THE MANAGEMENT AND PERFORMANCE OF INTERNATIONAL JOINT VENTURES

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CHAPTER 6: THE PERCEPTIONS OF CULTURAL DIFFERENCES AND THE MANAGEMENT OF CULTURE

6.1 Introduction

When organizations decide to cooperate, they often bring diverse cultures to their alliance. The more that the cultures of cooperative partners diverge, the more of a challenge it becomes to achieve a fit between them. A paradox of co-operative activity between firms is that while differences in culture can create a barrier to effective co-operation, at the same time cultural diversity provides an opportunity to use the knowledge embodied in each partner's culture as a valuable resource for the alliance (Child and Faulkner, 1998: 229). However, until the barriers are removed, mutual learning, which provides access to the respective partners' culturally embedded knowledge, cannot occur. Discovering ways of bridging the distinctive cultures which partners may bring to an alliance is viewed as a major management challenge, which cannot be avoided if successful venture performance is to be achieved.

In the case of international joint ventures (IJVs), with evenly distributed ownership, neither of the partners can unilaterally impose its own cultural values on the venture. Together the partners must develop what Olie (1994, p. 385) called "a third culture composed of a combination of the two original cultures or, at least, a strongly modified version of one of the original cultures." Faced with this dynamic process of cultural interchange or blending, the international joint venture is likely to generate individual and collective conflicts that can ultimately jeopardize the venture's durability. The absence of a dominant reference culture requires that a strong cultural congruence should be promoted among the partners, although such an approach is often neglected (Zahra and Elhagrasey, 1994).

National and corporate culture differences are related but different from each other (Brown et al., 1989). The effect of national culture differences is well examined in JV research, but not that of corporate culture differences, though the latter remains a major hindrance in managing JVs. For example, the conclusion that national culture differences alone disrupt collaboration has been questioned, and the importance accorded to national cultural differences on JV performance has been suggested as an overstatement, as most studies have not considered the influence of corporate culture differences (Pothukuchi et al., 2002). This study incorporates both culture constructs, and investigates their importance from the perspective of respondent managers, which has potential contributions to both research and practice in JVs. With a few exceptions (e.g., Black and Mendenhall, 1990; Johnson et al., 1996), the prior literature on the management of culture differences in JVs has been limited primarily to the investigation of preparatory cross-cultural training effectiveness and selection of culturally sensitive boundary-spanners, who interface between different partner organizations (Newman, 1992), and has focused on the perspective of multinational enterprises. Consequently, scholars know little of the policy of culture management adopted by parent firms, and how it impacts on managers' perception of culture differences and the effects of such differences on JV outcomes (e.g., autonomy, trust and performance).

Dong and Glaister (2007a) considered the effect of national culture and corporate culture differences on the management of international strategic alliances (ISAs). The findings were based on the perceptions of a sample of 238 Chinese partner firms in ISAs with foreign partners. Dong and Glaister (2007a) found that differences in national culture and corporate culture have contributed to a similar extent to differing views on ISA management. However, their findings indicated that differences in national culture and corporate culture have a differential impact on aspects of ISA management. Perception of national culture and corporate culture differences and the contribution of those differences to differing views on the management of ISAs were greater in relatively younger ISAs compared with older ISAs.

Dong and Glaister (2007b) also examined the rationale and consequences of the adoption of culture management policies by Chinese parent firms in their ISAs. Dong and Glaister (2007b) concluded that (i) a policy of active culture management is more likely to be adopted the more important national and corporate culture differences are perceived to effect ISA outcomes, such as performance, learning and trust; (ii) the perception of culture difference between ISA partners is reduced in firms adopting culture management policies, for the perception of both national and corporate culture differences and (iii) firms adopting culture management policies report a much higher degree of trust at different relationship levels of the ISA compared with firms not adopting these policies — this was also the case for Chinese firms whose foreign partners have adopted culture management policies compared with those whose partners have not.

This study in part is a replication of the studies conducted by Dong and Glaister (2007a, 2007b) with some of the same hypotheses examined but with extension to a different data set. First, this study collects empirical data directly from joint venture parent firms and elaborates the respondent parent firms' perspective of culture's role in the management of joint ventures. Second, the relevance of both perceptions of national culture and perceptions of corporate culture is examined. Although the attempt is made to be specific when referring to national or corporate culture differences, it should be noted that in this chapter "culture" or "cultural" in such terms as "culture differences", "culture-related impediments to management", and "cultural problems" refer to *both* national and corporate cultural constructs. Third, the influence of joint venture age is investigated with particular reference to perceptions of culture. Fourth, the influence of autonomy granted to JV management is investigated with particular reference to perceptions of culture.

Specifically, the following research questions are addressed from the perspective of the respondent parent firms: (1) Is national culture or corporate culture a more important factor contributing to different views on the management of joint ventures?; (2) Do the perceptions and the effects of culture differences vary with the age of the joint venture? In other words, are the respondent managers' perceptions of culture differences moderated by time? Further, is there any difference between perceptions of national and corporate culture differences over time?; (3) Do the importance of culture differences on JV outcomes differ for those parent firms that have adopted culture management policies and those that have not?; (4) Does the impact on JV performance vary with the perceptions of culture differences?; (5) Does the parent firms' satisfaction of JV performance vary with the perceptions of culture differences?; and (6) Does the autonomy granted to the JV management vary with the culture differences contributing to different views on the management? The first and the second research questions were examined by Dong and Glaister (2007a), the third research question was examined by Dong and Glaister (2007b) and the last three research questions are new to this study.

The chapter is organized as follows. Literature and hypotheses are developed in the second section. The third section sets out the measures of the variables. The fourth section presents the results and discussion. A summary is provided in the final section.

6.2 Literature Review and Hypotheses Development

Despite different definitions of culture, there is a general consensus among organizational researchers that culture refers to patterns of beliefs and values that are manifested in practices, behaviours, and various artefacts shared by members of an organization or a nation (Hofstede, 1980; Trice and Beyer, 1993). Culture has often been considered as "the invisible force behind the tangibles and observable in any organisation" (Kilmann et al., 1985). When two or more companies start working together, their respective cultures come into contact: the local employee must deal with a different, sometimes unknown, foreign cultural environment, and likewise for the expatriate employee. The cultures represented in the international joint venture may collide and produce culture shock, disrupting the entire operation of the newly-formed company.

Hofstede et al. (1990) found that, whereas organizations from different nations differ in fundamental values, organizations from the same nation differ only in organizational practices. The authors therefore concluded that when both national and organizational cultures are examined, the former should be operationalized in terms of values, and the latter in terms of core organizational practices. As such, although national and organizational cultures have been regarded as separate constructs, it is also widely accepted that organizational culture is nested in national culture.

The case against cross-border joint ventures is generally based on the simple proposition that similar cultural values can reduce misunderstanding between partners and that culturally distant joint ventures experience greater difficulty in their interactions (Brown, Rugman and Verbeke, 1989; Lane and Beamish, 1990). The more culturally distant two firms are, the greater the differences in their organizational and administrative practices, employee expectations and interpretation of and response to strategic issues (Kogut and Singh, 1988; Schneider and De Meyer, 1991). Accordingly, communications between culturally distant partners can be difficult, compounding the coordination problems that exist in any partnership, leaving such joint ventures vulnerable to managerial conflicts and early dissolution (Camerer and Vepsalainen, 1988; Lane and Beamish, 1990). Moreover, environmental uncertainty enhances the transactional difficulties in cross-border joint ventures (Kogut and Singh, 1988). Poor communication and mutual distrust can make the transfer of management practices and technologies very costly (Clegg, 1990; Perlmutter and Hennan, 1986). The effects of national culture on behaviour and management systems can be rather unobtrusive but can still destabilize joint ventures, prompting Lane and Beamish (1990) to conclude that cultural compatibility between partners is the most important factor in the endurance of a global alliance. Barkema, Bell and Pennings (1996) also showed that joint ventures were more susceptible to cultural distance than wholly owned subsidiaries because the former had to contend with both national and corporate cultures.

In addition to the distance between partners' national cultures, partners' compatibility on specific organizational attributes also affects the dissolution of joint ventures (Gray and Yan, 1992; Killing, 1983; Lane and Beamish, 1990). Since a joint venture is typically a hybrid of two independent firms, dissimilarities in organizational structures and processes can create problems in coordination that can lead to dissolution of the joint venture. In contrast, similarity in partners' organizational structures and processes can facilitate mutual understanding and collaboration. This view is consistent with that of Bleeke and Ernst (1993), who found that cross-border joint ventures per se are not as problematic as joint ventures between companies with strong and weak cultures or those between companies with asymmetric financial ownership. Brown, Rugman and Verbeke (1989) argued that the compatibility of organizational processes may be more significant than the similarity of national cultures in explaining the dissolution and duration of a joint venture. As dissimilar partners expend time and energy to establish standard managerial routines to facilitate communication, they may incur higher costs and mistrust than similar partners. This discussion leads to the first hypothesis:

Hypothesis 1: From the perspective of the parent firms, corporate culture differences will be a more important factor contributing to different views on the management of JVs compared with national culture differences.

Organizational history is also an important determinant of partner behaviour. Nadler and Tushman argued that "an organization's history has a very strong influence on the values and beliefs that develop over time" (1988:151). Specifically, historical forces that influence organizational culture also reflect the circumstances of the birth of an organization, the crises it has faced, how those crises have been resolved and the organizational referents admired or used as ideas in its history. Management problems and principles are rooted in time and the age of an organization reflects institutionalised managerial attitudes and beliefs (Baker and Cullen, 1994; Greiner, 1972).

With young organizations, routines are rarely perfected and stabilized, organizational politics are unstable and links with key actors in the environment are irregular. It takes time to work out routines and develop trust and smooth working relationships. It also takes time for an organization to acquire institutional legitimacy among its members and to become valued in its own right. Older organizations often become overly bureaucratized, rules are easier to establish than to get rid of so the number of rules increases over time. Age captures growth strategies as well as implicit organizational demographic characteristics such as leadership styles, control systems and entrepreneurial behaviour (Greiner, 1972).

The potential effect of time on the perception of national and corporate culture differences is ambiguous (Child, 1994; Meschi, 1997). Given the consequences of learning, adaptation and changes in practices, it is likely that the perception of cultural difference will moderate over the life-cycle of a joint venture. Managers in recently established joint ventures are likely to have a different perception of cultural differences than managers associated with older joint ventures. Further, the effects of cultural differences on the management of the joint venture and expected outcomes, such as joint venture performance and levels of trust, are likely to vary with the duration of the joint venture. Again it is expected that such effects will tend to be moderated through time. This leads to the following hypotheses:

Hypothesis 2a: The perceptions and the effects of national culture differences will be less in older joint ventures than in younger joint ventures.
Hypothesis 2b: The perceptions and the effects of corporate culture differences will be less in older joint ventures than in younger joint ventures.

Culture differences impact on a wide range of joint venture outcomes, including overall performance (Barkema and Vermeulen, 1997), effective management (Lane and Beamish, 1990), effective learning between partners (Lyles and Salk, 1996; Shenkar and Li, 1999), and interorganizational and interpersonal trust in ISAs (Zaheer et al., 1998). Although culture differences can create barriers to effective cooperation, culturally embodied knowledge can also be a valuable resource, providing partners with learning opportunities (Parkhe, 1991; Park and Ungson, 1997; Saxton, 1997). In the JV context, culture management refers to policies, procedures and practices that seek to 'harvest from the diversity of partners' cultures while at the same time building effective bridges between them' (Child and Faulkner, 1998: 243). In addition, culture management is 'active' or 'proactive' if the policies are adopted to effect change (e.g., in the perception of culture differences and their impacts), rather than simply to respond to change (Schneider and De Meyer, 1991).

Previous studies have produced mixed findings with respect to the effect of national culture differences on alliance longevity. Barkema and Vermeulen (1997) examine the influence of differences in partners' national cultures on ISA longevity, and find that differences in uncertainty avoidance and long-term orientation in particular have a negative relationship with survival. In contrast, comparing US–Japanese alliances with US–US alliances, Park and Ungson (1997) find that differences in national culture can lead to high-level communication and more-sustained collaboration. Active culture management may point to one missing variable moderating the influence of national culture differences. Shorter national culture distance between partners does not necessarily imply better cooperation and performance. Arguably, however, active culture management gains more significance when partners perceive a greater influence of culture differences on the alliance.

A theme running through the literature is that conflict in general, and cultural conflicts in particular, can lead to instability and poor alliance management. Cultures differ in their preferred forms of handling conflicts (Fang, 1999). The adoption of different conflict resolution strategies not only affects the immediate resolution of a specific disagreement but also has critical relational consequences. Active culture management provides cultural cues as to what is deemed appropriate in a cross-cultural context, which facilitates conflict resolution, effective communication, learning and trust-building. It represents one proactive use of coping mechanisms that can mitigate the negative impact of, and simultaneously increase the benefit of, cultural diversity on alliance outcomes.

Culture differences may lead to misperception and misinterpretation of partners' motives and behaviours. The perception of what behaviours are opportunistic is compounded in cross-cultural alliances because such perception is based on a culturally determined frame of reference that is likely to differ between partners. If misunderstandings of this kind persist, there will be limited potential to learn effectively about each other, particularly with respect to the benevolence, integrity and competence of the partner (Doz, 1996; Inkpen and Currall, 1998). Without such knowledge, a firm will be more concerned about the partner's opportunism and performance. As a result, more elaborate governance mechanisms and formal control modes may have to be adopted, significantly increasing transaction costs and constraining the opportunity for partners to develop effective social control between them. Active culture management enhances understanding of partners' behaviours in cross-cultural interactions, thus reducing the problems of uncertainty and bounded rationality, which in turn economizes on transaction costs and engenders trust. Without active culture management, trust is more difficult to develop between partners due to the perception of heightened risks. Additionally, relational rents that can derive from the ability of partners to match governance structures and exchange attributes are more difficult to capture (Dyer and Singh, 1998).

Although the prior literature has examined the impact of culture differences on JV outcomes, as well as the importance of adopting a wide range of culture management policies, it is unclear whether the adoption of such policies is prompted in some way by the perception of greater culture differences between partners. Hence, the antecedents of culture management have been examined only to a limited extent. It is argued that the influence of culture differences on JV outcomes calls for proactive culture management. The perception of the extent to which culture differences between JV partners impact on aspects of JV outcomes is likely to distinguish between organizations with policies of culture management and those without. Specifically, the greater the effect that culture differences are perceived to have, the more likely it is that partners will have adopted active policies. They will do so in order to mitigate the negative effects of, and increase the positive benefits of, cultural diversity in alliances (Child and Faulkner, 1998). Hence:

Hypothesis 3a: National culture differences will be perceived as being more important for joint venture outcomes in parent firms that have adopted policies of culture management compared with those parent firms that have not.
Hypothesis 3b: Corporate culture differences will be perceived as being more important for joint venture outcomes in parent firms that have adopted policies of culture management compared with those parent firms that have not.

Numerous scholars have noted that more research is needed on the impact of national culture on IJV performance (e.g. Beamish, 1993; Baran et al.; 1996; Ying, 1996). It is commonly noted that greater cultural distance between a parent company and its desired location choice of operation will cause the parent to choose a cooperative mode of entry over a wholly owned subsidiary (e.g. Contractor and Kundu, 1998; Hennart and Larimo, 1998). However, most researchers agree that differences in parent organization national cultures are related to dissimilarities in basic managerial perceptions, values, practices and approaches to trust, all of which make establishing a joint managerial infrastructure extremely difficult (Cattaneo, 1992; Hoskins et al., 1997; Morris et al., 1998; Doney et al., 1998). These differences were found to create serious IJV management problems (Gregory, 1983; Holton, 1981; Woodcock and Geringer, 1991; D'Andrade, 1984) and were often the main reason for their failure (Omes et al., 1987; Chikudate, 1991).

Organizational culture differences differentiate partners based on their management practices, which are deemed essential for the functioning of their respective organizations. Differences in practices represent conflicting expectations and incompatible organizational processes. Partners with dissimilar organizational cultures may expend time and energy to establish managerial practices and routines to facilitate interaction and may incur high costs and more mistrust than culturally similar partners (Park and Ungson, 1997). Brown, Rugman and Verbeke (1989) also concur that compatibility in partners' organizational cultures and practices could be a significant determinant of the performance of IJVs. Research on organizational climate similarity and performance also indicates that firms selecting a partner that has a similar organizational climate will have superior performance (Fey and Beamish, 2001).

Differences in the cultural backgrounds of the partners generally have been perceived as a threat to the survival of IJVs (Brown et al., 1989; Harrigan, 1988b; Shenkar and Zeira, 1992). Wilkof et al. (1995) noted that cultural clash has caused many IJVs to fail due to the inability of the partners to work seamlessly. Lane and Beamish (1990) argued that cultural compatibility between the partners is the most important factor in the endurance of an international alliance. Consistent with this view, various studies (for instance, Barkema et al., 1996, 1997) have found that the chances of survival of IJVs are lower when the cultural distance between the home country of the expanding firm and the host country is large. Li and Guisinger (1991) found that US affiliates whose partners came from culturally dissimilar countries were more likely to fail.

Despite claims that cultural difference is detrimental to IJV success empirical work relating to the issue is mixed. For instance, Park and Ungson (1997) examine the effects of partner nationality, organizational dissimilarity, and economic motivation on the dissolution of JVs. They reported that cultural distance in general did not have an effect on dissolution, but US-Japanese JVs lasted longer than US-US JVs. Prior relationships between partners appeared to negate some complexities arising from cultural differences. Opportunistic threat and rivalry appeared to be a stronger indication of the dissolution of JVs than organizational variables.

Aulakh and Madhok (2002) found corporate cultural congruence had a significant positive impact on IJV flexibility, but did not have a direct impact on alliance performance; they also reported no significant effect of national cultural congruence on IJV flexibility or performance. They comment that this is notable given that, ever since Hofstede's landmark study, national psychic distance has commanded the bulk of the attention in international business research rather than organizational culture. The assumption that differences in cultures produce lack of 'fit' has been questioned. Shenkar (2001: 524) notes that not every cultural gap is critical to performance, with different aspects of culture being differentially critical to operations (Tallman and Shenkar, 1994). This leads to the following hypotheses:

Hypothesis 4a: The greater the national culture differences perceived by the parent firms then the greater the impact of national cultural differences on JV performance.
Hypothesis 4b: The greater the corporate culture differences perceived by the parent firms then the greater the impact of corporate cultural differences on JV performance.

In the context of both mergers and joint ventures, scholars have generally argued that alliances between culturally similar partners are more likely to be successful than alliances between culturally dissimilar partners. Cartwright and Cooper (1993:57) state that in alliances "selection decisions are generally driven by financial and strategic considerations, yet many organizational alliances fail to meet expectations because the cultures of partners are incompatible". Different culture types create different psychological environments for the joint venture or the merged company, and differences in practices have a negative influence on performance (Cartwright and Cooper, 1993).

Thus, "the degree of culture fit that exists between combining organizations is likely to be directly correlated to the success of the combination" (Cartwright and Cooper, 1993: 60).

It was found that cultural similarity among parent organizations is positively correlated with the success of many IJVs (Goldenberg, 1988; Lin and Germain, 1998). High levels of cultural dissimilarity may make it impossible for parent companies to achieve a strategic fit, a fit that is needed for venture success. However, it must be noted that in a few studies, differences in certain elements of national culture have been found to be positively related to performance (e.g. Yeheskel, 1993; Zeira et al., 1997). Morosini et al. (1998) found that national cultural distance between acquiring and acquired firms actually improved acquisition performance. Park and Ungson (1997, p.279) found that national cultural distance was positively related to duration for their sample of JVs (contrary to their hypothesis). Based on these findings, one can argue that since national culture characteristics are inherent in each culture and hence are imperfectly imitable and imperfectly mobile, they can help achieve compatibility among potential IJV parents.

Saxton (1997) found that similarities between partners with respect to specific organizational characteristics, including culture and human resources, were negatively related to alliance outcomes, and that organizational process similarities were negatively related to initial satisfaction. Saxton's findings contradict the popular idea that "culture clash" negatively influences alliance potential. For Saxton the negative relationship suggests that although similarities in strategic factors such as manufacturing activities and markets are important to alliance success, it is not as important for a company to pick a partner that thinks in the same way. Furthermore, Saxton (1997: 456) argues that "It is also possible, perhaps even likely, that these relationships are not linear. A certain degree of similarity may be necessary and desirable for understanding a partner. Too much similarity though could limit the benefits because nothing novel is being brought to the relationship". This leads to the following hypotheses:

Hypothesis 5a: The greater the national cultural differences contributing to different views on the management of the JV then the less satisfied will be the parent firms with JV *performance.*

Hypothesis 5b: The greater the corporate cultural differences contributing to different views on the management of the JV then the less satisfied will be the parent firms with JV performance.

It has been widely assumed that the degree of distance between the culture to which a firm is accustomed and that of the environment in which it is planning to invest will influence the kind of organisational arrangement it is willing to accept for that investment. However, there are conflicting arguments and inconclusive evidence concerning the effect that cultural distance will have (Shenkar, 2001). A high cultural distance is likely to generate additional risk and uncertainty in the perceptions of the investing company's decision makers, especially if the other culture is unfamiliar to them.

Part of the risk lies in the need, in a culturally different environment, to depend on agents and partners whom it does not know well. It is therefore argued that a firm will seek to compensate for this risk by exercising greater control in its dealings with foreign agents and partners. If the presence of greater cultural distance between prospective alliance partners is associated with low levels of trust between them, they might be encouraged to seek managerial as well as legal safeguards for their crucial interests (Shane, 1994). This implies that in cases of high cultural distance the main investor or provider of key resources is likely to prefer direct foreign investment rather than licensing and in forming an IJV to hold a majority equity share that provides the right to managerial control.

The counter argument is that when there is high cultural distance, a firm may prefer to rely on a local partner to contribute local knowledge and it will therefore be willing to opt for limited control over their cooperative venture. This may be a particularly important consideration in the early stages of entering an unfamiliar environment, such as that of many emerging economies, in which many parameters of doing business are subject to local negotiation (Beamish, 1988). Also insofar as limited control is associated with committing limited investment, this alternative will reduce the company's financial exposure in an unfamiliar environment. The inconclusive nature of the evidence on this issue probably reflects complexities that require further investigation. For example, high control may be more efficient when the firm entering a new market through a cooperative alliance enjoys a specific advantage that its partner cannot easily imitate or apply (Anderson and Gatignon, 1986). A firm that is already experienced in working within another culture may feel more confident about assuming a dominant control over the management of an alliance. This leads to the following hypothesis:

Hypothesis 6a: The smaller the national culture differences contributing to differing views on JV management then the greater the autonomy granted to JV management.
Hypothesis 6b: The smaller the corporate culture differences contributing to differing views on JV management then the greater the autonomy granted to JV management.

6.3 Measures

Perceptions of national culture differences and corporate culture differences

The respondents were asked the extent to which the national cultures differed between the partner's home country and the respondent's country, measured on a five-point scale (1 = 'very small difference' to 5 = 'very great difference'). The perceived corporate culture differences between the respondent firm and the partner firm was measured following the same procedure as for national culture differences, substituting the word "corporate" for "national" in the relevant questions. Respondents were also asked how far they thought (1) differences in national culture and (2) differences in corporate culture had contributed to different views between the respondent managers and their partner counterparts on the management of the joint ventures (1= 'not at all' to 5= 'a great deal').

Culture-related impediments to the management of JVs

The extent to which the respondent managers had experienced culture-related impediments to the management of JVs was measured using seven items: differences between partners' objectives or priorities, different practices of management, HRM issues, attitudes and behaviour of partner company managers, national cultural differences, corporate cultural differences and language barriers, each rated on a five-point scale (1 = 'no problem' to 5 = 'major problem').

Effects of national culture differences and corporate culture differences

Based on a literature review, pre-testing, and pilot test, four JV outcomes were identified: overall performance of the JV, effective management of the JV, autonomy granted to the JV and level of trust between the partner firm managers. The effects of national culture differences on these outcomes were measured by means of a five-point scale (1= 'not important' to 5 = 'very important'). The effects of corporate culture differences on the four JV outcomes were measured similarly.

Adoption of culture management policies

The respondents were asked whether or not their own firms and their partner firms had adopted any of the following culture management policies: conducted thorough analysis to choose a culturally compatible JV partner; provided cross-cultural training to employees involved with the JV; selected culturally sensitive people to work in the JV; removed culturally insensitive people from the JV; reviewed cultural problems experienced by JV managers; adjusted parent company's procedures or practices that are culturally incompatible with the partner's and invested resources to establish or strengthen cultural compatibility between the partner firms.

Perception of Autonomy

Respondents were asked to assess the overall level of IJV autonomy on a five-point scale (1 = 'no autonomy' to 5 = 'complete autonomy'). Respondents were also asked the extent to which JV managers had autonomy across a range of 16 decision making areas (1 = 'no autonomy' to 5 = 'complete autonomy').

Perception of Performance

One *subjective measure* was obtained: the respondent company's subjective level of overall satisfaction with the JV's overall performance. The respondents were asked the extent to which they were satisfied with the JV performance on a five-point scale (1 = 'very dissatisfied' to 5 = 'very satisfied').

6.4 Results and Discussion

Hypothesis 1

The results relating to Hypothesis 1, which maintains that from the perspective of the parent firms, corporate culture differences will be a more important factor contributing to different views on the management of JVs compared with national culture differences, are set out in Table 6.1. In this study, corporate culture differences contributed more to the different views between the respondent managers and the partner managers on the management of the JV than did national culture differences. The difference was marginal in the mean responses but significant ($p < 0.01$). Thus there is strong support for Hypothesis 1. This is in contrast to Dong and Glaister (2007a) who found that national culture differences contributed more to the different views between Chinese and foreign managers on the management of the ISA than did corporate culture differences, however, the difference was marginal in the mean responses and not significant.

Table 6.1. Culture differences contributing to differing views on JV management

	Mean	S.D.	t-value
1) National culture contributing to differing views on the management of the joint venture	2.60	1.207	2.704***
2) Corporate culture contributing to differing views on the management of the joint venture	3.05	1.125	

*** $p < 0.01$

It is possible that national and corporate culture differences may have a differentiated impact on the various aspects of the JV. To explore further the extent to which views regarding differences in culture were associated with the respondents' experiences of cultural problems in managing the JVs, the variables measuring the extent to which differences in national culture and corporate culture had contributed to differing views on the management of the JV were correlated with the variables measuring the extent to which respondents experienced culture-related impediments to managing the JV.

