU law. According to EU law, if a firm has fewer employees than 10 it is micro in size, fewer than 50 employees is seen as a small-size firm, fewer than 250 employees is considered a medium-size firm, and more than 250 employees is judged to be a large firm. In the sample, 63.5% of the IJVFs have more than 250 employees; this means that more than half of the IJVFs are large firms.

### Table 14 IJVF Size

<table>
<thead>
<tr>
<th>Size</th>
<th>Number of IJVFs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro (&lt;10 employees)</td>
<td>26</td>
<td>12.3</td>
</tr>
<tr>
<td>Small (&lt;50 employees)</td>
<td>19</td>
<td>9.0</td>
</tr>
<tr>
<td>Medium (&lt;250 employees)</td>
<td>32</td>
<td>15.2</td>
</tr>
<tr>
<td>Large (&gt; 250 employees)</td>
<td>134</td>
<td>63.5</td>
</tr>
<tr>
<td>Total</td>
<td>211</td>
<td>100.0</td>
</tr>
</tbody>
</table>
3.6.4 Industry Characteristics

The following Table 16 shows the distribution of industry categories among the 211 IJVFs. As shown in Table 16, of the 211 IJVFs, 134 IJVFs are in manufacturing, which accounts for 63.5% of the total sample. This is consistent with past studies that reported that more than 50% of Chinese IJVFs in the total sample were manufacturing IJVFs (Hu and Chen 1996).

### Table 15 Industry Characteristics

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of IJVFs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>134</td>
<td>63.5</td>
</tr>
<tr>
<td>Financial and insurance services; Rental, hiring and real estate services</td>
<td>24</td>
<td>11.4</td>
</tr>
<tr>
<td>Wholesale trade; Retail trade; Accommodation and food services</td>
<td>23</td>
<td>10.9</td>
</tr>
<tr>
<td>Others</td>
<td>15</td>
<td>7.1</td>
</tr>
<tr>
<td>Transport, postal and warehousing</td>
<td>9</td>
<td>4.3</td>
</tr>
<tr>
<td>Mining</td>
<td>4</td>
<td>1.9</td>
</tr>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>2</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>211</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

3.6.5 Functions of IJVFs

A qualitative method is applied to collect information about IJVF function. During the survey, each participant was asked to write down specifically the function of their IJVF. The results of the survey (as shown in Table 16) indicate that 156 IJVFs have a manufacturing function, which accounts for 73.9% of the total sample. Less than 23.2% of the IJVFs are not involved in manufacturing. Of these IJVFs which have a manufacturing function, around half of them are also involved in research and development. The results of this survey are consistent with the literature...
which suggests that manufacturing IJVF is preferable for local firms as advanced technology or knowledge can be acquired from foreign firms (Management World 1996b) while foreign firms benefit from the host country due to the resources that are available (Lu and Wang 1996).

### Table 16 IJVF Function

<table>
<thead>
<tr>
<th>Function</th>
<th>Number of IJVF(s)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>38</td>
<td>18.0</td>
</tr>
<tr>
<td>Manufacturing and mixed function (including R&amp;D)</td>
<td>81</td>
<td>38.4</td>
</tr>
<tr>
<td>Manufacturing and mixed function (excluding R&amp;D)</td>
<td>37</td>
<td>17.5</td>
</tr>
<tr>
<td>Not manufacturing</td>
<td>49</td>
<td>23.2</td>
</tr>
<tr>
<td>Unknown</td>
<td>6</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>211</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

#### 3.5.4 Assessment of Outliers

Outliers are detected by univariate and multivariate analyses. The rules of thumb for detecting outliers follows Tabachnick and Fidell (2007) suggestions. For univariate outlier detection, cases which have a z-score outside a ± 4.0 range are seen as outliers. After calculating descriptive statistics and obtaining z-scores for all variables, eight outliers were detected and excluded as a result of multivariate outlier detection. Multivariate outliers are detected by Mahalanobis D². The Mahalanobis D² measure is a rule of thumb for detecting multivariate outliers. To do so, the value of Mahalanobis D² has to be divided by the number of variables which are involved in the multivariate analysis. Then, cases which have a level of significance of less than 0.001 are detected.

To detect multivariate outliers, two multivariate detection procedures are undertaken for the two main dependent variables. The first multivariate detection involve instability as the dependent
variables and opportunism, tacit knowledge and parent distance as independent variables. The second multivariate detection involves the stability of the dependent variables. The results of the two multivariate detection procedures show there are no cases which have a level of significance of less than 0.001. After outliers are detected and deleted, the remaining 203 cases are retained for the next step. With the remaining 203, 42 were from Hong Kong, 64 from Beijing, 39 from Shanghai, 30 from Guangzhou, and 28 from Chongqing respectively.
3.7 Construct Validity

3.7.1 Exploratory Factor Analysis

This research ran exploratory factor analyses (EFA) with a principal component and a varimax rotation to generate factors. To use the EFA technique, item-to-total ratios should be large enough to be able to represent true population values accurately (Hinkin 1995); this ratio should be at least 1:3 (Rummel 1970). The items in this research total 23 and the sample size is 203. The ratio of items to total is 1:8.8, which is well above the ratios recommended by Rummel (1970). In addition, a sample size of ≥ 150 is recommended to obtain sufficient accurate EFA results (Guadagnoli and Velicer 1988). The sample size in this research is 203, which is ≥ 150. Following the rule of thumb offered by Hair et al.’s (2006), an EFA eliminated items with a factor loading of < 0.7 and cross-loading and commonalities of < 0.5; 26 items with six factors were retained for confirmation factor analysis, which are presented in Table 17.
### Table 17 Rotated Component Matrix

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Both parents provide overpriced quotations to the IJVF.</td>
<td></td>
<td></td>
<td>.811</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Both parents provide substandard input to the IJVF.</td>
<td></td>
<td></td>
<td>.870</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neither parent provides all relevant information in a timely manner to the IJVF.</td>
<td></td>
<td></td>
<td></td>
<td>.803</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neither parent misrepresents any aspect of their joint business relationship to further their own objectives.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-.766</td>
<td></td>
</tr>
<tr>
<td>Both parents exaggerate their requirements for the operation of the IJVF.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.830</td>
</tr>
<tr>
<td>Manuals describing IJVF activities and processes can easily be written.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.862</td>
</tr>
<tr>
<td>Large parts of IJVF processes are captured in standard software that can be modified for needs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.872</td>
</tr>
<tr>
<td>Extensive documentation describing critical parts of the business processes exists in the IJVF.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.771</td>
</tr>
<tr>
<td>New staff can learn systems and procedures by talking to skilled employees in the IJVF.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.747</td>
</tr>
<tr>
<td>New staff can learn systems and procedures by studying documents and manuals in the IJVF.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.806</td>
</tr>
<tr>
<td>There are many lawsuits between two parent firms.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.816</td>
</tr>
<tr>
<td>Parent firms have planned to sell the IJVF to a third party.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.837</td>
</tr>
<tr>
<td>Parent firms plan to sell the IJVF to a third party because objectives have changed.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.782</td>
</tr>
<tr>
<td>The IJVF’s equity agreement has been changed frequently.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.831</td>
</tr>
<tr>
<td>Parent firms have planned to terminate the IJVF.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.923</td>
</tr>
<tr>
<td>Parent firms plan to terminate the IJVF to redeploy, liquidate or divest assets.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.778</td>
</tr>
</tbody>
</table>
• Parent firms may prolong their co-operation contract (IJVF contract). .773
• Parent firms are committed to investing in and expanding the IJVF. .814
• Parent firms intend to add more functions to this IJVF, e.g. marketing, research, manufacturing etc. .785
• The IJVF has the authority to formulate strategic business plans (including subsequent implementation). .824
• The IJVF has the consent of the parent firms to formulate and implement strategic business policies only in limited functional areas (such as human resources management). .813
• The IJVF has the authority to execute R&D roadmaps without the consent of parent firms. .865
• The IJVF has the authority to allocate R&D assets without the consent of parent firms. .862
• Differences in religion. .869
• Differences in education level. .921
• Differences in political system. .917

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in seven iterations.
3.7.2 Confirmatory Factor Analysis

Fifteen items were retained to establish a model to measure validity. The assessment of convergent validity and discriminant validity follows the suggestions of Fornell and Larcker (1981) and Hinkin (1995). First, for convergent validity, the results show that the Standard Factor Loading (SFL) for all items is above 0.6 (see Table 19), which is well above the recommended level of $\geq 0.5$. Second, the average variance extracted (AVE) for all constructs is $\geq 0.6$, which suggests an ideal level of validity. Third, reliability tests show that both Cronbach’s alpha and composite reliability (CR) are $\geq 0.7$, which suggests ideal reliability. For discriminant validity, a comparison was made to check the shared variances between each construct with the average variance extracted from other constructs; if all constructs have a higher extracted average variance than the shared variance, the issue of discriminant validity does not apply (Fornell and Larcker 1981). The results (shown in Table 19), produced by IBM AMOS 21 shows that no issue of discriminant validity exists.

However, stability has a slightly lower AVE of 0.475, which is a limitation for convergent validity. The slightly lower AVE is due to the measurement of stability construct being newly developed (Barat et al. 2013). As all other scores for validity tests are highly satisfactory, the measurement of stability is still considered to be valid. In addition, the correlation matrix, reported in Table 18, shows there is no issue of multicollinearity (Emory and Cooper 1991).
<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 INSTABILITY</td>
<td>7.6978</td>
<td>2.57346</td>
</tr>
<tr>
<td>2 STABILITY</td>
<td>8.3470</td>
<td>2.16734</td>
</tr>
<tr>
<td>3 PARENTAL OPPORTUNISM</td>
<td>7.6936</td>
<td>3.38004</td>
</tr>
<tr>
<td>4 AUTONOMY</td>
<td>9.2512</td>
<td>3.07029</td>
</tr>
<tr>
<td>5 TACIT KNOWLEDGE</td>
<td>13.2791</td>
<td>3.67080</td>
</tr>
<tr>
<td>6 PSYCHIC DISTANCE</td>
<td>3.4781</td>
<td>1.43483</td>
</tr>
<tr>
<td>7 IJVF AGE</td>
<td>13.32</td>
<td>8.165</td>
</tr>
<tr>
<td>8 IJVF SIZE</td>
<td>2177.75</td>
<td>5915.955</td>
</tr>
<tr>
<td>9 FINANCIAL PERFORMANCE</td>
<td>3.6305</td>
<td>1.03716</td>
</tr>
<tr>
<td>10 EQUITY SHARE</td>
<td>18.82912</td>
<td>22.0727204</td>
</tr>
<tr>
<td>11 PARENTS PRIOR COOPERATION</td>
<td>.3892</td>
<td>.48265</td>
</tr>
<tr>
<td>12 INDUSTRY</td>
<td>.7143</td>
<td>.45287</td>
</tr>
</tbody>
</table>

Note: *** p-value < 0.01; ** p-value < 0.05; * p-value < 0.10

N = 203
Table 19 Results for CFA and Construct Validity

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>SFL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PARENTAL OPPORTUNISM</strong></td>
<td></td>
</tr>
<tr>
<td>CR, .790 AVE, .789 MSV, .353 ASV, .075</td>
<td></td>
</tr>
<tr>
<td>Both parents provide overpriced quotations.</td>
<td>.827</td>
</tr>
<tr>
<td>Both parents provide substandard input.</td>
<td>.865</td>
</tr>
<tr>
<td>Neither parent provides all relevant information in a timely manner.</td>
<td>.964</td>
</tr>
<tr>
<td>Both parents exaggerate their requirements for the operation of the IJVF.</td>
<td>.892</td>
</tr>
<tr>
<td><strong>TACIT KNOWLEDGE</strong></td>
<td></td>
</tr>
<tr>
<td>CR, .895 AVE, .686 MSV, .222 ASV, .070</td>
<td></td>
</tr>
<tr>
<td>Manuals describing IJVF activities and processes can easily be written.</td>
<td>.931</td>
</tr>
<tr>
<td>Large parts of IJVF processes are captured in standard software that can be modified for needs.</td>
<td>.932</td>
</tr>
<tr>
<td>Extensive documentation describing critical parts of the business processes exists in the IJVF.</td>
<td>.650</td>
</tr>
<tr>
<td>New staff can learn systems and procedures by studying documents and manuals in the IJVF.</td>
<td>.776</td>
</tr>
<tr>
<td><strong>AUTONOMY</strong></td>
<td></td>
</tr>
<tr>
<td>CR, .879 AVE, .646 MSV, .057 ASV, .029</td>
<td></td>
</tr>
<tr>
<td>The IJVF has the authority to formulate strategic business plans (including subsequent implementation).</td>
<td>.739</td>
</tr>
<tr>
<td>The IJVF has the consent of the parent firms to formulate and implement strategic business policies only in limited functional areas (such as human resources management).</td>
<td>.780</td>
</tr>
<tr>
<td>The IJVF has the authority to execute R&amp;D roadmaps without the consent of parent firms.</td>
<td>.859</td>
</tr>
<tr>
<td>The IJVF has the authority to allocate R&amp;D assets without the consent of parent firms.</td>
<td>.832</td>
</tr>
<tr>
<td><strong>PSYCHIC DISTANCE</strong></td>
<td></td>
</tr>
<tr>
<td>CR, .947 AVE, .856 MSV, .222 ASV, .064</td>
<td></td>
</tr>
<tr>
<td>EDUCATION</td>
<td></td>
</tr>
<tr>
<td>POLITICS</td>
<td></td>
</tr>
<tr>
<td>RELIGION</td>
<td></td>
</tr>
<tr>
<td><strong>INSTABILITY</strong></td>
<td></td>
</tr>
<tr>
<td>CR, .925 AVE, .756 MSV, .353 ASV, .083</td>
<td></td>
</tr>
<tr>
<td>To what extent does the IJVF have the following conditions which are not in the original plan?</td>
<td></td>
</tr>
<tr>
<td>There are many lawsuits between two parent firms.</td>
<td>.870</td>
</tr>
<tr>
<td>Parent firms have planned to sell the IJVF to a third party.</td>
<td>.839</td>
</tr>
<tr>
<td>Parent firms have planned to terminate the IJVF.</td>
<td>.935</td>
</tr>
<tr>
<td>The IJVF’s equity agreement has been changed frequently.</td>
<td>.831</td>
</tr>
<tr>
<td><strong>STABILITY</strong></td>
<td></td>
</tr>
<tr>
<td>CR, .730 AVE, .476 MSV, .116 ASV, .042</td>
<td></td>
</tr>
<tr>
<td>To what extent do the parents have the following plans which are not in the original plan?</td>
<td></td>
</tr>
<tr>
<td>Parent firms may prolong their co-operation contract (IJVF contract).</td>
<td>.746</td>
</tr>
<tr>
<td>Parent firms are committed to investing in and expanding the IJVF.</td>
<td>.672</td>
</tr>
<tr>
<td>Parent firms intend to add more functions to this IJVF, e.g. marketing, research, manufacturing etc.</td>
<td>.647</td>
</tr>
</tbody>
</table>

Sample size = 203; SFL = Standard Factor loading; EFA = Exploratory Factor analysis; CFA = Confirmatory factor analysis; CR = Composite Reliability; AVE = Average Variance Extracted; MSV= Maximum Shared Variance; ASV= Average Shared Variance.
3.8 Conclusion

This chapter has presented the methodology of the research, based on which the following chapters will be developed. This chapter began with a brief introduction, followed by presenting the methodology approach. The construct measurements include the questionnaire items that are presented next. This information contains: three dependent variables, i.e. instability, stability and parental opportunism; and three independent variables, i.e. tacit knowledge, autonomy and psychic distance. In order to capture the concepts that this research wants to measure, I develop questionnaire items for each measurement by using scale-development techniques. The data collection method is reported in detail in Section 3.4. In order to avoid CMV, I follow Podsakoff et al. (2003) to design my questionnaire and conduct data collection. After data are collected, this research assesses their validity to ensure their good quality, which includes assessing sample size, missing values, non-response bias and outliers. The data profile is presented with the data validity. Section 3.7 assesses the reliability and validity of measurement to ensure that good quality data can be used to test hypotheses. Then, 28 items (dependent, independent and control variables) remain in the data set and are used for hypotheses testing.
Chapter 4 Autonomy, Parental Opportunism, Tacit Knowledge and International Joint Venture (IJV) Instability

4.1 Introduction

The first study aims to answer one main research question: what are the factors that influence an IJV’s instability? Three sub-questions are formulated from the main research question: (1) Does parental opportunism influence an IJV’s instability? (2) Does tacit knowledge in an IJV influence its instability? (3) How does autonomy in the IJV play an important role in influencing IJV instability? The research objective of the first study is to adopt a view of IJV to develop a research framework that examines how parental opportunism, an IJV’s tacit knowledge and autonomy influence an IJV’s instability.

