

# **International Joint Venture Success In The Automotive Industry**

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## **Abstract**

This thesis examines International IJVs and the conditions that contribute to their success. The original contribution to knowledge of this thesis is the identification of Trust, the Parent Relationship and Long-Term Commitment as conditions most likely to foster successful IJVs. This thesis showed the applicability of these conditions to IJVs in the automotive sector and also demonstrates the dependency of each condition to the other by identifying a sequential order with which the conditions

These conditions are established through interviewing senior management from both parents and the internal management of 13 successful IJVs in the automotive industry. The thesis is divided into a qualitative and quantitative analysis. Key themes from the respondent's qualitative views of success are extracted, coded and then analysed to provide robust empirical results. The data acquired from the respondents is analysed using fuzzy-set Qualitative Comparative Analysis (fsQCA).

The conditions leading to success are the parent's relationship, the level of trust that exists between the parents and their long-term commitment to the IJV.

**Keywords** – International Joint Venture, Automotive Industry, Success, Trust, Parent Relationship, Performance, Termination, Commitment.

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## **iii. List of Abbreviations:**

*IJV* – International Joint Venture

*WOS* – Wholly Owned Subsidiary

*FsQCA* – fuzzy set Qualitative Comparative Analysis

*FDI* – Foreign Direct Investment

*MNC* – Multi National Corporation

*GDP* – Gross Domestic Product

*TPS* – Toyota Production System

*MOFCOM* – Ministry of Commerce

*TCT* – Transaction Cost Theory

# 1. INTRODUCTION

*“Coming together is a beginning; keeping together is progress; working together is success”*  
(Henry Ford)

The International IJV (IJV) has become one of the most frequently used forms of strategic cooperation for global businesses (Makino *et al*, 2007) and this is reflected in the academic literature. Reus and Ritchie (2004) reviewed academic publications regarding international IJVs over the preceding 15 years and reported a proliferation in the number of IJV research papers. The literature identifies the complexities associated with IJVs such as issues surrounding multiple parents, the sharing of firm resources and partnering with competitors, all of which add to the complexities of operating in a foreign market. These complexities are magnified further when the IJV operates within the automotive industry, a global industry that brings together businesses from diverse cultural backgrounds and where many of the most lucrative automotive markets are in emerging countries. Consequently, it is critical that from an academic and an automotive perspective, one of the most popular entry modes for foreign investment is analysed to establish the conditions that best facilitate automotive IJV success.

## 1.1 Aims and Objectives of Study:

A large proportion of the IJV literature is dedicated to termination and instability (Mata, 2009; Ito, 2009; Makino, 2007; Shenkar & Yan, 2002; Luo, 2000) and performance and success (Ren *et al*, 2009; Mohr, 2006; Luo & Park, 2004; Choi & Beamish, 2004; Child & Yan, 2003). The thesis uses the success perspective to find out what makes IJVs successful. Despite to the size and global scope of the automotive industry, there are only few papers (Zhao *et al*, 2005; Worrall *et al*, 2003; Alford *et al*, 2000; Inkpen, 1995) that position IJV research within an automotive context. Therefore, this research will aim to add to the existing knowledge by determining the conditions that best facilitate international IJV success within the automotive industry.

Whilst there is an existing body of research that has sought to examine the cause of IJV success, this research will look to position the cause of IJV success within an international automotive context using a mixed methodology of both qualitative and quantitative techniques. The ultimate aim of this research is to understand the success factors in automotive IJVs and provide a link between qualitative and quantitative analysis. This research will show how the ‘softer’ factors of IJV management – Trust, Relationship and Commitment – are all parts of an overall picture in driving successful IJVs in the automotive industry

## **1.2 Contribution to Knowledge through the Research Design**

Partington (2002) states that the qualitative and quantitative research methodologies can be seen as complimentary need not be viewed as either/or options but instead ‘viewed as labels that describe two ends of a continuum’. The combination of quantitative and qualitative methodologies offers additional viewpoints that a singular methodology cannot (Creswell & Piano Clark, 2007). Kuchartz (1995) and Ragin (2006; 2008) support a mixed method approach and observe that case-orientated analysis is a means of connecting the methodological divide. Ragin’s fsQCA attempts to bridge the divide by developing case specific concepts inclusive of the richer qualitative data.

This research employs a case study approach and triangulates information from multiple sources to maximise validity. The case study approach is one of the most frequently used means for postgraduate business research and is often a precursor to a supportive quantitative analysis (Jean *et al*, 2008; Jean 2007). The case study approach looks to identify a limited number of cases that can be analysed in a greater depth to explain the complexity of relationships and social phenomena, without the distraction of too many variables (Gummesson, 2007). For the very reason that multiple individual’s subjective view of success can create multiple variables, IJV success can be defined both quantitatively and qualitatively as different sources may ascribe different conditions to success.

Therefore, it is advantageous to have a methodology that incorporates both qualitative and quantitative elements. Therefore, the inclusion of fsQCA in this thesis is an attempt to mitigate and address the problems of this approach. The analysis forms two distinct parts, firstly there is a qualitative assessment of the data that is acquired from in-depth interviews.

This seeks to establish the three most consistent conditions that respondents identify as being critical for facilitating IJV success. The conditions will be identified and each case shall be examined through the lens of each condition. The second phase of the analysis shall utilise respondents coded values of each condition and analysed through fsQCA, this will form the quantitative analysis.

This thesis looks to establish the necessary conditions leading to automotive IJV success and these are achieved through qualitative open-ended questions. However, when there is a significant degree of established theory, a quantitative approach is necessary as existing theory is applied and statistical corroboration is the main goal (Leedy and Ormrod, 2001). Whilst there is a relatively large amount of extant knowledge on IJV termination, there is significantly less literature on the conditions that best facilitate IJV success in the automotive industry. Applying Partington's (2002) criteria for determining the research approach suggests a qualitative method would be appropriate social phenomena are being investigated and this requires the richer data that qualitative methods can provide.

The researcher notes that it could be argued that there is sufficient literature around IJV success to warrant a more quantitative approach. If the basis for the research design was solely on the level of existing literature then the researcher may have opted for such a methodology. However, this research identifies the more 'softer' and intangible elements of IJV success and a qualitative approach is far more apt at uncovering these conditions. This thesis is aware that the contribution of how each condition is applicable to IJV success would be insufficient as a sole contribution to knowledge and takes this further. The methodological design is constructed in a manner that incorporates fsQCA to further examine the three conditions and offer the crux of the contribution of this thesis. Through the follow on quantitative work of the fsQCA analysis, the three conditions are demonstrated to share a specific set of interdependencies that occur in a sequential pattern if they are to have the most influence in driving automotive IJV success. Through initial in-depth interviews and the subsequent quantitative analysis of the data through fsQCA, this research design can draw on the strengths of both qualitative and quantitative methodologies in supporting this research's contribution to knowledge.

This research will contribute to knowledge in identifying and determining the relationship between the conditions that drive automotive IJV success. The research design supports this

objective in three ways, firstly, through in depth qualitative interviews, the conditions respondents consider critical in driving automotive IJV success can be explored in a much richer context than a quantitative approach could allow. Secondly, the conditions identified from these interviews are grounded in and applied to a real world automotive context through the case studies. Thirdly, the qualitative data drawn from the interviews in each case study is then codified and analysed quantitatively through the tool fsQCA to validate the data in a more robust fashion. Ultimately, the three phases of the research design identify, ground and validate the conditions driving automotive IJV success which form the crux of this research's contribution to knowledge.

This thesis has offered a contribution to knowledge that has extended the existing literature surrounding IJV trust, the parent-IJV relationship and long-term commitment. This thesis does not offer these three conditions as a contribution on their own individual merit as the researcher is expressly aware of the existing body of literature surrounding these conditions. The contribution is twofold and can be recognised firstly through the evidence of the interdependent relationship of the three conditions, identified through research questions 3 and 4. As stated, there is existing literature on the individual conditions but scant recognition of the importance of how the three conditions interplay with the confines of an IJV. Owing to the complexity of the IJV entity, it is impossible for conditions to exist unilaterally and this thesis demonstrates the relationship and dependencies between these conditions. The interdependent nature of the conditions is supported by the use for fsQCA and its means of examining the extent to which relationships are causal and/or necessary.

The use of fsQCA supports the contribution of the conditions whilst also contributing to the advancement of the fsQCA tool in its use through an automotive IJV study. This has demonstrated the applicability of the tool in an automotive context and broadened its recognition. Owing to fsQCA being in the relative early stages of its life, there is much less awareness than similar tools such as SPSS. Whilst knowledge may not be enhanced in the most conventional manner expected from a thesis, it remains that the awareness of fsQCA will be enhanced through this thesis; particularly in the automotive industry where there has been little use of fsQCA in any context, especially not within an IJV capacity.

The institutional setting within which the cases and conditions are framed, the automotive sector, further enhances the contribution of this thesis. Whilst there are limits to the

contribution of the conditions in regards to their relationship based on existing literature, their application to the automotive industry has not, to date, been brought together in a single study. This truly offers an advancement of knowledge through a managerial perspective. Previously, no study had looked at how the interdependencies of trust, parent-IJV relationship and long-term commitment have driven automotive IJVs forward to success. There are a scattering of existing works addressing automotive IJVs and the importance of a singular condition but not as a holistic piece.

### **1.3 Why Research International Joint Ventures?**

With the intensity of globalisation, entry mode choice has become a critical strategic decision for parents entering foreign markets (Agarwal & Ramaswami, 1992). The literature reflects this with three levels of entry modes – export and licensing (Talaga *et al*, 1985; Tse *et al*, 1997), acquisitions and greenfield ventures (Gorg, 2000; Zhile, 2007) wholly owned subsidiaries (WOS) and IJVs (Elango & Sambharya, 2004; Brouthers & Hennart, 2007; Yuan & Shi, 2007; Bontempi & Prodi, 2009).

Wei *et al* (2005) argues, realistically foreign investors are ‘inappropriately reduced’ to selecting either a WOS or IJV. This is reflected by the WOS and IJV constituting the bulk of global Foreign Direct Investment (FDI) (Brouthers & Hennart, 2007). The IJV is a key medium for Multi-National Corporations (MNCs) to deliver FDI as it simultaneously shares the risk of entering foreign markets whilst creating exposure to a partner’s firm specific assets. Whilst the IJV is the focus of this research, it is worth mentioning the WOS, the primary alternative to the joint venture. A WOS is a mode of foreign entry that consists entirely of foreign capital with no ownership from local sources. It represents a separate legal entity and incurs limited liability status, with taxation dependent upon the host nation’s taxation laws (Li *et al*, 2007). The independence of a WOS allows for complete control over the governance of the business, a stark contrast to the collaborative nature of the IJV (Yiu & Makino, 2002).

This thesis is concerned with international joint ventures. Moreover, a venture in which parents operate in a market that is foreign to both is still classified as an international IJV and within the remit of this study. This thesis will use the definition of Shenkar and Zeira (1987, pg 30) who define an international IJV as:

*A separate legal organisational entity representing the partial holdings of two or more parent firms, in which the head-quarters of at least one is located outside the country of operation of the joint venture. This entity is subject to joint control of its parent firms, each of which is economically and legally independent of the other.*

This definition is particularly relevant as Shenkar and Zeira (1987) stress the parent's involvement in the IJV as an autonomous legal entity. In the eyes of the law, the IJV simultaneously acts as an independent organisation whilst at the same time acting as a dependent of the parents in the supply of materials, finance, knowledge and leadership from parents.

IJV research dates back to the late 1980s where researchers first sought to theoretically link IJVs alongside empirical analysis (Harrigan, 1986; Beamish, 1988; Hennart, 1988; Gomes-Casseres, 1989; Kogut, 1989). MNCs increasing utilisation of the IJV throughout the latter part of the 20<sup>th</sup> century has subsequently brought about a vast amount of literature seeking to analyse, explain and predict the characteristics of the IJV and its operating environment (Lu, 2008; Mohr, 2006; Luo & Park, 2004; Luo, 2002; Yan & Gray, 2001; Reuer, 2000; Inkpen, 2000).

Whilst IJVs provide access to new knowledge (Lyles & Salk, 2007; Inkpen, 2008), spread risk (Brouthers & Hennart, 2007) and reduce costs (Geringer & Hebert, 1991; Beamish, 1994), high levels of dissatisfaction are reported due to the disparity between outcomes and perceived expectations (Boersma *et al*, 2003; Hitt *et al*, 2000; Luo, 2000; Madhok, 1998; Yan, 1998). This dissatisfaction is considered a key cause for the high levels of instability and termination associated with IJVs (Makino *et al*, 2007; Shenkar & Yan, 2002; Luo, 2000; Brouthers & Bamossy, 1999; Park & Ungson, 1997; Inkpen & Beamish, 1997; Park & Russo, 1997). Because the IJV is still one of the primary mediums for foreign investment in the automotive industry, it is imperative that IJVs regarded as successful have the factors behind their success identified.

In 2009, China's National Bureau of Statistics (NBS) and the Ministry of Commerce (MOFCOM) revealed the extent to which the IJV had fallen out of favour for the WOS. In 2009, only 4,283 IJVs were established across all of China's industries and equating to \$17.3billion, whilst the 18,741 newly created WOS generated \$68.7billion. Despite the



increasing popularity of the WOS and decreasing growth rate of newly established IJVs (Rahman, 2008), the world's largest automotive market still enforces the IJV as the principle means of FDI for automotive manufacturing. In 2009, 69% (5.7million) of all passenger vehicles sold in China were foreign brands manufactured at Sino-Foreign IJVs (Fourin, 2010). With China's reliance upon the IJV to develop one of its cornerstone industries, it is necessary to understand why the IJV is regarded so highly and what factors drive their success.

#### **1.4 Contextualising the Automotive Industry:**

One of the difficulties in conducting IJV research within the international arena is the variety of forms IJVs and parent businesses can assume. IJVs operate within all markets and have parents of varying size operating in different industries from both private and public sectors. The combination of organisational forms that can contribute to establishing an IJV are vast, accordingly parameters determining the inclusion for IJVs within this thesis stipulate that only those from the automotive industry shall be considered. This global industry will allow the examination of IJVs across a large scale without the limitation of national borders. Furthermore, an industry wide investigation permits future research to consider whether the successes of automotive IJVs can be exported to other industries.

'Too big to fail' is a notion associated with government economic intervention (Wall, 2010; Mishkin, 2006) that advocates certain businesses have expanded beyond the point where their collapse is unacceptable owing to the catastrophic effect it would have on the wider economy. Whilst financial institutions such as Northern Rock, Icesave and Lehman Brothers were permitted to financially collapse, General Motors, Ford and Chrysler were privileged to a pre-emptive \$25billion bailout plan allocated by a US presidential task force, in addition to the European Commission approving a £2.3billion loan for the UK automotive sector (Dunkley, 2009). Evidently, the automotive industry and its major players have become so globally embedded they are representative of the term 'too big to fail' (Wall, 2010).

The National Bureau of Statistics (2010) reported that in 2010, there were just over 70 million registered vehicles in China and approximately 40 million registered vehicles in India, both with populations exceeding 1 billion. With such vast potential for growth, the future of the global automotive industry is deeply tied to with the development of these emerging

nations. However, these nations in return are reliant upon the IJV as a means of delivering the required FDI to foster growth and development. This research shall pay particular attention to emerging markets where IJVs play a critical role in the development of their automotive industries.

Compared to the 20<sup>th</sup> century, modern automotive manufacturing and product development has plateaued, with vehicles manufactured from technologically similar parts, meeting similar national safety standards and competing products falling within a relatively confined price bracket. This could suggest that as there is such product homogeneity, IJVs may be less influenced by the product it manufactures and more susceptible to the relationships and processes such as manufacturing costs, speed of production, goal alignment and the relational fit of the parents. Therefore, this thesis will pay particular attention to how softer issues such as management or the parent relationship, affect IJV success.

## **1.5. Thesis Structure**

*Chapter 1:* This chapter introduces the research aims and defines what an international IJV is and focuses on the automotive industry owing to the frequency with which IJVs are used as a means of FDI.

*Chapter 2:* The IJV literature is examined in order to present the relevant issues to the analysis of IJV success. This includes ownership, trust, knowledge, termination and longevity. Finally, an explanation of the theoretical concepts that have been used to understand IJVs is given, and a framework for the thesis is presented.

*Chapter 3:* This chapter details the key research questions this thesis addresses. There are five questions that are constructed from the literature review.

*Chapter 4:* The methodology chapter outlines the processes involved in acquiring and analysing the data. Firstly, the merits of qualitative and quantitative methodologies are discussed and this is followed by the rationale of including a mixed methodology. The data acquisition stage is detailed. This chapter highlights how interviews were used and presents the analysis method fsQCA.