Respondents were asked the extent to which they had experienced a range of problems in managing the joint venture. The problems, ranked by the mean value of the response, are shown in Table 6.2. Of the seven problems identified in managing the IJV, that of corporate cultural differences is ranked second, indicating that this is perceived as a relatively important problem compared with most of the other identified problems. National cultural differences is ranked fourth, indicating that this is perceived as a relatively less important problem compared with corporate cultural differences. However, the mean of the corporate cultural differences at 2.80 and the mean of national cultural differences at 2.61 is less than the mid-point of the scale. This indicates that while cultural differences are perceived as problematic to an extent, overall they do not appear to constitute a major problem for the respondents in managing the sample of IJVs.

The partial correlation coefficients between the extent to which culture differences contribute to differing views on JV management and culture-related impediments experienced in managing the JV are shown in Table 6.3. Several correlations are significant and positive indicating that the more differences in culture are perceived to contribute to differing views on the management of the JV, the more problems in managing JVs have been experienced. For the sample as a whole, comparing differences in national culture with differences in corporate culture, the correlations are significantly stronger for language barriers ($p < 0.01$) and national cultural differences per se ($p < 0.01$). In contrast, the correlations are significantly stronger for differences in corporate culture compared with differences in national culture for corporate cultural differences per se ($p < 0.01$) and different practices of managers ($p < 0.01$).

There is thus some evidence to indicate that national culture differences and corporate culture differences have a differential impact on the perceived culture-related impediments to managing JVs. These findings are similar to those provided by Dong and Glaister (2007b) and support their findings.

Table 6.2. Culture-related impediments experienced in managing the JV

	Rank	Mean	S.D.
Differences between partners' objectives	3	2.77	1.176
Different practices of managers	1	2.81	1.150
HRM issues	6	2.36	0.986
Attitudes and behaviour of partner company managers	5	2.54	1.110
National cultural differences	4	2.61	1.139
Corporate cultural differences	2	2.80	1.161
Language barriers	7	1.85	0.970

Table 6.3. Partial correlation between the extent to which culture differences contribute to differing views on JV management and culture-related impediments experienced in managing the JV

Culture-related impediments to managing JV	Extent to which differences in *national* culture contributed to differing views on JV management	Extent to which differences in *corporate* culture contributed to differing views on JV management
Differences between partners' objectives	0.125	0.145
Different practices of managers	0.091	0.277***
HRM issues	0.039	-0.076
Attitudes and behaviour of partner company managers	-0.030	0.001
National cultural differences	0.569***	-0.132
Corporate cultural differences	-0.096	0.396***
Language barriers	0.246***	-0.035

*** $p < 0.01$

Respondents were asked the extent to which national culture differences and corporate culture differences had an effect on JV outcomes. The outcomes, ranked by the mean value of the response, are shown in Table 6.4. Of the four JV outcomes identified, the national culture differences had the most effect on the level of trust between the partner firm managers, indicating that this is perceived as a relatively important outcome compared with most of the other identified outcomes. The corporate culture differences had the most effect on the effective management of the JV. Both national and corporate culture differences had the least importance on the autonomy granted to the JV. However, the mean of the variables are all less than the mid-point of the scale. This indicates that while cultural differences are perceived as important on the JV outcomes to an extent, overall they do not appear to be important for the JV outcomes.

To explore the issue further, the variables measuring the extent to which differences in national culture and corporate culture had contributed to differing views on the management of the JV were correlated with the variables measuring the effect of culture differences on the JV. The Spearman correlation coefficients are shown in Table 6.5. The findings show that the extent to which culture differences contribute to differing views on the management of the JV is positively correlated with the effect of culture differences on the JV. This positive relationship is significantly strong both for perceived differences in national culture and for perceived differences in corporate culture. The correlations are marginally stronger for corporate culture differences than for national cultural differences.

The findings of this study are more significant for perceived differences in national culture and for perceived differences in corporate culture compared to those reported by Dong and Glaister (2007a). Even though, corporate culture differences contributed more to the different views on the management of the JV than did national culture differences as stated in Hypothesis 1, these findings provide evidence to indicate that national culture difference and corporate culture difference both have an impact on the management and outcomes of JVs.

Table 6.4. The effects of culture differences on the JV

	Effects of *national* culture differences			Effects of *corporate* culture differences		
	Rank	Mean	S.D.	Rank	Mean	S.D.
Overall performance of the joint venture	3	2.50	1.286	3	2.77	1.244
Effective management of the joint venture	2	2.59	1.200	1	2.89	1.141
Autonomy granted to the joint venture	4	2.43	1.129	4	2.72	1.146
Level of trust between the partner firm managers	1	2.67	1.408	2	2.81	1.265

Table 6.5. Spearman correlations between the extent to which culture differences contribute to differing views on JV management and the effects of culture differences on the JV

Effects of culture differences on JV	Extent to which differences in *national* culture contributed to differing views on JV management	Extent to which differences in *corporate* culture contributed to differing views on JV management
Overall performance of the joint venture	0.549***	0.641***
Effective management of the joint venture	0.673***	0.646***
Autonomy granted to the joint venture	0.489***	0.656***
Level of trust between the partner firm managers	0.526***	0.561***

*** $p < 0.01$

Hypothesis 2a

To measure the effect of alliance age, the sample was divided into two sub-groups comprising "Old" joint ventures and "Young" joint ventures. The joint ventures that had been established for 9 years or less were classified as young, whereas, the joint ventures that had been established for more than 9 years were classified as old. Choosing the age of 9 as a dividing point is justified because the mean age for the sample of the IJVs was 9.20. There were 38 joint ventures in the "Old" sub-group i.e. those formed between 1962-1997 and 71 joint ventures in the "Young" sub-group i.e. those formed between 1998-2006. An examination of the results for other adjoining cut-off points, largely supported the findings reported here.

Table 6.6 shows that except for one case (autonomy granted to the joint venture) the means are higher for Old joint ventures than for Young joint ventures. The perceptions of national culture differences ($p < 0.1$) and of effective management ($p < 0.05$) have significantly lower mean scores for Young joint ventures compared to Old joint ventures, contrary to expectations. There are no statistically significant difference in means is found between these two joint venture groups for the other measures of JV outcomes, indicating that joint venture duration does not moderate the perceptions of the effects of national culture differences on JVs. Hypothesis 2a is not supported. These findings are in contrast to Dong and Glaister (2007a) who found that the perceptions of national culture differences and of national culture differences contributing to different views on JV management have significantly lower mean scores for Older alliances compared to Younger alliances, providing partial support for this hypothesis.

Table 6.6 Perception and effects of national culture differences – alliance age

	Group	Rank	Mean	S.D.	t-value
Perception of national culture differences	Young		2.97	1.274	-1.832*
	Old		3.42	1.106	
National culture differences contributing to different views on JV management	Young		2.50	1.213	-1.193
	Old		2.79	1.189	
Overall performance of the joint venture	Young	4	2.39	1.322	-1.257
	Old	= 2	2.71	1.206	
Effective management of the joint venture	Young	3	2.41	1.161	-2.130**
	Old	1	2.92	1.217	
Autonomy granted to the joint venture	Young	2	2.43	1.187	0.033
	Old	4	2.42	1.030	
Level of trust between the partner firm managers	Young	1	2.64	1.404	-0.238
	Old	= 2	2.71	1.431	

*** $p < 0.01$ ** $p < 0.05$ * $p < 0.1$

Hypothesis 2b

Table 6.7 shows that the means are higher for Young JVs than Old JVs. The perceptions of corporate culture differences ($p < 0.1$) have significantly lower mean scores for Old joint ventures compared to those of Young joint ventures. Although not significant, the four items measuring the effect of cultural differences on the JV have lower means for Old joint ventures compared to Young joint ventures. These finding suggest that there is a sense of a closer corporate cultural affinity between partners in older joint ventures compared to those in younger joint ventures, and that the effects of corporate culture differences on the JV varies by joint venture age. So the findings provide weak support for Hypothesis 2b. This provides some support to Dong and Glaister (2007a) who found that the perceptions of corporate culture differences and corporate culture differences contributing to different views on ISA management have significantly lower mean scores for Older alliances compared to those of Younger alliances.

Table 6.7. Perception and effects of corporate culture differences – alliance age

	Group	Rank	Mean	S.D.	t-value
Perception of corporate culture differences	Young		3.46	1.012	1.873*
	Old		3.08	1.050	
Corporate culture differences contributing to different views on JV management	Young		3.07	1.138	0.310
	Old		3.00	1.115	
Overall performance of the joint venture	Young	3	2.80	1.238	0.367
	Old	3	2.71	1.271	
Effective management of the joint venture	Young	1	2.89	1.115	-0.032
	Old	1	2.89	1.203	
Autonomy granted to the joint venture	Young	4	2.77	1.136	0.620
	Old	4	2.63	1.172	
Level of trust between the partner firm managers	Young	2	2.85	1.215	0.424
	Old	2	2.74	1.369	

*** $p < 0.01$ ** $p < 0.05$ * $p < 0.1$

Hypothesis 3

Table 6.8 displays a contingency comparison in the mean value of the perceived effects on JV outcomes of culture differences between the respondent firms with culture management policies and those without. The results are ordered by the frequency of adoption of such policies. The most adopted policy is 'selected culturally sensitive people to work in the joint venture' (n = 70), while the least is 'conducted thorough analysis to choose a culturally compatible partner' (n = 35). Panel (i) shows the results based on the effect of national culture differences and panel (ii) the results based on the effect of corporate culture differences.

Hypothesis 3a

Panel (i) shows that, as expected, in general the mean measure of importance for JV outcomes is greater for firms that have adopted culture management policies compared to those that have not. A total of 24 out of 28 means are greater for adopting firms, with 12 (about 42%) of these statistically significant (at $p < 0.1$ or better), indicating support for Hypothesis 3a.

In firms that have not adopted the policy of "conducted analysis to choose a culturally compatible partner", the perceived effects of national culture difference are significantly higher for two JV outcomes. It is noteworthy that the extent and degree of significance between means varies according to the nature and frequency of the specific policy adopted. Almost 64% of firms in the sample have selected culturally sensitive people to work in the joint venture, yet there is no significant difference in the mean importance of national corporate culture on JV outcomes between the two groups of firms. In contrast, the importance of the effect of national cultural difference on JV outcomes is particularly apparent in those firms that have reviewed cultural problems experienced by joint venture managers (about 52% of the sample firms) and those that have removed culturally insensitive people from the joint venture (about 44% of the sample).

While most firms in the sample have engaged in some form of culture management, policies that tend to be more specific, demanding of resources and highly interventionist, tend to be adopted by firms perceiving a greater importance in the effects of national culture differences on JV outcomes than those that do not. Where the importance of national culture difference is considered to be relatively important, as the data shows, firms are more likely to conduct a thorough analysis, invest resources and actually remove culturally insensitive people from the JV. One managerial implication from these findings is that where firms consider that national culture differences will have a relatively important impact on JV outcomes they will adopt culture management policies.

Hypothesis 3b

Panel (ii) shows that, again as expected, in general the mean measure of importance for JV outcomes is greater for firms that have adopted culture management policies compared to those that have not. A total of 21 out of 24 means are greater for adopting firms, with 8 (about 33%) statistically significant (at $p < 0.1$ or better), indicating some support for Hypothesis 3b. In a similar manner to that for national culture differences, the extent and degree of significance between means varies according to the nature and frequency of the policy adopted, that is, where corporate culture difference on JV outcomes is seen as being relatively important, policies that are more specific, demanding of resources and highly interventionist, tend to be adopted.

There are two culture management policies, however, where there are noticeable variations in findings between national and corporate culture. In firms adopting the policy of "provided training to employees involved with the joint venture", the perceived effects of national culture differences are significant for two JV outcomes, but there is only one significant difference for the perceived effects of corporate culture differences. Similarly, in those which have adopted the policy of "adjusted company's procedures or practices that are culturally incompatible with the partner's", the perceived effects of national culture differences are significantly greater for two JV outcomes, but there is only one significant difference for the perceived effects of corporate culture differences. In firms adopting the policy of "removed culturally insensitive people from the joint venture", the perceived effects of national culture differences are significantly greater for three JV outcomes, but there are two significant differences for the perceived effects of corporate culture differences. However, for one culture management policy, there are similarities in findings between national and corporate culture. In firms adopting the policy of "reviewed cultural problems experienced by joint venture", the perceived effects of national culture differences and the perceived effects of corporate culture differences are significant ($p < 0.01$) for all four JV outcomes, with all means higher for firms that have adopted this policy.

This finding suggests that at the initial stage of joint venture formation, differences in national culture may feature more saliently in the perception of managers compared with differences in corporate culture; consequently, this particular policy is adopted to ensure that national cultures are relatively compatible between partners prior to joint venture formation. Measured crudely, the effects of national culture differences is perceived as being more important for JV outcomes than corporate cultural differences — with 14 statistically significant differences in means for national culture compared with eight statistically significant differences in means for corporate culture. This suggests that culture management policies are generally adopted for the potential impact of national rather than corporate culture differences.

Table 6.8. Importance of cultural differences for JV outcomes: differences between parent firms that have and have not adopted culture management policies

	(i) National culture differences					(ii) Corporate culture differences				
	Mean	S.D.	Mean	S.D.	t-value	Mean	S.D.	Mean	S.D.	t-value
	Selected culturally sensitive people to work in the joint venture									
	Adopted = 70		Not adopted = 39			Adopted = 70		Not adopted = 39		
Overall performance of the JV	2.49	1.302	2.51	1.275	-0.078	2.67	1.224	2.95	1.276	-1.116
Effective management of the JV	2.57	1.144	2.64	1.308	-0.314	2.86	1.133	2.95	1.169	-0.400
Autonomy granted to the JV	2.46	1.106	2.36	1.181	0.462	2.76	1.160	2.67	1.132	0.394
Level of trust between partner managers	2.68	1.388	2.64	1.460	0.142	2.84	1.247	2.74	1.312	0.391
	Provided training to employees involved with the joint venture									
	Adopted = 63		Not adopted = 46			Adopted = 63		Not adopted = 46		
Overall performance of the JV	2.60	1.221	2.37	1.372	0.907	2.81	1.229	2.72	1.277	0.380
Effective management of the JV	2.65	1.103	2.52	1.329	0.512	2.94	1.105	2.83	1.198	0.497
Autonomy granted to the JV	2.61	1.092	2.17	1.141	2.027**	2.86	1.105	2.54	1.187	1.418
Level of trust between partner managers	2.90	1.327	2.35	1.464	2.058**	2.98	1.264	2.57	1.241	1.722*

*** $p < 0.01$ ** $p < 0.05$ * $p < 0.1$

Table 6.8. (continued)

	Reviewed cultural problems experienced by joint venture managers									
	Adopted = 57		Not adopted = 52			Adopted = 57		Not adopted = 52		
Overall performance of the JV	2.91	1.269	2.06	1.162	3.635***	3.04	1.239	2.48	1.196	2.372**
Effective management of the JV	2.91	1.100	2.25	1.219	2.961***	3.11	1.030	2.65	1.219	2.078**
Autonomy granted to the JV	2.64	1.034	2.19	1.189	2.105**	3.00	1.052	2.42	1.177	2.688***
Level of trust between partner managers	2.98	1.355	2.33	1.396	2.474***	3.21	1.206	2.37	1.189	3.679***
	Adjusted company's procedures or practices that are culturally incompatible with the partner's									
	Adopted = 54		Not adopted = 55			Adopted = 54		Not adopted = 55		
Overall performance of the JV	2.74	1.332	2.27	1.209	1.893*	2.93	1.257	2.62	1.225	1.295
Effective management of the JV	2.62	1.042	2.56	1.344	0.256	3.04	1.149	2.75	1.126	1.338
Autonomy granted to the JV	2.68	1.123	2.18	1.090	2.336**	2.87	1.133	2.58	1.150	1.319
Level of trust between partner managers	2.72	1.364	2.62	1.459	0.363	3.02	1.266	2.60	1.241	1.743*
	Removed culturally insensitive people from the joint venture									
	Adopted = 48		Not adopted = 61			Adopted = 48		Not adopted = 61		
Overall performance of the JV	2.81	1.249	2.25	1.271	2.303**	2.90	1.171	2.67	1.300	0.931
Effective management of the JV	2.75	1.042	2.47	1.308	1.253	3.08	0.964	2.74	1.250	1.630
Autonomy granted to the JV	2.69	0.971	2.22	1.209	2.245**	3.04	1.031	2.48	1.178	2.673***
Level of trust between partner managers	3.06	1.262	2.35	1.448	2.689***	3.19	1.161	2.51	1.273	2.874***

*** $p < 0.01$ ** $p < 0.05$ * $p < 0.1$

Table 6.8. (continued)

	Invested resources to establish or strengthen cultural compatibility between partner firms									
	Adopted = 45		Not adopted = 64			Adopted = 45		Not adopted = 64		
Overall performance of the JV	2.91	1.344	2.22	1.175	2.829***	2.89	1.265	2.69	1.233	0.831
Effective management of the JV	2.75	1.102	2.48	1.260	1.132	2.87	1.057	2.91	1.205	-0.177
Autonomy granted to the JV	2.45	1.044	2.41	1.191	0.223	2.93	1.095	2.58	1.166	1.605
Level of trust between partner managers	2.73	1.353	2.63	1.453	0.370	2.96	1.331	2.70	1.217	1.026
	Conducted analysis to choose a culturally compatible partner									
	Adopted = 35		Not adopted = 74			Adopted = 35		Not adopted = 74		
Overall performance of the JV	2.09	1.011	2.70	1.361	-2.624***	2.83	1.224	2.74	1.261	0.333
Effective management of the JV	2.29	0.957	2.74	1.280	-2.059**	2.94	1.136	2.86	1.151	0.332
Autonomy granted to the JV	2.54	1.172	2.37	1.112	0.744	2.74	1.120	2.72	1.165	0.113
Level of trust between partner managers	2.80	1.346	2.60	1.441	0.680	2.89	1.231	2.77	1.288	0.443

*** $p < 0.01$ ** $p < 0.05$ * $p < 0.1$

Hypothesis 4

The results relating to Hypothesis 4a and Hypothesis 4b are set out in Table 6.9. Table 6.9 shows the Spearman correlations between the perceptions of culture differences and the impact of culture differences on JV performance. There is a significant correlation between the perceptions of national cultural differences and the impact of national cultural differences on JV performance ($p < 0.01$), providing strong support for Hypothesis 4a. Therefore, the greater the perceptions of the national cultural differences then the greater the impact of national cultural differences on JV performance. There is also a significant correlation between the perceptions of corporate cultural differences and the impact of corporate cultural differences on JV performance ($p < 0.01$), providing strong support for Hypothesis 4b. Hence, the greater the perceptions of the corporate cultural differences then the greater the impact of corporate cultural differences on JV performance. It is worth noting that the correlation coefficients are greater for perceived corporate culture differences than perceived national culture differences, indicating perceived corporate culture differences have a greater potential impact on JV performance than perceived national culture differences. These findings provide strong support for Hypothesis 4a and 4b.

Hypothesis 5

The evidence relating to Hypothesis 5a and Hypothesis 5b is set out in Table 6.10. Table 6.10 shows the Spearman correlations between the culture differences contributing to different views on JV management and the extent of satisfaction with JV performance. There is a significant negative correlation between the national cultural differences contributing to different views on JV management and the extent of satisfaction with JV performance ($p < 0.1$), providing support for Hypothesis 5a. There is also a significant negative correlation between the corporate cultural differences contributing to different views on JV management and the extent of satisfaction with JV performance ($p < 0.01$), providing strong support for Hypothesis 5b. It is notable that corporate cultural differences have a stronger negative relationship with the satisfaction of parent firms with JV performance than do national cultural differences. These findings provide strong support for Hypothesis 5a and 5b.

Table 6.9. Spearman correlations between the perceptions of culture differences and the impact of culture differences on JV performance

	Impact of national cultural differences on JV performance	Impact of corporate cultural differences on JV performance
Perceptions of National Cultural Differences	0.534***	
Perceptions of Corporate Cultural Differences		0.686***

*** $p < 0.01$

Table 6.10. Spearman correlations between the extent to which culture differences contribute to differing views on JV management and the extent of satisfaction with JV performance

	Extent of satisfaction with JV performance
National culture differences contributing to different views on JV management	-0.165*
Corporate culture differences contributing to different views on JV management	-0.301***

*** $p < 0.01$ ** $p < 0.05$ * $p < 0.1$

Hypothesis 6

The results relating to Hypothesis 6a and 6b are set out in Table 6.11. Table 6.11 shows the Spearman correlations between the national culture differences contributing to differing views on JV management and the extent of decision-making autonomy granted. There is a significant negative correlation between national culture differences contributing to differing views on JV management and autonomy granted to JV management for R&D ($p < 0.05$). The smaller the national culture differences contributing to differing views on JV management then the more the autonomy is granted to JV management for R&D. There are no other significant correlations for the national culture differences contributing to differing views on JV management and this indicates a lack of willingness of increasing decision-making autonomy. These findings indicate that there is no support for Hypothesis 6a and the respondents appear to be reluctant to grant autonomy to IJV managers even when the national culture differences contributing to differing views on JV management are small.

Table 6.11 also shows the Spearman correlations between the corporate culture differences contributing to differing views on JV management and the extent of decision-making autonomy granted. There is a significant negative correlation between corporate culture differences contributing to differing views on JV management and degree of autonomy granted to JV management ($p < 0.05$). There are also several negative correlations across a number of dimensions of decision-making areas reported in Table 6.11. This is the case for: marketing ($p < 0.01$), pricing ($p < 0.05$), day-to-day management ($p < 0.05$), cost control ($p < 0.05$), deciding capital expenditures ($p < 0.05$), distribution ($p < 0.1$) and process technology ($p < 0.1$). A key finding is that in general greater IJV autonomy is negatively associated with the corporate culture differences contributing to differing views on JV management, providing some support for Hypothesis 6b. It appears that the respondent firms allow IJV management autonomy as long as less corporate culture differences contribute to differing views, but only in certain areas of decision-making. Corporate culture differences contributing to differing views on JV management are more significantly correlated with autonomy granted compared to national culture differences contributing to differing views on JV management.

Table 6.11. Spearman correlation between the extent to which culture differences contribute to differing views on JV management and extent of decision-making autonomy granted to the JV

Extent of autonomy granted to the JV	National culture contributed to differing views on JV management	Corporate culture contributed to differing views on JV management
Autonomy granted	-0.012	-0.184**
Hiring and firing non-technical personnel	0.053	-0.016
Hiring and firing technical personnel	-0.002	-0.013
Pricing	0.060	-0.185**
Distribution	-0.042	-0.170*
Marketing	-0.070	-0.236***
Day-to-day management	-0.149	-0.186**
Hiring and firing JV senior managers	0.127	-0.071
Cost control	-0.027	-0.207**
Manufacturing	-0.113	-0.094
Patents and trademarks	0.006	-0.048
Technology and engineering of products	-0.151	-0.130
Process technology	-0.158	-0.175*
R&D	-0.202**	-0.162
Financing of the JV	0.093	-0.026
Deciding capital expenditures	-0.002	-0.199**
Location of the JV	0.120	-0.045

*** $p < 0.01$ ** $p < 0.05$ * $p < 0.1$

6.5 Summary

This study considers the relative importance of both national culture and corporate culture differences on the management of the joint venture. There is strong support for Hypothesis 1, which maintains that from the perspective of the parent firms, corporate culture differences will be a more important factor contributing to different views on the management of JVs compared with national culture differences. This is in contrast to Dong and Glaister (2007a) who found that national culture differences contributed more to the different views between Chinese and foreign managers on the management of the ISA than did corporate culture differences, however, the difference was marginal in the mean responses and not significant. There is some evidence to indicate that differences in national culture and corporate culture have a differential impact on aspects of the joint venture. Managerial implications can be drawn towards designing effective cultural management practices which have a focus on enhancing either national culture fit or corporate culture fit. These findings support those provided by Dong and Glaister (2007a).

Prior studies have reported inconsistent findings regarding the effect of joint venture age on the perception of cultural differences. The findings show that the perception of national culture and the contribution of those differences to differing views on the management of JVs were more in relatively older JVs compared with younger JVs. However, no statistically significant difference in means was found between these two joint venture groups, indicating that joint venture duration does not moderate the perception of the effects of national culture differences on JVs. Thus, Hypothesis 2a, which maintains that the perceptions and the effects of national culture differences will be less in older joint ventures than in younger joint ventures, is not supported. These findings are in contrast to Dong and Glaister (2007a) who found that the perceptions of national culture differences and of national culture differences contributing to different views on ISA management have significantly lower mean scores for Older alliances compared to Younger alliances, providing partial support for this hypothesis.

On the other hand, the perceptions of corporate culture differences and the contribution of those differences to differing views on the management of JVs were less in relatively older JVs compared with younger JVs. The findings provide weak support for Hypothesis 2b, which maintains that the perceptions and effects of corporate culture differences will be less in older joint ventures than in younger joint ventures. This provides some support to Dong and Glaister (2007a) who found that the perceptions of corporate culture differences and corporate culture differences contributing to different views on ISA management have significantly lower mean scores for Older alliances compared to those of Younger alliances. This study finds that alliance age appears to moderate the relationship between cultural diversity and JV management for corporate culture differences, but not for national culture differences.

A key finding of the study is that the more that national and corporate culture differences are perceived to impact on JV outcomes, including performance, effective management, autonomy granted to JV management and the degree of trust between partner firms at various relationship levels, the more likely a policy of active culture management becomes. The rationale for adopting active culture management, therefore, lies in the perceived effect of culture differences on JV outcomes.

The findings show that the perceptions of culture differences are reduced in firms adopting culture management policies. Prior studies have also focused on the concept of national culture differences, so that few have investigated the effects of corporate culture differences. This study examines how active culture management can influence managers' perceptions of both national and corporate culture differences. There is strong support for Hypothesis 3a, which maintains that national culture differences will be perceived as being more important for joint venture outcomes in parent firms that have adopted policies of culture management compared with those parent firms that have not. One managerial implication from these findings is that where firms consider that national culture differences will have a relatively important impact on JV outcomes they will adopt culture management policies.

There is some support for Hypothesis 3b, which maintains that corporate culture differences will be perceived as being more important for joint venture outcomes in parent firms that have adopted policies of culture management compared with those parent firms that have not. The effects of national culture differences are perceived as being more important for JV outcomes than the effects of corporate cultural differences. This suggests that active culture management is found to be rather more effective in reducing the perceived effects of national culture differences compared with the perceived effects of corporate culture differences.