Chapter 4 empirically tests the effects of parental opportunism, tacit knowledge and autonomy on IJV instability to answer both the main research questions and three sub-ones. This chapter starts by developing hypotheses to demonstrate the direct effects of parental opportunism, tacit knowledge and autonomy on instability. Then, it discusses the joint effects of tacit knowledge and autonomy on the relationship between parental opportunism and instability. The data analyses and empirical findings are reported in Section 4.3. Discussions and implications are reported in Section 4.4, followed by discussing the limitations of the research and making recommendations for future research.
4.2 Hypotheses Development

4.2.1 Relationship Between Parental Opportunism and IJVF Instability

This study employs two theoretical rationales to suggest the relationship between opportunism and instability. The first perspective uses a traditional view of TCA and Agency Theory. The second perspective adopts the view of this thesis which is proposed in Chapter 2.

Traditional View of TCA and Agency Theory

TCE and agency theory share a common theoretical rationale for the opportunism in a relationship (Lado et al. 2008). According to TCE, high levels of inter-organisational trust lead to an increase in the ability of the firm to deal with the uncertainties and volatility of market conditions (Parkhe 1993, Ring and Van de Ven 1994). In relationships based on a high level of trust, the partners might come to identify with, and develop stronger bonds for, one another, which results in a greater level of commitment to the relationship (Lewick and Bunker 1996, Morgan and Hunt 1994). In a relationship, if a firm trusts its partner, both firm and partner will be more willing to cooperate with each other when facing external challenges; therefore, instability in the relationship will be less likely to occur. However, a high level of opportunism can destroy trust, and once a relationship loses trust, the relationship of co-operation will break down and the relationship’s stability will be damaged, along with the benefits of maintaining the relationship.

The TCA rationale for opportunism in a relationship is also supported by agent theorists regarding the relationship between principal and agent (e.g. Heide and John 1990, Rindfleisch and Heide 1997, Walker and Weber 1984). In the relationship between principal (parents) and agent (IJVF), opportunism will reduce the trust between them, which can frustrate the development and
maintenance of value-enhancing relationships (Starr et al. 2003). Empirical research has provided the evidence that an increase in the level of opportunism within principal-agent relationships significantly damages the principal-agent relationship and performance (e.g. Heide and John 1990, Rindfleisch and Heide 1997, Walker and Weber 1984). Since opportunism can significantly damage the trust between parents and IJVF, which results in damaging value-enhancing relationships, parents may no longer be willing to maintain the IJVF or keep it in the current conditions. Under these circumstances, parents may wish to renegotiate their IJVF contract, change the equity shares in the IJVF or terminate it. As a result, the IJVF could face an unstable condition. In this regard, parental opportunism should positively affect an IJVF’s instability.

View of This Thesis

Using the view of parental opportunism which this thesis develops in Chapter 2, the relationship between parental opportunism and IJVF instability is also positive. In Chapter 2, this thesis defines that parental opportunism occurs ‘when the IJVF perceives that its parents act opportunistically towards the IJVF in order to benefit themselves at the expense of the IJVF’. This definition is based on the fundamental prerequisite that whether ‘parents’ action towards an IJVF result from either positive or negative intentions, or both, once the IJVF perceives action as negative, opportunism exists’. Based on this prerequisite and definition, this thesis proposes that parental opportunism may not always result from negative intentions, while if an IJVF perceives parents’ intervention to be harmful, parental opportunism exists. This thesis suggests, however, that even though parental opportunism may not always from negative intentions, parental opportunism still implies parents’ seeking changes to the IJVF. These changes may involve contract renegotiation, changes to the management structure, unpredictable termination or lawsuits between parents, thereby leading to an unstable condition in the IJVF.
Moreover, in Chapter 2, this thesis proposes four reasons to account for parental opportunism. Apart from the first reason, the other three reasons imply that parents may seek some changes to the IJVF, thus leading to IJVF instability. The second reason: parents’ managerial intervention when applied to the IJVF is a source of parental opportunism. Parents’ managerial intervention being applied to the IJVF implies that there may be a need for a change at the top of the IJVF, otherwise managerial intervention would not occur. The third reason: parental opportunism occurs when parents try to keep the IJVF’s self-commitment when the parents and the IJVF have divergent views (or goals) of the same situation. When parents and the IJF have divergent views or goals, this implies that there may be conflict between parents and the IJVF, so the parents have to exercise certain levels of opportunism in order to keep the IJVF’s self-commitment. Therefore, change may be needed to resolve the divergence between parents and the IJVF. This change can result in instability in the IJVF. The fourth reason: parental opportunism is a reflection of parent conflicts or power struggles. The IJV literature suggests that when parents are in conflict or a power struggle, the parents may seek changes, thus the IJVF is subject to a higher level of instability.

In conclusion, both the traditional view of TCA and Agency Theory and the newly developed view of parental opportunism suggest that parental opportunism has a positive impact on IJV instability. In this regard, the following hypothesis is proposed.

**Hypothesis 1: Parental opportunism has a positive impact on IJVF instability.**

### 4.2.2 Relationship Between IJVF Autonomy and IJVF Instability

According to Van de Ven & Walker (1984) and Fey and Beamish (2000), autonomy and control are causes of inter-partner conflict due to organizations normally desiring to keep their autonomy,
even in an inter-firm relationship such as an IJVN. In an IJVN, there are at least three individual firms involved in the IJVN relationship: local parent, foreign parents and an IJV. When an IJVF has a high level of autonomy in key decision-making, in the meantime, parents have a low level of autonomy and control over these key decisions. When parents have a low level of control over key decision-making, they also lose the freedom to select actions and ways to achieve their goals and pursue their interests (Levine and White 1961, Clark and Wilson 1961, Van de Ven and Walker 1984). Further, when parents grant an IJVF a high level of autonomy, they cannot apply strict control mechanisms, such as monitoring and management involvement, to ensure the IJVF actually achieves the parents’ goals and pursues their interests. However, as the agent, the IJVF may have its own interests which may diverge from those of the parents. The agency-theory literature emphasizes that an agent with strong bargaining power can resist the principal’s control over its operations, which in turn means a considerable level of autonomy (Mudambi 1999, Bartlett 2001).

Since the autonomy that is sought by an agent’s rent-seeking and rent-appropriating behaviour drive the agent to act opportunistically (Mudambi and Navarra 2004), an IJVF can be stubborn and reluctant to achieve the parents’ goals. When an agent has a high level of autonomy, the principal cannot employ a tight control mechanism over the IJVF, thus the parents cannot ensure their original goal can still be achieved by the IJVF. Since granting the IJVF autonomy is sometime necessary for the parents to achieve mutual success, the IJVF may therefore have the autonomy to manage crucial resources, such as host country natural resources, research and development or market channels. However, since autonomy strengthens the IJVF’s bargaining power to seek an economic rent from the parents in order to ensure the parents’ interests and benefits are secured, the parents are like to re-examine, adjust, modify and improve the current condition of the IJVF. This re-examining and improving the current condition of the IJVF may involve the parents renegotiating their IJVF contract, changing the equity agreement, re-structuring the IJVF, changing the senior managers or selling out or terminating the IJV. Re-
examining and improving the current condition of the IJVF may also cause conflicts between the parents due to the two parental sides having divergent views on improving the current condition of the IJVF. Under this circumstance, instability of the IJVF occurs. The above arguments lead to the following Hypothesis 2.

**Hypothesis 2: An IJVF’s autonomy has a positive impact on IJVF instability.**


4.2.3 Relationship Between IJVF Tacit Knowledge and IJVF Instability

This study pays particular attention to the IJVF’s influence on IJVF instability by using an IJVF perspective. Therefore, this study proposes the following argument. Since tacit knowledge cannot be specified in detail but is revealed through practice, it cannot be transmitted by prescription, it can only be transferred at close quarters: by example, observation and, most importantly, participation (Bateson 1973, Nonaka 1994). Tacit knowledge severely restricts the range of diffusion of knowledge. Therefore, once an IJVF establishes a high level of tacit knowledge, it will be difficult to transfer that tacit knowledge outside the IJVF, or even to transfer it to the parents. In this regard, this research suggests that, in general, the higher the level of tacit knowledge that an IJVF has, the lower the IJV instability. The above suggestion leads to the following Hypothesis 3.

Hypothesis 3: The tacit knowledge held by an IJVF has a negative effect on IJVF instability

4.2.4 Interaction of Autonomy and Tacit Knowledge Moderates the Effect of Parental Opportunism on IJVF Instability

As this thesis suggests in Section 4.2.1 about the relationship between parents and the IJVF, parental opportunism has a strong positive impact on instability. However, increased levels of IJVF autonomy and tacit knowledge will reduce the positive effect of parent opportunism on instability. Two reasons support this proposal. First, according to Butler et al. (1993), organisational learning relies strongly on internal management’s involvement in key decision-making. As autonomy gives the IJVF freedom to absorb and create knowledge, the greater the autonomy which an IJVF has in terms of managing key decision areas, the more likely is the IJVF to be able to develop products, services or know-how (Harrigan and Newman 1990). Therefore,
tacit knowledge is considered to be at a higher level in an autonomous IJVF than in a non-autonomous IJVF; and autonomy is seen to strengthen the IJVF’s tacit knowledge creation (Nonaka 1994).

It is widely accepted that tacit knowledge cannot be easily articulated or transferred because it is uncodifiable and context-specific (Nonaka 1994, Nonaka and Von Krogh 2009). It is practice-oriented and has an embedded quality that makes it difficult to formalise or communicate. Since tacit knowledge cannot be specified in detail and is only revealed through practice, it cannot be transmitted by prescription. It can only be transferred at close quarters, e.g. through observation and, most importantly, participation (Bateson 1973), thus highlighting the importance of tacit knowledge in an autonomous joint venture (Butler and Sohod 1995, Nonaka 1994). Tacit knowledge severely restricts the range of diffusion of knowledge. Due to the difficulty of its transfer, if parents lose the IJVF, they also lose the tacit knowledge which is embedded in the IJV. In this circumstance, parents will be less likely to cause instability in the IJV or to take actions which may hurt the IJVF.

Second, when an IJV has a high level of autonomy, the parents have a lower level of involvement in the IJV’s key decision-making. Under this arrangement, if parents lose the IJVF, the tacit knowledge created by the IJVF may also be lost. Therefore, when an IJV has a high level of autonomy, the parents may wish to steer the IJV away from instability in order to keep the tacit knowledge created by the IJVF.

Therefore, when an IJV has higher levels of autonomy and tacit knowledge, even though parents may still act opportunistically towards the IJVF, they will be less likely to let opportunistic behaviour hurt the IJVF’s stability. As mentioned in Chapter 2, there are several reasons that cause parents to act opportunistically towards the IJV, which may lead to instability. No matter what the reasons are for parental opportunism, when an IJV has higher levels of autonomy and
tacit knowledge, parents will be less likely to let opportunism hurt the IJVF. In addition, when an IJVF has higher levels of autonomy and tacit knowledge, even though parents may act opportunistically and at the expense of the IJVF, they will be less likely to make unpredictable and premature changes to the IJVF. This is because any unpredictable and premature changes to the IJVF may result in loss of the tacit knowledge which is held by the IJVF. Given the above suggestions, this thesis proposes the following Hypothesis 4.

**Hypothesis 4:** The interaction of autonomy and tacit knowledge moderates the effect of parental opportunism on IJVF instability
4.3 Data Analyses and Findings

4.3.1 Model Specification

A moderated hierarchical regression is employed to test the hypotheses (Hair et al. 2006). Following suggestions from the literature, control variables, independent variables, dependent variables and the moderator are mean-centred to control for potential multicollinearity between the interaction terms (Aiken and West 1991). To test moderating effects, this research compares the results of Models 2, 3 and 4 to assess the model without the interaction term (Model 2) and with the interaction term (two ways in Model 3 and three ways in Model 4). I use SPSS 22 to calculate the results. To conduct a hierarchy regression, I first assess Model 1 which only includes the control variables; I then assess Model 2 which contains both control and key variables. The direct effects in Models 1 and 2 are tested by the significance of t-value and standardized coefficients beta.

4.3.2 Hypotheses Testing

The results from Model 1 show that two out of six control variables have a significant effect on instability (see table 20). This result suggests that an IJVF’s financial performance is critical to its instability, thus the higher the financial performance of an IJV, the lower the instability it shows. Furthermore, the IJVF’s industry appears to have a significant positive effect on its instability, thus IJVFs in higher-technology intensity industry are more likely to suffer instability than IJVFs in lower-technology-intensive industry. Other control variables, an IJV’s age, size, equity share and parents’ prior cooperation, are not found to be significant in Model 1.
Three causal paths are involved in Model 2. The positive effect of parental opportunism on IJVF instability is highly statistically significant. The effect of an IJVF’s tacit knowledge on an IJV’s instability is insignificant due to the appearance of a standardized coefficients beta and a high P-value. The relationship between autonomy and instability is significantly positive. With the significant effects of opportunism and autonomy on instability, Hypotheses 1 and 2 are both supported but Hypothesis 3 is not.