*Chapter 5:* This chapter introduces the cases identified through the interviews. It shows the background information of the automotive IJVs, detailing their function, structure, ownership and other descriptive elements. The respondents were identified before bundling them into the 13 cases. The respondent's views are collected and shaped into the IJV cases.

Chapter 6: This chapter presents the qualitative findings. The qualitative results further show the conditions drawn from the interviews – Trust, Relationship and Commitment are established as the primary drivers of IJV success.

*Chapter 7:* This chapter presents the quantitative findings. Fuzzy set Qualitative Comparative Analysis (fsQCA) is used to analyse the three conditions detailed in chapter 6. The quantitative findings are presented to support the initial qualitative findings detailed in the previous chapter.

*Chapter 8:* The general findings are then surmised. Findings pertaining to each research question are outlined and then they are directly related to the automotive industry. The limitations of this research are considered and areas for future research outlined.

## 2. LITERATURE REVIEW

This chapter reviews the existing IJV literature. Firstly, the literature review begins by assessing the impact of trust and the various forms that trust appears in the IJV. As this study examines IJVs with equal control, an examination of ownership and control follows by taking a bargaining power perspective to address how parents secure their interests without a dominant equity share. This is followed by the parent's resource contribution and transfer of knowledge, which is broken down into tacit and explicit. As the cases in this study represent successful IJVs, a brief consideration of the multiple perceptions of IJV performance follow. Although termination is not analysed in this thesis directly, the discussion of IJV stability and longevity influences the conceptual view on how well longevity reflects success and therefore IJV termination is examined in this chapter. In light of the behavioural aspects and length of an IJV, we consider the necessary conditions of the relationship between the partners and IJV, the trust and the commitment of the relevant parties as most conducive to facilitating success in automotive IJVs. Finally, there is an examination of the influence of bargaining power showing the relevance of behavioural factors in determining success, followed by a resource based perspective of parent's contributions to the IJV. The

### 2.1 Trust:

The relationship between parents in an IJV is not just a reflection of the equity relationship but a consequence of the strength of their social ties, shared values and level of trust (Kale *et al*, 2000; Cohen and Prusak, 2001). Child *et al* (2005) stresses that parents are subjected to multiple risks in joint ventures, one of which is the threat of opportunistic behaviour by the other partner. As it is impossible for a contract to cover all eventualities, trust therefore becomes a crucial aspect of mitigating the relationship (Dhanaraj *et al*, 2004). It is difficult to discover *ex ante* if a partner will become so (Williamson, 1975). Without prior experience, both partners will have incomplete information about each other and the relationship is likely to remain at arm's length (Ott, 2006; Hsieh *et al*, 2010). It is in this situation that Parkhe (1993) states opportunism is most prevalent and this remains until a relationship based on trust can be established.

Child *et al* (2005) state that the presence of trust will bring parents together and make them more open to sharing information, which consequently allows decisions to be based on information that is more complete. Child *et al* (2005), maintain that trust creates a safer environment for parents to invest their resources and minimise the lure of opportunistic behaviour from the other parent. They suggest that these positive attributes will create a more authentic relationship, removing the need to input behavioural checks and focus on the core objectives of the joint venture. Conversely, parents that demonstrate a lack of trust are more likely to endanger an otherwise successful IJV (Ngowi 2007; Phua, 2006). Whilst it is beneficial for parents to begin the relationship with a degree of trust, without past experience of each other, it is unlikely that this will be based on genuine assurances of trust. It is more conceivable that trust is born not from a trusting attitude but from the fear of reprisal should opportunism occur. As such, it is more apt that at the beginning of the IJV relationship, trust does not refer to the:

*‘naive belief in the honesty of other actors but rather the probability of violation of implicit or explicit agreements’* (Bromiley and Cummings, 1993, pg 120).

Womack (1990) stated that within the automotive industry the practice of market-based bidding is highly distrustful, with suppliers sharing minimal information with assemblers. Suppliers, who may even sell below cost, constantly have the threat of abandonment by the assembler for a cheaper supplier. By ensuring their immediate interests are protected, the assemblers are sacrificing the potential rewards offered through developing a lasting relationship with a single supplier (Kim and Michell, 1999). Toyota has taken this concept and revolutionised the means with which automotive IJVs can carry out the buyer-seller relationship. Consequently, Toyota has maintained the best supplier working relations of any company in any industry since 2002 (Reuters, May 2009). The Japanese assembler has relinquished the right to dominate the arrangement with an agreement to divide profits with their suppliers. The assembler in turn is rewarded with the benefits of the supplier’s enthusiasm to fabricate innovations to parts that ultimately drive down the costs of both parties in the long-term.

Womack (1990) notes how the Japanese system *‘replaces the vicious circle of mistrust with a virtuous circle of cooperation’*, as removing self-interest creates a leaner system based on cooperation, not mistrust. This idea of trust developing through cooperation becomes

increasingly important in the IJV setting as the parent relationship extends beyond just the buyer-seller relationship (Becerra *et al*, 2008; Inkpen & Currall, 2004). As all but one of the cases in this study are 50/50, there is no dominant equity position and therefore elevates the importance of the role trust places in each case.

### **2.1.1 Inter Partner Credible Threat:**

Many papers have related the level of trust in an IJV to its success and overall satisfaction (Ring and Van de Ven, 1994; Luo, 2002; Lin and Wang, 2007). Zhang and Rajagopalan (2002) propose a combination of trust and control to identify the strengths of each parents bargaining power and their ability to punish instances of partner cheating in what they coin the ‘inter partner credible threat’. Zhang and Rajagopalan (2002, pg. 458) define this threat as the ‘*certainty of either parent’s retaliation given the other partner had cheated*’, ranging from financial, personal and legal action. Inter partner credible threat mediates trust by ensuring that the determinant of the pay-off is the belief that only via cooperation can the optimal pay-off be received.

In their study, Zhang and Rajagopalan (2002) demonstrate the inter-partner credible threat using a one-stage prisoner's dilemma model and an infinitely repeated prisoner's dilemma model. They consider a threat in a continually evolving relationship that will inevitably moderate the coordination costs between the IJV partners once the incentives and pay-offs for each parent are aligned. Using a one-stage prisoner’s dilemma, both parents select their preferred control strategy for the IJV- high-level control or low-level control (Ott, 2006). In the most unlikely event that both parents were to select low-level control strategies, the pay-off would be greatly increased due to the low coordination costs involved in implementing such a strategy.

If however, both parents opted for a high-level control strategy, the end pay-off would be dramatically reduced as the coordination costs increase. Luo (2001) asserts that foreign parents will select a high-level control option to ensure their financial interests are secured, whereas local parents typically have far less financial contribution and dependence, suiting low-level control. Given the uncertainty surrounding a parent’s ability to convincingly predict partner choices, parents may resort to a self-preservation approach as a means to secure the

highest individual pay-off rather than the highest overall pay-off. This, according to Zhang & Rajagopalan, (2002 pg. 462) reduces the parent's relationship in the IJV to nothing more than *'forums of rivalrous control'*.

This conflicting dichotomy of appropriation and coordination is a key factor in understanding how trust can affect the IJV and parent relationship. Appropriation refers to a business's ability to capture a fair share of the pay-offs generated by the IJV (Teece, 1986; Gulati and Singh, 1998). From the partner perspective, the concerns of appropriation in an IJV are vital in securing a satisfactory pay-off (Yan and Gray 2001, Pan 2002, Lou and Herbert 2003). Foreign parents, US parents in particular, contend that the most effective means to ensure successful appropriation is to maintain control in the form of dominant equity (Johnson *et al* 2001). Contrary to this philosophy, coordination advocates a greater level of shared control and interaction between both parents. Gulati and Singh (1998, pg. 782) maintain that the costs of coordination originate from the complexity of joint ventures, specifically the

*'ongoing coordination of activities to be completed jointly or individually across organizational boundaries and the related extent of communication and decisions that are necessary'*.

Coordination costs suggest that organisational complexity increases when two or more parents attempt to assert control reducing the IJVs effectiveness (Pearce, 1997) and compromising the quality and quantity of the appropriation received (Zhang & Rajagopalan, 2002). A balance is maintained whilst the pay-off for cooperation eclipses the pay-off that non-cooperation, however this alone may not be enough of a preventative measure to ensure cheating cannot and will not happen. When the balance of the pay-off shifts and opportunism enhances a parent's reward through non-cooperation or cheating, inter partner credible threat becomes an influential factor and the incentives to cheat are tested (Parkhe, 1993; Spekman *et al.* 1998). Inter partner credible threat compels the cheating parent to determine whether the benefits of cheating eclipse the legal, economic and financial reprisals at the disposal of the cheated parent. Whilst Zhang and Rajagopalan (2002) demonstrate how a fair pay-off can be regulated by inter partner credible threat, its presence is by no means ensures success. As rewards are generated through the combined resources of both partners, this study considers the original motivation to create the IJV, access to parent resources, as a key facilitator in the creation of trust bonds, particularly when viewed with a resource-based perspective.

### 2.1.2 Limitations to Inter Partner Credible Threat:

The effectiveness of inter partner credible threat is based on a parents ability to impose an adequate punishment and the support of an effective legal framework. Given that the majority of cases in this study are located in emerging nations, this is an influential factor. Parents from developed nations operating in emerging nations may find the options available for enforcing an inter partner credible threat are limited in comparison to their home nation. The Chinese economy for example is an emerging nation and as such is not fully equipped with the legal framework that befits a developed market economy. However, Peng and Heath, (1996) underscore that the establishment of such a legal framework cannot made readily available and requires a substantially lengthy period to develop. Serapio and Cascio (1996) assert that the Chinese legal infrastructure has not been sufficiently developed to define and protect IJV parents, and foreign parents in particular may struggle to resolve conflicts through a domestic legal framework. Five years subsequent to Serapio and Cascio's description of the Chinese legal system the following extract from the International Journal of Technology Management mirrors the earlier calls with an additional promising note:

*The authorities now recognise that a market economy requires the rule of law and that technology development and technology import in particular need firm legal foundations. Significant steps have been taken to protect technology as intellectual property and to support technology import (Leung et al, 2001).*

Again in 2004, an extract from the Chinese Journal of International Law echoes both testimonies with the author stating that the legal framework governing Sino-EU economic relations is '*insufficient for practical needs and a substitutive agreement should be promoted in the new era*' (Huaqun, 2004, pg 189). The power inter-partner credible threat holds is in its ability to forewarn partners of how a parent will seek recompense following an instance of cheating is grounded in the host nation's legal framework. Whilst this may be assured in a developed economy, the Chinese legal framework may not give surety that a case can be adequately resolved. Lin & Wang (2008, pg. 341) assert that '*it is imperative to consider these enforcement mechanisms*' when operating in an uncertain environment, as without a legal source with which legal retribution can be enacted, the effectiveness of inter partner credible threat is greatly diminished and may not prove a sufficient restraint in the prevention of cheating.



The reason behind China's perceived cheating is the exposure and absorption of new knowledge from foreign parents. Access to new knowledge and resources is expected to be a key motivation behind IJV creation as managerial and technical knowledge is constantly exchanged. The degree of trust will naturally depend on the extent of the relationship between the parents but also on the parent contribution, as the willingness to trust a partner will be influenced by the sensitivity of the knowledge offered to the IJV. It is critical that as this thesis looks to determine the degree of trust between partners that the reasoning for trusting or not trusting is noted. The link between the parent contribution and the level of trust is a key area that will be explored.

### **2.1.3 Various Types of Trust**

Trust is not a one-dimensional concept and operates between many levels of the IJV and parents. Currall and Inkpen (2002) regard trust to operate on three distinct levels, the individual, the collective and the partner. They stress that trust applied at one level may not be sufficient at another. The contract established at the partner level can offer trust based on the guarantees within a legal framework but if at the individual level the IJV managers do not trust each other, the contract will not be sufficient. Currall & Inkpen (2002) note that individuals may act opportunistically and breach the contract to ensure their parent retains an advantage but this actually serves to damage the IJV relationship. Consequently, it is crucial that any formal mechanisms such as the contract, looks to incorporate conditions that can develop relationships at the individual level too. This could be through ensuring face-to-face meetings are held every set period or informal post-work events are scheduled. Boersma *et al* (2003) supports this view and offers a model for the development of trust but discovered that the different levels of trust each have a unique role to play.

#### **2.1.3.1 Trust Derived from Personal Relationships**

Mouzas *et al.*, (2007) note that IJV trust exists at multiple levels, but this appears most relevant at the individual level rather than at the parent level. The notion that a parent trusts another parent is a broad concept, rather it is the individuals within the parent who show trust towards their counterparts. This suggests that it is the individuals as representatives of the

parent that create trust and less the actual parent (Zaheer *et al*, 1998). Individuals in a company are viewed as a collective entity, so trust at the individual level is extended to the parent level as the parents relationship is managed by the individuals within each parent (Schoorman *et al*, 2007; Hosmer, 1995).

An IJV may undergo a number of transitions and this is reflected in the way trust is shaped over time (Vosselman & Van der Mee-Kooistra, 2009; Doz, 1996). Akin to parents gathering information in the partner selection phase, Roy & Oliver (2009) note that individuals establish levels of trust in a similar manner based on past experiences, reputation and skills. As parents and individuals gather more information about each other and the IJV becomes operational, the degree of trust at the individual and parent level will also grow. Macaulay (1963) was one of the earliest to note how trust, on the individual level, grew in line with the continued interaction at the partner level. Currall *et al* (2002) support this view by stating how trust is relative to time, and repetitive positive experiences foster trust. Therefore, individual trust is largely established as a product of the socialisation that occurs during the exchanges within joint ventures. Hirschman (1984) regards this as an uncommon economic product as the continued use of trust, the product, will create more trust rather than wear it out. Schul *et al* (2004) asserts that trust at the individual level is far more dynamic than at the parent level, stating that distrust between managers is far easier to establish and likely to endure longer than developing and sustaining trust. However, once strong ties of trust are established, barring any opportunistic behaviour, these trust bonds will remain and positively affect the current relationship and any future ventures.

It is the individual relationships, particularly at the managerial level, that establish trust bonds that help drive the IJV and should therefore be considered the instruments with which strong parent trust is established (Scott *et al*, 2012). Strategies and attitude at the partner level are broad concepts and cover the whole IJV but it is the managers within the IJV that enforce the strategies. Zahra & Elhagrasy (1994) state that the management are critical in driving IJV success owing to the compatibility with the partner management team and their ability to handle problems within the IJV as they are made apparent. It is critical that the management in the IJV have the relationship and Zahra & Elhagrasy (1994) outline through their sequential management model how management can tackle specific issues.

Operational managers are interacting on a daily basis and building a joint relationship to achieve the goals and strategies handed down by the parent (Julian *et al*, 2010). As trust is considered to evolve over time and develop alongside the individuals relationship (Roy & Oliver, 2009; Currall *et al*, 2002), there is greater emphasis placed on the early phase of the relationship when interpersonal bonds are made, but this reduces over time (Bidault, 2012). Whilst individual trust bonds can establish strong links between managers, it can create complex scenarios if personal relations contradict against a parent's strategy.

### **2.1.3.2. Trust Derived from Past Experiences**

Madhok (1995) described the social element of trust as being grounded in the past-experiences between partners and forming the 'glue' for subsequent relationships. Faems (2008) developed this by establishing a positive link between parents past experience and the mitigating affect it has on opportunistic behaviour. He noted that the presence of past-experiences reduced a parent's expectation that a partner would act opportunistically and this was reflected in fewer contractual precautions. Equally, Ahn *et al* (2001) found that positive past-experience facilitates coordination towards a mutually beneficial endgame, even if future scenarios can present incentives for opportunism. Glaister and Buckley (1999) state that

*'Past experience can thus engender trust among partners, which in turn can limit the transaction costs associated with future alliances'.*

Saxton (1997, p.445) also notes that there are strong links between the

*'extent to which firms have a prior relationship, to the trust between partners, the propensity to continue to engage with that firm and the structural mechanisms used to control behaviour'.*

Chen *et al* (2010) supports this perspective and state that parents with prior experience are more likely to trust each other at the start of the IJV than those without any previous experience together. This is because both parents share an understanding of each other's strengths and weaknesses, and this dramatically reduces incomplete information and the uncertainties associated with it (Carson *et al*, 2003). Strong and Weber (1998) characterises this as a consequence of positive past experiences and note that trust develops from a positive attitude regarding a parents known behaviour. Similarly, Inkpen and Currall (2004) note that

a repeated cycle involving the successful fulfilment of partner expectations will reinforce the inclination to trust. Robson (2008) asserts that parents with these existing ‘relationship assets’ will have greater protection from termination in the post-setup phase than parents without.