The last three hypotheses are new to this study and it appears that corporate culture is more significant than national culture in terms of findings. There was a significant correlation between the perceptions of national cultural differences and the impact of national cultural differences on JV performance, providing support for Hypothesis 4a. The findings also found strong support for Hypothesis 4b, which maintains that the greater the corporate culture differences perceived by the parent firms then the greater the impact of corporate cultural differences on JV performance. However, perceived corporate culture differences had a greater impact on JV performance than perceived national culture differences.

There was strong support for Hypothesis 5a, where it was found that the greater the national cultural differences contributing to different views on JV management then the less satisfied the parent firms will be with JV performance. The findings also provide strong support for Hypothesis 5b, concluding the greater the corporate cultural differences contributing to different views on JV management then the less satisfied the parent firms will be with JV performance. Corporate cultural differences have a stronger relationship with the satisfaction of parent firms with JV performance than do national cultural differences.

There was no support for Hypothesis 6a, which maintains that the smaller the national culture differences contributing to differing views on JV management then the greater the autonomy granted to JV management. The findings indicated that the respondents appeared to be reluctant to grant autonomy to IJV managers even when the national culture differences contributing to differing views on JV management are small. There was some support for Hypothesis 6b, which maintains that the smaller the corporate culture differences contributing to differing views on JV management then the greater the autonomy granted to JV management. Corporate culture differences contributing to differing views on JV management were more significantly correlated with autonomy granted compared to national culture differences contributing to differing views on JV management.

This chapter detailed the background literature, the measures of variables, the hypotheses, the results and discussion related to the perceptions of cultural differences and the management of culture. Next chapter, Chapter 7, examines the antecedents and consequences of trust between joint venture partner firms.

CHAPTER 7: THE ANTECEDENTS AND CONSEQUENCES OF TRUST BETWEEN JOINT VENTURE PARTNER FIRMS

7.1 Introduction

The inherent complexity of having two or more owners who may be both competitors and collaborators leads to certain difficulties in management. Such problems are magnified when an international joint venture (IJV) is operating in a risky and uncertain setting in which political and opportunistic behaviour is rife, as this increases the transaction costs due to increased monitoring, communication, and negotiation requirements (Beamish and Kachra, 2004; Frayne and Geringer, 1990). According to Child et al. (2005), firms incur a number of risks when they enter into strategic alliances. When forming an alliance, it is difficult to distinguish between a partner who will behave opportunistically and one who will not. A joint venture will often involve the exposure of key knowledge and technology resources to a partner. In this situation, there is risk that a partner will appropriate the resources as the basis for eliminating partner dependence and making the JV bargain obsolete. The reputation of the prospect partner firm for reliable behaviour can therefore be quite a significant factor in deciding whether to proceed further.

Trust has been shown to increase cooperation and improve flexibility, lowering the cost of coordinating activities and increasing the level of knowledge transfer and potential for learning (Smith et al., 1995). Ariño and de la Torre (1998) concluded that, in the absence of a reserve of trust, IJVs that experience threats to stability often dissolve. Despite this attention to trust in alliance literature, the majority of research on trust is anecdotal, with little evidence of economic benefits. Little systematic research has been done in the IJV context and trust ''remains an under-theorized, under-researched, and therefore, poorly understood phenomenon'' (Child, 2001, p. 274). One reason for this lack of evidence is the intangible nature of trust, making it hard to define, quantify and measure.

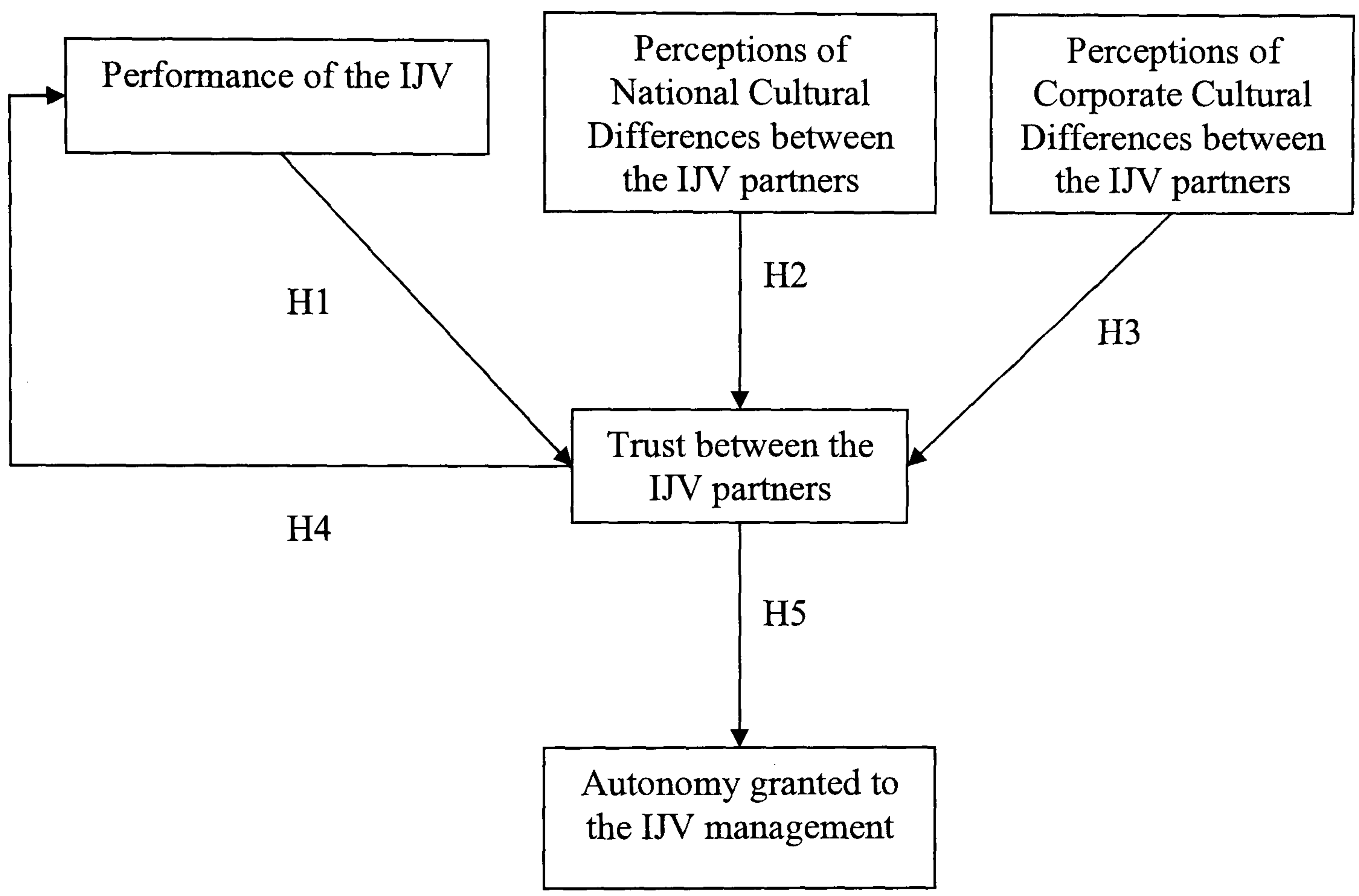
The aim of this chapter is to provide a framework of trust by treating cultural differences as antecedents to trust, the degree of JV autonomy granted as a consequence of trust and JV performance as both antecedent to and consequence of trust. The rest of this chapter is organized as follows. The next section provides a literature review and sets out the hypotheses of the study. The third section sets out the measures of the variables. The fourth section presents the results and discussion. The summary is in the final section.

7.2 Literature Review and Hypotheses Development

Trust is a willingness to rely on a partner in whom one has confidence (Moorman et al., 1992). Trust does not mean the "naive belief in the honesty of other actors but rather the probability of violation of implicit or explicit agreements" (Bromiley and Cummings, 1993: 10). In other words, trust is the perceived likelihood of the other not behaving in a self-interested manner. Following Currall and Judge (1995), joint venture (JV) trust is defined as reliance on another JV party (i.e., person, group, or firm) under a condition of risk. In a trusting relationship, it is expected that the exchanging party's words and/or writings can be trusted (Andaleeb, 1995). According to the trust-centered approach, the classic ownership-control perspective is rather static and fails to unravel the complexities in managing the IJV relationship (Madhok, 2006). For Madhok (2006:9), trust ''provides another means to the same end as financial equity'', that is, flexibility and efficiency in managing a relationship.

This section examines the antecedents and consequences of JV trust by integrating the different perspectives of JV trust. Figure 7.1 shows the conceptual framework of the study. Figure 7.1 provides a framework of trust by treating the perceptions of national and corporate cultural differences as antecedents to trust, degree of JV autonomy granted as a consequence of trust and JV performance as both antecedent to and consequence of trust. As a starting point, it must be emphasized that negotiating and forming a JV initiates a dynamic relationship that, to be successful, will have to go through a series of transitions (Doz, 1996). Over time, as the partners and partner managers learn about each other and the JV becomes an operating entity, the level of trust will change. Trust requires familiarity and mutual understanding and, hence, depends on time and context (Nooteboom, et al., 1997:314). As the relationship ages, previous successes, failures, and partner interactions will influence the level of trust in the JV. For example, when a JV is formed, there is a subjective probability that a partner will cooperate. Experience will lead to adjustment of the probability, which in turn may lead to a shift in the level of trust. If trust exists between JV partners, the partners will have signified this trust by engaging in trusting action. In the absence of trusting action by the partners, there is no evidence that trust exists.

Figure 7.1 Model of the Antecedents and Consequences of Trust



In the context of strategic alliances, the positive link between trust and performance is validated by several systematic research efforts (e.g. Inkpen and Currall, 1997; Mohr and Spekman, 1994; Saxton, 1997; Seabright et al., 1992; Tsai and Ghoshal, 1998). Although it has generally been argued that trust leads to performance (e.g., Harrigan, 1986; Saxton, 1997), the argument that performance leads to trust has merit as well. Using perception of opportunistic behaviour as a proxy for trust, Parkhe (1993) found a strong relationship between perception of opportunistic behaviour and alliance performance. Yan and Gray (1994) suggested that performance may have a feedback effect on trust. Poor performance may cause distrust between the partners, which leads to poor long-term JV performance (Killing, 1983). A firm's review of past JV performance results, in comparison with expectations, can lead to a firm's prediction of the extent to which the partner firm will follow through on its current promises (i.e., is trust in the partner warranted?). If JV performance is worse than expected, JV partners are likely to question the competence and capabilities of their partners. The level of trust in the relationship will therefore suffer accordingly. This discussion leads to the first hypothesis:

Hypothesis 1: The greater the satisfaction with JV performance, the greater the level of trust between the JV partner firms.

Notwithstanding Shenkar's (2001) critique of the cultural distance construct and the possible issues with country-level measurement (Mezias et al., 2002), the effects of differences in culture on various joint venture issues have been widely studied. A higher level of national cultural distance means greater risk, to the extent that foreign parents may reduce their shareholding to avoid such risk (Kogut and Singh, 1988). Cultural misunderstanding is a particular problem that can be expected with joint ventures (Baird et al., 1990), but the risk of this is attenuated if there is a high degree of trust between the parent companies. Cross-cultural understanding and adaptation require a substantial investment which, if delivered by the firm, signals its commitment and suggests the firm cares about the partner. When the partner feels valued, it will come quickly to trust its counterpart (Johnson et al., 1996).

Dong and Glaister (2007) proposed that active culture management breeds trust and suggested that active culture management, which includes ex ante, ex post and on-going elements, improves the quality of inputs for trust to develop. Cross-cultural training programmes furnish boundary-spanners with cross-cultural diplomacy, substantially reducing dysfunctional conflicts and contributing to building value-, process- and affection-based trust. Selection of culturally sensitive boundary-spanners, or removal of insensitive ones, adds to the assurance that cross-cultural interactions are likely to run smoothly, and conflicts appropriately resolved. Adjustment of culturally incompatible procedures and practices shows the responsiveness of one partner to the other, and the adaptation process enhances relational quality and trust building. It is a manifestation of reciprocity on the part of the firm and its commitment and cooperative mentality to make the alliance work. Dong and Glaister (2007) concluded that firms adopting culture management policies report a much higher degree of trust at different relationship levels of the strategic alliance compared with firms not adopting these policies.

When culture distance between two parties is shorter, cultural blending becomes easier. This helps to develop common values and norms for the alliance and to strengthen much-needed socialization for maintaining or revitalizing existing trust (Das and Teng, 1998). In these circumstances, the same amount of trust can save more transaction costs associated with uncertainty, conflict, and opportunism (Williamson, 1993) and create better interfirm adaptation conducive to JV success (Inkpen and Beamish, 1997). Similarly, fewer cultural differences between cross-national parties facilitate open and prompt communication between them. In JVs, only if the partners can constantly sound off on their differences will they be able to avoid fatal conflicts. Communication also spurs the process in which one party examines the other party's credibility and trustworthiness (Madhok, 1995). Further, in JVs with shorter cultural distance between parties, there are more common foundations upon which to build trust. Chen et al. (1998) maintain that partners with similar cultural background tend to use a similar trust form. McAllister (1995) suggests that partners will be more cooperative if they share a similar trust form and will be more opportunistic if they employ a different form. Elangovan and Shapiro (1998) further argue that fewer cultural differences reduce the trustee's motivation for and the actual likelihood of trust betrayal. This discussion leads to the following hypothesis:

Hypothesis 2: The smaller the perceptions of national cultural differences between the JV partner firms, the greater the level of trust between the JV partner firms.

Hofstede et al. (1990) found that, whereas organizations from different nations differ in fundamental values, organizations from the same nation differ only in organizational practices. The authors therefore concluded that when both national and organizational cultures are examined, the former should be operationalized in terms of values, and the latter in terms of core organizational practices. Corporate culture refers to a pattern of shared basic assumptions about the environment, human nature, social relationships, and reality that employees have learned as they addressed and resolved problems of external adaptation and internal integration (Schein, 1992). Since a joint venture is typically a hybrid of two independent firms, dissimilarities in organizational structures and processes can create problems in coordination that can lead to dissolution of the joint venture. In contrast, similarity in partners' organizational structures and processes can facilitate mutual understanding and collaboration. This view is consistent with that of Bleeke and Ernst (1993), who found that cross-border joint ventures per se are not as problematic as joint ventures between companies with strong and weak cultures or those between companies with asymmetric financial ownership.

Jemison and Sitkin (1986) introduced the concept of organizational fit to describe the similarities between organizations in terms of organizational culture, human resource policies, and administrative processes. In the JV context, Saxton (1997) argued that organizational similarities between the partners help establish trust and enhance the appropriability of knowledge necessary to form the basis for a common frame of reference. In turn, learning can help offset cultural differences (Barkema et al., 1996) that often exist in international JVs. Inkpen (1995) found that a lack of compatibility between JV partners, particularly with regard to expectations about venture profitability, frustrated learning processes, which, in turn, contributed to breakdowns in trust. This discussion leads to the third hypothesis:

Hypothesis 3: The smaller the perceptions of corporate cultural differences between the JV partner firms, the greater the level of trust between the JV partner firms.

Trust ensures a sound and cooperative working relationship between the JV partner firms. The greater the level of trust, the more efficient the JV will be in transforming an input of cooperation into a collaborative output (Buckley and Casson, 1988). Madhok (1995) suggests a foundation of trust, although time-consuming and expensive to create, can contribute to the sustained continuation of cooperative relationships. Parkhe (1993) argues that as trust increases and the fear of opportunism fades, there is a declining role for contractual safeguards, leading to lower compliance and coordination costs. A lack of trust in a cooperative relationship can lead to a situation in which one or both partners believe their alliance efforts are unproductive, resulting in a downward spiral of poor performance, and dissatisfaction with the relationship (Smith and Barclay, 1997).

Recently, Li et al. (2006) also found that the development of trust in overseas headquarters among local senior managers in uncertain environments is important for IJV performance, and Wang and Nicholas (2005) suggested that process-based trust affects the performance of contractual joint ventures. Trust encourages partners to transfer tacit knowledge, which is considered a key contributor to sound IJV performance (Dhanaraj et al., 2004). Finally, an expectancy effect may accompany the actual impact of trust on performance: trust in the other party will make the focal party feel secure about positive outcomes and this evaluation leads to high level of satisfaction (Andaleeb, 1995). This discussion leads to the following hypothesis:

Hypothesis 4: The greater the level of trust between the JV partner firms, the greater the satisfaction with JV performance.

Shenkar and Zeira (1992) noted that IJV general managers suffer from serious role conflict and ambiguities, with over commitment to one parent often leading to the rebellion of the other parent. Similarly, Frayne and Geringer (1990) reported that foreign general managers face such challenges as divided loyalty, pressure for a quick response, the presence of multiple parents, limited preparation and support, and excessive responsibility. The general manager can be considered to be the agent of the parents in managing an IJV. According to agency theory, agents are more risk-averse than principals, as they have invested themselves wholly in the company, whereas the shareholders of the parents can diversify their stakes (Eisenhardt, 1989). This situation may be even worse when there is a high level of uncertainty caused by conflict between parents. Although experienced executives alone can generate better performance, they will be more productive still when there is also trust between parents. As many experienced executives of IJVs are local people who are culturally more sensitive to the influence of trust, especially in transitional economies, they are likely to be more effective when the level of trust between parents is high (Jolly, 2005).

Inkpen and Currall (2004) argue that the greater the initial level of trust between partners, the more they can rely on informal social controls and the lower will be the initial costs of monitoring and controlling the JV. If trust develops over time, it should come to serve as a stabilising influence on relations between the partners, helping them to cope with shifts in bargaining power and other crises. As the fear of opportunism fades because of the development of mutual trust, there may be a reduction in coordination and monitoring costs. Dyer (1997) argued that trust itself should be viewed as an efficient governance mechanism in interfirm relationships. Gulati (1995) made a similar argument, suggesting that firms may substitute trust for contractual safeguards when they form repeat alliances. In certain instances, contractual and bureaucratic arrangements may not be as useful as mutual trust in controlling the opportunistic behaviour of the other party in a business relationship.

Whereas localization enables local senior managers to enjoy a high degree of task autonomy and independence, the extensive monitoring of their behaviour and outcomes by overseas headquarters makes local senior managers unable to make decisions autonomously (Roth and Nigh, 1992). Overseas headquarters delegate more responsibilities and decision-making authorities to the local senior managers through increased localization (Wong and Law, 1999). The local staff is a valuable resource for foreign firms through which they can gain access to local knowledge and the local market. Without such knowledge, it is difficult for foreign firms to penetrate existing personal and business networks in an unfamiliar market (Wong and Law, 1999). However, with granting autonomy, foreign firms and local staff can gain a better understanding of each other, which leads to familiarity and the grounds for trust development (Luhmann, 1988). Localization signals a foreign firm's commitment to a local market. Presumably, its willingness to increase its vulnerability by relying on local managers reflects the firm's trust in the local staff and should lead to reciprocal trust from local employees (Child and Mollering, 2003). There is a paucity of prior studies that have examined the relationship between autonomy and trust but based on the arguments in the literature, it is reasonable to argue the following hypothesis:

Hypothesis 5: The greater the level of trust between the JV partner firms, the greater the degree of autonomy granted to the JV management.

7.3 Measures

Trust measures related to the elements of the respondent firm

This study adopted a multi-item scale to measure the level of trust between the partner firms along 10 statements. These statements were derived from the prior literature and discussions based on semi-structured interviews with representative managers during pilot testing. The respondents were asked to rate the extent to which they agreed with the 10 statements using five-point scales (from 1 = 'strongly disagree' to 5 = 'strongly agree'). These statements are included in the questionnaire, produced in Appendix D.

Trust measures related to the elements of the partner firm

This study adopted a multi-item scale to measure the level of trust between the partner firms along 16 statements. These statements were derived from the prior literature and discussions based on semi-structured interviews with representative managers during pilot testing. The respondents were asked to rate the extent to which they agreed with the 16 statements using five-point scales (from 1 = 'strongly disagree' to 5 = 'strongly agree'). These statements are included in the questionnaire, produced in Appendix D.

Perception of national culture differences and corporate culture differences

The respondents were asked the extent to which the national cultures differed between the partner's home country and the respondent's country, measured on a five-point scale (1= 'very small difference' to 5 = 'very great difference'). The perceived corporate culture differences between the respondent firm and the partner firm were measured following the same procedure as for national culture differences, substituting the word "corporate" for "national" in the relevant questions.

Perception of Autonomy

Respondents were asked to assess the overall level of IJV autonomy on a five-point scale (from 1 = 'no autonomy' to 5 = 'complete autonomy'). This perceptual measure of autonomy across the IJV system provides information regarding the extent to which the IJV is viewed as autonomous by the parent firm.

Perception of Performance

One *subjective measure* was obtained: the respondent company's subjective level of overall satisfaction with the JV's overall performance. The respondents were asked the extent to which they were satisfied with the JV performance on a five-point scale (1 = 'very dissatisfied' to 5 = 'very satisfied').

7.4 Statistical Analysis

The appropriate measure of association chosen to test Hypothesis 1, Hypothesis 2 and Hypothesis 3 is *Spearman's rho*. This is a measure of the strength of the relationship between two variables. The coefficient will lie between 0 and 1 indicating the strength of the relationship. The coefficient will be either positive or negative indicating the direction of a relationship. The independent variables, perception of performance and perceptions of national culture differences and corporate culture differences, are ordinal scaled. The assumption that the data is ordinal scaled indicates that non-parametric analysis is appropriate.

Ordinal Regression was chosen to explore the relationships between the dependent variables of perception of performance and perception of autonomy and the predictor variables of trust in order to test Hypothesis 4 and Hypothesis 5. Ordinal Regression is an extension of the general linear model to ordinal categorical data. The predictor (independent) variables, the factors of trust, are continuous. The dependent variables of interest, satisfaction with JV performance and degree of autonomy granted, are categorical. Ordinal regression assesses how well the set of predictor variables predicts or explains the categorical dependent variable.

7.5 Results and Discussion

Due to potential conceptual and statistical overlap, an attempt was made to identify a parsimonious set of variables to determine the underlying primary dimensions of 10 statements measuring trust elements related to the respondent firm. Exploratory factor analysis (EFA) using varimax rotation was used to extract the underlying constructs. Three of the elements, "both firms provide experienced and capable people to the JV", "our partner firm prefers to use power to get its way in the JV" and "our firm is generally sceptical of information provided to/by partner", had low factor loadings and therefore were eliminated from further analysis. The remaining seven variables were again factor analysed and produced two underlying factors which make good conceptual sense and explained a total of 70.7 per cent of the observed variance, as shown in Table 7.1. The two factors had high positive loadings and may be summarized as: "*not damage and trust*" and "*building trust*". Cronbach alphas for the underlying factors were 0.85 and 0.73 with the values being substantially over 0.70, which suggests a satisfactory level of construct reliability (Nunnally, 1978).

Similarly, an attempt was made to identify a parsimonious set of variables to determine the underlying primary dimensions of the 16 statements measuring trust elements related to the partner firm. Exploratory factor analysis (EFA) using varimax rotation was used to extract the underlying constructs. One of the elements, "our partner would provide the joint venture's management team with a truthful picture of its business", was eliminated from further analysis. The factor analysis of the remaining 15 items produced three underlying factors which make good conceptual sense and explained a total of 74.9 per cent of the observed variance, as shown in Table 7.2. The three factors may be summarized as: "*partner capable and committed*", "*partner deceives*" and "*partner cares*". Cronbach alphas for the underlying factors were 0.91, 0.89 and 0.91 with the values being substantially over 0.70, which suggests a satisfactory level of construct reliability (Nunnally, 1978).

Table 7.1 Factor Analysis of the Elements of Trust Related to the Respondent Firm

	Factor Loads	Eigenvalue	% Variance explained	Cumulative per cent	Cronbach's Alpha
Not Damage and Trust		**3.891**	**55.592**	**55.592**	**0.846**
Important not to use proprietary information	0.821				
Neither partner makes damaging demands	0.831				
Relationship with partner high level of trust	0.690				
Trust partner stay within contract	0.726				
Building Trust		**1.058**	**15.108**	**70.700**	**0.731**
Both dedicate people and resources to JV success	0.559				
Importance of building trust with partner	0.889				
Maintain fairness in exchanges with partner	0.872				

Table 7.2 Factor Analysis of the Elements of Trust Related to the Partner Firm

	Factor Loads	Eigenvalue	% Variance explained	Cumulative per cent	Cronbach's Alpha
Partner Capable and Committed		**8.857**	**59.048**	**59.048**	**0.909**
Rely on partner to do their part	0.734				
Partner capable and competent	0.791				
Partner knowledgeable about JV	0.824				
Partner makes sensible JV decisions	0.636				
Partner to abide by JV management	0.633				
Partner committed to JV success	0.620				
Partner Deceives		**1.202**	**8.012**	**67.060**	**0.892**
Partner prepared to deceive	-0.708				
Partner present facts that look good	-0.816				
Partner alter facts to get what they want	-0.832				
Partner promise even if cannot do them	-0.755				
Partner Cares		**1.172**	**7.811**	**74.871**	**0.906**
Partner frank and truthful in dealings	0.550				
Partner make sure company not damaged	0.708				
Partner cares what happens to us	0.725				
Partner looks out for company's interests	0.780				
Partner is on company's side	0.864				

The results relating to Hypothesis 1, which maintains that the greater the satisfaction with JV performance, the greater the level of trust between the JV partner firms, are set out in Table 7.3. Table 7.3 shows the Spearman correlations between the respondent company's satisfaction with JV performance and the factors of trust. There are significant positive correlations between the satisfaction with JV performance and the various factors of trust ($p < 0.01$). Thus, the greater the respondent company's satisfaction with JV performance the greater the level of trust between the JV partner firms. There is one significant negative correlation between the satisfaction with JV performance and the trust factor *partner deceives* ($p < 0.01$). Hence, the greater the satisfaction with JV performance, the less the extent to which the partner deceives implying the greater the level of trust between the JV partner firms. The correlations have the expected sign, showing the positive relationship between the satisfaction with JV performance and trust. These findings provide strong support for Hypothesis 1.