To test Hypothesis 4, I use a three-way interaction technique to conduct hypothesis testing. Hypothesis 4 is assessed by taking the following steps: first, assess two-way interactions. In Model 3, the interaction of tacit knowledge and autonomy, tacit knowledge and opportunism, and autonomy and opportunism are added to test the effects of two-way interaction on instability. The results show that none of the two-way interactions in Model 3 are statistically significant. With this proof, the two-way interactions in Model 3 are insignificant, so three-way interactions can be conducted. This study tests three-way interactions in Model 4, and it shows a significant positive effect of opportunism × tacit knowledge × autonomy on instability.
Table 20 Results of Moderated Hierarchical Regressions

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>MODEL 1</th>
<th></th>
<th>MODEL 2</th>
<th></th>
<th>MODEL 3</th>
<th></th>
<th>MODEL 4</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>b</td>
<td>t-value</td>
<td>b</td>
<td>t-value</td>
<td>b</td>
<td>t-value</td>
<td>b</td>
<td>t-value</td>
</tr>
<tr>
<td>IJVF AGE</td>
<td>-.107</td>
<td>-1.562</td>
<td>-.077</td>
<td>-1.348</td>
<td>-.074</td>
<td>-1.291</td>
<td>-.077</td>
<td>-1.351</td>
</tr>
<tr>
<td>IJVF SIZE</td>
<td>-.039</td>
<td>-.572</td>
<td>-.006</td>
<td>-.114</td>
<td>-.010</td>
<td>-.171</td>
<td>-.001</td>
<td>-.026</td>
</tr>
<tr>
<td>FINANCIAL PERFORMANCE</td>
<td>-.204***</td>
<td>-2.922</td>
<td>-.083</td>
<td>-1.392</td>
<td>-.080</td>
<td>-1.331</td>
<td>-.050</td>
<td>-0.816</td>
</tr>
<tr>
<td>EQUITY SHARE</td>
<td>.014</td>
<td>.208</td>
<td>-.034</td>
<td>-.556</td>
<td>-.026</td>
<td>-.429</td>
<td>-.024</td>
<td>-.401</td>
</tr>
<tr>
<td>PARENTS’ PRIOR COOPERATION</td>
<td>.104</td>
<td>1.514</td>
<td>.051</td>
<td>.888</td>
<td>.048</td>
<td>.809</td>
<td>.041</td>
<td>.711</td>
</tr>
<tr>
<td>INDUSTRY</td>
<td>.243***</td>
<td>3.445</td>
<td>.174***</td>
<td>2.951</td>
<td>.157**</td>
<td>2.590</td>
<td>.166***</td>
<td>2.762</td>
</tr>
<tr>
<td>AUTONOMY</td>
<td>.145**</td>
<td>2.512</td>
<td>.136**</td>
<td>2.260</td>
<td>.151**</td>
<td>2.528</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPPORTUNISM</td>
<td>.518***</td>
<td>8.833</td>
<td>.492***</td>
<td>7.221</td>
<td>.579***</td>
<td>7.493</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TACIT KNOWLEDGE</td>
<td>-.068</td>
<td>-1.099</td>
<td>-.055</td>
<td>-.865</td>
<td>-.027</td>
<td>-.418</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TWO-WAY INTERACTION**
1. AUTONOMY*OPPORTUNISM         |         |          | -.076   | -1.145   | -.090   | -1.351   |         |          |
2. OPPORTUNISM*TACIT KNOWLEDG  |         |          | .012    | .191     | .061    | .938     |         |          |
3. AUTONOMY*TACIT KNOWLEDGE     |         |          | .028    | .371     | -.008   | -.103    |         |          |

**THREE-WAY INTERACTION**
4. AUTONOMY*OPPORTUNISM*TACIT KNOWLEDGE |         |          | -.160** | -2.292   |

Notes: *** p-value < 0.01; ** p-value < 0.05; * p-value < 0.10

| R Square          | .099 | .398 | .404 | .420 |
| Adjusted R Square | .071 | .369 | .366 | .380 |
To interpret the results for Hypothesis 4, this thesis follows a typical process to interpret three-way interaction as per Stewart and Barrick (2000). This research graphically shows the effects of opportunism on instability when it takes the interaction term (tacit knowledge × autonomy) into consideration. This research develops plots for instability so that instability is regressed on different levels of opportunism for each of the levels of autonomy × tacit knowledge. The results are shown in Figure 1. The graphic shows that the interaction of autonomy and tacit knowledge reduces the positive impact of opportunism on instability, thereby supporting Hypothesis 4.

**4.3.3 Assessment of Control Variables**

Regarding the control variables, this research finds that age and size do not impact on instability, as neither age nor size shows significance in any of the four models. This result indicates that an IJV’s age and size do not contribute to an IJV’s instability. An IJVF’s financial performance shows a significant negative impact on instability, indicating that the better the financial performance that an IJVF has, the lower the instability that the IJVF suffers. A significant negative impact from IJVF financial performance on instability is, however, not always the case. There is a significant negative impact only in Model 1, not in the other three models. Therefore, the relationship between IJVF financial performance and instability may be fully mediated by the variables in Models 2, 3 and 4. In addition, equity share and parents’ prior cooperation are also not associated with an IJVF’s instability in any of the four regression models. Regarding an IJVF’s industry type, this is the only control variable that has a significant impact on an IJVF’s instability in all four regressions models. With a significant and positive standard regression weight, the results indicate that an IJV in a higher technology intensive industry can significantly increase the possibility of instability.
Table 21 Results of Hypotheses Tests

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Description</th>
<th>Supported</th>
<th>Beta</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 1</td>
<td>Parental opportunism has a positive impact on IJVF instability.</td>
<td>Supported</td>
<td>.518***</td>
<td>P = .000</td>
</tr>
<tr>
<td>Hypothesis 2</td>
<td>IJV’s autonomy has a positive impact on IJVF instability.</td>
<td>Supported</td>
<td>.145**</td>
<td>P = .013</td>
</tr>
<tr>
<td>Hypothesis 3</td>
<td>The tacit knowledge which is held by an IJVF has a negative effect on IJVF instability.</td>
<td>Not Supported</td>
<td>-.068</td>
<td>P = .279</td>
</tr>
<tr>
<td>Hypothesis 4</td>
<td>The interaction of autonomy and tacit knowledge moderates the effect of parental opportunism on IJVF instability</td>
<td>Supported</td>
<td>-.160**</td>
<td>P = .023</td>
</tr>
</tbody>
</table>

Figure 1 Interaction of Parental Opportunism, Autonomy and Tacit Knowledge on Instability
4.4 Discussion and Implications

The antecedents of international joint venture instability is one of the key topics in IJV research; however, this topic has not yet been fully investigated. This is because research on instability primarily employs a parent perspective to investigate the antecedents of instability; the perspective of the IJVF has largely been neglected. To understand the antecedents of IJVF instability, it is necessary to take the IJVF’s perspective into consideration. The first study of this thesis is devoted to filling this gap in the IJV literature by proposing a framework of IJVF instability which adopts an IJVF’s point of view.

Specificity, the first study examines the potential role of an IJVF’s autonomy on key decision-making in terms of influencing IJVF instability. This study also investigates the effects of parental opportunism and IJVF tacit knowledge on IJVF instability. Furthermore, the interaction effects of parental opportunism, tacit knowledge and autonomy are examined in this empirical investigation. The first study makes four contributions to the IJV literature. First, building on a view of TCA and agency theory, this is the first research which not only addresses the concept of parental opportunism, but also investigates it empirically in the context of an IJV. This research demonstrates the critical effect of parental opportunism in the context of IJVF instability. With a sample of 203 IJVF in China, the results for Hypothesis 1 indicate that parental opportunism towards an IJVF increase its instability. This in line with previous studies of the IJV relationship context which postulate that opportunism does damage the relationship (Das and Teng 2000, Gill and Butler 2003, Yan 1998).

Overall, the results for Hypothesis 1 accord with the widely-held view in the literature that parental opportunism damages the relationship or the receiving body always has to be restrained (e.g. Das and Teng 2000, Gill and Butler 2003, Yan 1998, Yan et al. 2002, Dant et al. 1996).
More specifically, parental opportunism may be a reflection of parental conflict (Hoenen and Kostova 2014). In this regard, the results of this study are in line with the IJV literature in that parental conflict is positively associated with instability. In addition, parental opportunism can be attributed to parent pursuing their own self-interest at the expense of the IJV. Given that parents’ opportunistic behaviour likely links to a principal’s opportunism towards the agent, the results are also in line with what the agency-theory literature finds concerning the study of principal-agent redirection.

Second, autonomy in IJV is found to be a critical factor in explaining IJV instability. The existing IJV literature suggests that a high level of autonomy has a positive impact on an IJV’s effectiveness. It is claimed that objectives can be met while total costs are kept to a minimum and the IJV can exploit the benefits of local responsiveness (Hill and Hellriegel 1994) and thus the joint venture operates more effectively (Hoon-Halbauer 1994: 369, Yan and Gray 1994: 1493). Therefore, a higher level of autonomy should reduce instability. The agency theory literature, however, proposes an opposite view in that since autonomy can encourage an agent’s rent-seeking behaviour, autonomy should lead to conflict between the principal (parents) and the agent (IJVF), thus leading to an IJV’s instability. The findings of Hypothesis 2 show that contrary to previous IJV literature but in accordance with agency theory literature, a high level of autonomy seems to have a negative impact on an IJV by having a positive impact on instability. This is because an autonomous IJVF has more power to seek an economic rent from the parents, thus the IJVF may not always follow the parents’ orders. In order to ensure that the parents’ interests and benefits can still be pursued, the parents may change the current condition of the IJVF. Changes to the current condition may involve changes to the equity agreement, re-structuring the IJVF, changing the senior managers or selling out or terminating the IJV, so that instability occurs.
Third, unlike past IJV research which examined the effect of knowledge on instability by considering factors from the parents’ perspective, the first study in this thesis examines this effect by considering the factors from the IJVF’s perspective. This study does not find that tacit knowledge in an IJVF has a direct effect on instability, meaning that Hypothesis 3 is not supported. This study, however, does find that the tacit knowledge in an IJVF has an impact on instability when it interacts with an IJVF’s autonomy and parental opportunism. The interaction of an IJVF’s tacit knowledge and autonomy, and parental opportunism on an IJVF’s instability, leads to the next contribution of the first study.

The first study makes a fourth contribution to the literature by discovering that increasing levels of both autonomy and tacit knowledge in an IJVF will reduce the positive effect of parental opportunism on instability. The empirical results confirm Hypothesis 4 in the first study, meaning that since the level of tacit knowledge increases, an IJVF’s strategic importance also increases. This lends support to the view that autonomy and tacit knowledge mean an increase in an agent’s (IJVF) strategic importance within an MNC (IJVN) (Mudambi and Navarra 2004). In the meantime, if an IJVF has a higher level of autonomy, it creates a barrier to transferring tacit knowledge to the parents. Under this circumstance, parents may still behave opportunistically towards the IJVF or exercise a certain level managerial intervention; however, the parents will be less likely to allow the IJVF to suffer instability. Because instability is associated with unpredictable and premature change or termination, these changes to the IJVF may result in the loss of tacit knowledge. In order not to lose tacit knowledge, the parents will be more likely to terminate or make changes to the IJVF according to a proper plan, which enables tacit knowledge to be transferred to the parents properly or a solution to the loss of the IJVF will already have been found.
Furthermore, this study is one of the few studies in international business (IB) which employs a three-way interaction approach to discover the depth relationship between the constructs. In this study, I utilize a direct effect and two-way and three-way interaction approaches to depict the direct and moderating effects of autonomy, tacit knowledge and parental opportunism on instability in an IJVF. The three-way interaction approach has been developed and employed by many disciplines for over 30 years, including management studies (e.g. Reed and DeFillippi 1990, Wiklund and Shepherd 2005, Dess et al. 1997, Snell and Dean 1992, Venkatraman 1989). However, this approach has not yet been widely applied in IB research. Since the direct effect and two-way interaction relationships cannot always provide a complete understanding of a business phenomenon, a three-way interaction model is needed to discover hidden information (Dess et al. 1997, Reed and DeFillippi 1990, Snell and Dean 1992, Venkatraman 1989, Wiklund and Shepherd 2005). The findings respond to the call by several researchers, and the results of the present study (Miller 1996, Dess et al. 1997, Wiklund and Shepherd 2005) show that a three-way interaction approach can be more useful than a two-way interaction approach when investigating some business phenomena. More specificity, a three-way interaction approach discovers an important finding in that when both an IJVF’s autonomy and tacit knowledge increase the effect of parental opportunism on IJVF instability may be reduced.
This study has managerial implications for managers in both the IJVF and the parent firms. Reducing IJVF instability in emerging markets requires developing a good relationship among parents, and between parents and the IJVF. From the parents’ perspective, if the benefits of keeping the IJVF or staying in the IJVN no longer exist, IJV partners often renegotiate the IJV contract, reorganize the IJVF’s ownership or leave the IJVN, leading to instability in the IJV. From the findings of this study, I note that there are managerial implications for both the parent managers and the IJVF’s managers.

A key question facing the managers of IJVFs would seem to be how much decision-making latitude, i.e. autonomy, should be allowed by parents and what impact this might have on IJVF instability. Even though a high level of IJVF autonomy may encourage innovation, overall performance and efficiency, it can also lead to IJVF instability in the long run, due to parents losing their control over the IJVF and being unable to ensure the IJVF operates to their benefit. To balance the autonomy between enhancing innovation, overall performance and efficiency, the satisfaction of the parents and keeping an IJVF away from instability, this thesis makes several recommendations to managers of an IJVF.

IJVF managers are recommended to keep parents’ satisfaction at a high level. Keeping the parents satisfy can not only reduce managerial intervention or, say, opportunism being applied to the IJVF, but also reduce the harm which arises from autonomy, therefore reducing the chance of instability. This is because when parents are satisfied with an IJVF, their managerial intervene is less likely to occur. Furthermore, when parents are satisfied with an IJVF, they are likely to grant a higher level of autonomy to the IJVF rather than making unpredictable changes to it. To keep the parents satisfied, I make several suggestions to IJVF managers. They are recommended to: (1) keep the parents informed and show respect to them when making key decisions; (2) have regular and
close internal communication, as this can help IJVF managers to resolve any parents’ dissatisfaction with the IJVF (Mohr et al. 1996); (3) enter into detailed contracts or agreements with parents (Zhou and Xu 2012), because these will help IJVs to match parents’ needs and satisfy the parents; and (4) actively develop organizational rules, procedures and structures to create a communication system with the parents in order to satisfy them. Finally, with the high level of tacit knowledge created by an IJV, the IJV managers are recommended to stress that it is difficult to replace, which increases the dependence of the parents on the IJV and reduces the instability of the IJV.

There are different managerial implications for parents and IJVs arising from this study. A key question facing managers of parents would seem to be how much decision-making latitude, i.e. autonomy, to allow the IJV and what impact this might have on instability. Joint ventures offer a highly flexible and potentially speedy strategic option in a dynamic environment. Any businesses or firms can use joint ventures to strengthen long-term relationships or collaborate on short-term projects. Even though there are many ways to set up an IJV, according to the findings of this research, I suggest that parents should be aware of several points when operating an IJV. First, granting an IJV a greater level of autonomy can significantly increase the IJV’s effectiveness, innovation and performance (Newburry and Zeira 1999, Newburry et al. 2003, Zajac et al. 1991). Parents, however, should be careful not to lose their control over selecting activities and ways to achieve their goals and satisfy their interests. Parents are recommended to engage in activities such that their goals and interests can still be achieved through the IJV, such as providing a more detailed mission statement, providing more detailed documents of incorporation and making efforts to establish cooperation and discussion (Newburry et al. 2003).
Second, the empirical results indicate that an IJVF with a higher level of autonomy and tacit knowledge will reduce the positive relationship between parental opportunism and IJVF instability. From IJVF managers’ point of view, this is ideal as both a higher level of autonomy and tacit knowledge can reduce the impact of parental opportunism on IJVF instability. However, from parent managers’ point of view, this result may not be ideal because IJVF managers can use both autonomy and tacit knowledge as a tool to gain bargaining power and seek an economic rent from the parents. Therefore, in order to prevent IJVF managers increasing their bargaining power by using autonomy to hold tacit knowledge, parent managers should establish effective knowledge communication channels between parents and the IJVF, and require the IJVF to develop an understanding of each area of knowledge to be shared with the parents.