The counter argument to existing trust is that trust may not always be transferable and can be context specific (Mayer and Bercovitz, 2008). In their study on leadership and trust, Dirks and Skarlicki (2004) stated that whilst an individual may be trusted and viewed as competent in one scenario, this did not automatically assume the same opinion was held by others in another scenario. Trust may be viewed as idiosyncratic to a particular scenario, and therefore, a previously successful Iijima have limited affect on a new IJV (Sitkin and Roth, 1993). This study however, will view cases that are a product of past experiences as likely to possess stronger trust and relational bonds that will have positive effects on the creation of the new IJV.

#### **2.1.3.3 Trust Derived from Contractual Security**

Contractual trust can be viewed as a paradox, in that the contract may be unachievable without a both parents possessing a degree of trust that the other will adhere to their contractual obligations (Macaulay, 1963). Yet, the contract itself is a deterrent that compensates for the lack of trust, by establishing an inter partner credible threat (Zhang and Rajagopalan, 2002). Without trust, the contract may not be feasible yet a key purpose of the contract is to mitigate the lack of trust at the start of the relationship.

Where trust based on past-experience uses a relationship-centred perspective to mitigate opportunism through social assets and processes, the contract centred approach looks to mitigate opportunism through formally managing the information flow with legal mechanisms (Luo, 2005; 2002). However, a reliance on contracts has received criticism as they can be seen to have an economic focus that is too narrow, failing to incorporate the wider social implications that influence IJV relationships (Luo, 2002). This is reflected in Hutchings and Weir’s (2006) study of business relations in the United Arab Emirates, where they discovered the country as a whole rely more on entrenched social ties than a dependence on formal mechanisms such as contracts. Moreover, it can be difficult for a contract to cover all unexpected events and external pressures (Arino and Reuer, 2004; Luo, 2002). Without a

presence of trust operating alongside, an incomplete contract can allow for opportunistic behaviour and set precedence for further moral hazards that actively erode relationships and trust development (Poppo and Zenger, 2003).

However, Luo (2002, pg 903) states that this is readily overcome by the quality of the contract, stating that a well-structured contract

*‘should be such that it simultaneously obviates opportunism through term specificity and bolsters adaptation through contingency adaptability’.*

Neither approach can work independently, the contract and trust in any form, will offer better results as a combination, for example, past experience can greatly affect the dependence on the contract (Tsamenyi, 2012). There is a direct relationship between the extent of past experience and the type of IJV contract. Parents with existing relationship assets will lean towards contractual frameworks that are structured around the daily operations of the IJV as both parents share existing information and can allow them to focus on the JV (Foss *et al*, 2007). However, parents lacking previous experience will typically establish a contract that is focused on the legalities and boundaries of the parent’s roles as a means of mitigating opportunism and protecting self-interests (Sampson, 2004).

#### **2.1.4 Development of Trust within the IJV**

The start of the IJV sees both parents agree terms and the relationship is driven forward by contractual obligations and assurances. However, it is the development and continuation of the relationship that transforms contractual security into one based on trust (Currall & Inkpen, 2002). The transition highlights how parents initially base their relationship upon the strength of the contract but as the relationship develops, this moves towards a more genuine degree of trust. The initial lack of trust can be seen as a consequence of the parent’s level of incomplete information, resulting in a heightened perception of opportunism and the reliance on contractual securities (Tsamenyi *et al*, 2012). This transition from formal to less informal, has been coined habituation by Nooteboom *et al*, (1997), stating that repeated social interactions over a sustained period is the critical feature of establishing a trusting relationship (Ling-yee, 2010). Habituation can be regarded as the potential for trust development in the future, whilst complete information based on prior relationships can develop trust based on pre-JV experiences.

Deutsch's (1962) early work evidenced the link between continued interaction and the extent of commitment shown. Morgan & Hunt (1994) developed this and brought together trust and commitment as key determinants of IJV performance. Cheung *et al* (2003) similarly state that the key factors in IJV success are trust and commitment. Ryall & Sampson (2009) show that in a repeat game scenario where transactions are continually occurring, parents are more likely to develop trust bonds. Parkhe (1993, pg. 803) states that:

*'The older a relationship, the greater the likelihood it has passed through a critical shakeout period of conflict and influence attempts by both sides'*

This study expects trust to be a driving force of IJV success and that trust is the key facilitator for the development of the relationship in the IJV. Regardless of the type of trust that is present at the start of the IJV, this study expects trust to be considered a critical condition by respondents that will develop over time as the parents relationship is allowed to grow. Given the successful nature of the cases used in this study, it will be considered that opportunistic behaviour will be mitigated by trust, particularly the trust parents have in the contribution of resources and their mutual dependency.

## **2.2 Ownership & Control**

The literature on IJV control deals with shared control (Beamish, 1988; Yan and Gray, 1994, 1996), majority control (Lecraw, 1984; Mjoen and Tallman, 1997; Yan and Gray, 2001) undetermined levels of control (Groot and Merchant, 2000; Lecraw, 1984) as necessary for IJV success. Choi & Beamish (2004) define control over an IJV as the 'influence exerted by the parents over the managerial functions', whilst Geringer (1993) regards control as

*'the process by which one organization influences, to varying degrees, the behaviour and output of another entity through the use of formal or informal mechanisms'*.

Geringer (1993) notes how control can be exerted firstly through informal channels by means of positioning parent friendly managers in key roles throughout the JV or secondly by the formal approach of equity control. The key markets for automotive JV's are predominantly in Asia, due to the Chinese and Indian markets and the low cost production the area can offer. Therefore, this thesis examines how foreign and local parents attempt to maintain control.

MNCs from developed nations are more inclined to regard control in terms of equity (Luo *et al*, 2001), whereby shares and financial ownership dictate the proportionate level of control. Lee *et al* (1999) states that

*‘equity control in a JV represents the level of commitment by the parent firm and determines the distribution of the residual value of the venture’.*

In addition to equity, managerial control is a representation of a parents influence over the daily decision-making processes and operational continuity (Yan and Gray, 1994), a situation that is indispensable in attempting to ensure organisational goals of both the JV and parent firm are met. Pan (2002) perceives equity control to be a major part of overall control but it is important to distinguish between equity and managerial control as they can have different implications; a dominant equity position does not necessarily translate into effective managerial control. Only one parent can hold a dominant equity position and if both parents desire equity control this may lead to dissatisfaction. Therefore, it is important for this thesis to include both managerial and equity perspectives in assessing the subjective measures of IJV success. However the frequency of equal ownership and requisite 50/50 ownership in China may minimise the effect ownership has on automotive JV's, for that reason this thesis determines the control preference for respondents providing data, asking them to identify whether a dominant or shared equity level is desired most.

### **2.2.1 Dominant Control**

Support for dominant control is often employed in IJVs where one parent is engaged with another in developing or emerging markets (Lecraw, 1984; Lee *et al*, 1995; Calantone *et al*, 2000; Luo *et al*, 2001a). Typically, an IJV will be created when it presents itself as the most effective means of entering a foreign market. However, if investment law requires a foreign business to have a local partner, transaction cost theory suggests the foreign parent will be more likely to hold equity control as a means of insuring the protection of assets, particularly if these assets are firm specific and central to the parent's success (Nakamura and Yeung, 1994). Difficulties arise however, in the Chinese automotive sector where dominant control held by a foreign parent is prohibited and therefore the assessment of IJV success is valuable as the preferred conditions according to Nakamura & Yeung (1994) of foreign parent control is not achievable.

Le (2009) state that IJVs with single parent control are easier to administrate as decisions can be made unilaterally. Whilst control ensures rapidity in the decision making process, it does not ensure decisions will be successful as unilateral decisions may generate ill feeling with other parents, leading to partner conflict. Killing (1983) considers the difficulties encountered with split IJV management, stressing the complexities cultural, behavioural and managerial differences foreign and local parents can create. Killing (1983) argues that IJV management already suffers from complexity issues due to cultural and geographical distances and the increased level of parent interaction required in the decision-making process of shared control will exacerbate these existing issues. Yan and Gray (2004) assert the greater level of control a parent has, the greater the strategic control, mitigating intensification of the complexities detailed by Killing (1983). When used in moderation, control can be vital to a foreign parent when geographical and cultural distances allow for a limited managerial presence in the IJV (Ragozzino, 2009).

Whilst dominant control can represent authority in the boardroom, the effective day-to-day control cannot be so readily ensured (Carver, 2000). Operational control provides the means to ensure boardroom strategies are enforced, performance levels are maintained and personal interests are protected at the ground level, yet for a foreign parent geographical barriers can represent difficulty. Luo *et al* (2001) found that foreign parents with IJVs in China linked control to performance more so than the local partner and whilst foreign parent control is generally prohibited in China, the foreign parent consequently sought to assert control over the IJVs operational routines. Talay & Cavusgil (2009) state that foreign partners tend to favour higher control mode where the host country provides better locational advantages and support the notion of foreign partner preference for control outlined by Yan and Gray (2004) Lou (2001) and Hitt *et al* (2000).

Luo *et al* (2001) observes that Western foreign parents seek to control the joint venture, as control improves satisfaction and performance from a Western perspective. Hitt *et al* (2000), Madhok (1998) and Beamish (1995) examined IJV satisfaction and discovered control was predominantly held by Western foreign parent in the unsatisfactory joint ventures. Womack (1990) noted that prior to Japanese ownership the Toyota controlled plants in the US were built and operated by Ford and GM and were considered representative of typical US automotive plants. The difference however was absenteeism at the Japanese controlled



factories was two thirds less, worker training was eight times as high, job rotation was three times as high and it took four hours less to build a car with 25% less defects (IMVP World Assembly Plant Survey, 1989; J. D. Power Initial Quality Survey 1989). In all cases, there was a dominant ownership by the parents and this suggests that it is less parent ownership and more strategic and managerial decisions that have the bigger influence on the IJVs success.

Selekler-Gokşena *et al* (2007) identify the difficulty that minority and shared control can create, in particular, how it can hamper a parent's ability to ensure IJV performance is consistent with their expectations. Each parent will have individual parameters, either publicly documented or hidden from the other parent, that according to Selekler-Gokşena *et al* (2007) require majority control to ensure attainment. This particular type of majority control is consistent with what Schaan (1983) coined as positive control, signifying how a parent will directly seek to influence the IJV into an alignment that is '*consistent with its own interests and expectations*'.

Dominant control can help facilitate easing issues parents may have over other parent's potential for selfish actions by aligning goals and providing incentives that encourage contractual obedience (Lu and Herbert, 2004). An IJV is collaborative and may retain an element of competition amongst the parents. Without an element of control opportunistic behaviour and personal interests may be prevail to the detriment of the IJV (Yan and Luo, 2001). Such behaviour may be encouraged if IJV goals are incongruent amongst the parents, more so if the foreign and local parents originate from developed and developing nations respectively (Zhang & Rajagopalan, 2002; Duan and Chuanmin, 2007). Yan and Luo (2001) regard dominant control as a means for a parent to curtail this negative behaviour by asserting control over the IJVs commonly owned resources. If a knowledge transfer is the local parent's primary indicator for success, foreign parent control over the commonly shared assets may regulate the transfer process and the degree to which the local parent can attain information (Kale *et al*, 2001; Dhanaraj *et al*, 2004). With dominant control, the foreign parent can regulate the transferable content whilst protecting proprietary knowledge.

### 2.2.2 Shared Control:

The literature offers equal support for a shared management structure between parents in joint ventures. Schaan (1983) revealed how IJV parents look to assert control over specific value adding areas within the IJV rather than complete control, supported by Geringer (1988) who states how parents deem particular processes vital to the success of the IJV and look to assert control accordingly. Luo (2001) and Beamish (1985) use this principle of asserting firm specific strengths and reverse the roles, highlighting how shared control will allow both partners to experience their counterpart's firm specific assets. Beamish (1985) argues dominant control does not create the same degree of exposure and the IJV will benefit more from shared control. Kale *et al* (2001) and Dhanaraj *et al* (2004) note that with dominant control parent regulation of knowledge transfer is a negative force on the joint venture.

Discussions on control invariably centre on the degree of control. Zhang and Rajagopalan (2002) stress the importance of control stating that when inter partner credible threat, the first order determinant of parent pay-off isn't present, managerial control becomes the second order determinant. Choi & Beamish (2004) note how research that links performance with control largely looks to assess the degree of control, the problem being that this uses the theory IJV parents will seek as much general control as possible and not selective control.

Whilst the equity ownership of IJVs used by Schaan (1983) and Geringer (1988) were 50/50, the degree of control over the IJVs operations was not proportionate; foreign firms desired operational and technological integration, whilst local parents sought to assert local knowledge over coordination and supply operations. Schaan (1983) and Geringer (1988) note how this shared control led to a positive effect on performance and IJV satisfaction and stressing the benefits of parent's resource complementarities (Inkpen and Beamish, 1997; Hitt *et al.*, 2000; Choi & Beamish, 2004).

Relinquishing ownership and trading off non-critical aspects of the IJV heightens a parents bargaining power when they are looking to assert control over an area of the IJV they consider key (Lee & Kao, 1998). Bleeke & Ernst (1993) put forward an argument for shared management but specified that it was more advantageous to have specific control rather than complete control. Hebert (1994) discovered IJVs with shared control were found to have more mutual understanding in resisting the desire to assert opportunistic behaviour as parents

understood the need for the other parent's contributions. This understanding becomes unbalanced when a single parent holds dominant control as the dominant parent may overlook concerns and advice from minority partners (Herbert, 1994).

The ownership literature predominantly focuses on how parents can secure their interests through equity. This is particularly relevant to parents who have no prior experience working together and perceive a dominant equity position as a means to assert their control over the IJV and secure their interests. This ownership is reflected in the contract but the contract cannot cover every eventuality so there are additional mediating affects that can determine parent's attitude to the ownership, one of which is trust. Parents without prior experience working together possess incomplete information on their partner and this makes it difficult to trust and therefore the contract becomes a formal mechanism of generating trust. However, as all but one of the cases in this study are 50/50, the relationship between trust and equity position is less obvious, as no one parent can command a dominant equity position. From a resource-based perspective, equal ownership highlights the parents need to rely on the second order determinant of control, the resource contribution. Therefore, it is expected that the parent's resource contribution will play a critical role in fostering trust and maintaining a bargaining power of equal strength.

### **2.3 Knowledge and Resource Contribution**

Using the resource based view, a parent firm is regarded as an assortment of sticky and difficult to replicate resources (von Hippel, 1994), where appropriation is secured through the protection and distribution of these resources. A knowledge-based view emphasises the extent of a parent's absorptive capacity when exposed to these sticky and difficult to replicate resources (Grant & Baden-Fuller, 1995; Cohen & Levinthal, 1990). IJV knowledge literature widely considers three modes of organisational learning: market based, hierarchical and hybrid. Market relationships are based on the buyer-seller relationship (Uzzi, 1997), with the bonds between them acting as the medium for any transfer of knowledge. The relationship Toyota has with its first tier suppliers as part of the Toyota Production System (TPS) is a representation of market-based learning where an open two-way knowledge process based on trust can benefit both the parent and supplier. Toyota learns from its suppliers through feedback how to improve efficiency or reduce costs and in return, the seller is rewarded with

a share of the profits and long-term contracts (Womack, 1990; Inkpen, 2008). Hierarchical relationships are based on parents that can develop knowledge in one location but exploit it in others with the internal transfer of knowledge through its subsidiary units (Bartlett and Ghoshal, 1988).

The IJV typifies the hybrid relationship where the relationship and trust between parents form the basis for the transfer of knowledge (Parkhe, 1998). Uzzi and Lancaster's (2003) work, later furthered by Dhanaraj *et al* (2004, pg 429), defined the relational embeddedness between the parents and IJV as the '*commercial ties that are embedded in social attachments*'. Hybrid relationships like IJVs are dependent on higher levels of trust owing to the stake parents have in the sharing of knowledge, business infrastructures and personnel. Consequently, relational embeddedness has a stronger influence on the transfer of complex tacit knowledge than explicit knowledge (Uzzi, 1997; Dhanaraj *et al*, 2004).