Table 7.3 Correlations between the antecedents of trust and factors of trust (Spearman's rho)

	Antecedents of Trust		
Factors of Trust	Satisfaction with JV Performance	National Cultural Differences	Corporate Cultural Differences
Not Damage and Trust	0.416***	-0.235**	-0.396***
Building Trust	0.457***	-0.088	-0.393***
Partner Capable and Committed	0.436***	-0.156	-0.469***
Partner Deceives	-0.379***	0.311***	0.511***
Partner Cares	0.456***	-0.136	-0.390***

*** $p < 0.01$ ** $p < 0.05$ * $p < 0.1$

The results relating to Hypothesis 2, which maintains that the smaller the perceptions of national cultural differences between the JV partner firms, the greater the level of trust between the JV partner firms, are set out in Table 7.3. Table 7.3 shows the Spearman correlations between the perceptions of national cultural differences between the JV partner firms and the factors of trust. The correlations have the expected sign, showing the negative relationship between the perceptions of national cultural differences and trust but only two of the correlations are significant. There is one significant negative correlation for the trust factor *not damage and trust* ($p < 0.05$). Thus, the smaller the perceptions of national cultural differences between the JV partner firms, the greater the level of trust between the JV partner firms. There is one significant positive correlation, as expected, between the perceptions of national cultural differences between the JV partner firms and the trust factor *partner deceives* ($p < 0.01$). Hence, the greater the perceptions of national cultural differences between the JV partner firms, the greater the extent to which the partner deceives implying the smaller the level of trust between the JV partner firms. These findings provide limited support for Hypothesis 2.

The results relating to Hypothesis 3, which maintains that the smaller the perceptions of corporate cultural differences between the JV partner firms, the greater the level of trust between the JV partner firms, are set out in Table 7.3. Table 7.3 shows the Spearman correlations between the perceptions of corporate cultural differences between the JV partner firms and the measures of trust. There are significant negative correlations between the perceptions of corporate cultural differences and the various factors of trust ($p < 0.01$). Thus, the smaller the perceptions of corporate cultural differences between the JV partner firms, the greater the level of trust between the JV partner firms. There is one significant positive correlation, as expected, between the perceptions of corporate cultural differences between the JV partner firms and the trust factor *partner deceives* ($p < 0.01$). Hence, the smaller the perceptions of corporate cultural differences between the JV partner firms, the smaller the extent to which the partner deceives implying the greater the level of trust between the JV partner firms. The correlations have the expected sign, showing the negative relationship between the perceptions of corporate cultural differences and trust. These findings provide strong support for Hypothesis 3.

The findings display stronger and more significant correlation between the perceptions of corporate culture differences and the factors of trust than they do between the perceptions of national culture differences and the factors of trust. This indicates that trust is influenced more by corporate culture differences than by national culture differences.

When organizations in an IJV differ in their practices, these differences may result in conflicting behaviours, leading to misunderstandings and interaction problems. Partners with dissimilar corporate cultures may expend time and energy to establish mutually agreeable managerial practices and routines to facilitate interaction, and may incur higher costs and more mistrust than partners with similar corporate cultures (Park and Ungson 1997).

The results relating to Hypothesis 4, which maintains that the greater the level of trust between the JV partner firms, the greater the satisfaction with JV performance, are set out in Table 7.4. Ordinal Regression was performed to assess the impact of the trust factors on the respondent company's satisfaction with JV performance. The model contained five independent variables as the result of the factor analysis (not damage and trust, building trust, partner capable and committed, partner deceives and partner cares).

The full model containing all five predictors was statistically significant, $X^2 = 43.499$ $p < 0.001$, indicating that the model was able to distinguish between respondents who were satisfied with JV performance and who were not satisfied. The Cox and Snell R Square and the Nagelkerke R Square values provide an indication of the amount of variation in the dependent variable explained by the model. The model as a whole explained between 32.9% (Cox and Snell R square) and 35.1% (Nagelkerke R square) of the variance in satisfaction with JV performance.

The Wald test provides information about the contribution or importance of each of the predictor variables. The variables that are significant contribute to the predictive ability of the model. Only one of the independent variables, partner deceives, made a statistically significant contribution to the model ($p < 0.05$). Thus, the smaller the extent to which the partner deceives implying the greater the level of trust between the JV partner firms, the greater the satisfaction with JV performance. There is a significant interaction effect between *not damage and trust* factor and *building trust* factor on the satisfaction with JV performance ($p < 0.1$). Although the individual factors are not significant, the interaction of the factors has a significant impact on the dependent variable. There is also a significant interaction effect between the factors of *partner capable and committed*, *partner deceives* and *partner cares* on the satisfaction with JV performance ($p < 0.01$). These three variables have a more significant interaction effect than the variables, *not damage and trust* and *building trust.* This implies the trust measures related to the elements of the partner firm predict the satisfaction with JV performance to a greater extent compared to the trust measures related to the elements of the respondent company. There is also a significant interaction effect between the five factors on the satisfaction with JV performance. Overall, these findings provide support for Hypothesis 4.

Table 7.4 Ordinal Regression Predicting Satisfaction with JV Performance

	Estimate	Std. Error	Wald	df
Not Damage and Trust	-2.067	1.687	1.502	1
Building Trust	-1.260	1.495	0.711	1
Partner Capable and Committed	-0.738	0.549	1.805	1
Partner Deceives	-1.671	0.705	5.609**	1
Partner Cares	-0.809	0.620	1.701	1
Not Damage and Trust x Building Trust	0.770	0.459	2.810*	1
Partner Capable and Committed x Partner Deceives x Partner Cares	0.264	0.101	6.847***	1
Not Damage and Trust x Building Trust x Partner Capable and Committed x Partner Deceives x Partner Cares	-0.008	0.004	3.727**	1

*** $p < 0.01$ ** $p < 0.05$ * $p < 0.1$

The results relating to Hypothesis 5, which maintains that the greater the level of trust between the JV partner firms, the greater the degree of autonomy granted to the JV management, are set out in Table 7.5. Table 7.5 shows the Spearman correlations between the factors of trust and the degree of autonomy granted to the JV management. The correlations have the expected sign, showing the positive relationship between trust and autonomy. There are four significant positive correlations for the trust factors *not* *damage and trust* ($p < 0.05$), *building trust* ($p < 0.1$), *partner capable and committed* ($p < 0.01$) and *partner cares* ($p < 0.01$). Thus, greater the level of trust between the JV partner firms, the greater the degree of autonomy granted to the JV management. There is one significant negative correlation, as expected, between the degree of autonomy granted and the trust factor *partner deceives* ($p < 0.05$). Hence, the smaller the extent to which the partner deceives implying the greater the level of trust between the JV partner firms, the greater the degree of autonomy granted to the JV management. These findings provide strong support for Hypothesis 5.

Table 7.5 Correlations between the consequences of trust and factors of trust (Spearman's rho)

	Consequences of Trust	
Factors of Trust	Satisfaction with JV Performance	Degree of Autonomy Granted
Not Damage and Trust	0.416***	0.213**
Building Trust	0.457***	0.177*
Partner Capable and Committed	0.436***	0.309***
Partner Deceives	-0.379***	-0.224**
Partner Cares	0.456***	0.279***

*** $p < 0.01$ ** $p < 0.05$ * $p < 0.1$

Further results relating to Hypothesis 5 are set out in Table 7.6. Ordinal Regression was performed to assess the impact of the trust factors on the degree of autonomy granted to the JV management. The model contained five independent variables as the result of the factor analysis (not damage and trust, building trust, partner capable and committed, partner deceives and partner cares).

The full model containing all five predictors was statistically significant, $X^2 = 22.947$ $p < 0.001$, indicating that the model was able to distinguish between respondents who granted autonomy to the JV management and those who did not grant autonomy. The Cox and Snell R Square and the Nagelkerke R Square values provide an indication of the amount of variation in the dependent variable explained by the model. The model as a whole explained between 19.0% (Cox and Snell R square) and 20.8% (Nagelkerke R square) of the variance in satisfaction with JV performance.

Table 7.6 Ordinal Regression Predicting Degree of Autonomy Granted to JV

	Estimate	Std. Error	Wald	df
Not Damage and Trust	3.448	1.697	4.129**	1
Building Trust	2.875	1.508	3.635*	1
Partner Capable and Committed	2.031	0.575	12.479***	1
Partner Deceives	1.852	0.699	7.020***	1
Partner Cares	1.769	0.633	7.820***	1
Not Damage and Trust x Building Trust	-1.155	0.466	6.145**	1
Partner Capable and Committed x Partner Deceives x Partner Cares	-0.317	0.098	10.347***	1
Not Damage and Trust x Building Trust x Partner Capable and Committed x Partner Deceives x Partner Cares	0.010	0.004	6.315**	1

*** $p < 0.01$ ** $p < 0.05$ * $p < 0.1$

The Wald test provides information about the contribution or importance of each of the predictor variables. The variables that are significant contribute to the predictive ability of the model. All five independent variables made a statistically significant contribution to the model: *not damage and trust* ($p < 0.05$), *building trust* ($p < 0.1$), *partner capable and committed* ($p < 0.01$), *partner deceives* ($p < 0.01$) and *partner cares* ($p < 0.01$). Thus, the greater the level of trust between the JV partner firms then the greater the degree of autonomy granted to the JV management. There is a significant interaction effect between *not damage and trust* factor and *building trust* factor on the degree of JV autonomy granted ($p < 0.05$). There is also a significant interaction effect between *partner capable and committed* factor, *partner deceives* factor and *partner cares* factor on the degree of JV autonomy granted ($p < 0.01$). These three variables have a more significant main effects and a more significant interaction effect than the variables, *not* *damage and trust* and *building trust*. This implies the trust measures related to the elements of the partner firm predict the degree of autonomy granted to a greater extent compared to the trust measures related to the elements of the respondent company. The five variables have a significant interaction effect on the degree of autonomy granted to the JV management ($p < 0.05$). These findings provide strong support for Hypothesis 5.

7.6 Summary

This chapter's objective was to deepen the understanding of JV trust and to provide further empirical contribution. Previous research has suggested factors such as trustors' personality (Hardin, 1993), cognitive capability (Gambetta, 1988), affects (McAllister, 1995), and exchange history (Gulati, 1995), influence the formation of trust. Taking a different perspective, this chapter highlights the important role of trustees in trust building. This study proposes and verifies several contingency variables that moderate the level of trust. This chapter developed an empirically testable framework of JV trust with a focus on trust's antecedents and consequences. The framework treated the perceptions of national and corporate culture differences as antecedents to trust, the degree of JV autonomy granted as a consequence of trust and JV performance as both antecedent to and consequence of trust.

A prevalent notion in the trust literature is that trust between organizations is an important independent variable of performance because it facilitates enhanced cooperation, transaction cost savings, capability improvement and increased strategic flexibility (Gulati, 1995; Mayer et al., 1995; McAllister, 1995; Smith, et al., 1995). The argument that performance leads to trust has merit as well. Poor performance may cause distrust between the partners, which leads to poor long-term JV performance (Killing, 1983). The findings provided strong support for Hypothesis 1, which maintains that the greater the satisfaction with JV performance, the greater the level of trust between the JV partner firms. A firm's review of past JV performance results, in comparison with expectations, can lead to a firm's prediction of the extent to which the partner firm will follow through on its current promises. The relationship between JV parent firms is built on trust when performance outcomes exceed expectations and hence neither partner questions the actions and motives of the other.

With the globalization of business activities, trust building increasingly involves cross-cultural interactions. However, this chapter found little support for the relevance of perceived national cultural differences in cross-cultural trust development. The findings provided little support for Hypothesis 2, which maintains that the smaller the perceptions of national cultural differences between the JV partner firms, the greater the level of trust between the JV partner firms. In contrast, this study found that perceived corporate cultural differences between JV partner firms are related to the level of trust building. The findings provided strong support for Hypothesis 3, which maintains that the smaller the perceptions of corporate cultural differences between the JV partner firms, the greater the level of trust between the JV partner firms. This indicates that the level of trust is determined more by corporate culture similarities than by national culture similarities. This may be because IJV partners with dissimilar organizational cultures may spend more time and energy establishing mutual managerial practices and routines than partners with similar organizational cultures (Park and Ungson, 1997), which leads to lower trust between parent firms.

The results confirmed the positive effect of trust as a driving force in sound IJV performance. The findings provided strong support for Hypothesis 4, which maintains that the greater the level of trust between the JV partner firms, the greater the satisfaction with JV performance. As such, for IJV partners, trust-building as a social process should be viewed as a capital investment in a long-term asset that eventually manifests itself through greater returns (Madhok, 2006). Hence, this study provides support to previous findings of the importance of trust in explaining joint venture behaviour and success (e.g. Ng et al., 2007).

Few prior studies have examined the relationship between autonomy and trust. The findings provided strong support for Hypothesis 5, which maintains that the greater the level of trust between the JV partner firms, the greater the degree of autonomy granted to the JV management. Trust requires the presence of an element of risk and mutual interdependence (Sheppard and Sherman, 1998). Mutual interdependence leads to shared control and management, which contributes to the complexity of alliance management and creates significant administrative and coordination costs, and adds to uncertainty as to the benevolence and reliability of the partner. However, with granting autonomy, overseas headquarters delegate more responsibilities and decision-making authorities to the local senior managers (Wong and Law, 1999). Foreign firms and local staff can gain a better understanding of each other, which leads to familiarity and the grounds for trust development (Luhmann, 1988). In a reciprocal manner the development of trust will enhance the granting of autonomy.

This chapter detailed the background literature, the measures of variables, the hypotheses, the results and discussion related to the antecedents and consequences of trust between joint venture partner firms. Chapter 8, the last chapter of the data analysis, examines the determinants of IJV performance and can be found next.

CHAPTER 8: DETERMINANTS OF IJV PERFORMANCE

8.1 Introduction

Research on international joint ventures (IJVs) has continued to attract the attention of international business scholars in light of the popularity of IJVs and their overall unsatisfactory performance (Choi and Beamish, 2004; Geringer and Hebert, 1989; Luo et al., 2001; Yan and Gray, 1994). Consequently, one stream of research on JVs seeks to identify factors that enhance or impede the performance of the JV itself, or of the JV's parent firms. This research suggests that the success of both domestic and international JVs may be a function JV autonomy (e.g. Hill and Hellriegel, 1994; Lyles and Reger, 1993; Newburry and Zeira, 1999; Zeira and Parker, 1995). Despite inconsistent evidence to date, there seems to be a relationship between ownership control and IJV performance (Lu and Hebert, 2005). Much of the research has shifted from ownership to trust in terms of its effect on IJV performance and satisfaction (Madhok, 1995). Conflicts between partners of different nationalities arising from culture differences are often cited as reasons for the high dissolution rates of JVs (Brown et al., 1989; Shenkar and Zeira, 1992; Hennart and Zeng, 2002). Different corporate cultures may exaggerate a sense of difference between potential partners and further complicate the management of JVs (Weber et al., 1996; Pothukuchi et al., 2002; Sirmon and Lane, 2004).

The prior literature indicates that there are four key factors that have been shown to influence joint venture performance: (1) control; (2) autonomy; (3) trust; and (4) cultural differences. While past research has also suggested other factors critical to joint venture success, the four factors that have been consistently identified as being important to joint venture performance were selected for study. Further, these four factors are meaningful to the conceptual framework proposed in this chapter as they potentially can have varying effects on joint venture performance. The chapter builds on the existing literature by examining new data and providing new empirical insights into JV performance.

The rest of this chapter is organized as follows. The next section identifies the relevant literature and sets out the hypotheses of the study. The third section sets out the measures of the variables. The fourth section presents the results and discussion. The summary is in the final section.

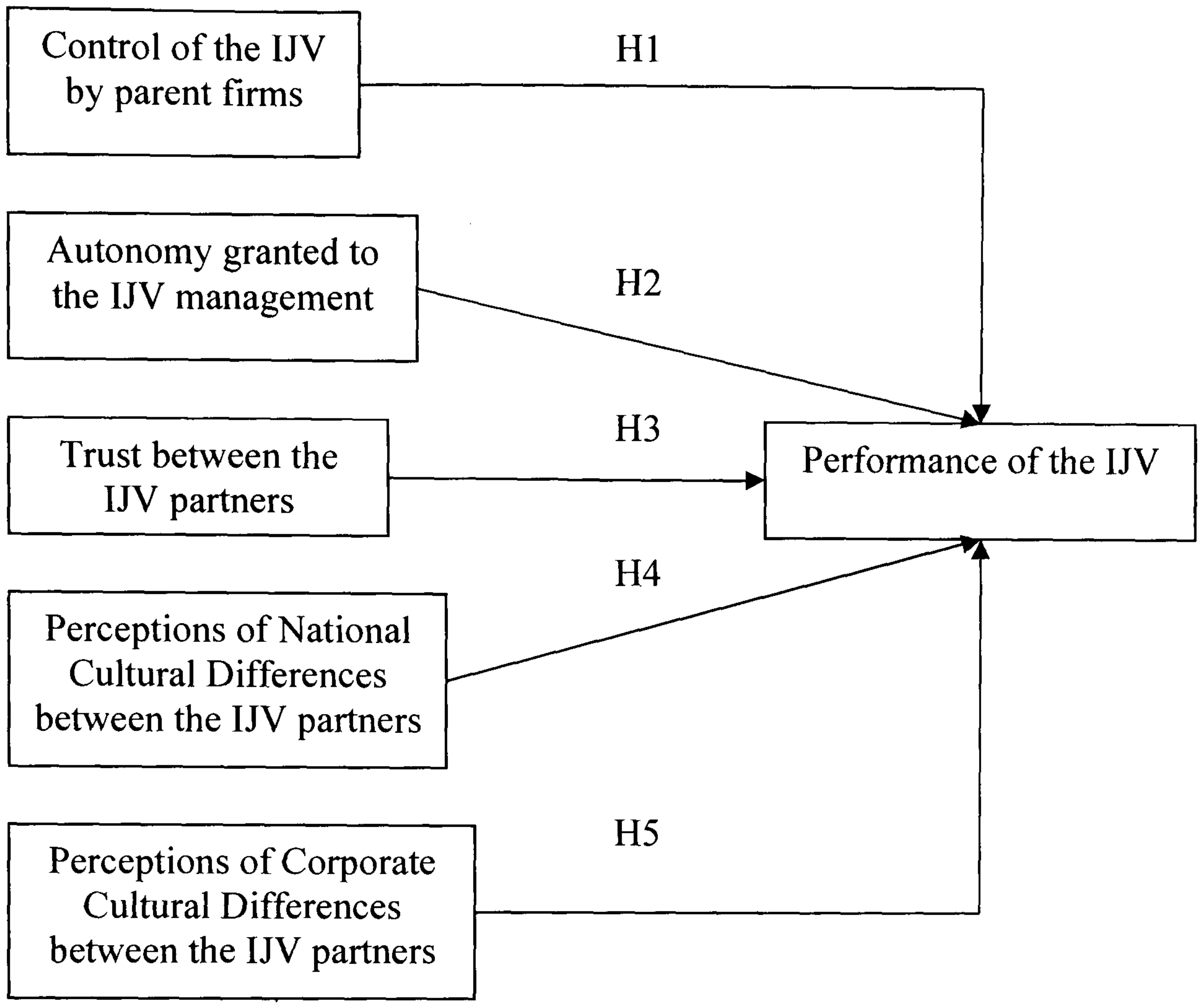
8.2 Literature Review and Hypotheses Development

8.2.1 Determinants of IJV Performance

A number of authors have noted that when conducting or comparing organisational performance studies it is important to specify whether it is the variables that *predict* performance, or the variables that *indicate* performance, that are of interest (Lewin and Minton, 1986; Cameron, 1986). Similarly, Anderson (1990:21) argues that a major reason for the controversy stems from a lack of clarity about what an *indicator* of performance is and what a *determinant* of performance is. The focus of this chapter is the investigation of the factors influencing the performance of IJVs i.e. performance determinants. The key determinants of IJV performance consist of: management control of IJVs, autonomy granted to the IJV management, trust between IJV partners and cultural difference between IJV partners. These determinants of IJV performance are shown in Figure 8.1, which provides the conceptual framework of the study.

Nielsen (2007) considered the relationship between subjective, multidimensional measures of international strategic alliance (ISA) performance and predictors of success both before the alliance is formed (pre-alliance formation factors) and during the operation of the alliance (post-alliance formation factors). The empirical study, based on a web-survey, investigated a sample of Danish partner firms engaged in 48 equity joint ventures and 70 non-equity joint ventures with partners from around the world. A multi-dimensional operationalization of alliance performance measurement was utilized in order to capture both process and outcome aspects of alliance performance. The results showed a significant relationship between alliance performance and host country risk as well as partner reputation preceding alliance formation. During the operation of the alliance, relationships between collaborative know-how, trust, protectiveness, complementarity, cultural distance and alliance performance were found.

Figure 8.1 Model of the Determinants of IJV Performance



The first determinant of IJV performance in Figure 8.1 is the control of the IJV by the parent firms. Child and Yan (2003) examined the impact of organizational learning, resourcing and control on the performance of Sino-foreign IJVs. Their performance is assessed in terms of both 'goal' and 'system' criteria. The hypothesized performance determinants are found to be more strongly associated with variance in system performance than in goal performance. The main performance predictors were the parent companies' experience with international business and joint ventures, and the quality of resources they provide to the joint ventures in respect of capital investment, new facilities and operational inputs. When good quality resourcing was provided, the sharing of control with local partners also predicted higher IJV performance.

The second determinant of IJV performance is autonomy granted to the IJV management, as shown in Figure 8.1. Lopez-Navarro and Camison-Zornoza (2003) analysed the effects of group composition and autonomy on the performance of export JVs. The basic argument is that group composition has a significant influence on the performance of JVs and, at the same time, this effect is moderated by the degree of autonomy held by the JV general manager. To lend support to this argument, they took insights from two complementary theoretical approaches: the resource-based view of the firm and the transaction cost theory. Their hypotheses were tested on a sample of 83 Spanish export JVs. They contributed to the literature by providing evidence on the influence that export JV composition had on performance. Their results also suggested that autonomy does not directly affect export JV success, however, it did have an indirect effect by moderating the relationship between group composition and performance.

Figure 8.1 shows the third determinant of IJV performance, trust between the IJV partners. Ng et al. (2007) re-examined the role of trust between the parent companies of IJVs and they suggest that trust between parents is not only a major predictor of the achievement of financial and non-financial goals by IJVs as reported in the literature, but also moderates the relationship between IJV performance and certain contextual factors. Based on the responses of senior executives of IJVs and their parent companies in China, they confirmed that trust influences IJV performance. The moderating effects of trust on the relationships between IJV performance and local reliance and the experience of executives were confirmed for the senior executive sample, but the moderating effect of cultural distance was not consistent between the firm-level and country-level measures. There was no significant result regarding these moderating relationships for the parent sample, except local reliance.

Lin and Wang (2007) tested their hypotheses across three samples of managers – Chinese, Western and Asian – in China-based JVs. Their results showed that relationship among ownership, trust, legalism and IJV performance varies across cultures. Specifically, equal ownership was positively associated with IJV satisfaction for Chinese partners but majority equity leads to less IJV satisfaction for Asian IJV partners. Trust was found to be positively associated with IJV satisfaction across all three samples. However, only for Western partners, legalism had a significant impact on satisfaction and moderated the effect of trust.

One of the reasons IJVs are difficult to manage is because of the cultural differences between IJV partners and this has a significant impact on alliance performance as shown in Figure 8.1. Ozorhon et al. (2008) examined the effect of cultural similarity/difference relative to the national and organizational characteristics of partner companies on IJV performance. The impact of the cultural similarity/difference between an IJV partner and the host country was also assessed. The results of the study suggested that differences in organizational culture have a greater impact on IJV performance than differences in national and host country culture. Their findings also revealed that similarity between the national cultures of IJV partners has a negative effect on IJV performance. However, their analysis failed to provide evidence that IJV performance is affected by differences between the culture of the host country and the culture of an IJV partner.

Sirmon and Lane (2004) propose a model of cultural differences and international alliance performance to explain the ambiguous findings regarding the influence of national cultural differences on alliance performance. Building on research on national, organizational and professional cultures, they argue that the closer the domain of a social group is to the value-creating activities of an alliance, the more disruptive cultural differences between the partners' members of that social group will be. Organizational culture differences will tend to be more disruptive than national culture differences and differences in the professional culture most relevant to the alliance value creation typically will be the most disruptive.

8.2.2 Control of the IJV

The first hypothesis is concerned with the ability of IJV parent companies to control IJVs in a manner that is conducive to good performance (Barkema et al., 1997; Geringer and Hebert, 1989; Yan, 2000). There are two main reasons for expecting that dominant control of IJVs by one parent will contribute to superior performance. First, the proposition advanced by Killing (1983) that joint ventures having dominant control by one partner will be more successful because they approximate to a unitary firm and are easier to manage. Second, control offers an ability to determine the most effective use of whatever strategic resources a parent company shares with an IJV. This is an argument in favour of leaving IJV control in the hands of the parent that supplies the most critical resources and has the greater expertise, an arrangement which should best permit those assets to contribute to IJV performance (Mjoen and Tallman, 1997). Further arguments are advanced to the effect that benefits will accrue to the IJV parent which exercises strong control. Geringer and Hebert (1989) suggest that the exercise by a parent company of control over some or all of an IJV's activities helps to protect it from the risk of prematurely exposing its technological or other proprietary assets to other partners. A related argument is that the threat of an initially weaker IJV partner gaining a future competitive advantage through a superior ability to learn from collaboration also increases the need to control activities and information flows in the IJV (Hamel, 1991; Makhija and Ganesh, 1997).

On the other hand, one reason for companies to form joint ventures is that they hope to remedy a resource deficiency or to take advantage of an opportunity that they cannot realize on their own. If this is the case, a policy of dominant control may vitiate the contribution a partner can make for two reasons. It may damage that partner's willingness to contribute to what it regards as an unequal partnership in which its own goals are not given due weight. The level of trust and quality of relationship between the partners is likely to suffer. Second, unequal control may also limit the dominant partner's receptivity to advice and information offered by the weaker partner. Finding that IJVs with 50/50 ownership achieved superior goal and system performance, Bleeke and Ernst (1993) stressed the benefits of strong management *within* an alliance rather than the argument in favour of strong management *over* an alliance. They concluded that shared IJV ownership and control 'builds trust by ensuring that each partner is concerned about the other's success' (1993, p. 28).

Despite the ambiguity in the literature, in order to further explore the relationship, the following hypothesis is adopted:

Hypothesis 1: Dominant control of the IJV by one parent will contribute to a greater extent to which the performance expectations are met than will an equally owned JV.