4.5 Limitations and Recommendations for Future Research

This study considers the IJVF’s view to discover the antecedents of instability. Thus, data were collected from top IJVF managers. However, to provide a better understanding of the subject of this research, the parents’ perspective may also be important. For example, from the parents’ perspective, the concept of an IJVF’s autonomy may be equal to the concept of parental control. The distinction between an IJVF’s autonomy and parents’ control is mixed and ambiguous in the literature. Therefore, it is necessary to obtain viewpoints from both IJVF managers and parents to offer a better overview of the relationship between autonomy and instability, since examining parents’ control over an IJVF is likely to illuminate the topic further.

Second, the data from this research data were obtained from Chinese-foreign joint ventures in five cities in China. Although the theoretical framework can be applied to a wider range of countries and regions, five cities and a single country sample may not represent all IJVs in China or various emerging economies. To address this limitation, future research could collect data from
the whole of China rather than focusing on several cities, or conducting a comparative study of emerging markets in the BRIC countries might prove fruitful. Future research could also replicate this study to determine whether the findings are consistent with this research, perhaps using a different city sample within China.

Third, the empirical tests of this study examine parental opportunism towards IJVs in general and do not separate whether the parental opportunism towards an IJV or parental opportunism is a reflection of parental conflict. This is a limitation and future research ought to separate the two types of parental opportunism for empirical testing.

Fourthly, this study employs a moderated hierarchical regression technique to assess the three-way interaction effects of three key independent variables on a dependent variable. Past empirical studies have conducted three-way interaction using both ANOVA and a moderated hierarchy regression to assess three-way interaction. It is recommended that future research apply both statistical techniques to test three-way interaction and interpret the results from both techniques. This research suggests that by using both statistical techniques the results can be better interpreted, which may throw more light on the topic.
Chapter 5 The Instability and Stability of International Joint Ventures (IJVs): Reconceptualising, Characteristics, Determinants

5.1 Introduction

Two main research questions are asked by the second study, firstly, to what extent are an IJVF’s instability and stability opposite concepts in nature? Second, do these two concepts share the same set of deriving forces? More specifically, do parental opportunism, an IJVF’s tacit knowledge and parents’ psychic distance have inverse impacts on an IJVF’s instability and stability? The research objectives of the second study are to clear up the mixed conceptual understanding and to conduct an empirical investigation on an IJVF’s instability and stability.

A reconceptualization of IJVF instability and stability is presented in Chapter 2 and answers the first research question. Chapter 5 conducts an empirical investigation into instability and stability to answer the second research question. Section 5.2 proposes hypotheses to compare the impact of the same factors on instability and stability. Data analyses and report findings are presented afterwards. A discussion is conducted and implications are presented in Section 5.4. Finally, this chapter closes by acknowledging the research’s limitations and making recommendations for future research.
5.2 Hypotheses Development

5.2.1 Relationship Between Parental Opportunism and IJVF Instability & Stability

The relationship between parental opportunism and IJV instability is discussed in Chapter 4. This section starts by revisiting the relationship between parental opportunism and IJVF instability that I consider in Chapter 4; then, it develops a comparative relationship between parental opportunism and instability and stability. As this thesis suggests in Chapter 4, for several reasons, there is a positive effect of parental opportunism on an IJV’s instability. First, the traditional view of TCA and agency theory suggest that opportunism will destroy the trust between partners and thus significantly damage the development and maintenance of value-enhancing relationships. After such damage, the parents may not be able to achieve their goals as per their original plan, thus they may wish to renegotiate their IJV contract, change the equity shares in the IJVF or terminate it. These changes lead to an IJVF’s unstable condition. Second, using the view that this thesis proposes, parents’ managerial intervention in an IJVF is a source of parental opportunism, suggesting that there may be a need for parents to change the current condition of the IJVF. This change may cause instability in the IJV. Third, parental opportunism occurs when parents try to maintain the IJVF’s self-commitment when parents and the IJVF have divergent views (or goals) of the same situation. If this kind of opportunism occurs it implies that the parents and the IJVF do not blend with one another, suggesting a need for some changes in the IJVF. As a result, instability may occur. Fourth, parental opportunism can be a manifestation of conflict or power struggles between the parents that will lead to instability in an IJVF. For the above four reasons, this thesis suggests that parental opportunism positively affects an IJVF’s instability.
This thesis, however, suggests that parental opportunism only accounts significantly for an IJVF’s instability and is not important for an IJVF’s stability. As mentioned earlier, several reasons account for parental opportunism. This thesis suggests that these reasons are not critical for an IJVF’s stability. The reasons are explained as follows.

This thesis defines an IJVF’s stability as a ‘relatively stable (developmental) period of an IJVF’s operating or maturity mode so that the parents’ goals can be attained’. This definition suggests that IJVF stability is a period when an IJVF is running and developing successfully to achieve the parents’ goals. A stable IJVF, therefore, should have both a rigid structure and strategic flexibility (Das and Teng 2000). A rigid structure allows the IJVF to resist both internal and external uncertainty, such as unexpected environmental contingencies, internal risks and premature change and termination (Jiang et al. 2008). Strategic flexibility enables the IJVF to adjust itself continuously to achieve parents’ changing needs (Ernst and Bamford 2005). Since parental opportunism may result from parents’ changing needs, a stable IJVF should have the ability to adjust in response to parental opportunism and not be harmed by it. In this regard, this study suggests that parental opportunism does not necessarily influence an IJVF’s stability.

Second, parental opportunism results from parents’ managerial intervention and this suggests that there may be a need for parents to change the current condition of the IJVF, thus leading to change in the IJVF, along with instability. If an IJVF is in a relatively stable (development) period, parents’ managerial intervention may be a solution or strategy for them to adjust their IJVF to better achieve their goals. Therefore, parental opportunism that results in their intervention does not impact on IJVF stability.

Third reason: parental opportunism may occur when the parents and the IJVF have divergent goals. According to the IJV literature, there are many goals which parents may want to achieve
via an IJVF, such as acquiring other parents’ skills, resources and competencies (Hamel 1991, Inkpen and Beamish 1997, Lyles 1994), the enhancement of market power (Fusfeld 1958, Pfeffer and Nowak 1976) and vertical and horizontal integration (Stuckey 1983). To achieve their goals, the parents will keep running the IJVF. However, the parents’ goals for running the IJVF may differ from those of the IJVF. When parents and IJVF have divergent goals, in order to keep the IJVF’s self-escalated commitment, parents may display dishonest perceptions or manipulate their strategies towards the IJVF. Therefore, parental opportunism may be a strategy for parents to keep running the IJVF and it may not necessarily have a negative impact on an IJVF’s overall stability. Fourth, parental opportunism can be a manifestation of conflict or power struggles between parents, which leads to instability in the IJVF. However, parental opportunism will not necessarily have a negative impact when an IJVF is in a relatively stable (developmental) period. Since the parents still need the IJVF to pursue their mutual goals or benefit, they will be less likely to let conflict or power struggles on the parents’ side affect the IJVF. From the above discussion on the relationship between parental opportunism and the instability and stability of an IJVF, this study suggests the following hypothesis.

**Hypothesis 1:** Parental opportunism towards an IJVF has a stronger impact on an IJVF’s instability than its stability.
5.2.2 Relationship Between Tacit Knowledge and an IJVF’s Instability & Stability

Chapter 4 discusses the relationship between an IJVF’s tacit knowledge and IJVF instability. In order to compare the effects of tacit knowledge on instability and stability, it is necessary to revisit the effect of tacit knowledge on instability, and then compare the effect with stability. As mentioned in Chapter 4, since the transference of tacit knowledge is severely restricted, once a high level of tacit knowledge is embodied in the IJVF, this tacit knowledge will be difficult to transfer to any unit, even to the parents.

In order to keep the tacit knowledge that is held by the IJVF, the parents will be less likely to cause instability in the IJVF. This is because instability, such as unpredicted and premature termination, will lead the parents to lose the IJVF’s tacit knowledge in conditions not prepared for. If termination of the IJVF is in the original plan, the parents will prepare to transfer tacit knowledge to themselves before termination. In order to not lose tacit knowledge, the parents will avoid the IJVF’s premature termination before successfully transferring tacit knowledge to the parents. In addition, instability related to frequent changes, such as contract renegotiation, equity changes or changes to the management structure, will lead to parents controlling the IJVF’s tacit knowledge in an unstable and uncertain condition. In this regard, in Chapter 4, I suggested that an IJVF’s tacit knowledge should have a negative impact on instability.

Turning to stability, since tacit knowledge can only be transferred in a close relationship between two parties and with great difficulty via parties’ close participation in the exercising of knowledge (Nielsen and Nielsen 2009), the desire for high levels of tacit knowledge acquisition can be a powerful motivating factor leading to two parties wanting to co-operate more closely. Since the transfer of knowledge outside the IJVF will be difficult, once a high level of tacit knowledge is embodied in the IJVF, this tacit knowledge can encourage the parents to keep the IJVF. In other words, the tacit knowledge that is embedded within an IJVF can lead to an IJVF’s stability. As a
result, regarding the relationship between tacit knowledge and stability and instability, this study proposes the following Hypotheses 2a and 2b.

**Hypothesis 2a:** An IJV’s tacit knowledge has a negative impact on an IJV’s instability.

**Hypothesis 2b:** An IJV’s tacit knowledge has a positive impact on an IJV’s stability.
5.2.3 Relationship Between Psychic Distance and IJVF Instability & Stability

Researchers of psychic distance have strived to explain psychic distance barriers in terms of the information flows that disable parents from understanding each other or the market. The literature generally agrees that the psychic distance between the home and host countries increases the level of uncertainty for firms operating in a new market (Johanson and Vahlne 1977), and therefore reduces the chance of success (O'Grady and Lane 1996). This is because psychically distant markets are more difficult to predict and understand than psychically close ones (Benito and Gripsrud 1992). In the context of an IJV, a great psychic distance between the parents disrupts one parent’s ability to understand, predict and prevent another parent’s opportunism due to the negative impact on information flows (Barkema and Vermeulen 1997). This is because the parents come from different backgrounds with correspondingly different knowledge bases that are sticky and create impediments to the flow of information (Adarkar et al. 1997). According to TCE, the problem of opportunism is compounded in the context of parental distance, in relation to knowledge sharing and transference (Adarkar et al. 1997, Lowen and Pope 2007, Makino et al. 2007), especially transferring tacit knowledge (Steensma and Lyles 2000). This is because tacit knowledge is difficult to transfer systemically, yet it is also the source of a firm’s competitive advantage (Barney 1991). However, to my knowledge, psychic distance has not been empirically investigated by taking the channel of tacit knowledge into consideration.

In this research, I consider that an IJVF’s tacit knowledge is the channel which causes psychic distance to have effect on instability and stability. IJVF tacit knowledge comes from two sources, it is acquired from the parents and developed by the IJVF itself. When tacit knowledge is present, the barriers and problems of information flow are present, and thus the potential harm from psychic distance also. When an IJVF’s tacit knowledge is mainly acquired from the parents, the psychic distance between IJVF and parents affects the tacit knowledge flow from parents to IJVF.
When tacit knowledge mainly develops within the IJVF itself, psychic distance may be a barrier to IJVF managers understanding the local market, and it may also be a barrier to the IJVF transferring tacit knowledge to the parents. But when IJVF tacit knowledge is absent, the problem that is attributed to psychic distance is also absent.

The ideas presented in the above section highlight that an IJVF’s tacit knowledge is, in fact, one of the mechanisms underlying psychic distance’s influence on IJVF instability and stability. Ideally, to validate the theory of TCA on psychic distance, this study would like to show that tacit knowledge accounts for some of the effects of psychic distance on instability and stability.

**PSYCHIC DISTANCE, TACIT KNOWLEDGE AND IJVF INSTABILITY**

For instability, the arguments provided lead us to think that firms that enter a psychically distance market should suffer more from knowledge-transfer costs. Firms entering a psychically close market would benefit from having lower information-transfer costs, thus psychic distance should increase the level of instability (Sim and Ali 2000). As psychic distance can increase errors, such as misunderstandings during communication and information transfers (Bilkey 1985), if a firm is generally afraid of uncertainty, it would be highly suspicious of any untrustworthy behaviour by its partners, which would result in perceiving a high level of opportunism (Katsikeas et al. 2009). Under this circumstance, psychic distance will encourage opportunism when parties have diverging attitudes or expectations towards business operations or goals (Barnes et al. 2010). For example, as foreign and local parents may not speak the same language, this may allow either a local or foreign parent to behave opportunistically during communication, such as creating misleading or untraceable computation errors on purpose (Sachdev and Bello 2014). Such opportunistic behaviour during information flows caused by psychic distance may result in an increased level of contract negotiation, changes to equity share or premature termination.
Therefore, tacit knowledge should contribute to the explanation of psychic distance’s influence on instability. From the above discussions, I propose the following Hypothesis 3a.

**Hypothesis 3a:** An IJVF’s tacit knowledge mediates the effect of psychic distance on an IJVF’s instability

**PSYCHIC DISTANCE, TACIT KNOWLEDGE AND IJVF STABILITY**

For stability, a group of scholars seem to suggest that parents’ psychic distance encourages IJVF’s stability through its tacit knowledge. For example, Kogut (1988) suggests that the greater the distance between the host and home countries, the more likely an IJVF will be to choose to enter the host country. Brouthers and Brouthers (2001) support the view of a positive relationship between the level of distance and the level of preference for keeping an IJVF. Due to the difficulty of managing information asymmetries due to the differences in the host country’s general environment, such as the labour force and legal system, an IJVF is suitable for firms to transfer tacit knowledge, such as managerial techniques, norms and values, at greater distances (Goodnow and Hansz 1972). This is because an IJVF’s local parent has a greater understanding of local contingencies, which enables tacit knowledge to be transferred much more easily; this motivates the parents’ cooperation and collaboration and has a positive effect on the IJVF’s stability (Agarwal 1994). The above discussion leads to the following Hypothesis 3b.

**Hypothesis 3b:** An IJVF’s tacit knowledge mediates the effect of psychic distance on an IJVF’s stability.
5.3 Data Analysis and Findings

5.3.1 Measurement of Model Validity

Model validity was measured by the goodness of fit (GoF) model. This is assessed by seven common model-fit indices. The determination of these indices is recommended by Bagozzi and Yi (2012), Byrne (2013), Holmes-Smith et al. (2004) Hulland et al. (1996), Lin and Wang (2006), and Kline (2005).

To measure model validity, two models (instability and stability models) are drawn separately in AMOS Graphics. Confirmatory factor analysis (CFA) is applied to measure model validity. AMOS 21 with maximum likelihood estimation (MLE) is used to calculate the results for a validity test. This research calculates separate estimations for instability and stability models. The results show that both instability and stability models have good model fit as the results for the fit indices (see Table 24) show that all model-fit indices far exceed the recommended adequate fit level: CMIN/DF (chi-squared/degrees of freedom) = 1.702 (instability model) and 1.519 (stability model), which is comfortably within the ideal range of < 2. The absolute fit indices – root mean square error of approximation (RMSEA) at .059 (instability model) and .051 (stability model), and Goodness-of-Fit index (GFI) at .922 (instability model) and .928 (stability model) – are also within the ideal ranges of < 0.08 and ≥ 0.9, respectively. For the Incremental Fit indices, the Comparative Fit Index (CFI) is .978 (instability model) and .983 (stability model), which is higher than an adequate level of 0.95. The Tucker Lewis Index (TLI) is also at a desirable level, .973 (instability model) and .978 (stability model). And the Root Mean Square Residual (RMR) is .030 (instability model) and .046 (stability model), which is final proof of a good model fit. These six Goodness of Fit (GoF) indices demonstrate that the measurement model has a good fit and can be
used for the preceding structural model. The good model fit for the indices of the stability model demonstrates a good fit for the data.
5.3.2 Hypotheses Testing

Before proceeding to hypothesis testing, structural model validity is checked for both instability and stability models to ensure the structural models can be used to conduct hypotheses testing. Using the same judgements as for the measurement model’s validity to judge structural model validity, and comparing the measurement model fit indices with the structural model fit indices, the results show that both the instability and stability structural models and the measurement models have a good fit (see Table 23); this proves that there is good structural model validity which can be used to test the hypotheses.