Through the application of organisational learning theory, Dhanaraj *et al* (2004) correlate how relational embeddedness between the IJV and foreign parent is a decisive element in the knowledge transfer process. Dhanaraj *et al* (2004) consider the strength of the relationship between parents, the degree of trust each party has with one another (Becerra *et al*, 2008) and the incorporation of shared values (Das & Teng, 2000) as the three defining components for relational embeddedness within the joint venture. Dhanaraj (2004) found relational embeddedness influences the transfer of tacit knowledge far greater than explicit knowledge with the three components individually having a positive impact on the transfer of tacit knowledge, which is regarded as the harder of the two knowledge types to transfer (Nonaka 1994, Simonin 1999, Inkpen 2000, Park *et al* 2008). The incorporation of shared systems however was the only factor found to positively affect the transfer of explicit knowledge (Dhanaraj, 2004).

### **2.3.1 Tacit and Explicit Knowledge:**

Whilst there are many mediums for the transfer of knowledge, the nature of the knowledge can be categorised as either tacit or explicit. Explicit knowledge is easy to communicate, store, and distribute due to the tangibility of its origin, usually codified or documented into a physical object (Currall & Inkpen, 2004; Martin & Salomon, 2003). Tacit

knowledge is unique to the individual and complicated to articulate due to its intangibility (Szulanski, 1996). Pan and Scarbrough (1999 pg. 362) remark that due to its nature '*tacit knowledge is not available as a text, it involves intangible factors embedded in personal beliefs, experiences and values*'. Whilst explicit knowledge can be easily possessed on its own, tacit knowledge first requires an explicit understanding before it can be implemented or communicated to others. This requisite of tacit knowledge denotes how the transfer of knowledge from one party to another is likely to involve varying degrees of tacit knowledge, supportively Polanyi (1966, pg.1) asserts how the idea of '*a wholly explicit knowledge is unthinkable*'. There are no universal means in the understanding of tacit knowledge as an individual's understanding is rooted in the assumptions made within a personal context, ensuring all learning processes are unique. As it is difficult to determine a universal definition of success, a universal application and understanding of tacit knowledge is equally difficult owing to the various interpretations attributed by different people during their own unique learning process (Das and Teng, 2000).

The success of the Toyota Production System (TPS) is based on the division of manufacturing activities into either adding value or eliminating inefficiencies (Black, 2007) and is dependent on workers utilisation of tacit knowledge in recognising potentially problematic situations and devise solutions without the need for managerial intervention (Womack, 1990). Presented with an obstacle, the '5-Whys' tool endeavours to guide the worker to find the root of the problem and if it is beyond the individual then neighbouring workers will assist, transferring tacit knowledge that expedites the solution process and increases the workers knowledge base (Shook, 1997; Womack, 1990). Womack (1990) observes how the Toyota Production System is based on a set of values that are implemented onto the production line through the workers. TPS is achieved through individual interpretation of the Toyota ethos by means of socialisation (Nonaka and Takeuchi, 1995), the process of sharing experience and technical skills with fellow workers in order to develop new experiences and skills.

The basis for Toyotas socialisation of knowledge, both tacit and explicit, is derived from the division of labour into individual cells that are called upon when difficulties are incurred that exceed a workers ability. Toyotas knowledge transfer and learning process is an adaptation of what Argyris & Schön (1978) coined as 'double loop learning' where the business recognises the consequences of past mistakes and generates improved processes to replace existing ones.

Through worker recognition of problematic and inefficient areas, there are continual improvements in Toyotas capabilities through an effective organisational learning process (Grant, 1996; Levinthal, 1991).

However, within any socialisation environment Nonaka and Takeuchi (1995) affirm that experience is at the crux of the successful transfer of knowledge and without it, such knowledge is invariably meaningless to the receiver. The importance of experience asserted by Nonaka and Takeuchi (1995) can be seen in the value Toyota place on and their approach for the classification of worker seniority. Toyotas pay structure is determined by the seniority of the worker, which in turn is derived from the current tenure of the employee, irrespective of age and previous employment. As a result, labour turnover has greatly depreciated, workers become more specialised and knowledge is maintained within the organisation.

The retention of workers accustomed to the practices of the business that already possess a knowledgeable basis will help facilitate the assimilation of new knowledge. Cohen & Levinthal (1990) and Simonin (1999) demonstrate how existing knowledge in a particular area will allow for the effective implementation and use of new knowledge, particularly when the new knowledge workers acquire is relevant to their current skill set. Powell et al (1996, pg 120) maintains how *'knowledge facilitates the use of other knowledge; what can be learned is crucially affected by what is already known'*. Whilst Powell believes that unrelated knowledge may hinder the knowledge transfer process, Inkpen (2000) argues that unrelated knowledge and any significant difference between the IJV parents expertise may hasten the transfer process owing to the potential for acquiring new knowledge outside the parent's usual sphere of knowledge.

The 5 Whys tool will only provide the right answer to the right question being asked and that depends on the individual asking the questions. The worker can only utilise the knowledge at their disposal, there is an inability to go beyond the workers current knowledge and prevent them finding solutions to root causes that they are not aware exist. Minoura (2003) believes that the success of the 5 Whys tool is rooted in the ability to transfer previous knowledge accumulated from asking why and applying it to the current problem and the most effective medium for this transfer is the incorporation of training. The effectiveness of the knowledge transfer process is interconnected with the organisational management of human resources (Lado and Wilson, 1994), notably personal development and training. Under investments in

personal development and training may ultimately impede a workers learning process due to insufficient levels of relevant knowledge and skill. Lyles and Salk (1996) and Lane *et al* (2001), indicate that the inclusion of training in the IJV setting is an effective medium for the transfer of knowledge and Park *et al* (2008) note how training is especially helpful in facilitating the transfer from a developed to a developing setting. Minoura (2003) believes the implementation of training is the key reason as to the effectiveness of Toyotas 5 Why technique and the success of the TPS, Minoura goes so far as to say training could even form the basis for universal application to varying nationalities and cultures.

The transfer and acquisition of knowledge is a complex process with social settings and cultural differences among the many external factors that influence the process (Becerra *et al*, 2008; Minbaeva *et al*, 2003; Mowery *et al*, 1996). Hitt *et al* (2000) state these influences are amplified when the recipient is from a developing nation with less experience in the knowledge acquisition process. Inkpen (2008) notes how socially embedded knowledge that is highly context specific and systemic does not transfer easily between parents and will require more than just exposure. Szulanski (1996, pg 11) asserts that a transfer of knowledge within an organisation '*is a distinct experience, not a gradual process of dissemination*'. Szulanski (1996) defines four sequential stages the knowledge transfer process: initiation, implementation, ramp-up and integration.

The first two refer to the process of acquiring the knowledge and the latter two stages to its dissemination. Tsai and Ghoshal's (1998) study progresses this further by revealing how the experience of knowledge alone is not sufficient to ensure a complete knowledge transfer. In addition to a '*distinct experience*', Inkpen (2008, pg 132) believes firms must '*purposefully create knowledge transfer mechanisms to capitalise on alliance learning opportunities*'. Womack (1990) comments how the New United Motor Manufacturing Inc (NUMMI) IJV between General Motors and Toyota was a scenario indicative of the difficulty described by Inkpen (2008), where the transfer of socially imbedded knowledge required purposefully created mechanisms to encourage the transfer process. In this instance, NUMMI had personnel from Toyota position in the US plant to explain and facilitate the new knowledge.

Purposefully created mechanisms require organisational investment, both financially and in terms of manpower hours. The extent of the investment will most often be lowest when the recipient relies on existing knowledge to learn new knowledge (Zollo and Winter, 2002).

Although, Nonaka and Takeuchi (1995) claim experience and existing knowledge is beneficial to the transfer of knowledge, reliance on old knowledge may hinder the learning process as new approaches may be required to understand new knowledge. GM approached the NUMMI learning experience with existing mass production principles that were largely inefficient and delayed GM by a number of years from developing what Inkpen (2008, pg 450) defines as a '*collective competence in knowing how to capture and transfer complex alliance knowledge*'. Zollo and Winter (2002) show when the value of the knowledge is understood, the investment into organisational learning increases and developments to the learning process appear. Given that knowledge acquisition is reported as a key factor behind IJV performance (Luo, 2002; Tsang, 2002; Steensma and Lyles, 2000; Lyles & Baird, 1994), understanding the knowledge and transfer process is a critical step from which further knowledge can follow.

The contribution of knowledge is a constantly evolving process and not an equally divisible task. Inkpen & Beamish (1997) believe asymmetric knowledge contribution can lead to instability and state that if the local parent can ensure their contribution is not simply a '*one-time contribution*' such as market access or cheap labour, then the possibility of instability diminishes. Nakamura (2005) states that the parent who can assimilate the most knowledge will enhance their bargaining power and in the case of the foreign parent removes the need for the local parent, an outcome that may be perceived a success from a foreign perspective but a failure from the local perspective.

The presence of a strong inter-parent and parent-IJV relationship is independent of the IJVs capacity to absorb new knowledge but the IJVs ability to absorb knowledge *is* dependent on the strong bonds between parents and itself (Dhanaraj *et al*, 2004). NUMMI provides examples of an IJV ensuring reciprocal knowledge transfer as well as the result of failing to appreciate the value of the knowledge offered. Toyota sought to establish a footing in the North American automotive market in addition to '*countering Honda and Nissan with minimal financial risk and learning to work with an American workforce*' (Inkpen, 2008, pg 448) whilst GM sought the regeneration of an idle plant and exposure to TPS (Weiss, 1997). The initial set-up phase of an IJV is characterised by uncertainty regarding the quality of each partner's contribution (Ott, 2006) and GM were no exception. Whilst Toyota valued the North American market penetration NUMMI afforded, GM was initially sceptical of the value of the knowledge offered by Toyota. The transfer of lean production knowledge



NUMMI subsequently became famous for was always an objective of GM but there was no consensus regarding its value as GM had never before embarked on a similar objective and there was no template to follow (Inkpen, 2008).

Parents in newly formed IJVs have varying degrees of knowledge in reference to their counterpart's strategies and resources, in particular, large amounts of incomplete information exists (Inkpen, 2008; Ott, 2006). In addition to the information that parents signal to their counterparts, accurate or not, there may be the information privately held, leading to adverse selection difficulties (Myerson, 1984). Distinguishing between a player's true skill set and the signalled skill set is generally difficult ex-ante (Riley, 2001; Ott, 2006) and it was this inability to determine the advantages of TPS that delayed its implementation within GM (Inkpen, 2008). Gupta and Govindarajan (2000) state the foremost determinant in the internalisation of knowledge is the absorptive capacity of the receiving institution. Inkpen (2008) highlights this through the case of NUMMI, where US workers sent to Toyota found it difficult to assimilate knowledge they believed to be irrelevant as the processes and approaches were so radically different from what workers were accustomed to at GM.

If the success of NUMMI were based on IJV duration, the 26 years of operation would suggest success. If success were a knowledge-based perspective, the assimilation of TPS would suggest success. However, if success were based on termination then NUMMI's failure to agree a new contract would suggest failure (Sadowski & Duysters, 2008; Inkpen & Beamish, 1997). This difference in perspective highlights the difficulty in determining a universally applicable definition of success and further identifies the importance of including the subjective judgments of those involved with the joint venture. It is critical therefore that a subjective definition of the JV's performance is obtained from the respondent participating in the data collection. Owing to the multiple perspectives with which NUMMI for example may be viewed, it will be consistent if the parameters are not predetermined for the respondents to assess but instead they be allowed to freely offer their own parameters.

## **2.4 Performance Measures**

For an IJV to be thought of in terms of being a success or not, measures of performance need to exist against which the IJV can be assessed. These performance measures are crucial in

any evaluation of IJV success and Griffith et al (2008) ask what factors constitute suitable measures for IJV performance? The difficulty lies in that the term performance can be synonymous for multiple assessment criteria (Gaur & Lu, 2007; Lu & Xu, 2006; Shenkar et al, 2005; Buckley & Glaister, 2002). Performance can refer to an outsider's view of what constitutes success, or to the parameters defined by the IJV parents, consequently the literature is unable to arrive at a consensus on the parameters that can best evaluate IJV performance (Martin & Noorderhaven, 2006; Reus & Ritchie, 2004; Osland & Cavusgil, 1996; Inkpen & Birkenshaw, 1994; Chowdhury, 1992; Krishnan et al, 1967).

#### **2.4.1 Multiple Perspectives**

The abundance of performance measures have resulted in academics rarely using methodologies that share the same combination of variables, with Steensma & Lyles (2000), Yan & Gray (2001), Zeng & Chen (2003), Dhanaraj & Beamish (2004) and Gong et al (2005) having all established unique combinations of performance measures for assessing IJV success. This lack of consensus is driven the hybrid nature of IJVs (Buckley & Glaister, 2002) as IJV performance must be considered from the perspective of multiple parents, each holding their own understanding of success. Killing (1983) used a single subjective performance measure that was aimed at encapsulating all other objective measures, asking the overall extent of parental satisfaction. Through this single subjective performance measure, the respondents answer would draw on multiple factors they considered important when determining IJV success (Blumenthal, 1990; Glaister & Buckley, 1999; Yan, 2000). Killing (1983) stated subjective performance measures were more appropriate in understanding the complexities of the joint venture. Where Killing (1983) sought to examine IJV performance in holistically, Blumenthal (1990), Glaister & Buckley (1999) and Demirbag & Mirza (2000) used multiple subjective performance measures. Mohr (2002) acknowledges that the use of multiple measures can connect the subjective value of individual variables to the degree in which they adhere or digress from the original performance expectations of parents. When an IJV may have multiple objectives, a single measure of performance will not represent the degree to which all objectives have been achieved.

Seashore & Yuchtman (1967) were among the first to incorporate multiple performance measures that address performance from multiple perspectives. The first performance measure was viewing the IJV as a going concern, a view supported by Child & Yan (2003) who note IJVs are established as 'separate legal entities to operate as viable business units' and therefore performance measures must view the IJVs ability to operate as a business. An IJV must be regarded as operating and competing with other businesses, much like its parent companies and therefore fair to expect the IJV to be held to its own individual performance measures much like that of its parents (Lyles & Reger, 1993).

The second performance measure examined how satisfied each parent was with the IJV achieving its objectives. Bleeke & Ernst (1993) consider this measure to provide the most accurate representation of an IJVs performance. The use of managerial satisfaction can help to unite the discord amongst the literature as removing externally applied parameters can allow IJV managers to freely consider the parameters they feel are relevant to their success rather than externally applied parameters.

#### **2.4.2 Financial Measures:**

Early works incorporated multiple financial measures such as profitability and growth (Tomlinson, 1970; Renforth, 1974; Dang, 1977), yet whilst Luo (2007) regards the inclusion of financial parameters in measuring IJV performance as objective, financial measures have received wider criticism in the literature, particularly stressing its one dimensionality (Beamish, 2009; Anderson, 1990; Geringer & Herbert, 1990; Dess & Robinson 1984). Akin to the longevity view, the use of financial measures receives criticism for being too constrained and failing to represent the entirety of the IJV. Ren *et al* (2009) states that the consolidation of financial data and financial performance measures into annual reports can prevent the relevant data from being easily distinguishable from all other corporate data. Yan & Child (1993) discovered that owing to the difficulty of accessing financial data many researchers have also moved away from the objective financial reporting towards more subjective measures that centre on perceptions of performance where managers will consider financial performance alongside a host of other measures (Isobe *et al* 2000; Luo 2001; Dhanaraj *et al* 2004). Choi & Beamish (2004) used this approach to assess IJV performance

by demonstrating the relationship between the satisfaction of IJV performance and the return on sales and assets.

The subjective assessment of automotive IJV success is yet to be fully explored and it is with subjective parameters that deeper understandings of success can be attained. Whilst there are advantages in using objective measures such as longevity and financial reporting, there is a lack of analytical depth that is vital in any study. As such, this research incorporates longevity and financial measures of success owing to the ease at which financial data can be transferred between cases and their objectivity. However, this research places greater emphasis on the inclusion of multiple performance measures and their ability to view a wider perspective of the joint venture.

## **2.5. Termination and Success**

The literature on IJV termination incorporates multiple definitions explaining the cause and effect of termination (Mata, 2009; Ito, 2009; Makino, 2007; Shenkar & Yan, 2002; Luo, 2000; Arino & Torre, 1998; Inkpen & Beamish, 1997). Owing to the literatures lack of conformity in constructing a single definition of termination, an attempt to conduct an all-encompassing meta-analysis of existing studies would likely provide inconsistent results. Makino *et al* (2007) defines this inconsistency as the ‘hazard rate’, stating that it will always remain prevalent whilst discrepancies continue within and between the contexts of the comparison groups. The multiple definitions for IJV termination can decidedly alter the conclusions drawn, as the successfully planned termination of IJVs may be represented as both successes and failures. Such discrepancies may help to explain why the IJV literature is so inclusive of low and high termination rates, with Makino *et al* (2007) providing termination rates from 30%, Inkpen & Beamish (1997) 50% and Parkhe (1993) up to 70%.