8.2.3 Autonomy Granted to the IJV Management

As Yan and Zeng (1999) note, in some JVs, managers from the parent organizations are very active in determining the strategic direction taken by the relationship, whereas in others, the JV management team is able to make its own choices with little intervention from the parent firms. The effect of autonomy on the efficiency of JVs has been extensively examined in the literature, with somewhat contradictory results (Newburry and Zeira, 1999). In general, however, greater autonomy implies greater hierarchical control and, according to transaction cost arguments, in situations in which the complexity and uncertainty of the JV are high, greater JV autonomy can lead to higher JV performance. The rationale for more hierarchical control as a response to the proclivity of parties to behave opportunistically under complex and uncertain situations is based on their ability to assert control by fiat, provide monitoring and align incentives (Williamson, 1975, 1985). A key finding from Glaister et al.'s (2003) study is that in general greater IJV autonomy is positively associated with better performance of the IJV.

Killing (1983) found that there existed a common pattern of shared management IJVs in decline: poor venture performance leads the partner firms to monitor the IJVs' activities closely, which lowers the autonomy of IJV managers. Low autonomy of IJV managers and high intervention from the partners are likely to slow and confuse the decision making process in the IJVs, which may cause performance to worsen further. This in itself encourages the partners to become even more closely involved and therefore the downward cycle continues. The study by Zhang and Li (2001) and Killing's work (1983) have revealed a critical issue in IJV management: independence (or autonomy) and success are twins in IJVs from a dynamic view. Indeed, these two studies describe the same coin from different sides. While Killing (1983) found that low autonomy may cause failure and failure further lessens autonomy, the study by Zhang and Li (2001) suggested that high independence will lead to success and success further enhances independence. This finding leads to the following hypothesis:

Hypothesis 2: The greater the level of autonomy granted to the JV management the greater the extent to which the performance expectations are met.

8.2.4 Trust between Joint Venture Partners

In the literature, trust between partners is suggested to be an important factor that contributes to the success of IJVs (Currall and Inkpen, 2002; Inkpen and Currall, 2004; Madhok, 2006). Beamish (1993, 2006) supported the view that trust is important for the success of joint ventures in developing countries and it can be viewed as a means to facilitate the achievement of the objectives of an IJV (Sheppard and Tuchinsky, 1996). Parkhe (1993) specified the importance of trust on the stability and performance of IJVs. Styles and Hersch (2005) found that IJV relationships are stronger when goodwill trust develops, when the personal trust between partners increases, and when affective commitment develops.

A direct, positive link from trust to alliance performance is widely assumed. While becoming a mainstream theme only recently in the international business literature, trust has always been a key ingredient in satisfactory relationships in Western societies (Granovetter, 1985). Indeed, a central premise of the relational exchange theory is that interpersonal trust discourages opportunistic behaviour between firms (Macneil, 1980). At the inter-organizational level, trust may lead to better performance through reducing negotiation costs and conflicts or by allowing various bilateral governance mechanisms (Zaheer et al., 1998). Trust permits open communication, shared understanding, and thus better cooperation. In a trusting relationship, parties are more likely to commit the resources necessary for an alliance's success (Beamish and Banks, 1987). Trust also encourages partners to transfer tacit knowledge, which is considered a key contributor to sound IJV performance (Dhanaraj et al., 2004). Finally, an expectancy effect may accompany the actual impact of trust on performance: trust in the other party will make the focal party feel secure about positive outcomes and this evaluation leads to high level of satisfaction (Andaleeb, 1995).

Although it is commonly accepted that trust is a critical variable in the success of IJVs (Beamish, 1993; Fryxell et al., 2002), it may have different effects on outcomes depending on the internal and environmental factors with which it interacts. Zaheer and Zaheer (2006) argued that levels of trust differ across international borders, and hence both the nature of trust and the institutional and cultural support for trust can vary across national contexts. They developed a model that suggests that collaborative partners from different countries are likely to bring either symmetric or asymmetric conceptions of trust to a business relationship, and thus the effect of trust on firm performance is not always a direct relationship.

Yan and Gray (1994, 1996) suggested that trust may help to achieve the objectives of both of the parent companies in an IJV, and Baird et al. (1990) found trust to be ranked first among the factors that lead to successful joint ventures in a study of Chinese and U.S. middle-level managers. Yan and Gray (1994) also emphasized that trust can modify the influence of dominant partner control on the performance of an IJV. Recently, Li et al. (2006) also found that the development of trust in overseas headquarters among local senior managers in uncertain environments is important for IJV performance, and Wang and Nicholas (2005) suggested that process-based trust affects the performance of contractual joint ventures. Thus trust can be regarded as one of the key variables that determine whether the objectives of an IJV are successfully achieved.

Trust has been shown to increase cooperation, improve flexibility, lowering the cost of coordinating activities and increasing the level of knowledge transfer and potential for learning (Smith et al., 1995). Ariño and de la Torre (1998) concluded that, in the absence of a reserve of trust, IJVs that experience threats to stability often dissolve. Despite this attention to trust in alliance literature, the majority of research on trust is anecdotal, with little evidence of economic benefits. For instance, Dyer and Chu's (2000) study of supplier–automaker relationships in the US, Japan and Korea found strong support for process-based determinants of trust for all countries but did not link it to performance. One reason for this lack of evidence is the intangible nature of trust, making it hard to define, not to mention quantify and measure. While empirical confusion still exists in terms of defining trust and sources of trust, the extant literature seems to agree that trust has a positive, albeit limited and indirect, impact on performance (Jap, 1999). Hence the third hypothesis concerns the level of trust and IJV performance.

Hypothesis 3: The greater the level of trust between the partner firms the greater the extent to which the performance expectations are met.

8.2.5 National Culture Differences between Joint Venture Partners

Hofstede and Hofstede (2005) have shown that individuals living in a particular country tend to share similar values, and that they bring these values to the firms for which they work. Hence a firm's values are largely a reflection of its national culture. IJV partners based in different countries will therefore tend to have different values. These differences in values may make it more difficult for IJV partners to agree on common goals, solutions to problems, and resolution to conflicts than if they came from the same country.

Prior research has provided mixed empirical evidence regarding the specific influence of national cultural distance on IJV performance (Brouthers and Brouthers, 2001). Some researchers found that differences in national culture caused conflicts and barriers (Lane and Beamish, 1990; Sim and Ali, 2000). According to Nielsen (2002), at least four interrelated negative effects of cultural distance on IJV performance can be identified: 1) cultural distance can lead to communication problems, which may hinder knowledge exchange and inter-organizational learning; 2) it can cause managerial conflicts due to misunderstandings, which may lead to additional costs; 3) it can influence partner firm approaches to conflict resolution, which may adversely impact operations; and 4) it can erode applicability of certain partner competencies, which may decrease the potential benefits from cooperation (Park and Ungson, 1997; Parkhe, 1991). Sirmon and Lane (2004) stated that cultural differences stemming from national cultures inhibit the IJV partners' employees' ability to interact effectively. As national culture influences behaviour and management systems, it thus has the potential to destabilize IJVs.

There is also evidence to suggest that differences in national culture can be beneficial. Some researchers found that differences in national culture were a source of admiration and challenge, leading to a higher level of communication and more sustained collaboration (Park and Ungson, 1997; Shenkar and Zeira, 1992; Luo et al., 2001). For instance, Barkema and Vermeulen (1997) found that distance in national culture was positively related to IJV survival. This is supported by Barkema et al. (1997) who also found cultural distance to be significantly related to IJV survival. Managers tend to spend much effort on avoiding misunderstandings in international alliances than they would in domestic alliances, where sharing the same national culture leads to high-level communication and a sustained collaboration (Shenkar and Zeira, 1992; Park and Ungson, 1997). Thus, sometimes, increased differences in national culture can lead to higher IJV performance (Morosini et al., 1998). The study by Orr and Levitt (2004) is also in line with those studies which imply that differences in national culture might actually enhance performance, if only very slightly (Hu and Chen 1996; Park and Ungson 1997; Morosini et al. 1998).

Other researchers like Beamish (1985) and Glaister and Buckley (1999) found no relation between the two variables. Addtionally, Franko (1971) found little impact of dissimilarities in national cultures on the stability of IJVs. Fey and Beamish (2001) reported that the differences between IJV partners' national cultures did not affect the performance of the IJV. Tihanyi et al.'s (2005) analysis failed to provide statistical evidence of significant relationships between national culture and IJV performance. Empirical findings are inconsistent due to the methodological and theoretical confusion related to the cultural distance construct (see Shenkar, 2001). Nevertheless, the cultural compatibility of the parent companies is an element that substantially influences IJV performance (Lane et al., 2001). Although the prior research has produced ambiguous findings relating to the influence of national cultural distance on performance, in order to provide a further test, this study adopts the widely held view of the negative effect. Consequently, the fourth hypothesis is as follows:

Hypothesis 4: The smaller the perceptions of national cultural differences between the parent firms the greater the extent to which the performance expectations are met.

8.2.6 Corporate Culture Differences between Joint Venture Partners

Corporate culture refers to a pattern of shared basic assumptions about the environment, human nature, social relationships, and reality that employees have learned as they addressed and resolved problems of external adaptation and internal integration (Schein, 1992). Because organizations are, in many ways, embedded in the larger society in which they exist, research on cultural differences of cross-national businesses should examine both national and corporate cultures. But with few exceptions (Hofstede et al., 1990; Newman and Nollen, 1996; Weber et al., 1996), past studies have not been concerned with cultural distance at both levels. Although some researchers (Pratt et al., 1993; Erez and Gati, 2004) may think that corporate culture is nested in national culture, most researchers (Hofstede et al., 1990; Newman and Nollen, 1996; Weber et al., 1996; Makhija and Ganesh, 1997; Pothukuchi et al., 2002) regard national and corporate cultures as separate constructs with variable attitudinal and behavioural correlates.

Differences in corporate culture differentiate IJV partners based on their management practices, which are deemed essential for the functioning of their respective organizations. When organizations in an IJV differ in their practices, these differences may result in conflicting behaviours, leading to misunderstandings and interaction problems. Partners with dissimilar corporate cultures may expend time and energy to establish mutually agreeable managerial practices and routines to facilitate interaction, and may incur higher costs and more mistrust than partners with similar corporate cultures (Park and Ungson, 1997). Examining a large sample of IJVs, Pothukuchi et al. (2002) found that "the presumed negative effect from partner dissimilarity on IJV performance originates more from differences in organizational culture than differences in national culture." Based on another study of alliances, Brown et al. (1989) concluded that large differences in partners' organizational cultures can have a significant negative influence on IJV performance. This discussion leads to the following hypothesis:

Hypothesis 5: The smaller the perceptions of corporate cultural differences the greater the extent to which the performance expectations are met.

8.3 Measures

The definition and measurement of organisational performance has been a controversial topic for theorists from a variety of fields, as well as for management practitioners in all sorts of organisations (Kanter and Brinkerhoff, 1981; Venkatraman and Ramanujam, 1986). Due to potential limitations and difficulties associated with the ability of financial and objective measures to gauge the efficacy of IJVs (e.g. unavailability of financial and objective measures for affiliates and business units), several researchers turned their attention away from objective measures towards subjective measures of parent managers' satisfaction with IJV performance (Killing, 1983; Schaan, 1983; Beamish, 1984; Glaister and Buckley, 1998). The main advantage of perceptual measures is their ability to provide information regarding the extent to which the IJV has achieved its overall objectives. It may be argued that subjective performance measures are a better reflection of underlying JV achievement than objective performance measures. This is because, in a sense, the subjective measures are a more direct measure of performance in that the respondents should be aware of the goals of the venture and, therefore, should be able to make an assessment of the performance of the venture in light of these goals.

Performance Criteria

Table 8.1 shows the 15 individual performance dimensions used in this study in the order they appeared on the questionnaire. These 15 performance dimensions were derived from the prior literature (Geringer and Hebert, 1991; Zhao and Culpepper, 1996; Inkpen and Currall, 1997, Tatoglu and Glaister, 1998) and discussions based on semi-structured interviews with representative managers during pilot testing. Because some dimensions may be more important than others in assessing IJV performance, respondents were asked how important each of the dimensions was in the evaluation of performance. A five-point scale ranging from 1 = 'not at all important' to 5 = 'very important' was used as a basis for weighting the performance measure.

Table 8.1 Performance Criteria

(1)	Return on investment
(2)	Return on equity
(3)	Sales growth
(4)	Market share
(5)	Cost control
(6)	Labour productivity
(7)	Management of JV
(8)	Technology/knowledge transfer/development
(9)	Product Design
(10)	Quality control
(11)	Marketing
(12)	Customer Service
(13)	Distribution
(14)	Gain presence in the host country market
(15)	Gain presence in other markets

Actual Performance and Performance Expectations

Beamish and Delios (1997) identify a multitude of IJV performance measures which reflects the diverse ways in which the parents and managers of an IJV may evaluate performance. As the assessment of performance is related to the objective of IJV formation, a sole indicator of performance, where many other objectives and success measures exist, cannot indicate the extent to which the IJV has accomplished all of its objectives (Anderson, 1990; Beamish and Delios, 1997). Therefore, it should be recognised that IJVs may not be established to fulfil standard financial objectives such as profitability but are instead formed for a number of motives, for example to enhance organisational learning (Kogut, 1988; Hamel, 1991), or to improve the strategic positioning of the parent firms (Contractor and Lorange, 1988; Porter and Fuller, 1986; Glaister and Buckley, 1996; Tatoglu and Glaister, 1997) such as to gain a presence in new markets. Recognising this, this study adopted a multi-item scale to measure actual IJV performance as compared to initial expectations of performance along the 15 individual venture dimensions. The respondents were asked to rate the IJV's actual performance as compared to initial expectations at the time the venture was formed along 15 individual venture dimensions using five-point scales (from 1 = 'expectations not met at all' to 5 = 'expectations fully met').

Perception of Factors Influencing Performance

Based on a literature review, pre-testing, and pilot test, five factors were identified: level of joint venture control by each parent firm, level of joint venture's autonomy in decision-making, trust based relationship between the partner firms, national culture compatibility between the partner firms and corporate culture compatibility between the partner firms. The effect of these factors on JV performance was measured by means of a five-point scale (1= 'not at all important' to 5 = 'very important').

Control of the IJV – Equity Share

The respondent company's relative equity shareholding at the time of data collection was measured as a trichotomous variable depending on the respondent company's then current equity stake in the venture according to whether the respondent company had more than 50%, less than 50%, or exactly 50% of the shareholding in the JV. This variable was recoded on a dichotomous scale (1 = 'less than or equal to 50%' and 2 = 'more than 50% ').

Perception of Autonomy

Respondents were asked to assess the overall level of IJV autonomy on a five-point scale (from 1 = 'no autonomy' to 5 = 'complete autonomy'). This perceptual measure of autonomy across the IJV system provides information regarding the extent to which the IJV is viewed as autonomous by the parent firm.

Perception of Overall Trust

The respondents were asked to assess the overall level of trust on a five-point scale (from 1 = 'very low level of trust' to 5 = 'very high level of trust') between the respondent manager and the main manager in the partner firm, between the middle level managers in the partner firms, between the top management teams in the partner firms and between the respondent company and the partner company. The factor analysis of the 4 items produced one underlying factor which makes good conceptual sense and explained a total of 74.8 per cent of the observed variance. Cronbach alpha for the underlying factor was

0.89, substantially over 0.70, which suggests a satisfactory level of construct reliability (Nunnally, 1978).

Perception of national culture differences and corporate culture differences

The respondents were asked the extent to which the national cultures differed between the partner's home country and the respondent's country, measured on a five-point scale (1= 'very small difference' to 5 = 'very great difference'). The perceived corporate culture difference between the respondent firm and the partner firm was measured following the same procedure as for national culture differences, substituting the word "corporate" for "national" in the relevant questions.

8.4 Statistical Analysis

Analysis of variance (ANOVA) compares the variance (variability in scores) between the different groups (independent variables) with the variability within each of the groups. The advantage of using a two-way ANOVA is that "the main effect" for each independent variable can be tested and the possibility of an "interaction effect" can also be explored. An interaction effect occurs when the effect of one independent variable on the dependent variable depends on the level of a second independent variable. The independent variables, the factors influencing performance, are: equity share (as a measure of management control of the IJV), degree of autonomy granted to the IJV management, the degree of trust, the national cultural differences between the partner firms and the corporate cultural differences between the partner firms. Hypothesis 1, Hypothesis 2, Hypothesis 3, Hypothesis 4 and Hypothesis 5 were tested using the parametric technique, ANOVA.

8.5 Results and Discussion

8.5.1 Perceptions of Factors Influencing JV Performance

Respondents were asked the extent to which the five factors influenced JV performance. The factors, ranked by the mean value of the response, are shown in Table 8.2. Of the five factors influencing JV performance, that of trust between partner firms is ranked first, indicating that this is perceived as a relatively important factor compared with the other factors. The literature suggests that one of the most critical factors determining alliance performance is the degree of trust between the partners (Das and Teng, 1998; Madhok, 1995). Baird et al. (1990) found trust to be ranked first among the factors that lead to successful joint ventures in a study of Chinese and U.S. middle-level managers. The level of joint venture control is ranked third and the level of joint venture autonomy is ranked second. National culture compatibility is ranked fifth, indicating that this is perceived as a relatively less important factor compared with corporate culture compatibility, which is ranked fourth. Ozorhon et al. (2008) found that differences in organizational culture have a greater impact on IJV performance than differences in national and host country culture.

Table 8.2 Perception of Relative Importance of Factors Influencing JV Performance

	Rank	Mean	S.D.
JV Control	3	3.74	1.084
JV Autonomy	2	3.93	1.007
Trust between Partners	1	4.33	0.806
National Culture	5	3.27	1.068
Corporate Culture	4	3.63	1.006

8.5.2 Performance Expectations

Due to potential conceptual and statistical overlap, an attempt was made to identify a parsimonious set of variables to determine the underlying primary dimensions of performance expectations for the sample data. Exploratory factor analysis (EFA) using varimax rotation was used to extract the underlying constructs. The factor analysis of the 15 items produced two underlying factors which make good conceptual sense and explained a total of 76.6 per cent of the observed variance, as shown in Table 8.3. Cronbach alphas for the underlying factors were 0.94 and 0.87 with the values being substantially over 0.70, which suggests a satisfactory level of construct reliability (Nunnally, 1978).

Factor 1 (Profitability and Efficiency)

The first factor had high positive loadings on ten performance expectations: return on investment, return on equity, sales growth, market share, cost control, labour productivity, management of JV, quality control, marketing and customer service. The first factor was therefore interpreted as a performance dimension relating to the profitability and efficiency aspect of performance expectations.

Factor 2 (Development and Effectiveness)

The second factor had high positive loadings on five performance expectations: technology/knowledge transfer, product design, distribution, gain presence in the host country market and gain presence in other markets. The second factor was therefore interpreted as a performance dimension relating to the development and effectiveness aspect of performance expectations.

Table 8.3 Factor Analysis of Extent to which Actual Performance has met Performance Expectations

	Factor Loads	Eigenvalue value	% Variance explained	Cumulative per cent	Cronbach's Alpha
Profitability and Efficiency	**10.024**	**66.826**	**66.826**	**0.94**	
Return on investment	0.931				
Return on equity	0.950				
Sales growth	0.801				
Market share	0.851				
Cost control	0.820				
Labour productivity	0.759				
Management of JV	0.719				
Quality control	0.676				
Marketing	0.702				
Customer Service	0.732				
Development and Effectiveness	**1.462**	**9.746**	**76.572**	**0.87**	
Technology/knowledge transfer	0.816				
Product Design	0.852				
Distribution	0.636				
Gain presence in the host country market	0.591				
Gain presence in other markets	0.741				

To investigate the underlying nature of the IJV performance expectations matching actual performance for this sample, the analysis was developed by considering the mean values of performance expectations for the respondent firms. Table 8.4 reports the means and standard deviations of the two factors, the individual performance items comprising each factor and the rank order of the individual performance items. It is apparent from Table 8.4 that all the mean values are greater than the mid-point of the scale. This indicates that the actual performance has met the performance expectations to a great extent for the whole sample. The mean value of the *profitability and efficiency* factor is slightly greater than the mean value of the *development and effectiveness* factor.

Table 8.4 Relative Importance of Extent to which Actual Performance has met Performance Expectations

Performance Expectations	Rank	Mean	S.D.
Profitability and Efficiency	**1**	**3.77**	**0.844**
Return on investment	7	3.73	1.303
Return on equity	11	3.67	1.314
Sales growth	5	3.77	1.182
Market share	2	3.87	1.067
Cost control	15	3.56	1.002
Labour productivity	13	3.57	1.020
Management of JV	3	3.86	1.051
Quality control	12	3.60	0.904
Marketing	13	3.57	1.039
Customer Service	6	3.76	0.935
Development and Effectiveness	**2**	**3.76**	**0.876**
Technology/knowledge transfer	4	3.85	0.995
Product Design	7	3.73	1.031
Distribution	10	3.68	1.057
Gain presence in the host country market	1	3.99	1.169
Gain presence in other markets	7	3.73	1.146

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

Table 8.5 shows the Spearman correlations between the determinants of JV performance and the performance expectations. There are significant positive correlations between the dominant control of the IJV by one parent firm and the extent to which the performance expectations have been met, providing support for Hypothesis 1. The dominant control by one parent firm is significantly positively correlated with the *profitability and efficiency* factor ($p < 0.01$) and with the *development and effectiveness* factor ($p < 0.01$). The correlations are significant for nine out of ten elements of the *profitability and efficiency* factor, return on investment ($p < 0.01$), return on equity ($p < 0.01$), sales growth ($p < 0.01$), market share ($p < 0.01$), cost control ($p < 0.05$), labour productivity ($p < 0.05$), management of JV ($p < 0.05$), marketing ($p < 0.01$) and customer service ($p < 0.01$), and for four out of five elements of the *development and effectiveness* factor, technology/knowledge transfer ($p < 0.01$), distribution ($p < 0.01$), gain presence in the host country market ($p < 0.01$) and gain presence in other markets ($p < 0.01$).

There are several significant positive correlations between the level of JV autonomy granted and the extent to which the performance expectations have been met, providing support for Hypothesis 2. The level of JV autonomy is significantly positively correlated with the *profitability and efficiency* factor ($p < 0.01$) and with the *development and effectiveness* factor ($p < 0.05$). This implies the greater the level of JV autonomy granted, the greater the extent to which the actual performance meets the development and effectiveness expectations and the greater the extent to which the actual performance meets the profitability and efficiency expectations. The correlations are significant for five out of ten elements of the *profitability and efficiency* factor, return on investment ($p < 0.01$), return on equity ($p < 0.01$), sales growth ($p < 0.05$), market share ($p < 0.01$) and management of JV ($p < 0.05$). The correlations are significant for three of the five elements of the *development and effectiveness* factor, technology/knowledge transfer ($p < 0.1$), product design ($p < 0.1$) and gain presence in the host country markets ($p < 0.05$).

Table 8.5 Spearman's Correlation between Performance Expectations and Measures of Factors Influencing Performance

Performance Expectations	Dominant Control	Autonomy Granted	Overall Trust	National Cultural Differences	Corporate Cultural Differences
Profitability and Efficiency	**0.394*** **	**0.286*** **	**0.287*** **	**0.006**	**-0.291*** **
Return on investment	0.297***	0.273***	0.355***	-0.020	-0.313***
Return on equity	0.366***	0.316***	0.359***	-0.013	-0.275***
Sales growth	0.324***	0.238**	0.266***	0.088	-0.239**
Market share	0.270***	0.290***	0.289***	0.125	-0.168*
Cost control	0.202**	0.013	0.352***	-0.097	-0.198**
Labour productivity	0.256**	0.036	0.421***	-0.035	-0.291***
Management of JV	0.218**	0.196**	0.486***	-0.099	-0.476***
Quality control	0.131	0.029	0.273***	-0.098	-0.300***
Marketing	0.276***	0.089	0.029	0.001	-0.058
Customer Service	0.270***	0.132	0.248**	-0.077	-0.188*
Development and Effectiveness	**0.415*** **	**0.243** **	**0.103**	**0.073**	**-0.110**
Technology/knowledge transfer	0.357***	0.200*	0.119	0.032	-0.129
Product Design	0.181	0.196*	0.012	-0.041	0.056
Distribution	0.352***	0.177	0.196*	0.015	-0.182
Gain presence in the host country market	0.280***	0.247**	0.248**	0.139	-0.270***
Gain presence in other markets	0.381***	0.167	0.261**	0.018	-0.169

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

There are several significant positive correlations between the trust between partner firms and the extent to which the performance expectations have been met, providing support for Hypothesis 3. The trust between partner firms is significantly positively correlated with the *profitability and efficiency* factor ($p < 0.01$) but not with the *development and effectiveness* factor. This implies the greater trust between partner firms, the greater the extent to which the actual performance meets the profitability and efficiency expectations. The correlations are significant for nine out of ten elements of the *profitability and efficiency* factor, return on investment ($p < 0.01$), return on equity ($p < 0.01$), sales growth ($p < 0.01$), market share ($p < 0.01$), cost control ($p < 0.01$), labour productivity ($p < 0.01$), management of JV ($p < 0.01$), quality control ($p < 0.01$) and customer service ($p < 0.05$). The correlations are significant for three out of the five elements of the *development and effectiveness* factor, distribution ($p < 0.1$), gain presence in the host country markets ($p < 0.05$) and gain presence in other markets ($p < 0.05$).

As expected, there are several negative correlations between the perceptions of national culture differences between the partner firms and the extent to which the performance expectations have been met but none of them are significant, providing no support for Hypothesis 4. This implies the perceptions of national culture differences do not influence the extent to which the actual performance meets the expectations.

There are several significant negative correlations between the perceptions of corporate culture differences between the parent firms and the extent to which the performance expectations have been met, providing support for Hypothesis 5. The perceptions of corporate culture differences are significantly negatively correlated with the *profitability and efficiency* factor ($p < 0.01$) but not with the *development and effectiveness* factor. This implies that the smaller the perceptions of corporate culture differences, the greater the extent to which the actual performance meets the profitability and efficiency expectations. The correlations are significant for nine out of ten elements of the *profitability and efficiency* factor, return on investment ($p < 0.01$), return on equity ($p < 0.01$), sales growth ($p < 0.05$), market share ($p < 0.1$), cost control ($p < 0.05$), labour productivity ($p < 0.01$), management of JV ($p < 0.01$), quality control ($p < 0.01$) and customer service ($p < 0.1$). The correlations are significant for one of the five elements of the *development and effectiveness* factor, gain presence in the host country market ($p < 0.01$).