With the strong and positive effect of opportunism on instability, the insignificant effect of opportunism on stability, Hypothesis 1, is supported. Hypothesis 2a is not supported due to the existence of an insignificant standardized path coefficient on the path between tacit knowledge and instability; however, Hypothesis 2b is supported due to the positive path coefficient between tacit knowledge and stability. Furthermore, the results show that an IJVF’s tacit knowledge has a stronger impact on an IJVF’s stability than on its instability.

To test Hypothesis 3a, I created another model and employed Preacher and Hayes (2008) and Ravlin et al.’s (2012) bootstrap method to estimate the indirect effect of psychic distance on stability through IJVF and tacit knowledge. Due to the bootstrap method not assuming multivariate normality, this will increase the power when running small and moderate size samples. Therefore, as Preacher and Hayes (2008), Preacher and Hayes (2008), and Ravlin et al. (2012) suggest, I ran 5,000 bootstrap samples with a 95% bias-corrected bootstrap confidence interval to estimate the mediating effect. I entered stability as the dependent variable, psychic distance as the independent variable and tacit knowledge as the mediator. The total effect of
psychic distance on stability before adding tacit knowledge into the model was significant. The total effect of psychic distance on stability became insignificant when tacit knowledge was included in the model. The indirect effect of tacit knowledge was significant, with a point estimate of 0.137 and P=.008. Using the rule of thumb provided by Gaskin (2012) to judge the mediating effect, I found that tacit knowledge fully mediates the effect of psychic distance on stability.

Hypothesis 3b was tested by the same method as for H3a. The path between psychic distance and instability before adding tacit knowledge into the model was insignificant. The direct effect of psychic distance on instability was still insignificant when tacit knowledge was included in the model. The indirect effect of psychic distance on instability through tacit knowledge was insignificant, with a point estimate of -.043 and P=.332. Again using the rule of thumb from Gaskin (2012) to judge the mediating effect, I found that tacit knowledge does not mediate the effect of psychic distance on instability, and psychic distance does not have an indirect effect on instability through tacit knowledge.

To add weight to the results, a two steps Sobel test was conducted by following the recommendations of Mathieu and Taylor (2006). Following their recommendations to test for the indirect effects for H3a, the direct effects of psychic distance, tacit knowledge and instability are first estimated for significance. The results of the three causal paths show that two of them are significant (psychic distance to tacit knowledge and psychic distance to instability) and one of them is insignificant (tacit knowledge to instability). The result of the first step shows that psychic distance does not have a significant impact on instability; thus, the indirect effect can be considered in the second step. For the second step, the SEM statistics indicate that the direct effect of psychic distance on instability is insignificant while that of psychic distance on tacit knowledge is significant; therefore, an indirect effect of distance on instability is not suggested (Mathieu and Taylor 2006). After conducting a Sobel test and a bootstrap test, both results show that psychic
distance does not have an indirect effect on instability (P > 0.05) through tacit knowledge and opportunism. Therefore, Hypothesis 3a is not supported.

For H3b, the results for the three causal paths show that two of them are significant (psychic distance to tacit knowledge and tacit knowledge to stability) and one of them is insignificant (psychic distance to stability). With the insignificant effect of psychic distance on stability, an indirect effect can be considered in the second step. The Sobel Test online calculator is used to calculate the significance of the indirect effect. The result supports Hypothesis 3a and indicates that psychic distance has an indirect effect on stability.

5.3.3 Assessment of Competing Models

Confirmatory structural equation modelling is applied to assess the competing models. This research applies AIC (Akaike Information Criterion), BIC (Bayes Information Criterion), and ECVI (Expected Cross-Validation Index) to compare the competing models. The model fit indices of the instability and stability models are shown in Table 23. This indicates that both instability and stability have good structural model validity.

Due to the dependent variable in the instability model and the stability model having different measurements, the competing model is a non-nested type. With a non-nested competing model, AIC, BIC and ECVI are applied for model comparison. The model with a lower score for AIC, BIC or ECVI indicates a better model to fit the data. As shown in Table 23, the stability model has lower scores for AIC, BIC and ECVI than the instability model. This result, therefore, suggests that the stability model fits the data slightly better than the instability model.
Finally, I assess the path difference between the instability and stability models to compare the different drivers of instability and stability. The differences in path coefficients are accessed by the Z score (Duncan 1975). Following a recommendation from Duncan (1975), this research calculates non-standardised path estimates for both the instability and stability models to calculate the Z score. According to Duncan (1975), if the Z score of two unstandardized path estimates is $> \pm 1.96$, the difference between the two paths is considered significant. The following is the formula which Duncan (1975) provides to calculate the Z score.

$$z = \frac{b_1 - b_2}{\sqrt{se_{b1}^2 + se_{b2}^2}}$$
Table 22 Results of Hypotheses Tests

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Description</th>
<th>Support</th>
<th>Effect sizes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hypothesis 1:</strong> Parental opportunism towards an IJVF has a stronger impact on an IJVF’s instability than its stability.</td>
<td></td>
<td>Supported</td>
<td>Opportunism→Instability: 0.552***(.000) Opportunism→Stability: -0.077(.352)</td>
</tr>
<tr>
<td><strong>Hypothesis 2a:</strong> An IJVF’s tacit knowledge has a negative impact on an IJVF’s instability.</td>
<td></td>
<td>Not supported</td>
<td>Tacit Knowledge→Instability: -0.092 (.203)</td>
</tr>
<tr>
<td><strong>Hypothesis 2b:</strong> An IJVF’s tacit knowledge has a positive impact on an IJVF’s stability.</td>
<td></td>
<td>Supported</td>
<td>Tacit Knowledge→Stability: 0.291*** (.004)</td>
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<td><strong>Hypothesis 3a:</strong> Tacit knowledge in an IJVF mediates the effect of the psychic distance between parents on an IJVF’s instability.</td>
<td></td>
<td>Not supported</td>
<td>Indirect Effect: -0.043 (.332) Direct Effect: -0.043 (.332)</td>
</tr>
<tr>
<td><strong>Hypothesis 3b:</strong> Tacit knowledge in an IJVF mediates the effect of the psychic distance between parents on an IJVF’s stability.</td>
<td></td>
<td>Supported</td>
<td>Indirect Effect: 0.137*** (.008) Direct Effect: 0.289 (.175)</td>
</tr>
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</table>

5.3.5 Assessment of Control Variables

The assessment of control variables is shown in Table 23. I assess the control variables in Models 1 and 2 for both the instability and stability models. Model 1 contains only control variables while Model 2 includes both control and key variables. Before key variables are added, three out of six control variables have an impact on instability, while only one out of six control variables has an impact on stability. More specifically, an IJVF’s financial performance has a negative impact on instability but no impact on stability. An IJVF’s age has a negative impact on instability but an insignificant impact on stability. An IJVF’s industry has a positive impact on instability but no effect on stability. Parents’ prior cooperation has a significant positive impact on stability but shows no impact on instability.
Table 23 Standardized Path Coefficient, Model Fit Indices and Significance of Path Differences

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<tr>
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<th>INSTABILITY</th>
<th>STABILITY</th>
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<tr>
<td></td>
<td>Model 1</td>
<td>Model 2</td>
</tr>
<tr>
<td>IJV AGE</td>
<td>-1.26*</td>
<td>-0.98</td>
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<tr>
<td></td>
<td>(.071)</td>
<td>(.132)</td>
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<tr>
<td>IJV SIZE</td>
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<td>(.821)</td>
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<td>(.265)</td>
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<tr>
<td>PRIOR COOPERATION</td>
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<td>(.407)</td>
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<td>INDUSTRY</td>
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<td>(.012)</td>
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<td>OPPORTUNISM</td>
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<td></td>
<td>(.000)</td>
<td>(.000)</td>
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<td>GFI</td>
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<td>.961</td>
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### Table 24 Path Differences

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<td>P</td>
<td>ESTIMATE</td>
<td>P</td>
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<td>0.000</td>
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Notes: *** p-value < 0.01; ** p-value < 0.05; * p-value < 0.10
5.4 Discussion and Implications

The question of what factors influence IJVF instability and stability has attracted research attention for decades (e.g. Banerjee and Mukherjee 2010, Gomes-Casseres 1987, Inkpen and Beamish 1997, Baek et al. 2006, Deitz et al. 2010). This study tackles this question from a unique perspective by separating the IJVF’s view from the parents’ view and examining instability and stability simultaneously with three key factors: parental opportunism, tacit knowledge and psychic distance. This study also explores the mediating role of IJVF tacit knowledge on the effect of psychic distance on instability and stability. This study reveals that: (1) parental opportunism has a positive effect on instability but an insignificant effect on stability; (2) an IJVF’s tacit knowledge has an insignificant effect on IJVF instability but a positive effect on stability; (3) an IJVF’s tacit knowledge does not mediate the relationship between psychic distance and instability but fully mediates the relationship between psychic distance and stability; (4) the factors which account for instability and stability are not identical.

Overall, this study makes both theoretical and empirical contributions to the IJV research. The first contribution to the literature is reconceptualising and characterizing the concepts of IJVF instability and stability. Instability and stability each represents different aspects of IJVF and its key activities. Instability is a complex phenomenon which represents dynamic change in the organization (Yan and Zeng 1999), while stability is linked to IJV development and evolution, which supports the IJVF’s survival and success (Beamish and Inkpen 1995, Dussauge and Garrette 1995). My review of the IJV literature, however, has revealed that only three studies – by Jiang et al. (2008), Yan and Zeng (1999), and Yan (1998) – explicitly address the conceptual characteristics and differences of IJVF instability and stability. While all three articles propose that instability and stability are two separate concepts, they do not offer a comprehensive
understanding of this separation. This study extends their stream of research and offers a theoretical rationale for differentiating the concepts and characteristics of instability and stability.

Moreover, this study proposes an alternate view of IJV instability and stability by separating the perspectives of IJVF and parents. This study does not seek to promote the perspective of the IJVF, nor to argue that the parents’ perspective is inadequate. Rather, this study addresses an under-researched area in the IJV literature which can be used to discuss the activities of modern IJVF s in emerging markets. This study switches the focus from the parents’ perspective to the IJVF’s perspective and suggests that instability and stability are related, but mixed and unclear when using the perspective of the parents but becomes clear when using the perspective of the IJVF.

This study also reveals the factors for determining IJVF instability and stability, which leads to empirical contributions. The determinants for IJVF instability and stability have been well documented by the IJV literature (Yan 1998). Empirical studies, however, have only investigated the drivers of instability and stability separately. This study empirically investigates the factors for determining instability and stability simultaneously and makes both theoretical and empirical comparisons. With respect to the empirical results at hand, the investigation provides initial empirical support for the claim that IJVF instability and stability are not opposite sides of the same coin. Rather, instability and stability require business executives to establish a joint but separately understanding in order to develop a suitable strategy in order to manage their IJVF effectively.

More specifically, the findings make three empirical contributions: (1) this study extends transaction cost theory on opportunism by incorporating agency theory to discuss the context of IJVF instability and stability. This study demonstrates that parental opportunism affects instability but not stability. Prior IJV research has largely focused on the opportunism which arises at the parent level, and its impact on IJV instability and stability, to the exclusion of parental
opportunism. Interestingly, the agency theory literature stresses the importance of the principal opportunism phenomenon in franchising relationships and states that principal opportunism can significantly affect the stability of principal and agent relationships, which results in the instability and stability issue for a franchisee-franchisor relationship (e.g. Dant and Kaufmann 2003, Caves and Murphy 1976, Windsperger and Dant 2006).

Yan et al. (2002) present a theoretical model of international principal-agent relationships in which they conceptually discuss the relationship between principal opportunism and international assignment performance. Later, using an agent perspective, Lado et al. (2008) offer an understanding of how various levels of principal opportunism affect inter-firm relationships’ development and maintenance in context. Given the increased attention paid to principal opportunism in both the strategic management and international business literature, this study suggests that IJV researchers should not only focus on the opportunism which arises among parents but also that arising from parents towards an IJVF and its impact on instability and stability simultaneously.

(2) Extant research on IJVF tacit knowledge has primarily focused on its impact on either instability or stability (Fang and Zou 2010, Inkpen and Beamish 1997, Millington and Bayliss 1997), while largely ignoring that its impact on instability and stability may be diverse and not opposite. An understanding of the relationship between an IJVF’s tacit knowledge and instability alone is important but not sufficient because scholars have long considered stability to be the opposite side of the instability coin (Dietz et al. 2010, Kogut 1989, Rhoades and Lush 1997, Sim and Ali 2000). If instability and stability are different aspects of IJVF activities and tacit knowledge is the source of competitive advantage, then an IJVF’s tacit knowledge should have impact differently on instability and stability. Yet, the extant knowledge on how an IJVF’s tacit knowledge influences instability and stability is remarkably limited. In this regard, I extend the strategy and the IB literature by demonstrating the impact of an IJVF’s tacit knowledge on both
instability and stability. This study demonstrates that the tacit knowledge that is created and embodied at the IJVF level does not link to an IJVF’s chance of facing change and premature termination, rather it is linked to the chance of an IJVF having a longer lifespan. Conversely, IJVFs that fail to foster tacit knowledge will reduce their chance of having a longer lifespan but not increase the chance of facing change and termination which are not in the original plan.

(3) This research is a first attempt to understand how tacit knowledge mediates the relationship between psychic distance and IJVF instability/stability. I extend TCA on psychic distance by including an IJVF’s tacit knowledge as a mediator in the relationship between parents’ psychic distance and instability and stability, supporting the mediating role of an IJVFs’ tacit knowledge in how parents’ psychic distance affects stability, but not instability. The results show that psychic distance is an important determinant for expanding an IJVF’s lifespan but not for major change to the IJVF or premature termination. Parents with greater psychic distance have more issues in terms of communication and information flows than parents that are nearer. At least part of the psychic distance effect may be explained in terms of tacit knowledge, because this variable is found to be an important mediator for the effect of psychic distance on instability. In addition, psychic distance’s influence on stability has to be explained in terms of tacit knowledge because it is only found to have an impact when tacit knowledge is absent.

The knowledge offered by this study provides an understanding of how psychic distance’s effects on instability can be enhanced by revealing an underlying channel, an IJVF’s tacit knowledge. The implication is that when an IJVF has tacit knowledge, the communication and information flow barriers which are caused by psychic distance will be higher, resulting in a greater impact on IJVF change and premature termination. However, tacit knowledge’s effect and the underlying tacit knowledge channel are different for stability. When an IJVF has tacit knowledge, the psychic distance between parents is no longer a determinant for an IJVF’s longer lifespan.
The findings of this study also have several important implications for IJVF managers. Steering an IJVF away from major change or premature termination and expanding an IJVF’s lifespan are the most important concerns for IJVF managers. Overall, the empirical findings suggest that IJVF managers should be aware that the factors for reducing the chance of unpredicted change and termination and the factors for expanding an IJVF’s lifespan are different. Protecting an IJVF from major change or premature termination does not mean that an IJVF’s lifespan will be expanded, or vice versa. In this regard, the findings have several important implications for IJVF managers. Firstly, for instability, keeping an IJVF away from instability requires mutual trust between parents and the IJVF. The findings suggest that it is necessary for IJVF managers to create and shape an inter-firm relationship that continually reduces the opportunism between parents and the IJVF. This can be achieved by regular and close inter-organizational communication (Mohr et al. 1996), or detailed contracts or agreements to address acts of opportunism that might arise during relationships (Zhou and Xu 2012).