Considerable thought has to be given the idea that planned termination cannot effectively represent true termination figures as a pre-ordained objective has been achieved and the subsequent termination of the IJV must infer the successful completion of an objective rather than any genuine form of failure. Gomes-Casseres (1987) was among the first to identify how the planned termination of IJVs can represent success in pertaining to the parents initial expectations. However, a careful distinction has to be established between the idea of a

successfully planned termination and the termination of an IJV that has become unprofitable (Geringer & Herbert, 1991), a casualty of external economic conditions or the consequence of the deterioration of the parent's relationship (Shenkar & Yan, 2002). Consensual parent termination as a response to unforeseen external factors, such as a break down in parent relations, should not be regarded akin to termination brought about by the completion of the IJVs objectives or an ex-ante agreement. Termination can only be deemed successful if termination was destined to occur prior to its conception and not just a reactive measure (Makino, 2007). Identifying the difference between these two variations of termination is key, as there may be implications for IJV data when unplanned terminated IJVs are combined with successfully planned IJV terminations. This misrepresentation in the literature may be a contributory factor perhaps as to why IJV success is overshadowed by their reported failure and why such discrepancies between termination rates exist.

The literature asserts that IJVs are transitional entities (Sinha, 2008; Park et al 1997; Porter, 1990) and present a means of overcoming the obstacles and risks associated with entering unfamiliar and foreign markets. Once there has been a degree of market familiarisation and a reduction in the 'liability of foreignness' (Zaheer and Mosakowski, 1997), an IJV provides parent firms with the possibility for acquisition, a progressive development for parents wishing to capture the full returns of a successful IJV. However, when the IJV follows the transitional path to a WOS, the literature frequently refers to the venture as suffering from instability (Parkhe, 1993; Inkpen and Beamish, 1997; Yan 1998), despite this sometimes forming part of the rationale for establishing the IJV. Franko's (1971) early work regarded instability to heighten as a business undergoes an expansion of its global strategy, characterised by what he defines as 'shifts in organisational structure'. Franko (1971) categorised IJV instability threefold; an ownership change whereby the foreign parent increases its ownership from minority or shared to a stake under 95%, the complete termination (planned or unplanned) of the IJV and the transition of an IJV into a WOS.

Contractor (1990) asserts that this transitional move towards a WOS is commonplace for IJVs that exist in developing economies such as China and India where environments for FDI are constantly adapting and so must the investment mode (Lecraw, 1984; Lee *et al*, 1995; Calantone *et al*, 2000; Luo *et al*, 2001a). Appropriately, it is developing economies such as India and China that are amongst the chief destinations for IJVs, rendering the consideration of termination and instability through structural modification key. Sinha (2008) contests that

the economic liberalisation of developing economies such as China and India is the cause of IJV instability, with organisational transition having a secondary effect; a view supported by Geringer and Herbert (1990, pg 259) who propose that '*changes in IJV ownership structure, seemed to have a much less direct relationship*' on performance than alternative factors.

Luo *et al*, (2001) argues transition brings single parent control, which is easier to administrate than IJVs with multiple parents, and therefore performance can be far easily monitored. Killing (1983) was the among the first to consider the difficulties encountered with a shared system of management in IJVs, stressing particularly the complexities of cultural, behavioural and managerial differences foreign and local parents can encounter. Killing (1983) argued that IJV management already suffers from complexity issues due to cultural and geographical distances, yet the shared management of an IJV will only exacerbate these existing issues attributable to the increased level of parent interaction required in the decision-making process.

Steensma and Lyles (2000) unites high levels of conflict between IJV parents with an imbalance of power that ultimately enhances the possibility an IJV will seek a transition to WOS. Early evidence from the database however does not report high levels of conflict with any significant force and the minority of cases that were conflicted preferred a move towards termination rather than transition. The database shows the automotive manufacturer with the most 'conflicting' cases is Fiat who account for half of the negative termination cases, cases whereby one or more of the parents had not planned for termination or where parents considered their counterparts directly responsible for the eventual termination of the IJV. This tentatively suggests that whilst conflict most certainty contributes to the instability of an IJV, automotive manufacturers in the database are more inclined to end a problematic IJV with termination rather than a transition to a WOS. Conversely, Steensma and Lyles (2000) suggest that when there is no presence of parental conflict and an extensive knowledge transfer and acquisition process the local parent will be more likely to internalise the IJV. This draws on the idea that the local parents are engaged in the IJV to serve their own purpose as a chief strategy and assume control once there has been a sufficient exchange of knowledge.

However, the database of 200 JVs is not supportive of this perspective, suggesting for automotive manufacturers the foreign parent who will be more likely to internalise the JV. It

is the foreign automotive manufacturers that upon reducing the 'liability of foreignness' by obtaining intermediate goods such as country specific knowledge, access to distribution channels and national resources, who were more prone to seek a transition to WOS. Buckley (2007) and Puck (2009) both provide empirical data to support the early findings of the automotive database by attributing the increasing use of WOS to a foreign parents increasing acquisition of local market knowledge. Beamish and Jiang (2002) assert that intermediate goods, such as acquiring local knowledge, are vital to success in China and India, and this too is confirmed through early findings from the database. The database identifies both GM and Ford as stating that their respective Indian IJVs have demonstrated the potential of the Indian automotive sector with both manufacturers subsequently transitioning their IJVs into WOS. This demonstrates a reversal of what Steensma and Lyle (2000) propose; of the 28 cases of transition from IJV to WOS, there was only 1 case in India and proved to be the first instance of local parent buy-out in India.

An interesting observation from the database is the ratio of terminations to transitions for certain automotive manufacturers and how western and eastern manufactures differ. When looking at the two US manufacturers the ratio of terminations to transitions for GM was 50% whilst for Ford it was 75% in favour of transitions. The eastern manufacturers Toyota and Honda shared an identical 100% transition rate with no terminations. Whilst these are not evocative of any preference for WOS based on geography or culture, it may be an early suggestion for a difference in strategic vision on how manufacturers manage an IJV. Whilst the two US manufacturers, GM and Ford, account for 20/37 instances where an IJV has undergone change through WOS or termination, Toyota and Honda have a combined seven cases, hinting at less of a preference for structural change than their western counterparts do.

## **2.6 Longevity and Success**

The literature often regards the IJV entity not as a goal in itself but more a means to an end, acting as a transitional medium for foreign parents (Davidson, 1987; Porter, 1990; Park *et al*, 1997; Sinha, 2008). This transitional view of the IJV use the ideas that foreign parents are eager to limit their exposure to risk in unfamiliar foreign markets and local government regulation prevents direct investment through subsidiaries (Beamish, 1985). Contractor (1990) argues that when obstacles such as risk and government regulation are removed, the IJV will

likely undergo a transition with a parent or third party to transform the IJV into a subsidiary. This transition of IJVs has been reported more frequently in economies that are themselves undergoing a transition to a more democratic and open state (Lankes & Venables, 1996; Tsang *et al*, 2004; Steensma *et al*, 2007). With the variety of definitions surrounding IJV termination, it is common for JV transition to be considered a form of termination (Sinha, 2006). Despite IJV transition being what Porter (1990) describes as a natural progression within the IJV life cycle, the literature largely considers IJV transition synonymous for instability and poor performance (Reuer, 2001; Gomes-Casseres, 2001 Sinha, 2001 & 2006).

There is support for the idea that termination is moderated by a cycle, where the JV having operated beyond a certain duration can greatly diminishes the likelihood of termination (Park & Russo, 1996; Park & Ungson, 1997). Kogut (1988) was one of the earliest proponents to use the idea of duration as a means of examining IJV termination, suggesting the longer an IJV has operated the greater its stability and moderating affect on termination. Inkpen and Beamish (1997) connect the idea of IJV longevity with sustainable performance on the grounds that an IJV will operate above an acceptable level of performance in as much as the IJV remains the most effective means of foreign investment. Yan & Gray (2001) suggest Transaction Cost Theory (TCT) can support the idea that an IJVs duration may be reflective of its success on the basis that as an IJV endures the relationship between parents develops and the degree of trust increases. As trust increases throughout the JVs duration the need for additional transaction costs, control mechanisms and the chance of opportunistic behaviour is reduced, increasing stability and the chance of success (Bromiley & Cummings, 1995; Hansen & Hoskisson, 1996).

However, the idea that the success of an IJV can be accurately derived from its duration has received criticism from the literature, highlighting how such a perspective is too narrow and avoids additional mitigating circumstances. Lyles and Baird (1994) point out that it is impossible to ascertain using longevity whether an IJV that exists for twice as long as another may be considered more or less successful. Additionally, whilst ex-ante conditions may have suggested an extended lifecycle would be required to achieve the IJVs objectives, the ex-post environment may have allowed for an earlier completion date and may result in an earlier termination. Where IJV longevity can be effectively linked with termination as a measure of success is when a predetermined outcome of termination has been achieved. Kumar (2005) stipulates that the termination of an IJV does not always indicate failure but can be



representative of success when planned for at the IJVs creation. The idea termination can be a favourable option indicates that the IJV has been used as a transitional device, aimed at overcoming immediate shortfalls resources, abilities or market constraints (Porter, 1990; Kogut, 1991; Park *et al* 1997; Sinha, 2006).

Killing (1988) suggests IJVs are largely formed to overcome the ‘temporary problems’ faced by parents and when such obstacles have been overcome the termination of the IJV is the next evolutionary step. When this is the case the idea that longevity can reflect failure would be inaccurate and incorrect (Yan and Zeng, 1999). When JV termination is a consequence of having achieved set objectives it is in fact the inverse application of longevity that may determine how successful an IJV has been. The shortest possible time between the setting and completion of objectives would suggest the most successful IJV as risk and costs have been kept to a minimum, partner opportunism has been avoided and subsequent operations may begin (Tsang, 2000; Madhok, 1998).

Longevity is a frequently used holistic measure with which to assess IJV performance (Lu & Xu, 2006; Dhanaraj & Beamish, 2004; Steensma & Lyles, 2000) and Inkpen & Beamish (1997) state an IJV will only function as long as it remains the most efficient organisational mode of foreign investment. However, longevity as a parameter of success fails to incorporate external factors with Lyles & Baird (1994) drawing attention to the inability to determine the better performer from an IJV that has been operating for five years and another for 10 years. A research and development IJV requires extended periods of investment before any gains can be returned which under the longevity assessment of performance would automatically imply success. A common thread throughout the literature is that IJV longevity is considered ‘the exception rather than the rule’ (Makino 2007; Park & Russo, 2006), so this research will consider longevity cautiously, acknowledging that longevity is limited in its ability to fully represent IJV success.

Kumar (2005) and Yan & Zeng (1999) allude to Toyota's and General Motors ‘New United Motor Manufacturing Inc’ (NUMMI) IJV to assert longevity as a poor indicator of IJV performance. Longevity as a measure of success indicates NUMMI to be successful, having operated for 26 years, far exceeding the 6.7 years Reuer (2000) defines as the average lifespan of an IJV. However, using parent satisfaction, Inkpen's (2007) study of the NUMMI however, the early years of the IJV were regarded by both parents as a failure due to poor

goal attainment. The IJV eventually developed into a success before again considered a failure by both parents, resulting in its unplanned termination. Whilst there is evidence that a repeat game scenario involved in a long-term IJV can reduce the potential of cheating as the parents learn more information about their partners and trust begins to build (Ott, 2006), it can also denote a relationship that has exhausted its benefits and become stagnant. Longevity fails to understand the interim years and cannot account for the turbulent periods throughout. The application of longevity in assessing IJV success is most effective when it is incorporated with other factors and can help formulate a wider perspective (Seashore & Yuchtman, 1967). This research uses longevity in conjunction with multiple factors and to assess against the 6.7 years Reuer (2000) states as the average life span of an IJV.

A weakness of longevity is its failure to understand the reason for IJV termination. Berg and Friedman (1978) note that parents of an IJV that is performing well are more inclined to consider complete ownership as it can offer a more rewarding prospect. Porter (1990) argues that IJVs are transitional entities and a move to complete ownership is a naturally progressive step, with longevity failing to understand termination because of such success. Kumar (2005) notes how longevity fails to appreciate successful termination as a consequence of goal attainment and therefore additional factors must be used in conjunction with longevity to generate a fuller perspective. This links in with Reuer and Tongs (2005) use of real options theory who stress the link between termination and the motives for establishing an IJV when evaluating success. When a link such as the realisation of pre-defined objectives exists, then the IJV longevity becomes irrelevant and termination is regarded as a success (Makino et al, 2007). The use of unintentional termination for any reason, according to Makino et al (2007), is a signal of poor performance and therefore establishes a link between the duration and performance. This cannot however be as readily applied to good performance, as continued operation is not a reflection on performance.

Geringer & Herbert (1991) reported the average duration of JVs from a sample of US IJVs was '*3.4 years for the terminated ventures and 6.0 years for the surviving IJVs*'. Hu & Chen (1996) found that from a sample of 3071 Chinese IJVs, 2442 of which are in the manufacturing sector, the average lifespan for all IJVs was 13.7 years whilst those deemed 'successful' were longer at 15.9 years. Consistent with the idea that the commitment of the parent firms is a major determinant of IJV performance (Isobe *et al*, 2000; Cullen *et al*, 1995; Cavusgil & Zou, 1994; Newman, 1993; Beamish & Banks, 1987), Hu & Chen (1996) found

that successful IJVs attracted a greater level of investment at \$7.726million against the average \$2.817million. This combination of financial commitment and IJV longevity is reflective of the parent's degree of commitment for continuation of the venture.

## **2.7 Case Study Approach**

The case study approach is most suitably defined by Dul & Hal (2007, pg. 4) who state:

*A case study is a study in which one case (single case study) or a small number of cases (comparative case study) in their real life context are selected and scores obtained from these cases are analysed in a qualitative manner.*

The case study approach is one of the most frequently used means for postgraduate business research and is often a precursor to a supportive quantitative analysis (Jean *et al*, 2008; Jean 2007). It is because of this applicability that the case study has been used to support the initial qualitative data collection and the subsequent fsQCA quantitative analysis. Despite this, Yin (2003) notes it remains one of the most challenging of all social science endeavours. Therefore, an important question is whether the case study can fully satisfy the research goals of this thesis, as Ghauri & Firth (2009) note that the suitability of the research to this approach will ultimately determine its quality. Yin (2003) states case studies are best suited to when the research focus is a real life social phenomenon. For this thesis, the IJV is a real life social construct and the 'softer' conditions of trust, IJV-parent relationship and long – term commitment are all social phenomena that together form the overall entity. Yin (2003) outlines three key characteristics of research that suggest when the case study is most applicable, firstly, when the purpose of the research is to address 'why' and 'how' questions. Secondly, when the actions of the respondents in the research cannot be influenced or manipulated by the researcher. Thirdly, when there is an interest in examining conditions believed to be significant to the research objective.

The decision to use the case study approach is supported by Yin's (2003) first criteria, as the objectives of this research are to establish how certain conditions facilitate IJV success and why these conditions are most relevant. Viewing this research through the lens of Yin (2003), there is a clear justification for employing the case study approach in determining IJV success. The first condition identified by Yin (2003), seeking to answer 'how' and 'why' questions, is directly relevant in context to the research questions in this research as four of the six

questions are ‘how’ and ‘why’. Research questions RQ2, RQ4 and RQ6 are ‘how’ questions that seek to understand in what way success relates to a particular aspect of the IJV. In this instance, a case study approach is beneficial in being able to frame the context of the question in a real world example.

Again, Yin’s (2003) second criterion is supportive for selecting the case study for this research, as the IJV is an entity beyond the control of the researcher and an interaction between parents and multiple individuals. A case may be made for the researcher having a direct involvement with respondents through semi-structured interviews and therefore having an influence on the data collection process and ultimate findings. However, this concern is mitigated threefold, firstly, the data generated through the interviews largely pre-dating the time of the interview and as such the events in question remain at arms length to the researcher. This thesis takes a longitudinal view of IJV success and asks respondents to comment on the whole life cycle of the IJV and not the snap shot in time when the interview is constructed. The manner in which topics are discussed is part lead by the researcher and the justification for this approach is addressed in 4.1 where researcher involvement is seen as a necessary and positive feature of qualitative research.

Secondly, the case study approach employed in this thesis is not taken to the lowest level of detail by examining only one or two case studies through an almost ethnographic data collection process. The researcher is not embedded in the actual IJV environment so the concern of researcher influence is mitigated through the physical detachment of the researcher from the IJV. Finally, any concern of researcher influence through the case study approach is further mitigated by the triangulation of each interview with multiple parents. The case study approach supports the use of triangulation in that it allows the research to access a deeper level of data from each source to support the data from others. The risk with more distanced data collection such as questionnaires or surveys is that superficial responses are recorded without the ability to explore in more detailed manner.