To further examine the hypotheses two-way ANOVA tests were conducted. Two-way ANOVA tests the effect of the independent variables on the dependent variable and identifies any interaction effect. Table 8.6 shows the effect of the determinants of performance on the extent the profitability and efficiency expectations have been met. The determinants of performance are: equity share (as a measure of management control), degree of autonomy granted to the JV management, the degree of trust, the perceptions of national cultural differences and the perceptions of corporate cultural differences between the partner firms. Levene's test of equality of error variances provides a test of one of the assumptions underlying analysis of variance. A significant result suggests that the variance of the dependent variable across the groups is not equal. In this case, the significance levels are 0.112 for the dependent variable, profitability and efficiency expectations and 0.329 for the dependent variable, development and effectiveness expectations. Therefore the main effects and the interaction effects can be considered to be significant. The homogeneity of variances assumption is not violated.

There is a significant main effect for the dominant control of IJV by one parent firm, equity share on the *profitability and efficiency* factor of the performance expectations ($p < 0.01$) and on the *development and effectiveness* factor of the performance expectations ($p < 0.01$), providing support for Hypothesis 1. The greater the level of JV control by the parent firms the greater the extent to which the performance expectations have been met. There is a significant main effect for the level of JV autonomy ($p < 0.05$) on the *profitability and efficiency* factor of the performance expectations. The greater the level of autonomy granted to the JV management the greater the extent to which the profitability and efficiency factor of the performance expectations have been met. However, there is no significant main effect for the level of JV autonomy on the *development and effectiveness* factor of the performance expectations. Therefore, there is limited support for Hypothesis 2.

Table 8.6 ANOVA between Measures of Factors Influencing JV Performance and Performance Expectations Factors

	Profitability and Efficiency			Development and Effectiveness		
	Mean Square	F	Partial Eta Squared	Mean Square	F	Partial Eta Squared
Dominant Control	3.833	16.813***	0.512	5.171	13.667***	0.577
Degree of Autonomy	0.707	3.100**	0.368	0.848	2.240	0.402
Degree of Trust	1.964	8.612***	0.683	1.597	4.221**	0.628
National Culture Differences	0.286	1.255	0.239	0.074	0.196	0.073
Corporate Culture Differences	0.277	1.216	0.233	0.871	2.302	0.479
Equity Share * Degree of Autonomy * Trust between Partners * National Culture * Corporate Culture	0.485	2.127**	0.865	0.633	1.673	0.873
	R Squared = 0.936 (Adjusted R Squared = 0.682)			**R Squared = 0.927 (Adjusted R Squared = 0.514)**		

There is a significant main effect for the level of trust ($p < 0.01$) between partner firms on the *profitability and efficiency* factor of the performance expectations. The greater the level of trust between the parent firms, the greater the extent to which the profitability and efficiency factor of the performance expectations have been met. There is also a significant main effect for trust ($p < 0.05$) on the *development and effectiveness* factor of the performance expectations. The greater the level of trust between the parent firms, the greater the extent to which the development and effectiveness factor of the performance expectations have been met. Hence, the findings provide support for Hypothesis 3.

There is no significant main effect for the perceptions of national culture differences on the *profitability and efficiency* factor of the performance expectations or on the *development and effectiveness* factor, providing no support for Hypothesis 4. In addition, there is no significant main effect for the perceptions of corporate culture differences on the *profitability and efficiency* factor of the performance expectations or on the *development and effectiveness* factor, providing no support for Hypothesis 5.

There is a significant interaction effect, the effect of the determinants of performance on the *profitability and efficiency* factor of the performance expectations is significant ($p < 0.05$). However, there is no significant interaction effect for the determinants of performance on the *development and effectiveness* factor of the performance expectations. There is a significant main effect for the level of trust between partner firms on both factors of performance expectations, the extent to which the actual performance has been met by profitability and efficiency expectations and the extent to which the actual performance has been met by development and effectiveness expectations. This implies that the level of trust is one of the most important factors influencing the extent to which the performance expectations have been met. In contrast, there are no significant main effects for the perceptions of national cultural differences or the perceptions of corporate cultural differences on either of the performance expectations.

8.6 Summary

Due to their increasing strategic importance in global competition, IJVs have received considerable attention from researchers. Despite their synergistic effects, such international collaborative arrangements are very complex and difficult to manage because of the different and sometimes conflicting objectives, cultures, and organizational structures of the partner companies. Considering the high failure rates of IJVs (Makino and Beamish, 1998), research has focused on the assessment of IJV performance in the last few decades. A conceptual framework was proposed in this study, which identified the determinant of IJV performance as the dominant control of IJV by one parent firm, the level of autonomy granted to the IJV management, the level of trust between the partner firms, the perceptions of differences in the national cultures of IJV partners and the perceptions of differences in the corporate cultures of IJV partners.

The evidence from this sample indicates that dominant control of the IJV by one of the parent firms will lead to a greater extent to which performance expectations have been met by the actual performance. Control through equity ownership must be implemented carefully. Mjoen and Tallman (1997) found the role of equity as a determinant of control to be highly questionable and suggested instead that controls over JV activities seemed to be more descriptive of actual JV control mechanisms. A majority ownership is not only costly, but may also be detrimental to satisfactory performance. In particular, given the logic behind the partners' preference for shared ownership, a partner should fight for a majority equity position only if it anticipates conflicts on strategic matters. On the other hand, management control may not be a major concern as the partners normally understand the performance benefits of allowing their counterparts to run the business.

The data provides support for the second hypothesis and shows that JV autonomy directly affects JV performance expectations. This result is in line with the ideas postulated in studies such as those of Killing (1983) and Newburry and Zeira (1999). Killing (1983) noted that JV parents loosen or increase control over their ventures as a response to their performance. A key finding from Glaister et al.'s (2003) study is that in general greater IJV autonomy is positively associated with perceived performance of the

IJV. The results of this study show that the level of autonomy granted is more significant for the extent to which "profitability and efficiency" expectations have been met compared with the extent to which "development and effectiveness" expectations have been met.

The impact of trust on the performance expectations, the third hypothesis, is confirmed to influence both factors of performance expectations, i.e. the extent to which the "profitability and efficiency" and "development and effectiveness" performance expectations have been met. The results confirmed the universal, positive effect of trust as a driving force in sound IJV performance. As such, for IJV partners, trust-building as a social process should be viewed as a capital investment in a long-term asset that eventually manifests itself through greater returns (Madhok, 2006).

It has been argued that cultural distance is an important factor in alliance performance but this assertion is only partially confirmed in this study. Rather, the results echo those of many previous research studies in finding that the impact of the cultural distance between parents is mixed and unclear. The fourth hypothesis that large differences in the perceptions of national cultures of IJV partners have an adverse effect on IJV performance is rejected for both factors of performance expectations. Although several researchers reported that differences in the national cultures are a source of poor communication, inadequate cooperation, lack of commitment, and ineffective conflict resolution between the IJV partners (Harrigan, 1988; Mohr and Spekman, 1994; Parkhe, 1991), some argue that these differences may help IJV partners learn how to operate with a foreign partner (Barkema and Vermeulen, 1997) and may enhance the firm's learning capabilities (Makhija and Ganesh, 1997).

The fifth hypothesis was partially supported since similarity in the corporate cultures of partner companies is found to enhance IJV performance expectations. The positive influence of similarity in the corporate cultures of IJV partners was an expected result since the literature does not provide any contrary findings. This may be because IJV partners with dissimilar organizational cultures may spend more time and energy to establish mutual managerial practices and routines than partners with similar organizational cultures (Park and Ungson, 1997), which leads to lower performance expectations. The findings suggest that the perceptions of corporate culture differences are associated with the extent to which IJV performance expectations have been met, whereas the perceptions of national culture differences are not. The presumed negative effect of the perceptions of national culture differences on the IJV performance expectations was rejected, as the findings were not significant. On the other hand, the hypothesized negative effect of the perceptions of corporate culture differences on IJV performance expectations was partially supported for both factors of performance expectations.

The next chapter, Chapter 9, provides a summary of the findings, identifies the limitations of the study and discusses avenues for further research.

CHAPTER 9: CONCLUSION

9.1 Introduction

The previous chapters have examined the theoretical perspectives on the formation of international joint ventures, methodology and analysis of the data collected for this study. The main purpose of this chapter is to provide a review of the study including a summary of its findings. Additionally managerial implications drawn from this research are also discussed, as well as the limitations of the study. Finally, areas for future research are identified.

9.2 Background and Aims of the Study

The motivation of this study is a need for a better understanding of the management of IJVs. The focus of the study is the investigation of the relationships between the factors influencing the management and the performance of IJVs, including: management control of IJVs, autonomy granted to the IJV management, trust between IJV partners and the perceptions of cultural differences between IJV partners. It involves a survey of 109 parent firms from Europe, North America and Australia that have formed joint ventures with foreign firms. This study in part is a replication of the studies conducted with some of the same hypotheses examined but with extension to a different data set. A distinguishing feature of this thesis is that it examines the perspectives of the respondent companies with respect to the influence of "soft" variables, such as autonomy, trust and culture, on the effective management of these international interfirm relationships. There is a lack of research which integrates these factors. In addition, there are few studies which employ perceptual measures for these variables. This study attempts to fill these research gaps using data collected from partner firms involved in IJVs.

9.3 Research Methods of the Study

There is no publicly available database which provides detailed information on these core dimensions of IJV activity identified as the key concerns of this study. In order to obtain the requisite level of detail, it was necessary to approach the parent firms directly. As adopted by previous studies on the research topic (notably, Glaister and Buckley, 1996;

1997; 1998; 2002; Tatoglu and Glaister, 1996; 1997; 1998; Dong and Glaister, 2007), this study employed a questionnaire survey to collect data. It is argued that methods employed in previous studies can be a criterion for choosing data collection methods.

The issue of which survey method to employ to collect primary data involved a consideration of the advantages and disadvantages of personal interviewing, telephone interviewing and mail questionnaire. Given the nature of the information being sought (both factual and opinion based covering several key areas of JV activity) and in order to elicit the required information from as large a sample as possible within the cost and time constraints of the study, it was decided to administer a mail questionnaire as the most appropriate method. While conducting a personal interview with the key manager in each parent firm would have been useful, such an approach was not feasible. The final form of the questionnaire was derived from a process that included questions reported in the extant literature, consultation with experts and information obtained from semi-structured personal interviews with managers who were knowledgeable about their companies' joint venture operations.

In administering the mail survey, the study attempted to follow several of the guidelines suggested by Diamantopoulos and Schlegelmilch (1996) in order to enhance the rate of response. To ensure good-quality replies and to enhance the response rate, the most senior and knowledgeable informants were identified to whom the questionnaire was addressed. The standard practice of assuring and guaranteeing anonymity for respondents was followed. Recognising that data for very new JVs might not be meaningful, it was decided to select only those JVs that had been in existence for at least one year at the time of data collection.

A sample of foreign equity ventures in Turkey was drawn from the GDFI database. Of the 1096 companies initially contacted by a warm-up letter, only 16 warm-up letters were completed with the required information and returned by fax/post. For the list of 1096 equity ventures in Turkey, the postal addresses of the foreign parent companies and the names of the executives to contact in these companies were identified. 231 questionnaires were sent by mail to foreign parents located in USA, Europe, Russia and Far East. Despite these various attempts with this sample of foreign equity ventures in Turkey, a total of 11 questionnaires were completed and returned, resulting in a response rate of 4.76%.

The sampling frame for the research study had to be changed and this new sampling frame was drawn from the OSIRIS database. It was decided to target the companies in the UK, USA, Canada and Australia as it was assumed these English speaking countries would find it easier to answer the questionnaire and would be more likely to respond. A total of 931 companies were identified but this does not constitute a definite figure for the sample size as it was not possible to identify with certainty whether or not some of the companies had domestic joint ventures or international joint ventures. For some companies more than one questionnaire was sent to potential respondents and a total of 1767 questionnaires were posted to 931 companies. An e-mail survey was conducted as a follow-up for the mail survey posted to this sample identified from the OSIRIS database. The e-mails and the attached questionnaires were sent to the same companies and the executives or directors which the mail survey was sent.

As a result, regarding the OSIRIS sample, consisting of UK, USA, Canadian and Australian companies, 30 questionnaires were received by the mail survey and 90 questionnaires were received by the follow-up e-mail survey. The aim of the study is to examine the management and the performance of international joint ventures. Hence, it was decided to exclude the questionnaires that were completed with regards to domestic joint ventures (22 questionnaires) from the analysis and to use these completed questionnaires for future research. Therefore, 98 usable questionnaires were obtained from the OSIRIS sample and 11 usable questionnaires were obtained from the sample of foreign equity ventures in Turkey, resulting in a total of 109 usable questionnaires.

9.4 Summary of Findings

Table 9.1 summarises the research hypotheses developed, the level of support obtained for these hypotheses, and the type of statistical techniques used to test the hypotheses.

Table 9.1 Summary of Hypotheses

Subject	Hypothesis	Level of Support	Statistical Technique Used
The Nature of Management Control in IJVs (Chapter 4)	Hypothesis 1: Parent firms will seek to focus their control over particular activities of the JV rather than attempting to achieve overall control of the venture.	Strong support	Frequencies
	Hypothesis 2: If a parent is a minority shareholder, then more of the other mechanisms of joint venture control will be derived from this parent.	Strong support	Mann–Whitney Test
	Hypothesis 3: If the parent company has contributed fewer members to the joint venture management team (i.e. the source of the management team is mainly derived from the partner company), more of the other mechanisms of control will be derived from this parent.	Strong support	Mann–Whitney Test

	Hypothesis 4: Parents who dominate or have responsibility for management control will have a higher perceived level of satisfaction of JV performance than those parents who do not dominate or have responsibility for management control.	Weak support	Two-sample t-test
The Autonomy Granted to Joint Ventures (Chapter 5)	Hypothesis 1: IJV managers have a relatively high degree of operational autonomy but relatively low levels of strategic autonomy in decision-making.	Strong support	Factor Analysis
	Hypothesis 2: If the IJV is performing well then the IJV management will be afforded a high level of autonomy. If the IJV is performing poorly then the autonomy of the IJV management will be curtailed. IJV autonomy will be positively associated with the perceived IJV performance.	Strong support	Chi-Square; Spearman's rho
	Hypothesis 3: The degree of autonomy will be expected to increase as the IJV matures.	No support	Chi-Square; Spearman's rho

The Perceptions of Cultural Differences and the Management of Culture (Chapter 6)	Hypothesis 1: From the perspective of the parent firms, corporate culture differences will be a more important factor contributing to different views on the management of JVs compared with national culture differences.	Strong support	Two-sample t-test
	Hypothesis 2a: The perceptions and the effects of national culture differences will be less in older joint ventures than in younger joint ventures.	No support	Two-sample t-test
	Hypothesis 2b: The perceptions and the effects of corporate culture differences will be less in older joint ventures than in younger joint ventures.	Weak support	Two-sample t-test
	Hypothesis 3a: National culture differences will be perceived as being more important for joint venture outcomes in parent firms that have adopted policies of culture management compared with those parent firms that have not.	Strong support	Two-sample t-test

	Hypothesis 3b: Corporate culture differences will be perceived as being more important for joint venture outcomes in parent firms that have adopted policies of culture management compared with those parent firms that have not.	Strong support	Two-sample t-test
	Hypothesis 4a: The greater the national culture differences perceived by the parent firms then the greater the impact of national cultural differences on JV performance.	Strong support	Spearman's rho
	Hypothesis 4b: The greater the corporate culture differences perceived by the parent firms then the greater the impact of corporate cultural differences on JV performance.	Strong support	Spearman's rho
	Hypothesis 5a: The greater the national cultural differences contributing to different views on the management of the JV then the less satisfied will be the parent firms with JV performance.	Strong support	Spearman's rho

	Hypothesis 5b: The greater the corporate cultural differences contributing to different views on the management of the JV then the less satisfied will be the parent firms with JV performance.	Strong support	Spearman's rho
	Hypothesis 6a: The smaller the national culture differences contributing to differing views on JV management then the greater the autonomy granted to JV management.	No support	Spearman's rho
	Hypothesis 6b: The smaller the corporate culture differences contributing to differing views on JV management then the greater the autonomy granted to JV management.	Weak support	Spearman's rho
Antecedents and Consequences of Trust between Joint Venture Partner Firms (Chapter 7)	Hypothesis 1: The greater the satisfaction with JV performance, the greater the level of trust between the JV partner firms.	Strong support	Spearman's rho
	Hypothesis 2: The smaller the perceptions of	Weak support	Spearman's rho

	national cultural differences between the JV partner firms, the greater the level of trust between the JV partner firms.		
	Hypothesis 3: The smaller the perceptions of corporate cultural differences between the JV partner firms, the greater the level of trust between the JV partner firms.	Strong support	Spearman's rho
	Hypothesis 4: The greater the level of trust between the JV partner firms, the greater the satisfaction with JV performance.	Strong support	Ordinal Regression
	Hypothesis 5: The greater the level of trust between the JV partner firms, the greater the degree of autonomy granted to the JV management.	Strong support	Ordinal Regression
Determinants of IJV Performance (Chapter 8)	Hypothesis 1: Dominant control of the IJV by one parent will contribute to a greater extent to which the performance expectations are met than will an	Strong support	Spearman's rho; ANOVA

	equally owned JV.		
	Hypothesis 2: The greater the level of autonomy granted to the JV management the greater the extent to which the performance expectations are met.	Strong support	Spearman's rho; ANOVA
	Hypothesis 3: The greater the level of trust between the partner firms the greater the extent to which the performance expectations are met.	Strong support	Spearman's rho; ANOVA
	Hypothesis 4: The smaller the perceptions of national cultural differences between the parent firms the greater the extent to which the performance expectations are met.	No support	Spearman's rho; ANOVA
	Hypothesis 5: The smaller the perceptions of corporate cultural differences the greater the extent to which the performance expectations are met.	Weak support	Spearman's rho; ANOVA

Following the chapter order, the main findings of this study are summarised as follows:

9.4.1 The Nature of Management Control in IJVs

Chapter 4 provides new evidence on the relationships between the dimensions of management control and the performance of a sample of JVs. The perspective of this chapter is an empirical investigation of the nature of management control exercised by the parent firms over the joint ventures. The main goals of the chapter are to identify the dimensions of management control and to test hypotheses on the relationship between dimensions of control and the performance of IJVs. The parent firms will seek to focus their control over particular activities of the JV rather than attempting to achieve overall control of the venture. The parent firms are less concerned with operational decisions but are more involved with strategic decisions relating to the joint venture. The evidence indicates that different parents will be more active in different functional areas of management. This particular focus of control is likely to be a function of the relative competencies and pressing interests of the separate partners. If a parent is a minority shareholder, then more of the other mechanisms of control will be derived from this parent. Parents that are minority shareholders appear to have been able to compensate for their lack of control associated with a relatively small equity shareholding by securing other mechanisms of control. If the parent has fewer members on the management team (i.e. the source of the management team is mainly derived from the partner company), more of the other mechanisms of control will be derived from this parent. Parents who dominate or have responsibility for management control will have a higher perceived level of satisfaction of JV performance than those parents who do not dominate or have responsibility for management control.

9.4.2 The Autonomy Granted to Joint Ventures

Chapter 5 provides evidence on the nature of autonomy in a sample of IJVs. The overall concept of autonomy is examined by discussing differences in the management and control of decision-making as categorized by operational versus strategic decisions. Furthermore, the influence of IJV performance and IJV duration on autonomy is considered. The perceptual measure of autonomy shows that the respondents consider that there is a relatively high degree of autonomy afforded the IJVs in this study. A broad, preliminary assessment of the perception of autonomy in the IJVs indicated the perception of a fair (but certainly not a complete) degree of autonomy of decision-making on the part of IJV managers. An attempt was made to identify a parsimonious set of variables to determine the underlying primary dimensions of decision-making autonomy for the sample data. Exploratory factor analysis (EFA) using varimax rotation was used to extract the underlying constructs and produced five underlying factors which made good conceptual sense. The five factors may be summarized as: *Design and Technology Management, Marketing Management, Strategic Management, HRM and Operational Management.*

The findings of the study show that there is a spectrum of autonomy across decision-making areas. IJV managers have a relatively high degree of operational autonomy but relatively low levels of strategic autonomy in decision-making. As performance improves, an extension of autonomy is likely to be granted in some decision-making areas. There was no relationship found between the age of the IJV and autonomy. In broad terms IJV management cannot presume that there will be a simple extension of autonomy of decision-making as the venture matures. IJV autonomy is a rather fuzzy concept unless the distinction is drawn between strategic autonomy and operational autonomy. Giving an IJV management enough autonomy to genuinely run an independent business, but at the same time making sure that major strategic decisions are taken by equity partners, is a delicate task. Further, IJV management autonomy is not guaranteed but is conditional on IJV performance satisfying partner goals.

9.4.3 The Perceptions of Cultural Differences and the Management of Culture

Chapter 6 considers the relative importance of both national culture and corporate culture differences on the management of the joint venture. This study in part is a replication of the studies conducted by Dong and Glaister (2007a, 2007b) with some of the same hypotheses examined but with extension to a different data set. From the perspective of the parent firms, corporate culture differences are a more important factor contributing to different views on the management of JVs compared with national culture differences. This is in contrast to Dong and Glaister (2007a) who found that national culture differences contributed more to the different views between Chinese and foreign managers on the management of the ISA than did corporate culture differences, however, the difference was marginal in the mean responses and not significant. There is some evidence to indicate that differences in national culture and corporate culture have a differential impact on aspects of the joint venture. These findings support those provided by Dong and Glaister (2007a).

Prior studies have reported inconsistent findings regarding the effect of joint venture age on the perceptions of cultural differences. The findings show that the perceptions of national culture and the contribution of those differences to differing views on the management of JVs were more in relatively older JVs compared with younger JVs. However, no statistically significant difference in means was found between these two joint venture groups, indicating that joint venture duration does not moderate the perceptions of the effects of national culture differences on JVs. These findings are in contrast to Dong and Glaister (2007a) who found that the perceptions of national culture differences and of national culture differences contributing to different views on ISA management have significantly lower mean scores for Older alliances compared to Younger alliances, providing partial support for this hypothesis. On the other hand, the perceptions of corporate culture and the contribution of those differences to differing views on the management of JVs were less in relatively older JVs compared with younger JVs. This provides some support to Dong and Glaister (2007a) who found that the perceptions of corporate culture differences and corporate culture differences contributing to different views on ISA management have significantly lower mean scores for Older alliances compared to those of Younger alliances. This study finds that alliance age appears to moderate the relationship between cultural diversity and JV management for corporate culture differences, but not for national culture differences.

A key finding of the study is that the more that national and corporate culture differences are perceived to impact on JV outcomes, including performance, effective management, autonomy granted to JV management and the degree of trust between partner firms at various relationship levels, the more likely a policy of active culture management becomes. The findings show that the perceptions of culture difference are reduced in firms adopting culture management policies. The effect of national culture differences is perceived as being more important for JV outcomes than corporate cultural differences. This suggests that active culture management is found to be rather more effective in reducing the perceived effects of national culture differences compared with corporate culture differences.

The last three hypotheses are new to this study and it appears that corporate culture is more significant than national culture in terms of findings. There were significant correlations between the perceptions of cultural differences and the impact of cultural differences on JV performance. However, perceived corporate culture differences had a greater impact on JV performance than perceived national culture differences. The findings also provide strong support for the relationship between cultural differences contributing to different views on JV management and satisfaction of parent firms with JV performance. Corporate cultural differences had a stronger relationship with the satisfaction of parent firms with JV performance than did national cultural differences. The findings indicated that the respondents appeared to be reluctant to grant autonomy to IJV managers even when the national culture differences contributing to differing views on JV management are small. Corporate culture differences contributing to differing views on JV management were more significantly correlated with autonomy granted compared to national culture differences contributing to differing views on JV management.

9.4.4 The Antecedents and Consequences of Trust between Joint Venture Partner Firms

Chapter 7 developed an empirically testable framework of JV trust with a focus on trust's antecedents and consequences. The framework treated the perceptions of national and corporate culture differences as antecedents to trust, the degree of JV autonomy granted as a consequence of trust and JV performance as both antecedent to and consequence of trust. This chapter's objective was to deepen the understanding of JV trust and to provide a new empirical contribution. An attempt was made to identify a parsimonious set of variables to determine the underlying primary dimensions of 10 statements measuring trust elements related to the respondent firm. Exploratory factor analysis (EFA) using varimax rotation was used to extract the underlying constructs and produced two underlying factors. The two factors may be summarized as: "*not damage and trust*" and "*building trust*". Similarly, an attempt was made to identify a parsimonious set of variables to determine the underlying primary dimensions of the 16 statements measuring trust elements related to the partner firm. Exploratory factor analysis (EFA) using varimax rotation was used to extract the underlying constructs and produced three underlying factors. The three factors may be summarized as: "*partner capable and committed*", "*partner deceives*" and "*partner cares*".

The findings confirmed that the greater the satisfaction with JV performance, the greater the level of trust between the parent firms. This chapter found little support for the relevance of national cultural differences in trust development. In contrast, this study found that perceptions of corporate cultural differences between JV partner firms are related to the level of trust building. The findings showed that the smaller the perceptions of corporate cultural differences between the JV partner firms, the greater the level of trust between the JV partner firms. This indicates that the level of trust is determined more by corporate culture similarities than by national culture similarities. The results confirmed the positive effect of trust as a driving force in sound IJV performance. Few prior studies have examined the relationship between autonomy and trust. The findings make a contribution by confirming that the greater the level of trust between the parent firms, the greater the degree of autonomy granted to the JV management.

9.4.5 Determinants of IJV Performance

Chapter 8 investigates the factors influencing the performance of IJVs i.e. performance determinants. A conceptual framework was proposed in this study, which identified the determinants of IJV performance as the dominant control of IJV by one parent firm, the level of autonomy granted to the IJV management, the level of trust between the partner firms, the perceptions of differences in the national cultures of IJV partners and the perceptions of differences in the corporate cultures of IJV partners. While past research has also suggested other factors critical to joint venture success, the four factors that have been consistently identified as being important to joint venture performance were selected for study. An attempt was made to identify a parsimonious set of variables to determine the underlying primary dimensions of 15 performance expectations for the sample data. Exploratory factor analysis (EFA) using varimax rotation was used to extract the underlying constructs and produced two underlying factors. The two factors may be summarized as: *"Profitability and Efficiency"* and *"Development and Effectiveness"*.