For stability, since parental opportunism has no impact on an IJVF having a longer lifespan and the needs of the IJVF, IJVF managers should assess the reason why opportunism arises from the parents towards the IJVF. Parental opportunism may imply different goals between parents and an IJVF’s managers, which might damage the IJVF’s managers’ interests. Thirdly, tacit knowledge is the source for an IJVF to develop competitive advantage, which can help the IJVF not only, externally, to gain a market share or beat competitors, but also internally, to help the IJVF have a longer lifespan. Therefore, I suggest that IJVF managers should create a high level of tacit knowledge and keep this tacit knowledge updated and valuable.

Fourthly, parents’ psychic distance can increase an IJVF’s chances of having a longer lifespan. However, this impact is strongly channelled by the IJVF’s tacit knowledge. To enhance the chance of having a longer lifespan, when an IJVF has no tacit knowledge, it is suggested that
IJVF managers stress an IJV’s usefulness in terms of helping the parents to reduce the psychic distance. When an IJV has tacit knowledge, IJV managers should be aware that psychic distance will not be a reason for an IJV having a longer lifespan.
5.5 Limitations and Recommendations for Future Research

This study is subject to a few limitations which also account for the recommendations for future research. Firstly, a newly developed measure – stability – is used; however, this measure needs further improvement due to the relatively low AVE. Further research should develop more delicate and effective scales to reflect this construct.

This study offers an alternative way of combining TCE, KBV and agency theory by offering deeper insights into combining several dimensions, including opportunism, tacit knowledge and psychic distance. This study, however, is not able to include all of the TCE, KBV and agency theory dimensions to conduct a more in-depth investigation of the topic. For future research, this study suggests that it would be interesting to investigate an IJVF’s instability and stability by taking other dimensions from TCE, KBV and agency theory into consideration.

Finally, the stability and instability of an IJVF, as investigated by this study, are only analysed at the time of the current IJVF’s condition. This cross-sectional approach to examining the effect of parental opportunism, tacit knowledge and psychic distance on instability and stability does not take into account modifications and dynamic change to boundaries over time. During the lifecycle of the focal IJVFs, the key variables I discuss in this study may only account for a certain period of IJVF instability and stability. Thus, I suggest future research could use panel data and adopt both dynamic longitudinal and cross-sectional approaches to examine these impacts on IJVF instability and stability. This would offer a more comprehensive and robust view of the instability and stability of IJVF in emerging economies.
Chapter 6 Direct and Moderating Effects of Autonomy, Tacit Knowledge and Psychic Distance on Parental Opportunism in International Joint Ventures

6.1 Introduction

The third study aims to answer the following two research questions. (1) Why do parents act opportunistically towards an IJVF? (2) What are the factors that influence this type of opportunism? More specifically, do an IJVF’s autonomy, an IJVF’s tacit knowledge and parents’ psychic distance influence this type of opportunism? If they do, how do these factors influence this type of opportunism? Moreover, the objectives of the third study are to develop a comprehensive understanding of parental opportunism in the context of an IJV and discover what factors influence parental opportunism.

Chapter 2 provides a comprehensive conceptualisation of parental opportunism and thus an answer to the first research question. This chapter conducts an empirical investigation to answer the second research question. The investigation is based on data collected from the viewpoint of the IJVF. Obtaining the perspective of an IJVF that concerns parents’ behavioural uncertainty provides a deep insight into the topic. The rest of this chapter is structured as follows. Section 6.2 illustrates the hypotheses development. Section 6.3 conducts statistical analysis and reports the findings. Section 6.4 discusses the implications of the findings, followed by presenting the limitations and recommendations for future research in Section 6.5.
6.2 Hypotheses Development

This study adopts the perspective of an IJVF and considers IJVF’s tacit knowledge to be knowledge that is complex, non-verbalised and difficult (if not impossible) to codify or transfer systematically (Polanyi 1962, Spender 1996, Zander and Kogut 1995). This study suggests that an IJVF’ tacit knowledge has strategic importance that can influence parental opportunism. Moreover, this study suggests that the impact of tacit knowledge on parental opportunism is strongly moderated by an IJVF’s autonomy and parents’ psychic distance. To establish the relationship between an IJVF’s tacit knowledge and parental opportunism and the moderating effects of IJVF autonomy and psychic distance, this study first describes the strategic importance of an IJVF’s tacit knowledge in the parents-IJVF relationship. After introducing IJVF autonomy and psychic distance into the relationship between tacit knowledge and parental opportunism, this study then proposes hypotheses.

Since knowledge stocks create an opportunity for holding up knowledge that creates competition between the exchange parties (Oliver 1975), a critical amount of tacit knowledge held by an agent creates competition between principal and agent (Mudambi and Navarra 2004). ‘Knowledge stocks and flows create the potential for intra-MNC concerns of opportunism and hold up (Williamson, 1975). Thus, it is argued here that the same (albeit attenuated) mixture of competition and cooperation is found in inter-relationships’ (Mudambi and Navarra 2004: 386).

A TCA perspective suggests that knowledge-based assets create potential harm for partners’ concerns about opportunism due to the ‘hold-up’ issue (Williamson, 1975). This is due to knowledge-based assets, especially tacit knowledge, being extremely valuable because they are hard to transfer, thus a party that has considerable tacit knowledge can hold it without sharing it with a partner, thereby creating superior bargaining power over its partner (Barney 1991). Using the holding up of tacit knowledge to pursue self-interest, such as superior bargaining power, is a
symptom of opportunism. Within a principal-agent relationship, a critical amount of tacit knowledge held by the agent enables the agent to gain superior bargaining power for use against the principal (Mudambi and Navarra 2004). An agent with superior bargaining power has more power to seek an economic rent from the principal (Mudambi and Navarra 2004). Since an agent can hold up tacit knowledge and use it to seek an economic rent from the principal, the latter cannot access the agent’s tacit knowledge in a straightforward way; therefore, the principal has to exercise a certain level of intervention in the IJVF, which can be perceived as opportunism by the IJVF.

The knowledge hold-up issue in the principal-agent relationship can also exist in the parents-IJVF relationship. Since an IJVF’s tacit knowledge is not only acquired from its parents but also develops from its practice, it can be extremely valuable. In this regard, an IJVF may hold up tacit knowledge to gain bargaining power and seek an economic rent. If an IJVF holds up tacit knowledge and creates a barrier to parents’ access to tacit knowledge, the parents have to use managerial intervention to access tacit knowledge, and this intervention may be perceived as harmful by the IJVF. This argument provides the basis for the following hypotheses.

6.2.1 IJVF’ Autonomy as A Moderator Which Influence the Positive Relationship Between IJVF’ Tacit Knowledge and Parental Opportunism

The IJV literature suggests that the high level of autonomy that parents grant to an IJVF suggests a high level of trust between parents and the IJVF (Fetscherin et al. 2010). Parents can change the level of autonomy granted to the IJVF according to the IJVF’s performance at a given time (Kiliing 1983). When an IJVF has good performance, it proves its ability to the parents, they can then grant a high level of autonomy to the IJVF (Zhang and Li 2001), which suggests the parents have trust in the IJVF’s ability and goodwill; this then increases the trust between them. Since
trust means there is mutual confidence between the partners that none of them will engage in inappropriate conduct and cheat, manipulate or utilize the others (Das and Teng 1998, Kiliing 1983, Madhok 1995b), it reduces the partners’ vulnerability to perceived opportunism. Therefore, a high level of autonomy granted to an IJVF suggests mutual trust between parents and the IJVF, along with reducing each other’s perceived opportunism.

Regarding the relationship between an IJVF’s tacit knowledge and parental opportunism, as mentioned earlier, an IJVF holding up tacit knowledge will lead to parents’ managerial intervention in the IJVF, which may stem from either positive or negative motivation; if an IJVF perceives it as harmful, parental opportunism exists. Since an IJVF being granted a high level of autonomy suggests a high level of trust between parents and the IJVF, the managerial intervention that is caused by an IJVF’s tacit knowledge will be more likely to be perceived as positive by the IJVF. In this regard, a higher level of autonomy granted to an IJVF will reduce the positive effect of tacit knowledge on parental opportunism. The following hypothesis, therefore, is proposed based on the above discussion.

Hypothesis 1: As an IJVF’s autonomy in terms of key decision-making increases, the positive effect of IJVF’s tacit knowledge on parental opportunism will be reduced.
6.2.4 Parents’ Psychic Distance as A Moderator Which Influences the Positive Relationship Between an IJVF’s Tacit Knowledge and Parental Opportunism

As mentioned in Chapter 2, since psychic distance is a barrier to information flow, the greater the psychic distance between parents, the less is their ability to understand, predict and prevent each other’s opportunism (Barkema and Vermeulen 1997). When parents’ psychic distance is greater, the information flows (e.g. knowledge transfer) between parents are disrupted, especially when transferring tacit knowledge. Due to the difficulties in transferring tacit knowledge, a great psychic distance will exacerbate those difficulties, thereby increasing the mutual opportunism between parents.

However, due to the difficulty of managing the information asymmetries which result from psychic distance and transferring tacit knowledge, an IJVF is ideal for parents to utilise managerial techniques and values at greater distances (Goodnow and Hansz 1972). The literature suggests that an IJVF suits a firm seeking entry to a new market when the home and host market have greater distance between them in terms of national cultures (Kogut and Singh 1988). This is because, from the foreign parent’s point of view, an IJVF allows a foreign firm to share the risk with a local parent despite the national culture distance (Kogut and Singh 1988) and thus reduce the distance from the local partner. In addition, with an IJVF arrangement, there is ‘frequently the purpose of assigning management tasks to local partners who are better able to manage the local labor force and relationships with suppliers, buyers, and governments (Franko 1971; Stopford and Wells 1972)’ (as cited in Kogut and Singh 1988: 414). A number of empirical studies have found evidence that as the cultural distance between home and foreign markets increase, foreign firms are more likely to select an IJVF as their entry mode to operate in a new market. From a local parent’s point of view, because an IJVF can be used to bridge a cultural distance (Gatignon and Anderson 1988), it can help the local parent to acquire knowledge and resources from the
foreign partner efficiently without the barrier caused by cultural distance. Since cultural distance is an important element of psychic distance (Benito and Gripsrud 1992, Kogut and Singh 1988, Morosini et al. 1998, Ronen and Shenkar 1985, Tihanyi et al. 2005), an IJVF can also be used to reduce the psychic distance between parents. Therefore, since the parents rely more on the IJVF to compete in the local market, the positive effect of IJVF’s tacit knowledge on parental opportunism may be reduced. The reasons that support this proposal are described as follows.

As suggested earlier, the critical amount of tacit knowledge held by the IJVF (agent) enables the IJVF to gain bargaining power against the parents (principal) (Mudambi and Navarra 2004). An IJVF with strong bargaining power may seek an economic rent from the parents; thus the parents have to employ a great amount of managerial intervention in response to an IJVF’s rent-seeking behaviour, and this intervention can be perceived as opportunistic behaviour on the IJVF side. However, since parents rely strongly on the IJVF to overcome the barriers caused by psychic distance, they will be very careful when intervening in the IJVF. They will try to avoid managers in the IJVF feeling offended when intervention is applied to them. In this regard, this research proposes the following hypothesis.

Hypothesis 2: As the psychic distance between foreign and local partners increases, the positive effect of an IJVF’s tacit knowledge on parental opportunism will be reduced.

6.3 Data Analysis and Findings

6.3.1 Model Specification

A moderated hierarchical regression is suitable to test the hypotheses (Björkman et al. 2004, Cohen et al. 2013). In order to avoid potential multicollinearity between the interaction terms all variables are mean-centred before proceeding with hypotheses testing (Aiken and West 1991). A
 moderated hierarchical regression is applied to develop the regression models and depict the variance that is explained by the different sets of variables. To conduct a moderated hierarchical regression, this study develops three models. Model 1 only control variables that are drawn. There are six control variables for this research, an IJVF’s age, size and performance, parents’ prior cooperation and equity share, and IJVF industry. Model 1 enables testing of the relationship between the control variables and parental opportunism. Table 25 reports the statistical results from regression analyses. In Model 2, three key variables, autonomy, tacit knowledge and distance, are added to the regressions model to test the direct impact of three key variables on parental opportunism. In Model 3, the interaction terms autonomy*tacit knowledge and tacit knowledge*psychic are entered to test the effects of two-way interaction on parental opportunism.
6.3.2 Assessment of Direct Effects

The direct effects in Models 1 and 2 are tested by a standardized coefficient (Beta) and t-value. Three causal paths are involved in Model 2. The positive effect of autonomy on parental opportunism is statistically significant. The effect of tacit knowledge on parental opportunism is insignificant due to the appearance of a low effect and a high P-value. The effect of psychic distance on parental opportunism is insignificant.

6.3.3 Assessment of Moderating Effects

The results from Model 2 provide a benchmark for comparing the interaction effect. Model 2 shows a positive effect of autonomy on parental opportunism; however, the other two variables, tacit knowledge and psychic distance, show insignificant effects on parental opportunism (see Table 25). Model 3 shows a significant effect on parental opportunism when tacit knowledge interacts with autonomy. This result implies that tacit knowledge does not have a significant direct effect on parental opportunism; however, when taking autonomy into consideration, the effect on parental opportunism is significant.

Following the recommendation of Aiken and West (1991), an assessment of the moderating effect is made to find the differences between various levels of autonomy. An analysis of the graphs (see Figure 2) represents the nature of the moderating effect by plotting the relationship between tacit knowledge and parental opportunism according to the level of autonomy (Aiken and West 1991, Dawson and Richter 2006). The plot shows that autonomy dampens the positive relationship between tacit knowledge and parental opportunism. In this regard, Hypothesis 1 is supported.
Hypothesis 2 is assessed by the same method as Hypothesis 1. In Model 3, the interaction of tacit knowledge and psychic distance shows a significant impact on parental opportunism, meaning that psychic distance moderates the relationship between tacit knowledge and parental opportunism. Again, this thesis assess a moderating effect by plotting the relationship between tacit knowledge and parental opportunism according to the level of psychic distance (Aiken and West 1991, Dawson and Richter 2006). The graphic presented in Figure 3 indicates that psychic distance dampens the positive relationship between tacit knowledge and parental opportunism, therefore Hypothesis 2 receives support.

6.3.4 Assessment of Control Variables

Regarding control variables, three out of six control variables are found to be significant. First, an IJVF’s financial performance has a negative impact on parental opportunism. The interpretation of this result is that an IJVF with great financial success can significantly reduce the possibility of parental opportunism. Second, parents’ equity shares show a positive impact on parental opportunism, meaning that the higher the difference in equity shares between the parents, the greater the parental opportunism. Third, an IJVF’s industry is positive associated with parental opportunism. This result indicates that an IJVF in a higher-technology-intensive industry has more chance of suffering parental opportunism than one in a lower-technology-intensive industry. This research also finds that an IJVF’s age and size and parents’ prior cooperation do not have an impact on parental opportunism in all three regression models. This result indicates that parental opportunism is not affected by these three factors.
### Table 25 Results of Moderated Hierarchical Regressions

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*p < 0.1; **p < 0.05; ***p < 0.01
Figure 2 Interaction of Tacit Knowledge and Autonomy on Parental Opportunism

Figure 3 Interaction of Tacit Knowledge and Psychic Distance on Parental Opportunism
6.4 Discussion and Implications

The third study conceptualises parental opportunism in the context of an IJV and conducts an investigation on the potential roles of three factors in influencing parental opportunism: an IJVF’s autonomy in key decision-making, an IJVF’s knowledge which cannot be codified and systemically transferred, and the psychic distance between parents. To the best of my knowledge, it is the first study that addresses parental opportunism conceptually and empirically in an IJV setting.