Yin’s (2003) final criterion again supports the decision to use a case study approach as this thesis looks to examine conditions conducive to the IJV success. This is supported by a large literature base that establishes the basis for which to apply notions of IJV success to the automotive industry. However, whilst the case study approach is most appropriately suited to

these purposes, Ghauri & Gronhaug (2002) also state that the case study approach can also be incorporated into exploratory, explanatory or descriptive research.

The case study was chosen because this thesis looks to establish the conditions that facilitate IJV success and how managers perceive that success. This could not be achieved without the context of an IJV and understanding how managers interact with each other and the parents. As an IJV is a collaborative effort, it would be impossible to establish an accurate picture of success without including the context within which the respondent's provide their data. The context within which the IJV will be positioned is the automotive industry, as to provide a constant reference from which all case studies can be related to.

The case study approach generates data from many sources such as interviews, surveys, publications and financial reports. Ghauri & Firth (2009) regard the most important characteristic in qualitative data collection as the depth of the data rather than where the data originates. The case study approach looks to identify a limited number of cases that can be analysed in a greater depth to explain the complexity of relationships and social phenomena, without the distraction of too many variables (Gummesson, 2007). Yin (1984) describes this approach as 'an empirical inquiry that investigates a contemporary phenomenon within its real-life context'.

Whilst research into the complexities of organisational relationships may inevitably simplify the phenomena, the case study looks to include more data than most other methodologies (Hodkinson & Hodkinson, 2001). Ghauri (2004) notes the case approach is particularly effective for international business research where large amounts of qualitative data can be generated from cross-cultural and cross border scenarios. Whilst more quantitative research methods look to remove the unwanted 'noise' in data through experiments or highly structured surveys, case studies look to preserve this 'noise' (Hodkinson & Hodkinson, 2001). The clarity of the data and precision analysis are sound justifications for removing such data but there is great difficulty in determining what should be omitted and what should be retained. The case study approach looks to include as much 'noise' as possible to facilitate the depth of the analysis but this in itself brings its own difficulties in analysing such large volumes of data (Colley and Diment, 2001). Given the qualitative nature of the initial data collection through interviews, there is a strong need to include as much 'noise' as possible to gain as deep an insight into each case. The case study approach is supportive of this.

As noted in 4.3.2 concerns are raised surrounding the replicability and comparability of qualitative data, particularly if the collection process is from multiple countries. Ghauri (2004) notes the case study approach as an excellent means to mitigate these perceived differences in the data as the depth of the analysis allows both respondent and researcher enough opportunity to check their data. The researcher in particular has the opportunity to maintain a line of questioning until the desired level of response has been obtained. Yin (1993) further states that a multi case study approach is highly desirable as they follow replication rather than a sampling logic.

Woodside (2010) advocates the case study approach as it supports the collection of data over a sustained period. Similarly, Ghauri (2004) regards the case study as a means to allow the researcher to use a longitudinal approach compared to more structured survey based questions. This develops the early ideas of Hyder & Ghauri (1989) in which they state the IJV is best appreciated as a historical process. However, the case study approach modernises this view as complex relationships cannot be so easily studied retrospectively. Rowley (2002) sees the case study as a means to acquire multiple forms of data such as observations, interviews and publications, all of which far exceed the ability of historical data as a means to evaluate a modern IJV. March & Sutton (1997) criticise the circumstance that most of the organisational performance related literature is drawn from historical studies and cross sectional data. March & Sutton (1997) state the case study is better served to encapsulate current perceptions of success, as historical analysis reflects more on the way performance information has been affected by storytelling and memory than performance itself. Dul & Hak (2008) support this by noting that retrospective bias is one of the paramount weaknesses in empirical research assessing organisational performance. The case study however allows the collection of IJV data across a longitudinal span (Ghauri, 2004) and can address the weakness of historical data collection.

The strength of the case approach is fewer cases allow for a greater breadth of questioning and respondents can be contextualised to a greater extent. By having a deeper understanding of the respondents within cases, data can be positioned against who the respondent is and their experience within the IJV to strengthen or invalidate statements (Gummesson, 2007). Because of this intense focus on fewer cases, the case study approach is suited to generating theory as the complexities of social phenomena can be explored (Partington, 2002). Whilst this is a qualitative advantage, the quantitative perspective views this approach as a limitation

because of the narrow scope of cases and limited sample size (Flyvbjerg, 2006; Ghauri, 2004; Sandleowski, 1995). It is due to this concern that the second part of this research is concerned with incorporating a more quantitative analysis that can add robustness to the qualitative data. Due to the in-depth nature of the analysis, the case approach discounts many other cases, reducing the applicability of the data. Findings drawn from a limited number of IJV's may be applicable to those studied but cannot be assured of having a wider application to all IJV's.

The transferability of data however is not a characteristic qualitative research is designed to champion, instead regarding the depth and quality of the data as paramount. Hodkinson & Hodkinson (2001) note qualitative data blurs the boundaries of many concepts and makes their separation harder to convey in a quantifiable manner. This has lead to mixed method approached becoming a growing area of research aimed at combining the merits of qualitative and quantitative research (Leech & Onwuegbuzie, 2007; Giddings, 2006; Tashakkori & Teddlie, 2003).

Additionally, whilst IJVs have been well researched holistically, the precise research surrounding successful IJVs in the automotive industry has not. Given that the automotive industry is such a global industry and a fundamental pillar of many economies, research into the causes of success for one of its primary means of foreign investment should be as detailed as possible. Whilst existing research and theory may be applicable to the IJV, the fullest possible comprehension of the automotive aspect must be gathered, particularly as there are large differences between how nations perceive IJVs. Success in china, where the IJV is a requisite of investment may be different to IJVs in the US where investment law is more open and IJVs are established through choice. Furthermore, the automotive industry is incredibly fast-paced and findings based on IJVs established 15 or 20 years ago might have become dated. According to Moeller *et al* (2012) and Johansen & Vahlne (2009), IJVs in emerging markets have overcome their liability of foreignness and this changes how they operate. Research based on IJVs new to a market or still establishing themselves will offer significantly different findings to research on IJVs that have been operating for over 15 years and comfortable in their environment. Therefore, a case-by-case approach to the IJVs and their variable definitions of success will be able to generate a more accurate picture of the automotive industry.

Whilst the multiple components of this research are the subject to numerous literature reviews, this work seeks to offer a new insight in that the combination of these components have not been previously examined and certainly not with the methodology employed. IJVs have a sizeable wealth of literature with the majority focused on their termination than on how they succeed and even less attention has been given to the IJV in an automotive context. Similarly, the conditions examined in this research – Trust, Relationship and Commitment – have all received notable attention in their own right yet as a combined interactive force acting upon the IJV, these conditions have not been examined. Consequently, the methodology has been designed to examine the automotive IJV relationship as deep as possible.

In looking at automotive IJV success, any contribution to knowledge must not only be able to demonstrate a hypothetical or theoretical understanding of the automotive industry but must provide the industry with tangible results and findings that are genuinely relatable to its operations. This is why a qualitative interview approach has been designed in order to determine how respondents view IJV success with as much detail as possible. This is supported by the case study approach where real world examples can be examined in as much detail as the respondents can provide. The case study offers the contributions of this research added weight in that IJV management can use the relatable examples in this research as a direct point of comparison rather than relying on the hypothetical. This is a particularly underestimated component of academic findings in that if they are to be transferable outside the academic arena and into industry, then they must appear to be directly relevant to those involved with automotive IJVs.

In addition to generating findings that have maximum relevance to the industry in which the data is grounded and replicability to other IJVs outside the 13 case studies in this research, the contribution of this research to the wider academic literature is seen in the unique combination of the factors employed in examining automotive IJV success. Much like the conditions Trust, Relationship and Commitment, this research is unique not in its segregated components but in their coming together as a whole. IJV success is not a new area, neither is the automotive industry, a case study approach or a mixed methodology, however, what is unique is the combined analysis of the automotive IJV success conditions Trust, Relationship and Commitment by using a mixed method case study approach with a quantitative fsQCA analysis to support qualitative in-depth interviews.



## 2.8 Theoretical Underpinning

Different streams of research view conditions in various ways depending on the purpose of the study or the researcher's epistemology. Therefore, it is important to understand how the conditions featured in the literature review are pertinent to the IJV and how they affect the way the IJV is viewed. Table 2.1 is adapted from Robson (2002) and presents a synopsis of the popular theoretical perspectives with which to view an IJV. The aim of this research is to identify the preeminent conditions that drive success in automotive IJVs and in light of this objective, a conceptual framework has been developed based on the literature review and is presented at the end of the chapter. The final framework incorporates the key conditions this research considers vital to IJV success and demonstrates the relationship between these conditions. Table 2.1 details the main theoretical approaches that have been employed to evaluate IJV success in the wider literature.

Table 2.1: Theoretical Underpinning in the IJV literature

Theories	Underlying logic	Focal Aspects	Authors
<b>Bargaining Power</b>	Desirable assets & resources create of bargaining power. Parents with Bargaining power can exert influence.	Ability to wield firm specific assets, sustainability of source generating bargaining power.	Park et al, (2008). Lu & Herbert (2004). Yan & Gray, (2001).
<b>Resource Based View</b>	IJVs are formed to create bundles of strategic and social resources that advantage and, in turn, superior performance.	Achieving positional advantages based on inter-firm resource complementarity, the scarcity of firm resources, the coalitional nature of organisations and the resource interface in IJVs.	Deitz et al, 2010 Dhanaraj et al, (2004). Lu, (2002). Hitt et al, (2001). Das and Teng, (2000).
<b>Bargaining Power</b>	Desirable assets & resources create of bargaining power. Parents with Bargaining power can exert influence.	Ability to wield firm specific assets, sustainability of source generating bargaining power.	Park et al, (2008). Lu & Herbert (2004). Yan & Gray, (2001). Delios & Henisz, (2000).
<b>Transaction Cost Economics</b>	The sum of production and transaction costs associated with joint ownership is lower than	The size and division of exchange and production costs incurred, mitigation of the hazards of partner	Macher & Richman, (2008). Williamson, (2005).

	that for sole ownership of the IJV or market transactions.	opportunism and the use of administrative procedures for control.	Yasuda, (2005). Brouthers & Brouthers, (2003).
<b>Agency Theory</b>	IJVs act as agents through which parent organisations aim to increase the business activities and success. They act to control costs they attribute to the agency relationship.	Principal and agent agendas may differ, leading to future conflict; this is exacerbated by cultural distance and avoided by parent-initiated control mechanisms.	Fong & Tosi, (2007) Reuer & Ragozzino, (2006). Shapiro, (2005). Ekanayake, (2004). Eisenhardt, (1989).
<b>Behavioural Perspective</b>	The development and successful evolution of IJVs depend largely on the behavioural interaction and the presences of goodwill among parties involved.	Relational and interactional characteristics such as trust, commitment, cooperation and processes within the inter-firm partnership.	Gavetti <i>et al</i> (2012). Lui <i>et al</i> (2009) Greve, (2003). Cyert & March, (1963, 1992).

This is not an exhaustive list of theoretical concepts but those most relevant to IJV success and those appearing most frequently when conducting the literature review. From the five most used theoretical concepts in Table 2.1, this thesis identifies the two most relevant concepts to this research as the Resource Based View and Bargaining Power Perspective. The remaining three concepts have not been taken further in this study because they were not considered as relevant in their application to this study. The justification behind selecting only two concepts was also a practical decision, as all theories outlined in table 2.1 have varying degrees of applicability to IJVs and could have been included so there was a requirement to be selective.

This research could easily have included Transaction Cost Theory (TCT) with equal applicability yet it was excluded in place of the resource based view and bargaining power theory. Firstly, the fundamental concept of TCT is that transactions are conducted within the IJV if the open market costs exceed that of the internal IJV costs - a process that can also be known as internalisation. This view assumes that IJVs are created as a means to secure the cheapest or most economical route to an end objective, something that is not always the case in this research. The cases in this research that have been established in China have done so through a legal requirement and not necessarily through any prior inclination to establish an IJV. In this instance, it may not be the case that the IJV can be viewed through TCT as whilst

the access to the foreign partner's knowledge/resources through an IJV may be the most effective or cheapest means for the local parent, it may not be the same for the foreign parent. Furthermore, one of the 13 cases in this research was created at the behest of the larger OEM to offer reassurances across other areas of business and another because of the success of an existing IJV between the parents. In each case, the drive for its creation was different and not due to the economic principles of minimising transaction costs. Therefore TCT was omitted.

Once the IJV has been established, it could be pertinent to apply TCT to the internal transactions of the IJV but this ignores the driving force for establishing the IJV and does not support the view of this research. This research does not view each case the same, precisely why the first part is a qualitative process aimed at examining the unique intricacies of each IJV case. The Resource Based View (RBV) however, was included in this research over TCT as it took a more encompassing view of the nature of IJVs. Regardless of the cause in their creation, the IJV will interact at the negotiating table and use their respective bargaining power to establish an equity position reflective of their resource contribution. Furthermore, Bargaining power is a reflection of the way this research predominantly addresses the softer factors of IJV management, whilst TCT assumes a more transactional and operational view for justifying the creation of IJVs.

This study identifies parents stating access to partner resources as a key driver behind the partner selection process, particularly parents from emerging economies; therefore, it is appropriate to begin from a Bargaining Power perspective. In regards to IJV creation, the partner selection process and the resources sought by parents are amongst the first decisions to be made. The access to the partner's resources and the IJV ownership will be largely derived from the parents bargaining power generated from the strength of their contribution. The relevance of this to the cases in this thesis is heightened owing to the fact that none of the parents in the 13 cases demonstrated a dominant equity position and consequently, any distribution of resources would have been negotiated through the parents respective bargaining power.

### **2.8.1 Bargaining Power Theory**

Salancik & Pfeffer (1977) were among the earliest to ground a parents bargaining power within a theoretical basis. They argued that bargaining power is a reflection of a parent's

capacity to achieve their goals, in turn reflecting their strategic control over particular operations. Yan & Gray (1994) proposed that the extent of this strategic control is dependent upon the source of the bargaining power, stating that the size of the parent's resource contribution acts as the determinant for the bargaining power strength and subsequently the level of control. However, as resource contributions cannot always be proportionally represented by ownership or control due to their intangibility, Lu & Herbert (2004) stress that the resultant ownership structure after the negotiation phase is the true reflection of a parents bargaining power. Blodgett (1991) listed five areas he deemed key in determining the strength of a parents bargaining power – knowledge of local market, financial resources, governmental influence, technological capabilities and resource/operational control. This reflects the diversity of sources from which bargaining power emanates and the difficulty in creating comparative valuations. A strong bargaining power will be established if a parent contribution is perceived as a valuable addition to their own, creating a mutual resource dependency. It is because of this valuation disparity that this thesis shall view parent's partner selection as subjective and driven in part by a desire for resource complementarity.

Emerson (1962) was the first to note that the strength of parents bargaining power was not solely a product of their resource contribution but is also determined by the level of dependency the partner places on that contribution. Hamel (1991) states how a dependency situation becomes highly likely when a parent controls a vital or firm specific resource essential to the operation of the IJV. This suggests that the strength of parents bargaining power can be a closely linked to their level of control over an IJV. Park *et al* (2008) notes the importance for parents to control and protect the source of their bargaining power, especially the more intangible it is. Attributes such as firm specific knowledge, scientific expertise or specialised manufacturing skills are considerably difficult to monitor, as there are fewer indicators to measure the knowledge transfer process. This makes the determination of a parent's bargaining power harder to quantify in order to determine the worth of a partners contribution. Ott (2003) uses the contracts drawn up between parents to indicate how the transfer of knowledge can be governed and monitored within a set framework. However, this becomes difficult when a parent has control over an essential asset and can regulate the flow of knowledge. According to Labahn (1999), the transfer of firm specific resources significantly contributes to the development of trust and the long-term commitment between parents. Consequently, as this study anticipates firm specific resources to be a key driver of

IJV creation, the level of parent trust and long-term commitment are expected to be critical conditions in driving IJV success.