The evidence from this sample indicates that dominant control of the IJV by one of the parent firms will lead to a greater extent to which performance expectations have been met by the actual performance. The data provides support for the predicted positive relationship between autonomy granted to the IJV management and JV performance expectations. The positive impact of trust on the performance expectations is confirmed to influence performance expectations. It has been argued that cultural distance is an important factor in alliance performance but this assertion is only partially confirmed in this study. Rather, the results echo those of many previous research studies in finding that the impact of the cultural distance between parents is mixed and unclear. The predicted negative effect of perceptions of national culture differences on the IJV performance expectations was rejected, as the findings were not significant. On the other hand, the expected negative effect of perceptions of corporate culture differences on IJV performance expectations was partially supported.

9.4.6 Overall Summary

The focus of the study was the investigation of the relationships between the factors influencing the management and the performance of IJVs. The factors influencing the management and the performance of IJVs consist of: management control of IJVs, autonomy granted to the IJV management, trust between IJV partners and perceptions of cultural differences between IJV partners. This study involves a survey of 109 parent firms from Europe, North America and Australia that have formed joint ventures with foreign firms.

The aim of this study was to address mainly the following relationships: (1) Does performance of the IJV vary with the level of management control?; (2) Does performance of the IJV vary with the level of autonomy granted to the IJV management?; (3) Does performance of the IJV vary with the perceptions of culture differences between the IJV partners?; (4) Does autonomy granted to the JV management vary with the perceptions of culture differences between the IJV partners?; (5) Does performance of the IJV influence trust between the IJV partners?; (6) Do the perceptions of culture differences between the IJV partners influence trust between the IJV partners?; (7) Does trust between the IJV partners influence the level of autonomy granted to the IJV management?; (8) Does trust between the IJV partners influence performance of the IJV?; and (9) Does the level of autonomy granted to the IJV management influence the performance of the IJV?.

This study provides new evidence on the relationships between the dimensions of management control and the performance of a sample of JVs. The findings showed that the parent firms will seek to focus their control over particular activities of the JV rather than attempting to achieve overall control of the venture. The parent firms are less concerned with operational decisions but are more involved with strategic decisions relating to the joint venture. Parents that are minority shareholders appear to have been able to compensate for their lack of control associated with a relatively small equity shareholding by securing other mechanisms of control. If the parent has fewer members on the management team (i.e. the source of the management team is mainly derived from the partner company) then more of the other mechanisms of control will be derived from this parent.

Parents who dominate or have responsibility for management control will have a higher perceived level of satisfaction of JV performance than those parents who do not dominate or have responsibility for management control. The evidence from this study indicates that dominant control of the IJV by one of the parent firms will lead to a greater extent to which performance expectations have been met by the actual performance. Control through equity ownership must be implemented carefully. Mjoen and Tallman (1997) found the role of equity as a determinant of control to be highly questionable and suggested instead that controls over JV activities seemed to be more descriptive of actual JV control mechanisms. A majority ownership is not only costly, but may also be detrimental to satisfactory performance.

The perceptual measure of autonomy shows that the respondents consider that there is a relatively high degree of autonomy afforded the IJVs in this study. The findings of the study show that there is a spectrum of autonomy across decision-making areas. IJV managers have a relatively high degree of operational autonomy but relatively low levels of strategic autonomy in decision-making. As performance improves, an extension of autonomy is likely to be granted in some decision-making areas. The findings also showed that JV autonomy directly affects JV performance expectations. This result is in line with the ideas postulated in studies such as those of Killing (1983) and Newburry and Zeira (1999). Killing (1983) noted that JV parents loosen or increase control over their ventures as a response to their performance. A key finding from Glaister et al.'s (2003) study is that in general greater IJV autonomy is positively associated with perceived performance of the IJV.

This study considers the relative importance of both perceptions of national culture and corporate culture differences on the management of the joint venture. From the perspective of the parent firms, corporate culture differences are a more important factor contributing to different views on the management of JVs compared with national culture differences. This is in contrast to Dong and Glaister (2007a) who found that national culture differences contributed more to the different views between Chinese and foreign managers on the management of the ISA than did corporate culture differences, however, the difference was marginal in the mean responses and not significant.

Prior studies have reported inconsistent findings regarding the effect of joint venture age on the perceptions of cultural differences. This study finds that alliance age appears to moderate the relationship between cultural diversity and JV management for corporate culture differences, but not for national culture differences. These findings provide partial support to Dong and Glaister (2007a) who found that perceptions of national culture and corporate culture differences and the contribution of those differences to differing views on the management of ISAs are greater in relatively younger ISAs compared with older ISAs.

A key finding of the study is that the more that national and corporate culture differences are perceived to impact on JV outcomes, including performance, effective management, autonomy granted to JV management and the degree of trust between partner firms at various relationship levels, the more likely a policy of active culture management becomes. The rationale for adopting active culture management, therefore, lies in the perceived effect of culture differences on JV outcomes.

The findings show that the perceptions of culture differences are reduced in firms adopting culture management policies. The effect of national culture differences is perceived as being more important for JV outcomes than corporate cultural differences. This suggests that active culture management is found to be rather more effective in reducing the perceived effects of national culture differences compared with corporate culture differences.

It has been argued that cultural distance is an important factor in alliance performance but this assertion is only partially confirmed in this study. Rather, the results echo those of many previous research studies in finding that the impact of the cultural distance between parents is mixed and unclear. The presumed negative effect of the perceptions of national culture differences on the IJV performance expectations was rejected, as the findings were not significant. Although several researchers reported that differences in the national cultures are a source of poor communication, inadequate cooperation, lack of commitment, and ineffective conflict resolution between the IJV partners (Harrigan, 1988; Mohr and Spekman, 1994; Parkhe, 1991), some argue that these differences may help IJV partners learn how to operate with a foreign partner (Barkema and Vermeulen, 1997) and may enhance the firm's learning capabilities (Makhija and Ganesh, 1997). Similarity in the corporate cultures of partner companies is found to enhance IJV performance expectations. The positive influence of similarity in the corporate cultures of IJV partners was an expected result since the literature does not provide any contrary findings.

It was found that the greater the cultural differences perceived by the parent firms then the greater the impact of corporate cultural differences on JV performance. However, perceived corporate culture differences had a greater impact on JV performance than perceived national culture differences. The findings also confirmed that the greater the cultural differences contributing to different views on JV management then the less satisfied the parent firms will be with JV performance. Corporate cultural differences had a stronger relationship with the satisfaction of parent firms with JV performance than did national cultural differences.

The findings indicated that the respondents appeared to be reluctant to grant autonomy to IJV managers even when the national culture differences contributing to differing views on JV management are small. Corporate culture differences contributing to differing views on JV management were more significantly correlated with autonomy granted compared to national culture differences contributing to differing views on JV management.

A prevalent notion in the trust literature is that trust between organizations is an important independent variable of performance because it facilitates enhanced cooperation, transaction cost savings, capability improvement and increased strategic flexibility (Gulati, 1995; Mayer et al., 1995; McAllister, 1995; Smith, et al., 1995). The results confirmed the positive effect of trust as a driving force in sound IJV performance. As such, for IJV partners, trust-building as a social process should be viewed as a capital investment in a long-term asset that eventually manifests itself through greater returns (Madhok, 2006). Hence, this study provides support to previous findings of the importance of trust in explaining joint venture behaviour and success (e.g. Ng et al., 2007). The argument that performance leads to trust has merit as well. The findings confirmed that the greater the satisfaction with JV performance, the greater the level of trust between the parent firms. Poor performance may cause distrust between the partners, which leads to poor long-term JV performance (Killing, 1983).

This study found little support for the relevance of national cultural differences in cross-cultural trust development. In contrast, this study found that corporate cultural differences between JV partner firms are related to the level of trust building. This indicates that the level of trust is determined more by corporate culture similarities than by national culture similarities. This may be because IJV partners with dissimilar organizational cultures may spend more time and energy establishing mutual managerial practices and routines than partners with similar organizational cultures (Park and Ungson, 1997), which leads to lower trust between parent firms.

Few prior studies have examined the relationship between autonomy and trust. The findings showed that the greater the level of trust between the JV partner firms, the greater the degree of autonomy granted to the JV management. With granting autonomy, overseas headquarters delegate more responsibilities and decision-making authorities to the local senior managers (Wong and Law, 1999). Foreign firms and local staff can gain a better understanding of each other, which leads to familiarity and the grounds for trust development (Luhmann, 1988). In a reciprocal manner the development of trust will enhance the granting of autonomy.

9.5 Contribution of the Study

The present study investigated some core aspects of the management of international joint ventures with parent firms from Europe, North America and Australia. This study in part is a replication of the studies conducted with some of the same hypotheses examined but with extension to a different data set. Therefore, a contribution of the research was the extension of existing empirical work to a new area of the world. The purpose of this study was to add to our knowledge about international business and to provide new evidence in the context of Europe, North America and Australia.

The overall concept of autonomy was examined by discussing differences in the management and control of decision-making as categorized by operational versus strategic decisions. IJV managers have most decision-making freedom in regard to daily management and ongoing operational issues and least autonomy in regard to longer-term financial issues and senior management appointees. This indicates that managers have a relatively high degree of operational autonomy but relatively low levels of strategic autonomy in decision-making. Furthermore, the influence of IJV performance and IJV duration on autonomy was considered. As performance improves, an extension of autonomy is likely to be granted in some decision-making areas. There was no relationship found between the age of the IJV and autonomy. In broad terms IJV management cannot presume that there will be a simple extension of autonomy of decision-making as the venture matures.

Knowledge embodied in the firm's national and corporate culture is an important part of its intellectual capital. As global interactions proliferate, multiply and intensify, the formation of international joint ventures are becoming an essential part of corporate strategy. The effective management of culture differences as a necessary condition to access and acquire knowledge embedded in the alliance partner, and indeed the capabilities and skills to manage cooperative arrangements effectively underline the competitive advantage of the firm.

Although this study does not provide a complete test of all the complex cultural management processes involved in IJV management, it does provide a framework for integrating the complex sociological processes underpinning the management of culture in IJVs. This study also develops several culture-related conceptual perspectives (i.e. culture-related management impediments, cultural management policies, cultural sensitivity) for investigating in more detail the underlying elements of the critical dimensions and offers empirical evidence to support (or clarify) the importance of these constructs. In so doing, this study contributes to the growing body of management research on interorganisational relationships by combining elements from diverse perspectives such as the resource-based view of the firm, transaction cost economics, organisational learning, institutional theory and resource dependence theory.

This study elucidates how national and corporate-level cultural differences are related but different from each other. The study incorporates both cultural constructs in examining the perceptions and effect of culture differences, culture-related cooperation hindrances, cultural sensitivity and cultural management policies. This study has also sought to examine the relative importance of national culture difference and corporate culture difference in effecting different views on the management of the IJVs.

One of this study's objectives was to deepen the understanding of JV trust and to provide a new empirical contribution. Previous research has suggested factors such as trustors' personality, cognitive capability, affects and exchange history, influence the formation of trust. Taking a different perspective, this study highlights the important role of trustees in trust building. This study proposes and verifies several contingency variables that moderate the level of trust. This study developed an empirically testable framework of JV trust with a focus on trust's antecedents and consequences. The framework treated national and corporate culture differences as antecedents to trust, the degree of JV autonomy granted as a consequence of trust and JV performance as both antecedent to and consequence of trust.

In the context of joint ventures, the positive link between trust and performance is validated by several systematic research efforts. A prevalent notion in the trust literature is that trust between organizations is an important independent variable of performance because it facilitates enhanced cooperation, transaction cost savings, capability improvement and increased strategic flexibility. The argument that performance leads to trust has merit as well. This study treated JV performance as both antecedent to and consequence of trust. The results confirmed the positive effect of IJV performance as a driving force in building trust. This study also provided support to previous findings of the importance of trust in explaining joint venture behaviour and success.

There is a paucity of prior studies that have examined the relationship between autonomy and trust. The findings made a contribution by confirming that the greater the level of trust between the parent firms, the greater the degree of autonomy granted to the JV management. The development of trust will enhance the granting of autonomy.

A conceptual framework was proposed, which identified the determinants of IJV performance as the dominant control of the IJV by one parent firm, the level of autonomy granted to the IJV management, the level of trust between the partner firms, the perceptions of differences in the national cultures of IJV partners and the perceptions of differences in the organizational cultures of IJV partners. This study suggests that dominant control of the IJV by one of the parent firms will lead to a greater extent to which performance expectations have been met by the actual performance. This study also finds that JV parents loosen or increase control over their ventures as a response to their performance. This finding is in line with the ideas postulated in studies such as those of Killing (1983), Newburry and Zeira (1999) and Glaister et al. (2003). It has been argued that cultural distance is an important factor in alliance performance but this assertion is only partially confirmed in this study. Rather, the results echo those of many previous research studies in finding that the impact of the cultural distance between parents is mixed and unclear. This study suggests that the perceptions of corporate culture are associated with the extent to which IJV performance expectations have been met, whereas the perceptions of national culture are not.

9.6 Managerial Implications

This study proposes that IJV autonomy is a rather fuzzy concept unless the distinction is drawn between strategic autonomy and operational autonomy. Giving an IJV management enough autonomy to genuinely run an independent business, but at the same time making sure that major strategic decisions are taken by equity partners, is a delicate task. The difficulty of this task is compounded by the dynamic evolutionary nature of the partner-management relationship over the life-cycle of the IJV. Further, IJV management autonomy is not guaranteed but is conditional on IJV performance satisfying partner goals.

This study suggests that managers need to pay attention to differences arising from both perceptions of national culture and perceptions of corporate culture between IJV partners. From the perspective of the parent firms, corporate culture differences are a more important factor contributing to different views on the management of JVs compared with national culture differences. This study finds that a wide range of contextual variables are found to be important in effecting perceptions of culture differences. It is found that culture-related problems of managing IJVs and cultural management policies have a bearing on perceived cultural differences. This study finds that cultural management policies adopted by the parent firms are useful in enhancing cultural compatibility between IJV partners. This indicates that the parent firms should be encouraged to continue, and possibly intensify, their efforts in enhancing cultural compatibility. Firms do not consider culture prior to forming international joint ventures and more can be done effectively to anticipate the issues that arise. Managerial implications can be drawn towards designing effective cultural management practices which have a focus on enhancing either national culture fit or corporate culture fit.

IJV parent firms have long faced the challenge of building trust and deterring opportunistic behavior. Parent firms must start or strengthen their active trust development initiatives to build the trust of partner firms and IJV managers. Poor performance may cause distrust between the partners, which leads to poor long-term JV performance. The relationship between JV parent firms is built on trust when performance outcomes exceed expectations and hence neither partner questions the actions and motives of the other. It must be emphasized that negotiating and forming a JV initiates a dynamic relationship that, to be successful, will have to go through a series of transitions. Over time, as the partners and partner managers learn about each other and the JV becomes an operating entity, the level of trust will change.

With the globalization of business activities, trust building increasingly involves cross-cultural interactions. The findings indicate that the level of trust is determined more by corporate culture similarities than by national culture similarities. This may be because IJV partners with dissimilar organizational cultures may spend more time and energy establishing mutual managerial practices and routines than partners with similar organizational cultures, which leads to lower trust between parent firms. The results confirmed the positive effect of trust as a driving force in sound IJV performance. As such, for IJV partners, trust-building as a social process should be viewed as a capital investment in a long-term asset that eventually manifests itself through greater returns. Hence, this study provides support to previous findings of the importance of trust in explaining joint venture behaviour and success. Few prior studies have examined the relationship between autonomy and trust. By granting autonomy, overseas headquarters delegate more responsibilities and decision-making authorities to the local senior managers. Foreign firms and local staff can gain a better understanding of each other, which leads to familiarity and the grounds for trust development. In a reciprocal manner the development of trust will enhance the granting of autonomy.

The evidence from this sample indicates that dominant control of the IJV by one of the parent firms will lead to a greater extent to which performance expectations have been met by the actual performance. Control through equity ownership must be implemented carefully. Mjoen and Tallman (1997) found the role of equity as a determinant of control to be highly questionable and suggested instead that controls over JV activities seemed to be more descriptive of actual JV control mechanisms. A majority ownership is not only costly, but may also be detrimental to satisfactory performance. In particular, given the logic behind the partners' preference for shared ownership, a partner should fight for a majority equity position only if it anticipates conflicts on strategic matters. On the other hand, management control may not be a major concern as the partners normally understand the performance benefits of allowing their counterparts to run the business.

It has been argued that cultural distance is an important factor in alliance performance but this assertion is only partially confirmed in this study. Rather, the results echo those of many previous research studies in finding that the impact of the cultural distance between parents is mixed and unclear. Although several researchers reported that differences in the national cultures are a source of poor communication, inadequate cooperation, lack of commitment, and ineffective conflict resolution between the IJV partners (Harrigan, 1988; Mohr and Spekman, 1994; Parkhe, 1991), some argue that these differences may help IJV partners learn how to operate with a foreign partner (Barkema and Vermeulen, 1997) and may enhance the firm's learning capabilities (Makhija and Ganesh, 1997). The positive influence of similarity in the organizational cultures of IJV partners was an expected result since the literature does not provide any contrary findings. This may be because IJV partners with dissimilar organizational cultures may spend more time and energy to establish mutual managerial practices and routines than partners with similar organizational cultures (Park and Ungson, 1997), which leads to lower performance expectations.

9.7 Limitations of the Study

An important issue arises in the manner by which this study has been designed and executed. The study has been established in terms of collecting 'hard' data with the intention of engaging in formal hypotheses testing by means of standard statistical techniques. Parkhe (1993) notes that this approach may be premature given the present stage of development in the field. This study relied on a self-report, questionnaire survey to collect data, and as such it cannot provide richer contextual information for the issues under consideration. In addition, the study is cross-sectional, and collects data for a particular point in time. As such, it has limitations in exploring the dynamics involved in the management of IJVs. Longitudinal case studies may be more instrumental in disentangling the evolution of joint ventures, rather than relying on cross-section data.

An obvious weakness of the research method employed in this study is that it is conducted from the perspective of one JV parent and it relies on data from a single respondent in each parent firm. Since IJVs involve at least three individual organizational entities - a foreign parent, a local parent, and the venture's management, multisource data collection is necessary. A key informant approach may have introduced a level of respondent bias arising from the informant's false recollection or inability to decipher accurately on all dimensions of the questionnaire (due to their constrained role and responsibilities). Recognising this weakness, a better data collection approach would involve obtaining data from multiple respondents within each of the parent firms. The use of single key informants has limited the ability to probe multiple dimensions of the concept. Additionally, even if multiple informants who are competent are identified, a perceptual agreement problem may exist because these informants may have systematically different perceptions based on different roles (e.g., an informant who has been involved in a JV from the start-up, versus an informant who has been brought in later to run the operations of a JV). The limitations of this study in relying on a single respondent assumed to be knowledgeable for a wide range of activities in the IJVs should be borne in mind when interpreting the results of the study.

On a more specific issue, the data presented in the present study has both nominal and ordinal types of measurement. The majority of the hypotheses proposed in Chapters 4, 6, 7 and 8 were tested using parametric techniques. This was to some extent justified given the sufficient sample size and a satisfactory check on the underlying assumptions for a normal distribution. The non-parametric equivalent of these tests was also conducted to remove any doubts that may stem from the ordinal nature of the data. Additionally, the study uses exploratory factor analysis to provide a parsimonious set of variables for the sample. While the technically correct input for this statistical technique should be either interval or ratio-level data, it has been assumed in this study that the ordinal data may be considered as sufficiently approximating interval-level data to warrant the use of factor analysis. Such an assumption is common in much of the prior empirical literature in the field. It is necessary, however, to exercise a degree of caution in interpreting the results of the study.

9.8 Areas for Future Research

The individual chapters have addressed the areas for future research relating to the particular research questions investigated in the study, so the purpose here is to pinpoint some unfinished tasks facing the field of IJV research. A basic issue in IJV research has been the failure to address many of the core concepts underlying the successful management of IJVs. Future research should endeavour to incorporate both hard and soft variables, which would be greatly facilitated by involving multiple informants and conducting longitudinal studies.

Methodologically, using both interviews and questionnaire surveys would add value to the future research in IJVs. In addition, deriving data from each of the elements of the IJV (i.e. foreign firm, local firm, and joint venture management) would overcome criticism in the literature levelled against prior IJV studies that only gather data from one, or at best two, of the IJV elements (Osland and Cavusgil, 1998). The findings of this study are based on IJVs with parent firms from Europe, North America and Australia. Future research may examine the current hypotheses in other national contexts in order to verify if the findings are generalizable.

There are several possible future research opportunities to extend the findings related to autonomy. First, the identification of the stage of the life cycle of the IJV at which increasing levels of autonomy is granted by the parents. Second, the variables that condition the granting or withdrawal of IJV autonomy by parents could be identified. Third, the nature of the relationship between autonomy and the dimensions of management control in IJVs. Comparisons of subjective (perceptual) measures and objective measures of autonomy would be instructive. Comparison studies of autonomy in subsidiary companies and IJVs would be a welcome addition to the literature.

The JV literature considers firm-level trust antecedents and consequences much more than individual level trust antecedents and consequences. More research that focuses on individual-level variables, such as managerial friendships and social ties, is needed. The antecedents of firm-level actions may be very different than the antecedents of individual-level actions. However, a research approach that attempts to understand the simultaneous influence of both sets of variables has the best chance of producing the greatest insight about how trust develops in JVs. Further research is needed on the notion of asymmetric trust, i.e. one partner trusts more than the other (Doz, 1996; Inkpen and Beamish, 1997). Additional research is also necessary on the evolution of trust. Early exchanges and prior history are crucial for establishing the foundation of trust. After the foundation is established, what factors are most important, and does initial trust differ from "older" trust? If trust is not faithfully reciprocated by one partner, what are the implications for cooperation and alliance performance? Other potential interactive effects may be considered.

The variables utilized in this study do not constitute an exhaustive list of the potential influences on the different perceptive measures of IJV performance. External factors related to industry attractiveness and environmental dynamism, as well as partner specific factors related to international experience, absorptive capacity and strategic goal alignment may provide additional insight in future studies. Future research can examine how alliance structure and motives have a role to play in IJV performance in addition to the factors examined here. Another avenue worthy of further research would be to analyse how the use of performance indicators and the differences between partner firms change over time. Yan and Gray (1994), for example, have suggested that performance measures used by partner firms may change as the venture matures. It has been well documented that IJV partners may have different goals and objectives (Yan and Gray, 1994; 1995; Osland and Cavusgil, 1996), and each may consider some performance measures as extremely relevant and critical, while other measures unimportant or irrelevant. Future empirical studies should use multiple measures that incorporate multiple parties' perspectives.

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APPENDIX A: WARM-UP LETTER

[University of Sheffield, School of Management Letterhead]

[Address]

[Date]

Dear Sir/Madam,

We are writing to ask you to participate in a confidential survey being undertaken by the Management School, University of Sheffield, U.K. The purpose of the survey is to gain a deeper understanding of the factors that influence the management and the performance of joint ventures in Turkey. The research deals with a joint venture between a Turkish partner company and a foreign partner company.

We would be grateful if you could complete the details shown in the form below regarding the names of the partner companies and the names and contact details of the partner managers. All information received will be treated with the strictest confidence.

We would be grateful if you could either e-mail the completed form to the e-mail address below or alternatively, post the completed form to the address below.

Your cooperation will greatly assist this project. Thank you very much for your help.

Yours faithfully,

Prof. Keith W. Glaister
Professor of International Strategic Management

Merve Bener
Researcher Associate International Business

Address:
Merve Bener
The Management School
The University of Sheffield
9 Mappin Street
Sheffield
S1 4DT

Fax: + 44 114 222 3494
E-mail: ecp05mb@sheffield.ac.uk

[University of Sheffield, School of Management Letterhead]

Name of joint venture:

____

Name of the Turkish partner company:

____

Manager in the Turkish Company to Contact for Information on the Joint Venture:

____

Contact Details of the Manager in the Turkish Company:

____

____

____

____

Name of the foreign partner company:

____

Manager in the Partner Company to Contact for Information on the Joint Venture:

____

Contact Details of the Manager in the Partner Company:

____

____

____

____

Please return the completed form either by **e-mail** (ecp05mb@sheffield.ac.uk), **fax** (+44 114 222 3494) or **post** (address shown on the covering letter).

APPENDIX B: COVERING LETTER
TURKEY SAMPLING FRAME

[University of Sheffield, School of Management Letterhead]

[First Name Last Name]
[Job Title]
[Address]

Management School
The University of Sheffield
9 Mappin Street
Sheffield S1 4DT
Phone: + 44 (0) 114 222 3362
Fax: + 44 (0) 114 222 3494
Web: http://www.shef.ac.uk/management/

[Date]

Dear ***[First Name Last Name]***

JOINT VENTURE: ***[Joint Venture Name]***

We are writing to ask you to participate in a confidential survey undertaken by the Management School, University of Sheffield, U.K. The purpose of the survey is to gain a deeper understanding in the factors that influence the management and the performance of joint ventures in Turkey. The research deals with a joint venture in Turkey between your company and a foreign partner company.

With Turkey likely to become an ever more important location for foreign investments, this research will provide valuable insights to both managers and researchers who are interested in the current business environment of Turkey. Very little systematic data exist on joint venture activity and it is intended that the findings will be useful, not only to academics interested in this area, but also to practising managers. Your cooperation will greatly assist this project. Please find enclosed a questionnaire that we would like you to complete. Please note that the questionnaire is still relevant even if the joint venture has been **terminated**.

The questionnaire is designed to be completed by someone who has a good knowledge of the management and performance of the joint venture. If you are personally unable to respond please pass the questionnaire to a colleague with the relevant knowledge. Completing the questionnaire will only take a **short time** and you will make a valuable contribution to our research study. In appreciation of your participation, we will be pleased to send you a summary of the research findings when the study is completed.

We assure you that your individual responses will be analysed **anonymously** and held in **strict confidentiality**. Neither you nor your organisation will be identified during the analysis and report stages of the project. We would stress that the results will be presented in highly aggregate form and no other person or organisation will be able to identify your responses.

We look forward to receiving your completed questionnaire. Thank you very much for your cooperation.