One of the objectives of the third study is to contribute conceptually to a comprehensive understanding of parental opportunism. Past IJV research has devoted most of its attention to a discussion of the opportunism which arises between parents. It has usually adopted a parents’ perspective that sees an IJVF as a platform for parents’ cooperation. As argued earlier, however, considering opportunism narrowly, only at the parent level, cannot offer an overall understanding of the modern IJVF in emerging markets. Therefore, using an IJVF perspective to look at opportunism is meaningful and may also be more relevant to investigating the issues surrounding a modern IJVF.

This study has adopted a view of IJVF s and offered a conceptualisation of parental opportunism, highlighting its neutral nature. This study suggests that parents’ managerial intervention can come from both positive and negative intentions (Foss et al. 2012), but as long as an IJVF perceives it as opportunistic, parental opportunism exits. I suggest that proposing the neutral nature of parental opportunism leads to a comprehensive understanding of the issues relating to parental opportunism, which includes the determinants of parental opportunism.
Another objective of the third study is to investigate empirically the antecedents of parental opportunism. Parental opportunism cannot be fully studied without investigating the factors that contribute to it. But the lack of research means there has been little effort devoted to this investigation. In order to provide an initial understanding, this study mainly uses an IJVF perspective but incorporates a parents’ perspective to provide deeper insights from this investigation.

The empirical findings reveal that an IJVF’s tacit knowledge influence on parental opportunism is diverse, depending on the level of autonomy. As an IJVF’s autonomy increases, suggesting an increasing level of trust between parents and IJVF, parents’ managerial intervention cause by an IJVF’s tacit knowledge is more likely to be perceived as positive rather than negative by an IJVF. This finding is in line with previous studies in an IJV context that being rewarded with autonomy by the parents indicates trust between parents and IJVF (e.g. Fetscherin et al. 2010), thus reducing an IJVF’s perception of harmful managerial intervention caused by tacit knowledge.

The results also reveal that the relationship between tacit knowledge and parental opportunism is moderated by parents’ psychic distance. As this distance increases, an IJVF becomes more crucial to bridge the distance between the parents. When an IJVF is crucial, parents can still exercise managerial intervention to resolve an IJVF’s rent-seeking behaviour, but they will be less likely to let an IJVF perceive any harm. This finding accords with the IJV literature’s suggestions that an IJVF is vital when parents have greater distance in terms of culture and psychic background (e.g. Gatignon and Anderson 1988, Goodnow and Hansz 1972, Kogut and Singh 1988), so that the parents will be less likely to let an IJVF face harm.
Moreover, the empirical results help us to understand that the traditional view of using a parents’ perspective cannot be applied to explain parental opportunism properly. It is necessary to incorporate both parents and IJVF’s perspectives to discuss the antecedents of parental opportunism. This study offers an initial analysis, using both perspectives to analyse parental opportunism and its antecedents. Given the neutral nature of parental opportunism, this study suggests that academic researchers can use my view to develop further the proposal to apply both parent and IJVF perspectives in order to discuss issues related to parental opportunism.

The third study shows both parents and IJVF managers some valuable implications. As one of the basic arguments, parental opportunism may not necessarily come from negative intention. It may be a necessary method to achieve overall IJVN objectives. However, when parents modify, implement, adjust and change their IJVF, they should strive to let the IJVF’s managers perceive that these steps have a positive intention rather than negative one. A positive intention perceived by an IJVF’s managers will encourage their self-commitment and loyalty (Yan et al. 2002). Although an IJVF’s perceptions of positive intervention can be fully predicted, it is suggested that parents apply the concepts that this study suggests to avoid negative perceptions and enhance the relationship’s sustainability and the parents-IJVF’s mutual success.

When considering parental opportunism on the IJVF side, it is vital for managers in the IJVF to understand the reasons behind parental opportunism and to be aware of potential issues between parents and the IJVF. The conceptualisation of parental opportunism offered in this study suggests four reasons for parental opportunism. This conceptualisation has valuable implications for IJVF managers.

Firstly, parental opportunism stems from the power asymmetry between parents and IJVFIs. Due to an IJVF being funded by parents, parents have superior power over the IJVF and this will be a
source of parental opportunism. It is suggested that managers in an IJV create power to prevent parental opportunism. This may be achieved by holding up resources that are critical to the whole IJVN (Mudambi and Navarra, 2004). Secondly, parental opportunism is a managerial intervention by parents. As this study suggested earlier, parents’ managerial intervention may not necessarily have a bad intention, it is necessary for the managers in an IJV to understand why intervention is applied to them. This study therefore suggests that an IJV’s managers have to have regular communication with parents and try to understand the reasons behind their interventions, and by doing so they can prevent or resolve interventions that come from negative intentions. Thirdly, parental opportunism occurs when parents try to keep the IJV’s self-commitment when parents and the IJVF have divergent views (or goals) toward the same issue. In this regard, managers in an IJV are recommended to show loyalty to the parents, or perhaps share individual interests that are the same as the longer-term organizational goal; by doing so, I believe the motivation for parents to exercise opportunism will be reduced. Fourthly, parental opportunism is a reflection of parental conflicts. The fourth reason can be the most difficult one to predict and prevent as conflicts at the parents’ level may be nothing to do with the IJVF. In this regard, this study suggests two ways for managers in an IJV to prevent the fourth type of parental opportunism: (1) having regular communication and a close relationship with the parents, thus the IJVF can quickly notice what is happening between the parents and prevent opportunism affecting the IJVF; and (2) if possible, having a detailed and complete contract with the parents, because the more complete and detailed a contract is, the less chance there is for parents to behave opportunistically (Zhou and Xu 2012, Reuer and Ariño 2007).

Drawing from the empirical findings, the third study has two more managerial implications. More often than not, the two parties, parents and IJVF, may have more or fewer conflicts. This is likely to be the seed for parental opportunism. Based on the empirical results, I would like to emphasize the following implications for IJVF managers. The first implication is that although the effect of tacit knowledge on parental opportunism varies across IJVFs and is not always significant,
depending upon the different levels of an IJVF’s autonomy and parents’ psychic distance, there is still a strong and positive effect of tacit knowledge in some circumstances, in contexts that this study may not have investigated. Therefore, based on the research findings, it appears relatively safe to say that tacit knowledge has an impact on parental opportunism. Therefore, this study suggests that developing a solid knowledge-based resource, especially tacit knowledge, should be an essential part of an IJVF’s activities. Since competitive advantage is developed from tacit knowledge (Spender 1993, Berman et al. 2002), solid tacit knowledge enables an IJVF to compete in the local market. However, managers in an IJVF need to be aware that tacit knowledge may sometimes encourage parental opportunism in some circumstances. More specifically, the research findings suggest that a critical level of tacit knowledge does increase the parental opportunism in a non-autonomous IJVF. Therefore, this study recommends that managers in a non-autonomous IJVF pay particular attention to managing tacit knowledge if they want to reduce parental opportunism. In addition, the findings reveal that when parents have a psychic distance background, parental opportunism is less likely to be affected by tacit knowledge. In this regard, this study suggests that managers in an IJVF should be more careful about their tacit knowledge when parents have a close psychic background than if they have a distant psychic background.
6.5 Limitations and Recommendations for Future Research

There are limitations of this study that point to directions for future research. Firstly, the data that I collected are restricted to IJVFs perspective on parental opportunism to discover in-depth insights from IJVFs’ top executives. However, it is possible that, for some IJVs, the parents’ perspective may also prove crucial. A better overview of parental opportunism can be obtained by collecting data from both IJVF and parents’ perspectives as that would help to generalize and interpret the findings through comparative analysis.

Secondly, this study employs a questionnaire-based survey instrument to collect data. The data were collected from two participants within each IJVF. However, the data for the dependent variables and independent variables were collected from the same source, which may cause a response bias. Future research is recommended to collect dependent variables and independent variables from different sources.

Thirdly, this study discovers the relationship between tacit knowledge and parental opportunism by looking at direct and two-way interaction effects when taking autonomy and psychic distance into consideration. This research contributes to the literature by finding that tacit knowledge influences parental opportunism when it interacts with either autonomy or psychic distance. However, this research limits the research scope to examining only autonomy and psychic distance as moderators. There are some other interesting factors that may influence the effect of tacit knowledge on parental opportunism. This research suggests that, in future research, it would be worthwhile to include other variables to investigate whether the relationship between an IJVF’s tacit knowledge and parental opportunism changes according to these variables.
Finally, whilst this research has conducted an empirical examination of opportunism within the context of an IJVF, it is possible that the results may not be generalisable to IJVs in other emerging markets. Therefore, future research is recommended to test the research framework in different emerging markets to establish whether the results are similar to this research.
Chapter 7 Conclusion

7.1 Introduction

Chapter 7 draws a conclusion to this thesis. This chapter revisits the initial research questions and objectives and the empirical findings based on three research topics. The research contribution and a statement of this thesis’s contributions are illustrated afterwards. This thesis closes by acknowledging the research limitations and making future research recommendations.

7.2 Revisiting the Research Questions, Objectives and Findings

This thesis includes three studies. The first study has investigated whether autonomy, tacit knowledge and parental opportunism account for IJVFs’ instability in China in order to answer the following research questions: (1) Does parental opportunism influence an IJVF’s instability? (2) Does tacit knowledge in an IJVF influence its instability? (3) Does autonomy in an IJVF play an important role in influencing IJV instability? The answer to each of these questions, based on the empirical result of 203 Chinese and foreign joint-venture firms, is ‘yes’. Parental opportunism implies parents seek changes to an IJVF, such as contract renegotiation, the termination of an IJVF or changes to the equity shares in IJVF, which s in an IJVF’s instability. In addition, autonomy in an IJVF encourages IJVF’s rent-seeking behaviour against the parents. To reduce an IJVF’s rent-seeking behaviour, parents will want to seek some changes at the top of an IJVF, and therefore an IJVF faces an unstable condition. Finally, an IJVF’s autonomy and tacit knowledge can prevent an IJVF suffering from the instability caused by parental opportunism. By answering these three questions, the first study has achieved the set objectives: to adopt a view of an IJVF and develop a research framework that examines how parental opportunism, an IJVF’s tacit knowledge and autonomy influence an IJVF’s instability.
The second study has asked to what extent are an IJV’s instability and stability opposite concepts in nature? To answer this question, this thesis reconceptualises the concepts of instability and stability and proposes that instability occurs when ‘an IJV, which currently has experienced conditions, such as contract re-negotiation that change the relationship between partners or have potential for unpredictable termination in an unplanned or premature way’, while stability is a ‘relatively stable (developmental) period during an IJV’s operating or maturity mode so that the parents’ goals can be attained’. A follow-up question asked by the second study is whether instability and stability share the same set of driving forces. Specifically, do parental opportunism, an IJV’s tacit knowledge and parents’ psychic distance have inverse impacts on an IJV’s instability and stability? The answer to this follow-up question is ‘no’. Parental opportunism has a positive impact on IJV instability but it does not have an impact on IJV stability, while tacit knowledge encourages IJV stability but does not either encourage or discourage IJV instability. Lastly, parents’ psychic distance is found to have an indirect impact on IJV stability through tacit knowledge, but it does not have the same impact on IJV instability. By giving answers to the above questions, the second study has cleared up the mixed conceptual understanding of instability and stability and conducted an empirical investigation of these two concepts.

Based on the research context discussed in Section 1.5.3, the third study attempts to offer a conceptualised understanding of parental opportunism in the context of an IJV and delves deeply into the roles of three dimensions, autonomy, psychic knowledge and tacit knowledge, in terms of influencing parental opportunism. Several research questions were addressed by the third study, firstly, why do parents act opportunistically towards the IJV? Secondly, what are the factors that influence parental opportunism? More specifically, do the autonomy in an IJV, the tacit knowledge which is held by an IJV and the psychic distance between parents influence parental opportunism? If they do, how do they influence parental opportunism? By adopting the perspectives from three theories, TCE, RDT and agency theory, the answer to the first question
is that ‘parents’ actions towards the IJV come from either positive or negative intentions, or both; however, once an IJV perceives an action as negative, opportunism exists’. The answer to the second question is that an IJV’s autonomy in key decision-making plays a critical role in reducing the positive impact of tacit knowledge on parental opportunism. In addition, tacit knowledge affects parental opportunism significantly when parents have a closer psychic distance. Given the answers to these research questions, the third study has achieved the set objective: to develop a comprehensive understanding of parental opportunism in the context of an IJV and discover what factors influence parental opportunism.
7.3 Revising the Research Contributions

This thesis adopts a view of IJVF. that contributes to the international business (IB) and strategic management literature on the under-researched impact and influence of an IJVF, by explaining how an IJVF has substantial impact on an IJVF’s overall instability and stability and parental opportunism. This thesis structures frameworks of instability, stability and parental opportunism theoretically by combining several factors: opportunism, tacit knowledge, autonomy and psychic distance. The comparative framework of joint venture instability and stability provides insight into joint-venture evolution that offers a novel view for future researchers to study business failure/ success, termination/ development. Moreover, conceptualising and operationalising the concept of parental opportunism extends the knowledge about opportunism in IB research.

Not only that, this thesis also makes contributions to research in other disciplines; firstly, my view of joint venture stability and stability and the factors which account for them make a contribution to concept development that can be used in multiple disciplines. Secondly, the methodology for comparing the factors for determining instability and stability can be applied by researchers to other subjects or disciplines. More specifically, this thesis develops a competing model of instability and stability, and it uses structural equation modelling to process the statistical results. This thesis uses a model comparison technique to compare the differences between instability and stability models. This technique can be applied to compare different concepts in different subject areas.

In addition, the comparative model of joint venture instability and stability provides insights into joint venture evolution that help business practitioners to keep their joint ventures competitive in
order to achieve optimal goals. The comparative model also harvests solutions such as clarifying
the paradox of whether psychic distance has an impact on IJVF stability and instability. Most
importantly, this model has found that the factors which increase a joint venture’s stability do not
necessarily decrease its instability. As such, this model addresses a major challenge to joint-
venture practices, the findings of my research benefit business practitioners in MNC or
entrepreneurs wishing to achieve success through joint venture practice.

Overall, this thesis makes several key contributions; firstly, this thesis contributes to academia by
extending the knowledge on opportunism in IB and strategic management research. This thesis
introduces the dimension of parental opportunism to the model of instability in order to explain
how parental opportunism influences an IJVF’s instability. Bringing the concept of parental
opportunism into the framework of an IJV’s instability contributes towards supplying a missing
dimension of opportunism to IJV research. Secondly, this thesis contributes to extending the
present IB and strategic management literature by examining in depth the role of an IJVF’s
autonomy and tacit knowledge in IJVF instability. Thirdly, this thesis solidifies the knowledge on
IJV research by discovering the critical roles of tacit knowledge and autonomy in the relationship
between parental opportunism and IJVF instability, i.e. the interaction terms of tacit knowledge
and autonomy play a moderating role in the relationship between parental opportunism and
instability.