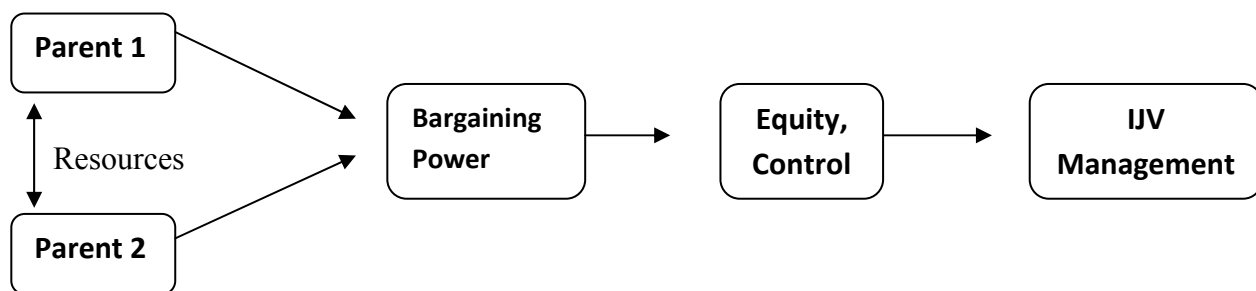
From a bargaining power perspective, this research looks to develop the work of Labahn (1999) by determining the relationship between parent resource contributions, their respective levels of control and IJV success. However, as all but one of the cases in this study has equal equity splits and shared management structures, ownership will not be the primary means of control. It is expected that a bargaining power will be generated through the strength and quality of the parent's resource contribution. Consequently, trust will become a mediating factor, as parents cannot rely on a dominant equity to ensure their interests are secured.

The bargaining strength of a parent can falter when a dependant parent creates alternatives or can relieve the dependency on the other parent's resources (Yan & Gray, 2001; Emerson, 1962). In such cases where the firm specific contributions can be easily replicated, opportunistic behaviour may appear as an alternative to a sustained and trusting long-term relationship. As a means of reducing the potential for opportunistic behaviour, Lee and Kao (1999) believe that a repeated bilateral bargaining process is necessary to maintain what they refer to as a 'fair interaction between the parents'. The repetitive nature of the bargaining process can lead to trade-offs between various aspects of control in the IJV, suggesting that the power dependency does not necessarily represent a long-term scenario but a constantly evolving relationship due to the re-negotiations. Nakamura (2005) takes this idea that bargaining power is constantly evolving in the relationship and directly links it to the equity share the foreign parent seeks. Owing to the successful nature of the cases in this study and the lack of any notable opportunistic behaviour as suggested by Yan & Gray (2001), bargaining power is considered to have remained strong between parents. Owing to the equal ownership in the cases, the bargaining power is thought established on a mutual dependency of parent contribution and not an artificial product of a dominant equity position.

The importance of a parents bargaining power increases when the parents do not have complete information or prior relational experience (Fatima *et al*, 2005). Parents cannot be fully certain of their partner's intentions and therefore bargaining power is used as a demonstration of strength and a means of gaining dominant control (Cabrales *et al*, 2011). However, the cases in this study where parents possess prior experience will be expected to rely less on their ability to wield a strong bargaining power and more on their previous

relationship. The IJVs in this study are predominantly 50/50 IJVs and this has a strong influence on the theoretical and practical implications for a bargaining power perspective. Where no dominant equity position will exist, partners will not be able to assert equity control and it is thought that the second order determinant for bargaining power will be the parent's resource and asset contribution to the IJV. The early stages of the IJV life cycle, specifically the contractual negotiations and immediate stage following, will be governed by the strength of the resources offered and their perceived importance by the partner. Consequently, it will be considered that the resource contribution of the parent will govern the proceeding interactions between the partners and heighten the importance of partner selection, specifically how contributions are offered, received and aligned

Fig 2.1 Bargaining Power Framework



## 2.8.2 Resource Based View

Bargaining power is expected to derive from the strength of the parent's resource contribution due to a lack of dominant equity positions in the cases. Therefore, it is important to view the IJV from a resource-based perspective, as the resources will have large impact on the parent's relationship and interactions. Many existing theories, to varying degrees, incorporate an aspect of the resource-based view (Chen & Chen, 2003; Barney, 2001; Karim & Mitchell, 2000; Levinthal & Myatt, 1994). Bargaining Power theory looks at how the distribution and possession of resources affects a parent's ability to achieve their goals (Contractor & Woodley, 2009). Transaction Cost theory is centred on obtaining and exchanging resources at the lowest cost to the parent (Oxley, 2009) and Organisational Learning theory determines how parents learn and absorb the resources of other parents (Jiang & LI, 2008).

The resource-based perspective, first put forward by Penrose (1959) is often provided as a strong theoretical underpinning from which to establish IJVs (Chen and Chen, 2003; Ireland *et al.*, 2002). The resource-based view is primarily concerned with how a business controls and utilises their various resources (Hitt *et al.*, 2001) as these resources are perceived as the foundation for an IJVs competitive advantage (Hite and Hesterly, 2001; Das and Teng, 2000). Wernerfelt (1984, pg 172) offers one of the most succinct definitions of the resource-based view by defining a resource as '*those (tangible and intangible) assets which are tied semi-permanently to the firm*'. Robson (2000) adds that most advantageous firm resources are typically hard to replicate, scarce and lack direct substitutes, which is why the IJV can be viewed so well through a resource-based perspective. From a resource-based perspective, IJVs are established as a means of uniting resources that both partners would otherwise be unable to access, which in turn creates the IJV's competitive advantage (Locket *et al.*, 2009). This study is expected to support Locket *et al.* (2009) and show the parents bargaining power is grounded in resource complementarity.

The resource-based perspective proposes businesses cultivate and acquire resources that will specifically accrue rewards in foreign markets (Tsang, 2000; Luo, 2002). This view suggests that certain resources or a combination of different resources will help to generate higher levels of performance for the IJV and parent who controls these resources (Ainuddin *et al.*, 2007). This study is focused on 50/50 IJVs and this intensifies the importance of a resource-based perspective when examining the contributions of both parents, as the removal of dominant control from the scenario removes automatic control over the IJVs parent's valuable assets and contributions. It will be expected that access to specific partner resources will be a key driving force for the creation of the cases in this study.

Barney (1991) noted that resources possessing any of the characteristics rarity, value, non-substitutability and imperfect imitability would enhance the performance of an IJV and arguing that control over such resources offered a greater bargaining power. Barney (1991) additionally stated that parent firms who based strategy on resources that were complex and intangible fared better than those that were based upon tangible resources that were easily replicable. This is expected to hold true to the cases in this study as the basis motivation for the IJVs is expected to be access to specific partner resources.

Beamish & Kachra (2004) view a resourced based perspective as critical when examining IJVs, as their very nature ensures parents will look to combine and share resources, typically the technology and finance of foreign parents and market access and knowledge of the local parent. When an IJV is established, if the parents share a similarity in resources, they are able to create economies of scale (Christoffersen *et al*, 2007). However, from a resource-based perspective, it can be more advantageous for parents to possess unique or differing resources whilst remaining complementary to the IJVs purpose, as this allows for exposure to related resources otherwise difficult to obtain (Harrison *et al*, 2001). From a resource-based perspective, an IJVs added value originates combining the existing capabilities of one parent with new capabilities of another, asserting resource complementarity to be a critical feature of an IJV (Das and Teng, 2000).

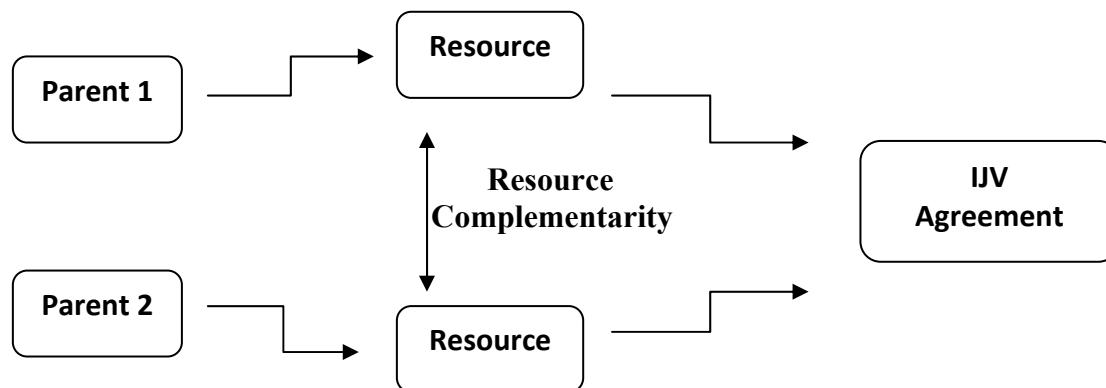
The automotive IJVs in this study are located in emerging nations and key automotive hubs such as USA, China, India and the Asian sub-continent. Using a resource based view, the parent contributions are expected to conform to the traditionally held view where local parents offers market access, distribution channels and local labour, whilst the foreign parent compliments this with advanced technical knowledge and management skills. Therefore, from a resource-based perspective, this thesis will consider the partner selection process to be critical to the IJVs chances of success, as the partner must be able to offer complimentary and sustainable resource contributions, otherwise the parents bargaining power will begin to diminish over time. Partners that are able to establish this, create a competitive advantage, particularly when competitors are not able to replicate the advantage easily (Deitz *et al*, 2010). This resource advantage is what Wernerfelt (1984) termed a ‘resource position barrier’, which relates the cost of competitors acquiring a resource to the returns generated by the business that first possessed the resource, effectively making resources the basis for a competitive advantage (Wu, 2010; Leiblein, 2003). Positional barriers are a key strength of an IJV, as the resource complementarity found in IJV's often make it hard for competitors to replicate, as they may not have access to all the relevant resources, be able to justify the costs or find a suitable partner (Hitt *et al*., 2001; Das and Teng, 2000).

The resource-based perspective requires a parent to find a partner with suitable assets to compliment their existing resources (Lu, 2002; Gulati *et al*, 2000). Viewing the IJV in this perspective consequently requires parents to establish a contract surrounding the use of their resources, which is best viewed within a bargaining power theoretical context. Consequently,



the resources and power they generate within the IJV are most adequately positioned against a combined resource based view and a bargaining power perspective.

Fig 2.2 Resource Based Perspective Framework



The resource-based view regards the primary function of the IJV as a means to combine resources (Barney, 2001), a view that could create anxieties with parents when sharing firm assets with outside parties. In this circumstance, the perceived risk to the parents is how the partner may appropriate resources as a means of removing the initial resource dependency that established the IJV (Nemati *et al*, 2010). From a resource-based perspective, a strong resource dependency can create a power imbalance within the IJV. An additional risk identified through a resource-based view is how the parents perceive the resource exchange against the threat of termination. The flow of resources can be stopped at the parent's behest, but it is nearly impossible to retrieve previously transferred resources, particularly if those resources are intangible, such as knowledge or managerial guidance (Mesquita *et al*, 2008). Both are risks associated with the transfer of resources and given an IJV's purpose is to share and access firm resources, this can be a significant threat to the IJV's long-term sustainability.

This research considers how these risks associated with parent interaction under incomplete information can be mitigated, to varying degrees, by the level of trust that exists between the two parents (Deitz *et al*, 2010). The initial degree of trust is dependent upon the parent's characteristics and existing relationship but the development of this trust is achieved through the continued repetition of processes and the improvement of the relational bonds between the parents and IJV (Girmscheid *et al*, 2010).

Nelson and Winters (1982) early work showed how a business might be viewed as a collection of well-structured organisational customs and routines. These routines are social concepts that are constructed and developed with continued interaction with the partner. These routines are ingrained in the behaviours, relationships and attitudes of the individuals within each business and can be both complex and intangible. The emergence of trust can be facilitated through personal interaction between individuals within the IJV who can also act as the means of disseminating trust throughout the wider IJV. Nelson and Winters (1982) note how the creation of these types of organisational and relation bonds are complex and only generated over time. They go on to show how these routine interactions are the means by which knowledge is dispersed between parents and IJV employees and therefore must be considered a resource. Whilst a resource-based perspective can view trust as a means of mitigating parent's anxieties of sharing resources, this study considers trust a resource within the IJV that is no different to other more tangible resources. The presence of trust is the product of the development of these relational bonds and a commodity that is valuable to both parents, particularly when this commodity is present before the IJV is created.

Whilst trust is a product of the repetition of actions and routines, many mainstream theories do not account for the possibility of previous parent interaction and the consequential effects this will have on the parent's behaviour (Inkpen & Currall, 1998). If prior relationships are not considered when viewing the IJV with a resource-based or bargaining power perspective, then how the parent resource is used may be misrepresented. The concept of trust developing from previous parent experiences is centred on the continued interaction of the parents and positive reinforcement of each other's actions. From a resource-based perspective, parents who have continued to supply resources without appropriation by the other partner will have developed knowledge based trust and complete information that mitigates the perceived threat of appropriation (Kumar, 2010).

Boersma *et al*, (2003, pg 1031) state that there is a robust grounding for the development of trust through repeated interactions stating that '*promissory-based trust and goodwill-based trust are individually orientated and mainly develop through direct personal interaction*'. Noting that trust can emerge from the experiences of past parent relationship, changes how the resource based view can be applied to IJVs. The presence of trust increases the likelihood that anxieties will be mitigated and the view taken in the exchange of resources will be

altered. Therefore, taking a resource-based view of the cases is expected to show how parents have mitigated opportunism through the developing trust bonds with their partners.

The important point here is that the presence of trust, whether based on past experiences or the result of continued positive interactions, can affect the way in which the IJV is managed and how resources are accessed. The key point that this research will demonstrate, is that when seen through a resource-based perspective, the presence of trust can negate the need for formal control mechanisms and allow a free flow of resources between the parents and IJV. Therefore, using a resource-based perspective, the potential risks associated with the continued interaction of parent resources, can be mitigated by the presence of trust.

### **2.8.3 Authors Rationale for Literature Review Themes**

The themes in the literature review follow a sequential pattern to which the rationale is now explained. In regards to the collaborative nature of IJVs and both the resource-based and bargaining power perspectives, trust was considered a logical theme to address first. In addition to being noted in the literature as an influential condition for success (Anderson & Kumar, 2005; Child *et al*, 2005; Cova & Sale, 2000), this thesis regards access to partner resources as a driver of IJV creation and the exchange of resources between parents will be mitigated by the level of trust that exists between them. This will be especially true if there is no prior relational experience. Anderson & Kumar (2006) state that the presence of trust suggests a high degree of assurance in the partnership and accordingly minimises contract dependency and partner scrutiny.

The extent of trust will have a huge influence the way the interactions between parents occur because if a parent cannot trust their partner to reciprocate resources or honour the contract then that parent is likely to search for more formal means of security, namely through the contract or through a dominant equity position. Consequently, the second component of the literature review focuses on ownership and the levels of control that each parent can assume – minority, shared or majority control.

From a bargaining power perspective, ownership is important as it can strengthen the parent's position if they possess a majority equity position. This allows parents security in knowing

they can make strategic decisions to protect their interests and determine the responsibilities each parent has within the IJV. A parent with a dominant equity position will be able to control areas of the business they consider critical to the IJV's performance and therefore establishes a link between ownership and performance.

The literature review then notes the multiple performance measures used by parents to determine whether the IJV is a success or not (Gaur & Lu, 2007; Lu & Xu, 2006; Shenkar et al, 2005). However, the issue of performance measures is largely subjective and can be dependent upon the context of the IJV, the desired objectives and the parents involved. From a resource-based perspective, the IJV is a medium for parents to exchange resources and this can be manifest through new capabilities or technology, which is acquired through the assimilation of new knowledge.

Therefore, exposure to new knowledge is the rationale behind the fourth component of the literature review – knowledge and resource contribution. Both the resource-based and bargaining power views hold the transfer of knowledge as a key component of their theoretical underpinning. The resource-based view holds knowledge to be the means of acquiring new resources and is a fundamental reason for the creation of IJVs. Similarly, the bargaining power perspective holds that a parent that has access to unique capabilities and knowledge is in a strong bargaining position as they can offer access to a resource few others can. As long as the parent can continual to hold onto this bargaining power, the IJV is more likely to continue, as one parent is still providing a unique resource to the other. However, when this resource dependency is diminished, the reason for the IJV becomes weaker and the likelihood for termination increases, negatively affecting IJV longevity. Pilkington (1999) uses the case of the Rover-Honda IJV to highlight how the disproportionate partner reliance, in this case Rover on Honda, ultimately leading to the erosion of Rovers design and manufacturing capabilities.

Therefore, the fifth component to the literature review is IJV longevity, particularly as a reflection of its success. The literature often outlines the frequency with which IJV's fail and their instability. Given that this thesis is examining success and the cases used are nearly all at least double the average 6.7 years life expectancy of a typical IJV (Reuer, 2000), longevity is a key issue. Longevity can be seen as benchmark of success in that an IJV will continue to operate as long as it is a benefit to both parents. From a resource-based perspective, an IJV

that has existed for a sustained period can still be seen as supplying both parents with the returns they desire. This links back to the idea that as long as an IJV can provide the returns it was designed for, the risk of termination is mitigated.