Yours sincerely,

[Signature]
Prof. Keith W. Glaister
Professor of International Strategic Management

[Signature]
Merve Bener
Researcher in International Business

APPENDIX C: COVERING LETTER
OSIRIS SAMPLING FRAME

[University of Sheffield, School of Management Letterhead]

[First Name Last Name]
[Job Title]
[Address]

Management School
The University of Sheffield
9 Mappin Street
Sheffield S1 4DT
Phone: + 44 (0) 114 222 3362
Fax: + 44 (0) 114 222 3494
Web: http://www.shef.ac.uk/management/

[Date]

Dear *[First Name Last Name]*

JOINT VENTURES

We are writing to ask you to participate in a confidential survey undertaken by the Management School, University of Sheffield. The purpose of the survey is to gain a deeper understanding of the factors that influence the management and the performance of joint ventures. The research deals with a joint venture between your company and a partner company.

Very little systematic data exists on joint venture activity and it is intended that the findings will be useful, not only to academics interested in this area, but also to practising managers. Your cooperation will greatly assist this project. Please find enclosed a questionnaire that we would like you to complete. Please note that the questionnaire is still relevant even if the joint venture has been **terminated**.

The questionnaire is designed to be completed by someone who has a good knowledge of the management and performance of the joint venture. If you are personally unable to respond please pass the questionnaire to a colleague with the relevant knowledge. Completing the questionnaire will only take a **short time** and you will make a valuable contribution to our research study. In appreciation of your participation, we will be pleased to send you a summary of the research findings when the study is completed.

We assure you that your individual responses will be analysed **anonymously** and held in **strict confidentiality**. Neither you nor your organisation will be identified during the analysis and report stages of the project. We would stress that the results will be presented in highly aggregate form and no other person or organisation will be able to identify your responses.

We look forward to receiving your completed questionnaire. Thank you very much for your cooperation.

Yours sincerely,

[Signature]
Keith W. Glaister
Professor of International Strategic Management

[Signature]
Merve Bener
Researcher in International Business

APPENDIX D: QUESTIONNAIRE

[University of Sheffield, School of Management Letterhead]

Questionnaire Survey

The Management and Performance of Joint Ventures

This questionnaire concerns a joint venture between your company and a partner company. Please note:

(1) A joint venture (JV) involves two or more legally distinct organizations (the parents), each of which actively participates in the decision-making activities of the jointly owned entity. A joint venture is further defined here as an affiliate where foreign ownership falls between 10 per cent and 90 per cent.

(2) If at least one parent organization is headquartered outside the JV's country of operation, or if the venture has a significant level of operations in more than one country, then it is considered to be an international joint venture (IJV).

(3) Please answer the questions based on either a joint venture (JV) **OR** an international joint venture (IJV) your company may have.

(4) The questionnaire is still relevant even if the joint venture has been **terminated**.

(5) Most of the questions require you to indicate to what extent you agree with a statement. If you strongly disagree with the statement then circle (1), if you strongly agree with the statement then circle (5). The numbers (2), (3) and (4) enable you to indicate intermediate positions in between these two extremes.

(4) All answers will be treated in the **strictest confidence** and neither you nor your company will be identified during the analysis or publication of results.

(5) You are requested to complete the questionnaire independently and without discussion with colleagues.

Please complete and return the questionnaire to the following **address**:

Merve Bener
The Management School
The University of Sheffield
9 Mappin Street
Sheffield
S1 4DT
United Kingdom

Fax: + 44 114 222 3494
E-mail: ecp05mb@sheffield.ac.uk

I. General Background

1. Your job title: ______________________________

2. Name of your company: (optional)______________________________

3. Nationality of your company: ______________________________

4. Name of the partner company: (optional)______________________________

5. Nationality of the partner company: ______________________________

6. Name of the joint venture: (optional)______________________________

7. Nationality of the joint venture: ______________________________

8. In what year was the joint venture formed?
   Year: ______________________________

9. When the joint venture was formed, what was the major industry sector of your company, the Partner company and the joint venture? *Please tick all that apply.*

	Your Company	Partner Company	Joint Venture
(1) Food/Drink Manufacturing	[ ]	[ ]	[ ]
(2) Metals and Minerals	[ ]	[ ]	[ ]
(3) Energy	[ ]	[ ]	[ ]
(4) Construction	[ ]	[ ]	[ ]
(5) Chemicals	[ ]	[ ]	[ ]
(6) Pharmaceuticals	[ ]	[ ]	[ ]
(7) Computers	[ ]	[ ]	[ ]
(8) Telecommunications	[ ]	[ ]	[ ]
(9) Other Electrical	[ ]	[ ]	[ ]
(10) Automobiles	[ ]	[ ]	[ ]
(11) Aerospace	[ ]	[ ]	[ ]
(12) Other Manufacturing	[ ]	[ ]	[ ]
(13) Transport	[ ]	[ ]	[ ]
(14) Distribution	[ ]	[ ]	[ ]
(15) Financial Services	[ ]	[ ]	[ ]
(16) Other Services	[ ]	[ ]	[ ]
(17) Other (Please specify)	[ ]	[ ]	[ ]

____

10. At the time of the formation of the joint venture, were there any of the following business relationships between your firm and the partner firm? *Please tick.*

	Yes	No
(1) Technology transfer agreements	[ ]	[ ]
(2) Supply contracts	[ ]	[ ]
(3) Licensing/patent agreements	[ ]	[ ]
(4) Marketing agreements	[ ]	[ ]
(5) Trading partners	[ ]	[ ]
(6) Personal relationship between top management	[ ]	[ ]
(7) R&D agreements	[ ]	[ ]
(8) Joint ventures	[ ]	[ ]
(9) Other (Please specify) ____________________	[ ]	[ ]

11. From the perspective of your firm, how important were the following motives for establishing the joint venture? *Please circle indicating their importance.*

	Not at all important				Extremely important
(1) To spread investment cost and risk	1	2	3	4	5
(2) To reap the benefit of economies of scale: joint operations lower unit costs	1	2	3	4	5
(3) To enable diversification of product and/or services	1	2	3	4	5
(4) To facilitate exchange of complementary technology, patents or territories	1	2	3	4	5
(5) To effectively compete with existing competitors	1	2	3	4	5
(6) To maintain competitive position in existing markets	1	2	3	4	5
(7) To gain access to partner's knowledge of local market conditions	1	2	3	4	5
(8) To facilitate organisational learning in management systems, processes, routines	1	2	3	4	5
(9) To enable faster entry to the market	1	2	3	4	5
(10) To establish presence in the market	1	2	3	4	5
(11) To facilitate international expansion	1	2	3	4	5
(12) To transfer production to low cost location	1	2	3	4	5
(13) To obtain raw materials or natural resources	1	2	3	4	5
(14) To conform to foreign government policy	1	2	3	4	5
(15) Others (Please specify) ____________________	1	2	3	4	5

II. The Management of the Joint Venture

12. How many people are on the JV management team?
Number: ________________

13. How many members of the JV management team come from:
(1) Your company ___________
(2) Partner company ___________
(3) Third party (independent of JV) ___________

14. Who appointed the first general manager of the JV? *Please tick.*

(1) Your company [ ]
(2) Partner company [ ]
(3) Joint decision by the partners [ ]
(4) Third party (independent of JV) [ ]

15. Who was responsible for the subsequent appointment of the general manager? *Please tick.*

(1) Your company [ ]
(2) Partner company [ ]
(3) Joint decision by the partners [ ]
(4) Third party (independent of JV) [ ]

16. What share of the equity in the joint venture is held by your firm? *Please tick one.*

(i) More than 50% [ ]
(ii) Less than 50% [ ]
(iii) Exactly 50% [ ]

17. To what extent do you agree that equity ownership matches the level of control of the JV exercised by: *(Please circle)*

	Strongly disagree				Strongly agree
(1) Your company	1	2	3	4	5
(2) Partner company	1	2	3	4	5

18. Who has the power of veto over the decisions of the JV managers? *Please tick one.*

(1) Your company [ ]
(2) Partner company [ ]
(3) Both partners [ ]
(4) Neither partner [ ]

19. Who is the more active in regard to the management of the JV? *Please circle a response for each functional area.*

	Your company	Partner company	Equally active
(1) Finance	1	2	3
(2) R&D	1	2	3
(3) Production	1	2	3
(4) Distribution	1	2	3
(5) Planning	1	2	3
(6) Marketing	1	2	3
(7) HRM	1	2	3
(8) Information Technology	1	2	3
(9) Other (please specify) ________________	1	2	3

20. To what extent are the following decisions *taken jointly* by your firm and the partner firm? *Please circle a response for each area.*

	No extent				Great extent
(1) Product pricing	1	2	3	4	5
(2) Product design	1	2	3	4	5
(3) Production process	1	2	3	4	5
(4) Quality standards	1	2	3	4	5
(5) Replacing a functional manager	1	2	3	4	5
(6) Budget sales targets	1	2	3	4	5
(7) Budget cost targets	1	2	3	4	5
(8) Budget capital	1	2	3	4	5
(9) Expenditures					

21. What is the degree of overall autonomy granted to the JV management? *Please circle.*

No Autonomy				Complete Autonomy
1	2	3	4	5

22. What is the degree of JV autonomy in its decision making in the following areas? *Please circle.*

	No Autonomy				Complete Autonomy
(1) Hiring and firing non-technical personnel	1	2	3	4	5
(2) Hiring and firing technical personnel	1	2	3	4	5
(3) Pricing	1	2	3	4	5
(4) Distribution	1	2	3	4	5
(5) Marketing	1	2	3	4	5
(6) Day-to-day management	1	2	3	4	5
(7) Hiring and firing JV senior managers	1	2	3	4	5
(8) Cost control	1	2	3	4	5
(9) Manufacturing	1	2	3	4	5
(10) Patents and trademarks	1	2	3	4	5
(11) Technology and engineering of products	1	2	3	4	5
(12) Process technology	1	2	3	4	5
(13) R&D	1	2	3	4	5
(14) Financing of the JV	1	2	3	4	5
(15) Deciding capital expenditures	1	2	3	4	5
(16) Location of the JV	1	2	3	4	5

23. Since the formation of the joint venture have there been many disagreements between the partners? *Please circle.*

None				Many
1	2	3	4	5

24. Do you think your firm and the partner firm differ in their approach to the management of the JV? *Please circle.*

Always differ				Never differ
1	2	3	4	5

25. To what extent have you experienced problems with the following issues in managing the joint venture? *Please circle.*

	No problems				Major problems
(1) Differences between partners' objectives or priorities	1	2	3	4	5
(2) Different practices of managers	1	2	3	4	5
(3) HRM issues (recruitment, motivation retention, payment etc.)	1	2	3	4	5
(4) Attitudes and behaviour of partner company managers	1	2	3	4	5
(5) National cultural differences	1	2	3	4	5
(6) Corporate cultural differences	1	2	3	4	5
(7) Language barriers	1	2	3	4	5
(8) Others (Please specify) ____________________	1	2	3	4	5

26. Is there a better understanding today concerning how the JV should be managed compared to when it was first established? *Please circle.*

Not at all				Very much
1	2	3	4	5

III. Culture

Please note that this section distinguishes between **national cultural differences** i.e. differences between countries and **corporate cultural differences** i.e. differences between firms.

National cultural differences apply only to international joint ventures (IJVs). If there are no **national cultural differences** with regards to the joint venture you are replying then please go to **question 31**.

27. How great do you think the **national** cultural differences are between your company's home country and your partner company's country? *Please circle.*

Very small				Very great
1	2	3	4	5

28. How far do you think differences in **national** culture between the partners have contributed to differing views on the management of the joint venture? *Please circle.*

Not at all				A great deal
1	2	3	4	5

29. How important have differences in **national** culture between the partners been on the following? *Please circle.*

	Not important				Very important
(1) Overall performance of the joint venture	1	2	3	4	5
(2) Effective management of the joint venture	1	2	3	4	5
(3) Autonomy granted to the joint venture	1	2	3	4	5
(4) Level of trust between the partner firm managers	1	2	3	4	5

30. What has been the impact of **national** cultural differences on the performance of the joint venture?

Very little impact				Very great impact
1	2	3	4	5

31. How great do you think the **corporate** cultural differences are between your company and your partner company? *Please circle.*

Very small				Very great
1	2	3	4	5

32. How far do you think differences in **corporate** culture between the partners have contributed to differing views on the management of the joint venture? *Please circle.*

Not at all				A great deal
1	2	3	4	5

33. How important have differences in **corporate** culture between the partners been on the following? *Please circle.*

	Not important				Very important
(1) Overall performance of the joint venture	1	2	3	4	5
(2) Effective management of the joint venture	1	2	3	4	5
(3) Autonomy granted to the joint venture	1	2	3	4	5
(4) Level of trust between the partner firm managers	1	2	3	4	5

34. What has been the impact of **corporate** cultural differences on the performance of the joint venture?

Very little impact				Very great impact
1	2	3	4	5

35. In order to reduce problems associated with cultural differences, has your company or the partner company carried out any of the following activities? *Please tick a response for each company.*

	Your company		Partner company	
	Yes	No	Yes	No
(1) Conducted thorough analysis to choose a culturally compatible partner	[ ]	[ ]	[ ]	[ ]
(2) Provided training to employees involved with the joint venture	[ ]	[ ]	[ ]	[ ]
(3) Selected culturally sensitive people to work in the joint venture	[ ]	[ ]	[ ]	[ ]
(4) Removed culturally insensitive people from the joint venture	[ ]	[ ]	[ ]	[ ]
(5) Reviewed cultural problems experienced by joint venture managers	[ ]	[ ]	[ ]	[ ]
(6) Adjusted the company's procedures or practices that are culturally incompatible with the partner's	[ ]	[ ]	[ ]	[ ]
(7) Invested resources to establish or strengthen cultural compatibility between the partner firms	[ ]	[ ]	[ ]	[ ]

36. To what extent do you agree or disagree with the following statements? *Please circle a response for each statement.*

	Strongly disagree				Strongly agree
(1) In our firm, we know that business is done very differently in the partner country.	1	2	3	4	5
(2) In this relationship, we always try to show our willingness to adapt to the partner country's way of doing things.	1	2	3	4	5
(3) Our managers and representatives are aware that the norms for business communication are different in the partner country.	1	2	3	4	5
(4) In our firm, we have worked very hard to familiarize ourselves with the partner country's legal and economic environment.	1	2	3	4	5
(5) We appreciate the nature of the partner country's decision making and management techniques.	1	2	3	4	5
(6) Our managers are sensitive to the amount of time it takes the partner country managers to decide on an action.	1	2	3	4	5
(7) Our managers and representatives know not to press individual partner company managers for immediate decisions.	1	2	3	4	5
(8) We are fully aware and understand that, compared to us, the partner company needs to have much more lengthy and detailed discussions before they are comfortable committing to a course of action.	1	2	3	4	5
(9) No one in our firm seems to know anything about the partner country culture and way of doing business.	1	2	3	4	5
(10) A number of our representatives and managers speak the partner country language.	1	2	3	4	5
(11) A number of our representatives and managers spent much time learning the partner country's language.	1	2	3	4	5

37. Based on your experience, to what extent do you agree with the following statements?
Please circle a response for each statement.

	Strongly Disagree				Strongly Agree
(1) The partner country's image was important in choosing the partner.	1	2	3	4	5
(2) The partner country's culture was important in choosing the partner.	1	2	3	4	5
(3) Some **national** cultural differences are desirable because they positively influence the joint venture's performance.	1	2	3	4	5
(4) Some **corporate** cultural differences are desirable because they positively influence the joint venture's performance.	1	2	3	4	5
(5) **National** cultural differences can be more problematic in joint ventures where both partners participate in the management.	1	2	3	4	5
(6) **Corporate** cultural differences can be more problematic in joint ventures where both partners participate in the management.	1	2	3	4	5
(7) **National** cultural differences are more critical in industries where human capital is more important (e.g. consulting or service industries as opposed to, manufacturing)	1	2	3	4	5
(8) **Corporate** cultural differences are more critical in industries where human capital is more important (e.g. consulting or service industries as opposed to, manufacturing)	1	2	3	4	5
(9) If partners belong to different industries, it can be problematic for the venture's performance.	1	2	3	4	5
(10) If **national** cultural differences are extreme, they may lead to the joint venture's failure.	1	2	3	4	5
(11) If **corporate** cultural differences are extreme, they may lead to the joint venture's failure.	1	2	3	4	5

IV. Trust

38. In regard to exchange of information between your company and the partner company, to what extent does **your company** hesitate to give your partner information that is not part of the contract? *Please tick one.*

No extent				Great extent
1	2	3	4	5

39. In regard to exchange of information between your company and the partner company, to what extent does **your partner firm** hesitate to give you information that is not part of the contract? *Please tick one.*

No extent				Great extent
1	2	3	4	5

40. In general, how would you describe the relationship between the partners? *Please circle one.*

Acrimonious				Harmonious
1	2	3	4	5

41. To what extent do you agree or disagree with the following statements? *Please circle a response for each statement.*

	Strongly disagree				Strongly agree
(1) Both firms provide experienced and capable people to the joint venture.	1	2	3	4	5
(2) Each partner feels it is important not to use any proprietary information to the other partner's disadvantage.	1	2	3	4	5
(3) Neither partner makes demands that might be damaging to the other partner.	1	2	3	4	5
(4) Our partner firm prefers to use its power to get its way in the joint venture.	1	2	3	4	5
(5) Our firm is generally sceptical of the information provided to/by the partner.	1	2	3	4	5
(6) Our firm feels the business relationship with this Partner company is characterised by high levels of trust.	1	2	3	4	5
(7) Our firm generally trusts that the partner will stay within the terms of the contract.	1	2	3	4	5
(8) Both firms are willing to dedicate whatever people and resources it takes to make this joint venture a success.	1	2	3	4	5
(9) Our firm recognizes the importance of building trust with the partner.	1	2	3	4	5
(10) Our firm makes efforts to maintain fairness in exchanges with the partner.	1	2	3	4	5

42. To what extent do you agree or disagree with the following statements? *Please circle a response for each statement.*

	Strongly disagree				Strongly agree
(1) We can rely on our partner to do their part in our joint venture.	1	2	3	4	5
(2) We know that our partner is capable and competent.	1	2	3	4	5
(3) Our partner is always frank and truthful in its dealings with us.	1	2	3	4	5
(4) Our partner is very knowledgeable about everything relevant to our joint venture.	1	2	3	4	5
(5) Our partner would go out of its way to make sure our firm is not damaged or harmed in this relationship.	1	2	3	4	5
(6) In this relationship, we feel like our partner cares what happens to us.	1	2	3	4	5
(7) Our partner always looks out for our interests in our joint venture.	1	2	3	4	5
(8) We feel our partner is on our side.	1	2	3	4	5
(9) Our partner can be trusted to make sensible joint venture decisions.	1	2	3	4	5
(10) We can rely on our partner to abide by the joint venture management.	1	2	3	4	5
(11) Our partner would be quite prepared to gain advantage by deceiving us.	1	2	3	4	5
(12) Our partner would present facts to us in such a way that they look good.	1	2	3	4	5
(13) Our partner would alter the facts slightly in order to get what they want.	1	2	3	4	5
(14) Our partner would promise things even if they cannot do them later.	1	2	3	4	5
(15) Our partner would provide the joint venture's management team with a truthful picture of its business.	1	2	3	4	5
(16) Our partner firm is committed to making this joint venture a success.	1	2	3	4	5

43. Please answer the following questions with respect to the main manager whom you deal with in the partner firm. To what extent do you agree or disagree with the following statements? *Please circle a response for each statement.*

	Strongly disagree				Strongly agree
(1) Both the partner manager and I feel it is important to establish and maintain high levels of trust between us.	1	2	3	4	5
(2) I would enter into an agreement with the partner manager without asking his/her obligations to be explicitly stated.	1	2	3	4	5
(3) I think carefully before telling the partner manager my opinions.	1	2	3	4	5
(4) I minimise the information I give to the partner manager.	1	2	3	4	5
(5) I deliberately withhold some information when communicating with the partner manager.	1	2	3	4	5
(6) I watch the partner manager attentively in order to make sure he/she does not do something detrimental to my parent company.	1	2	3	4	5
(7) I keep surveillance over the partner manager after asking him/her to do something.	1	2	3	4	5
(8) I check with other people about the activities of the partner manager to make sure he/she is working on what is promised.	1	2	3	4	5
(9) I check records to verify facts stated by the partner manager.	1	2	3	4	5
(10) I feel confident when the partner manager tells me he/she will do something.	1	2	3	4	5
(11) I trust the partner manager.	1	2	3	4	5

44. To what extent is there cooperation between the joint venture partners to achieve their respective objectives? *Please circle.*

No extent				Great extent
1	2	3	4	5

45. Overall what is the degree of trust between the following? *Please circle.*

	Very low level of trust				Very high level of trust
(1) Myself and the main manager in the partner firm that I deal with.	1	2	3	4	5
(2) The middle level of managers in the partner firms.	1	2	3	4	5
(3) The top management teams of the partner firms.	1	2	3	4	5
(4) Between my company and the partner company.	1	2	3	4	5

V. Performance of the Joint Venture

If the joint venture has been terminated please answer the following questions for the time the joint venture was in existence.

46. When the joint venture was formed, was it only expected to last a certain period of time (i.e. was a definite time scale put on the joint venture relationship)? *Please tick.*

(1) Yes	[ ]	Go to question 47
(2) No	[ ]	Go to question 48

47. How many years?

_________________ Years

48. Has the joint venture been terminated? *Please tick.*

(1) Yes	[ ]	Go to question 49
(2) No	[ ]	Go to question 53

49. In which year was the joint venture terminated?

Year _________________

50. What happened to the joint venture? *Please circle one.*

(1) Bought by own company	1
(2) Bought by the partner company	2
(3) Bought by a third party	3
(4) Other (please specify) ______________________________	4

51. What was the reason for the joint venture's termination? *Please circle one.*

(1) Expiration of the fixed number of years for which the joint venture was set up	1
(2) Joint venture had fulfilled its purpose	2
(3) Joint venture's poor performance	3
(4) Host government policy to nationalise the joint venture	4
(5) Other (please specify) ______________________________	5

52. Was the joint venture considered a failure? *Tick all that apply.*

	Yes	No
(1) By your company	[ ]	[ ]
(2) By your partner company	[ ]	[ ]
(3) By the JV management	[ ]	[ ]

53. Overall, how satisfied have (i) your company, (ii) the partner company and (iii) the joint venture managers been with the joint venture performance? *Please tick according to level of satisfaction.*

	Very dissatisfied				Very satisfied
(i) Your company	1	2	3	4	5
(ii) The partner company	1	2	3	4	5
(iii) The joint venture managers	1	2	3	4	5

54. To what extent do you agree with the following statements? *Please circle.*

	Strongly disagree				Strongly agree
(1) The joint venture has resulted in more efficient/effective processes (production, R&D, service) for my firm.	1	2	3	4	5
(2) The joint venture has resulted in lower operating costs for my firm.	1	2	3	4	5
(3) The joint venture has resulted in an increase in the number of units sold by my firm.	1	2	3	4	5
(4) The joint venture has resulted in process/product modifications for my firm.	1	2	3	4	5
(5) The joint venture has resulted in exchange of technology/know-how related to a specific product/project.	1	2	3	4	5
(6) The joint venture has resulted in unexpected product/ process innovations/enhancements.	1	2	3	4	5

55. Over the duration of the joint venture, how would you rate the partner firm's general behaviour/performance in terms of acting in the best terms of the joint venture? *Please circle.*

Partner firm's behaviour/performance has been:

Much worse than expected				Much better than expected
1	2	3	4	5

56. How important is each of the following in the evaluation of the joint venture's performance? *Please circle.*

	Not at all important				Very important
(1) Return on investment	1	2	3	4	5
(2) Return on equity	1	2	3	4	5
(3) Sales growth	1	2	3	4	5
(4) Market share	1	2	3	4	5
(5) Cost control	1	2	3	4	5
(6) Labour productivity	1	2	3	4	5
(7) Management of JV	1	2	3	4	5
(8) Technology/knowledge transfer/development	1	2	3	4	5
(9) Product Design	1	2	3	4	5
(10) Quality control	1	2	3	4	5
(11) Marketing	1	2	3	4	5
(12) Customer Service	1	2	3	4	5
(13) Distribution	1	2	3	4	5
(14) Gain presence in the host country market	1	2	3	4	5
(15) Gain presence in other markets	1	2	3	4	5

57. For each of the following categories of joint venture performance, please circle the extent to which the joint venture's **actual** performance has met performance **expectations** at the time of the joint venture formation. *Please circle.*

	Expectations not met at all				Expectations fully met	No Initial expectation
(1) Return on investment	1	2	3	4	5	6
(2) Return on equity	1	2	3	4	5	6
(3) Sales growth	1	2	3	4	5	6
(4) Market share	1	2	3	4	5	6
(5) Cost control	1	2	3	4	5	6
(6) Labour productivity	1	2	3	4	5	6
(7) Management of JV	1	2	3	4	5	6
(8) Technology/knowledge transfer / development	1	2	3	4	5	6
(9) Product Design	1	2	3	4	5	6
(10) Quality control	1	2	3	4	5	6
(11) Marketing	1	2	3	4	5	6
(12) Customer Service	1	2	3	4	5	6
(13) Distribution	1	2	3	4	5	6
(14) Gain presence in the host country market	1	2	3	4	5	6
(15) Gain presence in other markets	1	2	3	4	5	6

58. How important have the following factors been to the overall performance of the joint venture? *Please circle.*

	Not at all important				Very important
(1) Level of joint venture control by each partner firm	1	2	3	4	5
(2) Level of joint venture's autonomy in decision-making	1	2	3	4	5
(3) Trust-based relationship between the partner firms	1	2	3	4	5
(4) National culture compatible between the partner firms	1	2	3	4	5
(5) Corporate culture compatible between the partner firms	1	2	3	4	5
(6) Other (please specify) ________________	1	2	3	4	5

59. To what extent do you agree with the following statements? *Please circle.*

	Strongly disagree				Strongly agree
(1) The closer the views of the partners regarding the objectives of the JV the greater the potential success of the JV	1	2	3	4	5
(2) The closer the views of the partners regarding the way in which the JV should be controlled the greater the potential success of the JV	1	2	3	4	5
(3) The closer the views of the partners regarding the autonomy granted to the JV the greater the potential success of the JV	1	2	3	4	5
(4) The greater the trust between the partner companies the greater the potential success of the JV	1	2	3	4	5

60. What has been the effect of the JV on the competitive position of your firm? *Please circle.*

Very little effect				Very great effect
1	2	3	4	5

We would like to express our appreciation and thanks for the time you have taken to complete the questionnaire. Please return the questionnaire to the address below.

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