Fourthly, this thesis contributes to recent scholarly efforts to overcome the limitations of the
definitions of an IJVF’s instability and stability by separating the perspective of an IJVF from the
parents’ perspective to detect proxies for an IJVF’s instability and stability. Fifthly, this thesis
develops a competing model that compares different factors which account for an IJVF’s
instability and stability. The results from a competing model, along with hypotheses testing, prove
that instability and stability are not opposite sides of the same coin which makes an empirical
contribution to the literature. *Sixth*, this thesis makes a novel discovery in that the relationship involving parents’ psychic distance has an indirect impact on an IJVF’s stability but not on its instability. This indirect impact has been suggested in the literature but has not yet been empirically tested. This thesis, therefore, makes a sixth contribution.

*Seventh*, related to the IJVF perspective which this thesis proposes, Chapter 2 introduces an under-researched dimension of opportunism in the context of IJV. In Chapter 2, this thesis not only critical reviews several theories on parental opportunism and addresses their limitations, but also proposes a comprehensive understanding of parental opportunism, along with its definition. This thesis, therefore, fills a research gap on parental opportunism and thus makes a seventh contribution to the literature.

### 7.4 Limitations and Future Recommendations

This thesis has several limitations which lead to recommendations for future research. Firstly, this thesis mainly adopts an IJVF perspective and incorporates this with a parents’ perspective to tell an overview story of IJVF instability and stability and parental opportunism. Since an IJVF is set up by its parents, their perspective should be equally important to the IJVF’s. It is suggested that future researchers consider the viewpoints of both parents and IJVF to be equally valuable in order to tell an overall story about the issues surrounding an IJV. This thesis combines TCE, KBV and agency theory to answer three key research questions. However, it does not include all the dimensions from these three theories; for example, from TCE, bounded rationality and frequency were not included in the investigations. It is recommended that future research include other key dimensions to investigate the topics, for example, from TCE, bounded rationality, frequency and uncertainty; from agent theory, moral hazard, imperfect observability and shirking, hidden or information asymmetry/hidden action; and from KBV, explicit knowledge.
Appendices

Appendix 1: Questionnaire to the First Respondent

International Joint Venture

Stability/Instability

This is a research survey for International Joint Venture Firms

Researcher: Cheng, Lu Yun
The York Management School
University Of York, UK
Email: lc605@york.ac.uk
Cell Phone: +44 7742 140 154
Address: Freboys Lane, University of York, Heslington, York
Dear Director or Manager,

According to data from Dun & Bradstreet, Inc., your company is an International Joint Venture and has a successful track record. We would highly appreciate it if the company could find the time to fill in this questionnaire. Your feedback will help our research immensely, and will help us contribute back to the business world.

The survey is for purely academic use; your feedback is extremely valuable and will be kept completely confidential. The results of this research will be ready in February 2013. If you are interested in the results of the research, please include your email or other contact details, or contact me directly. Any comments will be very welcome.

Finally, thank you for filling out this questionnaire. We wish you all the best and hope your business continues on its path of success.

Yours Sincerely

Lu-Yun Cheng

The York Management School, University of York, UK
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Dr. Murtagh, Patricia
Researcher: Cheng, Lu Yun
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**Doctoral Researcher:**

Miss **Cheng Lu-Yun (Vivian)** Email: lc605@york.ac.uk Cell Phone: +44 7742 140 154 Address: Freboys Lane, University of York, Heslington, York.

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**Introduction to the questionnaire**

I am a doctoral research student from The York Management School, University of York, UK, and also a teaching assistant. My doctoral research is about international joint ventures. The research aims to identify the factors that influence the instability of International Joint Ventures Firms (IJVF). The research can be treated as more than an exercise in academia. I believe that it can provide insights into and an understanding of real-world business practices.

**Definition of an International Joint Venture Firm (IJVF)**

1. At least two companies cooperate to set up a new company. The two companies are called parent companies.
2. At least one parent company’s headquarters is based in China. This company is called the local parent.
3. At least one parent company’s headquarters is not based in China. This company is called the foreign parent.

The graph at the top explains the ideas of the IJVF questionnaire.

**Instruction to the questionnaire**

1. The questionnaire was sent to you because your company is an IJVF.
2. If your company has more than one local parent and/or more than one foreign parent, please choose the parent which is the largest shareholder.
3. If there are two or more parent companies and they all have the same percentage, please choose the most important parent company to answer this questionnaire.

# After filling in the questionnaire, please put it back in the stamped addressed envelope and send it back to ZSHY Investment Advisory. This research appoints ZSHY Investment Advisory to collect questionnaires in China.
Agreement Form

Dear Director or Manager,

The survey is for purely academic use; your feedback and any personal details are extremely valuable and will be kept completely confidential.

If you agree to participate in this study, please sign your name here.

Your Name _______________________________

Your Signature __________________________ Date __________
## Questions

To what extent do the parents have the following plans which are not in the original plans?  
(On a scale from 1 to 5: 1 strongly disagree, 2 disagree, 3 undecided, 4 agree, 5 strongly agree.)

If your company has more than one local parent and/or more than one foreign parent, please choose the parent which is the largest shareholder.

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<tr>
<th></th>
<th>Description</th>
<th>1</th>
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<tbody>
<tr>
<td>1</td>
<td>Parent firms would co-operate again, to build another IJVF.</td>
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<td>2</td>
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</tr>
<tr>
<td>2</td>
<td>Parent firms may prolong their co-operation contract (IJVF contract).</td>
<td>1</td>
<td>2</td>
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<td>3</td>
<td>The parents’ firms are committed to investing in and expanding the IJVF.</td>
<td>1</td>
<td>2</td>
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<td>5</td>
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<td>4</td>
<td>Parent firms may plan the IJVF’s transfer to a wholly owned subsidiary.</td>
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<td>2</td>
<td>3</td>
<td>4</td>
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<td>5</td>
<td>It has been necessary to reorganize the structure of the IJVF.</td>
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<td>2</td>
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<td>6</td>
<td>Parent firms are dissatisfied with the performance of the international joint</td>
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<td></td>
<td>venture</td>
<td></td>
<td></td>
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<td>7</td>
<td>Parent firms intend to add more functions to this IJVF, e.g. marketing,</td>
<td>1</td>
<td>2</td>
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<td></td>
<td>research, manufacturing etc.</td>
<td></td>
<td></td>
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<tr>
<td>8</td>
<td>Parent firms have planned to sell the IJVF to a third party.</td>
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<td>2</td>
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<td>9</td>
<td>Parent firms plan to sell the IJVF to a third party because the objectives have</td>
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<td>10</td>
<td>Parent firms have planned to terminate the IJVF.</td>
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<td>2</td>
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<tr>
<td>11</td>
<td>Parent firms plan to terminate the IJVF to redeploy, liquidate or divest assets.</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
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<tr>
<td>12</td>
<td>Parent firms have renegotiated the IJVF contract frequently.</td>
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<td>2</td>
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<td>5</td>
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<tr>
<td>13</td>
<td>The IJVF has a high turnover rate for managers.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<tr>
<td>14</td>
<td>The management structure of the IJVF has been changed frequently.</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
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<tr>
<td>15</td>
<td>The IJVF’s equity agreement has been changed frequently.</td>
<td>1</td>
<td>2</td>
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<td>5</td>
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<tr>
<td>16</td>
<td>There are many lawsuits between two parent firms.</td>
<td>1</td>
<td>2</td>
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Appendix 2: Questionnaire to the Second Respondent

International Joint Venture

Stability/Instability

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The York Management School
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Yours Sincerely

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Doctoral Researcher:
Miss Cheng, Lu-Yun (Vivian) Email: lc605@york.ac.uk Cell Phone: +44 7742 140 154 Address: Freboys Lane, University of York, Heslington, York,

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If you agree to participate in this study, please sign your name here.

Your Name________________________________

Your Signature________________________________ Date__________________
**Questions**

**To what extent do you agree with the following statements**

(On a scale from 1 to 5: 1 strongly disagree, 2 disagree, 3 undecided, 4 agree, 5 strongly agree.)

If your company has more than one local parent and/or more than one foreign parent, please choose the parent which is the largest shareholder.

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<tbody>
<tr>
<td>1</td>
<td>Both parents provide sufficient resources to develop IJVF strategies.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Both parents take advantage of the IJVF to exploit the other parent’s specific information (know-how).</td>
<td>1</td>
<td>2</td>
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</tr>
<tr>
<td>3</td>
<td>Both parents provide sufficient knowledge (know-how) to develop a JVF strategy.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Both parents provide overpriced quotations to the IJVF.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Both parents provide substandard input to the IJVF.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>Neither parent provides all relevant information in a timely manner.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Neither parent misrepresents any aspect of their joint business relationship to further their own objectives.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>Both parents exaggerate their requirements for the operation of the IJVF.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>9</td>
<td>Both parents are in breach of formal or informal agreements with the IJVF.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>10</td>
<td>Tell us if you have any ideas about the parent companies.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**To what extent do you agree with the following statements**

On a scale from 1 to 5: 1 strongly disagree, 2 disagree, 3 undecided, 4 agree, 5 strongly agree.

<table>
<thead>
<tr>
<th></th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Manuals describing IJVF activities and processes can easily be written.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Large parts of IJVF processes are captured in standard software that can be modified for needs.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>Extensive documentation describing critical parts of the business processes exists in the IJVF.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>New staff can learn systems and procedures by talking to skilled employees in the IJVF.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>New staff can learn systems and procedures by studying documents and manuals in the IJVF.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>Educating and training new staff in the IJVF is a quick and easy task.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>It is impossible for anyone in our firm to have a good standard in or knowledge about the entire international joint venture’s operational process.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>To get high product or service quality, it is very important that our staff have extensive experience of our working practices.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
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<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Workers in important parts of the international joint venture have to be in constant contact with experts, such as engineers and colleagues in other department, otherwise product or service quality will go down.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>A competitor can easily learn how we produce our products and/or services by testing in use or becoming one of our customers.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>A competitor can easily learn how we produce our products and/or services by analysing descriptions of them in catalogues, promotion material, etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>The IJVF has authority in the formulation of strategic business plans (including subsequent implementation).</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>The IJVF has the consent of the parent firms in the formulation and implementation of strategic business policies only in limited functional areas (such as human resources management).</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>The IJVF has the authority to execute R&amp;D roadmaps without the consent of parent firms.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>The IJVF has the authority to allocate R&amp;D assets without the consent of parent firms.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 3: Questionnaire to the Third Respondent

International Joint Venture

Stability/Instability

This is a research survey for International Joint Venture Firms.

Researcher: Cheng, Lu Yun
The York Management School
University Of York, UK
Email: lc605@york.ac.uk
Cell Phone: +44 7742 140 154
Address: Freboys Lane, University of York, Heslington, York
Dear Director or Manager,

According to data from Dun & Bradstreet, Inc., your company is an International Joint Venture and has a successful track record. We would greatly appreciate it if the company could find the time to fill in this questionnaire. Your feedback will help our research immensely, and will help us contribute back to the business world.

The survey is for purely academic use; your feedback is extremely valuable and will be kept completely confidential. The results of this research will be ready in February 2013. If you are interested in the results of the research, please include your email or other contact details, or contact me directly. Any comments will be very welcome.

Finally, thank you for filling in this questionnaire. We wish you all the best and hope your business continues on its path of success.

Yours Sincerely
Lu-Yun Cheng

The York Management School, University Of York, UK
Supervisors: Prof. Wei, Yingqi (Annie)
Dr. Murtagh, Patricia
Researcher. Cheng, Lu Yun
Email: lc605@york.ac.uk
Cell Phone: +44 7742 140 154
Address: Freboys Lane, University of York, Heslington, York
Introduction to the questionnaire

I am a doctoral research student from The York Management School, University of York, UK, and also a teaching assistant. My doctoral research is about international joint ventures. The research aims to identify the factors that influence the instability of International Joint Venture Firms (IJVs). The research can be treated as more than an exercise in academia. I believe that it can provide insights into and an understanding of real world business practices.

The definition of an International Joint Venture (IJVF)

1. At least two companies cooperate to set up a new company. The two companies are called parent companies.
2. At least one parent company’s headquarters is based in China. This company is called the local parent.
3. At least one parent company’s headquarters is not based in China. This company is called the foreign parent.

The graph at the top explains the ideas of the IJVF questionnaire.

Instruction of the questionnaire

1. The questionnaire was sent to you because your company is an IJVF.
2. If your company has more than one local parent and/or more than one foreign parent, please choose the parent which is the largest shareholder.
3. If there are two or more parent companies and they all have the same percentage, please choose the most important parent company to answer this questionnaire.

# After filling in the questionnaire, please it in the stamped addressed envelope and send it back to ZSHY Investment Advisory. This research appoints ZSHY Investment Advisory to collect questionnaires in China.
Dear Director or Manager,

The survey is for purely academic use; your feedback and any personal details are extremely valuable and will be kept completely confidential.

If you agree to participate in this study, please sign your name here.

Your Name______________________________________

Your Signature _______________________________ Date________________
You don’t need to answer the question when the box shows X.

- If your company has more than one local parent and/or more than one foreign parent, please choose the parent which is the largest shareholder.
- If there are two or more parent companies and they all have the same percentage, please choose the most important parent company to answer this questionnaire.

<table>
<thead>
<tr>
<th></th>
<th>International Joint Venture Firm (IJVF)</th>
<th>Local Parent (Chinese Parent)</th>
<th>Foreign Parent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of your company</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>The number of board members in the IJVF</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>The number of board members represented by parent companies</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of staff in the company (approx.)</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>For how many years has the foreign parent explored the foreign market? (approx.)</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Percentage shareholding of the IJVF. (%)</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For how many years has the local company cooperated with foreign investors? (approx.)</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>1. Did the local parent and foreign parent cooperate before the international joint venture firm was set up?</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>
2. The function of the international joint venture firm is? (E.g. research and development, marketing, manufacturing, design etc.)

<table>
<thead>
<tr>
<th>Function of IJVF</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>_________________________</td>
<td></td>
</tr>
</tbody>
</table>

To what extent do you agree with the following statement?
(On a scale of 1 to 5 from 1 strongly disagree, 2 disagree, 3 undecided, 4 agree, to 5 strongly agree.) Please tick

- The international joint venture firm has been financially successful. 1 2 3 4 5
- Parent firms are dissatisfied with the overall performance of the IJVF. 1 2 3 4 5
## List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVE</td>
<td>Average Variance Extracted</td>
</tr>
<tr>
<td>CMV</td>
<td>Common Methods Variances</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>IB</td>
<td>International Business</td>
</tr>
<tr>
<td>IJV</td>
<td>IJV Firm, Parents’ Relationship and IJV Network as a Whole</td>
</tr>
<tr>
<td>IJVF</td>
<td>International Joint Venture Firm</td>
</tr>
<tr>
<td>IJVN</td>
<td>International Joint Venture Network</td>
</tr>
<tr>
<td>Parents</td>
<td>International Joint Venture Parents</td>
</tr>
<tr>
<td>RBV</td>
<td>Knowledge-Based View</td>
</tr>
<tr>
<td>RDT</td>
<td>Resource Dependence Theory</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>SEM</td>
<td>Structural Equation Modelling</td>
</tr>
<tr>
<td>TCA</td>
<td>Transaction Cost Approach</td>
</tr>
<tr>
<td>WOS</td>
<td>Wholly Owned Subsidiary</td>
</tr>
</tbody>
</table>
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