The mitigation of termination is the driver behind the final component in the literature review, IJV termination. Termination is one of the most discussed topics in the wider literature but with little consensus on its implication. As with IJV longevity, termination can be viewed as both a success and failure, depending on the perspective. A resource-based view suggests IJV's are a medium for exchanging resources and access to knowledge but when that goal has been achieved, the IJV may become defunct and terminate. This could be a success as it has achieved its goals or failure in that it no longer operates. Despite not actually examining termination in this study, the idea of termination is closely linked with longevity and will be a key feature of this thesis's examination of IJV success.

The following sections present the constructs that will be demonstrated as having a significant effect on IJV success. Each construct is discussed in detail and then followed by a framework that demonstrates how they correlate to IJV success in a theoretical manner.

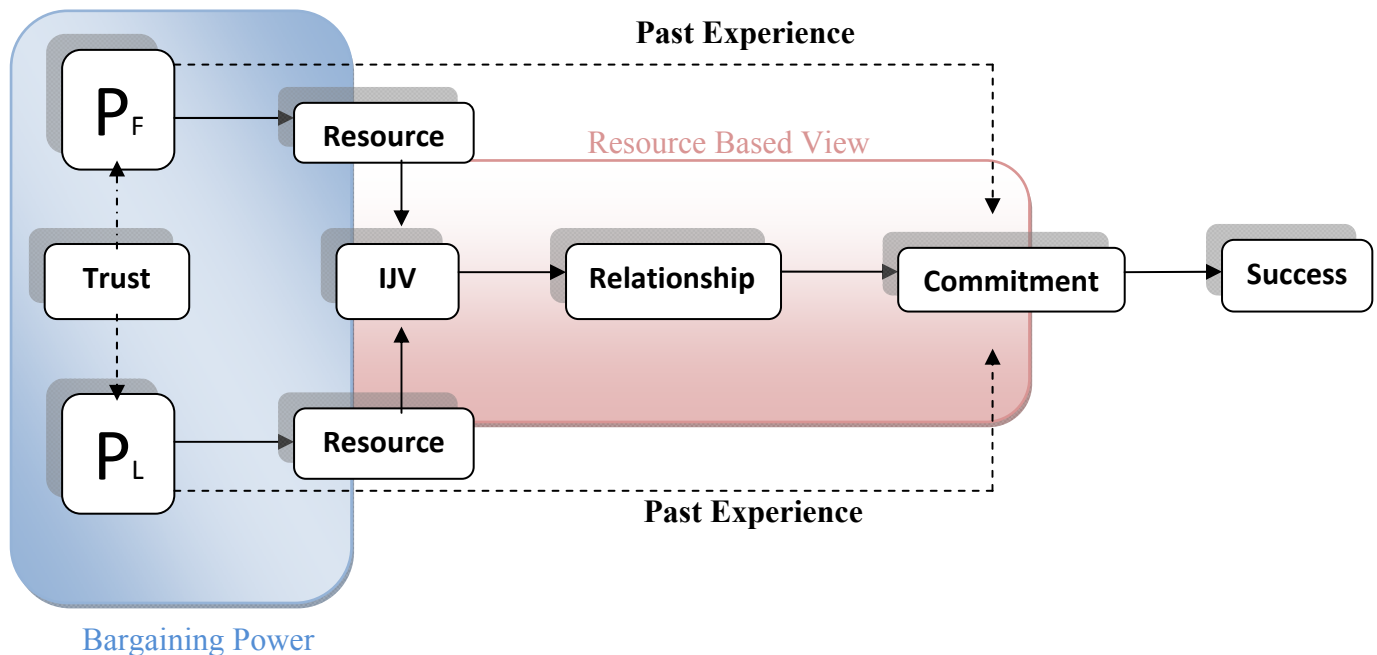
## **2.9 Framework**

Transactions cost theory (Macher & Richman, 2008; Williamson, 2005; Yasuda, 2005) and agency models (Fong & Tosi, 2007; Reuer & Ragozzino, 2006; Shapiro, 2005) related to IJV success are well-researched areas in the literature. Consequently, the softer side of IJV success needs to be investigated thoroughly with an in-depth focus on the conditions that may lead to failure. This thesis will present a theoretical framework that highlights the sequential relationship between the three conditions most likely to positively affect IJV success. The conditions are set against a bargaining power and resource based perspective. The framework is outlined in fig 2.3 and outlines the conditions driving IJV success and how the theoretical perception evolves as the IJV matures.

The framework shows how the early stage of the IJV is encapsulated in a bargaining power perspective, where the resource contribution is defined and set. It is when parents have negotiated the IJV contributions that resources evolve from being the source of bargaining power to a sustainable source of success. The conditions that are expected to drive success,

Trust, Relationship and Commitment are all functions of an operating IJV and at its most basic level, it is the resources offered by both parents that ensures the IJV continued operation.

Fig. 2.3 Theoretical Framework



Trust is considered a factor that must predate the IJV as trust is expected to mediate the parent's contribution. Parents that lack trust are expected to withhold their contribution through fear of incomplete information regarding their partner. Trust, however, in whichever way it is manifest, can add reassurance to the parents that their contributions and resources are protected when deployed in the IJV. This is underpinned by the bargaining power perspective as trust is considered a positive factor in the parent's pre-contract interactions and the extent to which they fully commit to contributing resources. Parents that exhibit trust will have stronger assurances that their contributions are going to be utilised in an appropriate manner. Consequently, a parent that is able to contribute the resources with the greatest perceived value is the parent that will possess the greatest bargaining power going into the IJV.

If the parents' trust is grounded in past experience, the bargaining power theory becomes less applicable in terms of being able to assert influence over perceived areas of importance within the IJV. As it is impossible for a contract to cover all eventualities, trust therefore

becomes a crucial aspect of mitigating the relationship (Dhanaraj *et al*, 2004). It is difficult to discover *ex ante* if a partner will become so (Williamson, 1975). Without prior experience, both partners will have incomplete information about each other and the relationship is likely to remain at arm's length (Ott, 2006; Hsieh *et al*, 2010).

Past-experience offers near complete information on the partners and this allows the replication of the original experience into the new venture. Consequently, the formation of trust and the development of the relationship is unnecessary as these two conditions already exist and the partners can focus on the operational management of the IJV. The commitment will be based on the parent's motive for establishing the IJV and their continued development of their relationship. Cases demonstrating trust gained through past-experience are expected to reach a level both parents consider successful earlier. However, the majority of cases used in this thesis are unlikely to have past experience in IJVs and the route through the development of the trust, relationship and commitment conditions will be most common.

This chapter has outlined the key themes that are pertinent to automotive IJV success and presented a framework incorporating the condition Trust, Relationship and Commitment. The framework outlines the sequential order of the key conditions and demonstrates that IJV success is grounded primarily in the trust that exists between the two parents. From there, the conditions relationship and commitment are able to develop. The following chapter uses existing literature from the themes outlined in this chapter to establish research questions that are specific to the three conditions and IJV success.

### 3. RESEARCH QUESTIONS

The existing literature has emphasised a multitude of research questions and created a research agenda with a huge body of research. The thesis will acknowledge previous literature, but develop its own understanding, with research questions that address the success of automotive IJVs. Table 3.1 is a collection of the key questions extracted from the areas outlined in the literature review. There are three questions on what constitutes success and there are two questions addressing the extent longevity can be a reflection of a successful joint venture. This is particularly important given that the cases used in this study have nearly all existed for 10 – 27 years. There are two questions on an IJVs transition to WOS and termination; both of which are key issues given the longevity of the cases in this thesis. The remaining questions examine how important control and the parent relationship are. Each question is supported by the key works in the literature that address the topic and relevant quotes to identify the author's position in relation to the question posed. The literature on IJVs presents a wide array of commonly asked questions. This section investigates what has been addressed in regards to existing research questions and builds on the main outcomes to find accurate research questions for the framework (fig 2.3) provided in the previous chapter. Table 3.1 outlines the common questions that were asked during existing IJV research and helps formulate the propositions used to determine the conditions for IJV success in the automotive industry.

Table 3.1: Existing literature, key points and research questions

Research Questions	References within the Literature	Key Points
<b>Is survival alone enough for an IJV to be a success?</b>	• Shenkar and Yan (2002).	"It is widely recognized that IJVs suffer a high rate of failure".
	• Makino <i>et al</i> (2007).	"Despite their popularity the termination rate of IJVs is high, ranging between 30% and 70%".
	• Brouthers & Bamossy (1999).	"Evidence shows that over half of all IJVs formed end in failure".
	• Park & Russo (1996).	"Their success is the exception rather than the rule".
<b>Can an IJV's longevity accurately reflect</b>	<ul style="list-style-type: none"> <li>• Sinha, (2008)</li> <li>• Yan &amp; Gray (2001)</li> <li>• Porter (1990)</li> </ul>	"IJVs are transitional entities rather than a stable means of competitive advantage".



<b>its success?</b>	<ul style="list-style-type: none"> <li>• Inkpen (2007)</li> <li>• Kogut (1988)</li> </ul>	Long-term IJVs can still deteriorate, such was the case of NUMMI. Research IJVs may dedicate years to a particular cause to arrive at no definite or tangible conclusion, not denoting success but representing significant longevity.
	<ul style="list-style-type: none"> <li>• Hutchings &amp; Murray</li> </ul>	IJV termination or transition may cause important stakeholders to 'lose face'. "Loss of face is a major faux pas in business and social relations and to be avoided at all costs".
	<ul style="list-style-type: none"> <li>• Yan &amp; Duan (2003)</li> <li>• Tung and Worm (2001)</li> <li>• Yeung (1997)</li> </ul>	The loss of face may negatively affect the Chinese partner firm's network of relationships especially owing to the importance placed on Guanxi.
	<ul style="list-style-type: none"> <li>• Mohr, A. (2006) <i>Performance Measures.</i></li> </ul>	"Performance measurement of IJVs is important as improving an IJVs performance. Extant literature on IJV performance is hardly ever concerned with differences between partner firms regarding the choice of criteria when evaluating the performance of IJVs".
<b>What views of success can be found among the JV parents?</b>	<ul style="list-style-type: none"> <li>• Mohr (2006)</li> </ul>	"Authors either seem to assume that the partner firms use the same performance indicators, or simply prioritise performance measures that are relevant to the foreign firm".
	<ul style="list-style-type: none"> <li>• Ralston <i>et al</i> (1993)</li> <li>• Tallman &amp; Shenkar (1994)</li> </ul>	"By definition, foreign and host parents are anchored in different institutional environments and their cultural, economic and legal constraints vary. Culture and environment interact to create a unique set of managerial values and controls".
	<ul style="list-style-type: none"> <li>• Luo, Shenkar &amp; Nyaw (2001)</li> </ul>	"One key problem has been the tendency to take only one partner's perspective, typically that of the foreign firm. A model based on a single perspective implicitly assumes that the impact of parental control on perceived IJV performance is the same for foreign and local parents, a hypothesis that is unlikely".
	<ul style="list-style-type: none"> <li>• Luo &amp; Park (2004)</li> <li>• Hambrick <i>et al</i> (2001)</li> </ul>	<p>"Little attention has been paid to the potential performance differences for all the relevant parties – that is, foreign partners, local partners and venture management".</p> <p>"Venture management normally serves as a control agent for the parent firms, but it faces a crisis of loyalty, commitment and organizational identity".</p>

	<ul style="list-style-type: none"> <li>• Luo (1997)</li> </ul>	“The specific dimensions of performance selected must be in harmony with the strategic objectives of foreign investors and the corresponding role of their subsidiaries”.
	<ul style="list-style-type: none"> <li>• Beamish (1993)</li> <li>• Yan and Gray (1994)</li> </ul>	The literature suggests that whilst foreign investors seek market penetration and a competitive position in a host emerging market, local parents aim at acquiring technological and organizational skills from their foreign counterparts.
<b>How do financial returns and longevity feature in parent's concept of success?</b>	<ul style="list-style-type: none"> <li>• Venkatraman &amp; Ramanujam (1986)</li> </ul>	Researchers in the strategic management field have always been interested in “the conflicting nature of performance dimensions such as long-term growth and short-term profitability, and associated problems of combining them into one composite dimensions of performance”
	<ul style="list-style-type: none"> <li>• Zeira <i>et al</i> (2004)</li> <li>• Luo (2002)</li> <li>• Pan <i>et al</i> (1999)</li> <li>• Lecraw (1984)</li> </ul> <u>Profitability</u>	A substantial number of researchers have used traditional criteria, such as the profitability in order to measure the performance of IJVs.
	<ul style="list-style-type: none"> <li>• Artisien &amp; Buckley (1985)</li> <li>• Yang, (1998)</li> <li>• Zeira <i>et al</i>, (2004)</li> </ul> <u>Growth</u>	A substantial number of researchers have used traditional criteria, such as growth in order to measure the performance of IJVs.
	<ul style="list-style-type: none"> <li>• Hanes (1998)</li> </ul> <u>Growth</u>	“Growth is of particular importance for ventures in China, given the rapid growth of the Chinese economy over the last two decades. The importance of growth prospects as a major attraction for foreign firms in China”.
	<ul style="list-style-type: none"> <li>• Child &amp; Yan (2003)</li> <li>• Pan <i>et al</i> (1999)</li> <li>• Yang (1998)</li> </ul> <u>Market Share</u>	“There is also evidence that market share is of particular importance to Chinese firms involved in IJVs with foreign partners. Growth and market share often take precedence over other performance indicators, such as profitability, and ROE”.
<b>Is JV transition in a response to a reduction in the ‘liability of foreignness’ of the</b>	<ul style="list-style-type: none"> <li>• Kindleberger (1969)</li> <li>• Hymer (1976)</li> <li>• Zaheer (1995)</li> <li>• Chen (2006)</li> </ul>	The literature indicates that firms operating in foreign countries face extra costs compared to local firms due to unfamiliarity with the local environment. The reduction of this foreign liability has become a prerequisite for successful multinational operations.

<b>foreign parent?</b>	<ul style="list-style-type: none"> <li>• Grein <i>et al</i> (2001)</li> <li>• Chen (2006)</li> </ul>	The liability of foreignness arises from geographic and psychic distance. Geographical distance gives rise to transportation costs and causes time delays, which tend to diminish the competitiveness of local subsidiaries. Psychic distance refers to the differences in the local markets from the home market in terms of customer needs, distribution channels, market structures & product characteristics.
	<ul style="list-style-type: none"> <li>• Zhang and Rajagopalan (2002)</li> <li>• Davidson (1987)</li> </ul>	“IJVs are viewed as a transitional form of organization both in developing and developed countries. International IJVs may be a way to enter foreign markets when the local regulations prohibit immediate whole foreign ownership”.
	<ul style="list-style-type: none"> <li>• Sinha (2006)</li> <li>• Contractor (1990)</li> </ul>	“Whenever such constraints on entry mode are removed, IJVs tend to become wholly owned subsidiaries”.
<b>To what extent does parent control effect IJV success?</b>	<ul style="list-style-type: none"> <li>• Yan and Gray (2001)</li> <li>• Luo <i>et al</i> (2001)</li> <li>• Gates (1993)</li> </ul>	Gates discovered a variation in CEOs desire for IJV control. Some CEOs concluded, “parents should make it as easy as possible on alliance managers by ignoring details and allowing them to operate as a separate entity, whilst others maintain, “parents should be involved in daily management”.
	<ul style="list-style-type: none"> <li>• Roots (1994)</li> </ul>	Roots noted that “the multinational enterprise system is by its very nature hierarchical, thus implying the necessity to limit the freedom of action for individual affiliates within the overall MNC structure”.
	<ul style="list-style-type: none"> <li>• Bleeke &amp; Ernst (1991)</li> <li>• Koot (1988)</li> <li>• Zeira &amp; Parker (1995)</li> </ul>	All authors have described the necessity to grant IJVs greater degrees of autonomy in order to increase their effectiveness as business entities.
	<ul style="list-style-type: none"> <li>• Cauley de la Sierra (1995)</li> </ul>	“If the executives running a venture are left alone, they will take a direct, sometimes even personal stake in working hard and building a successful business”.
	<ul style="list-style-type: none"> <li>• Harrigan (1985)</li> </ul>	Harrigan stated, “too much autonomy may result in EIJV termination when the EIJV evolves quicker than expected into a strong organization with the ability to stand alone. At this point, the EIJV may have become too strong for its parents to effectively manage”.
<b>How important is the partner relationship?</b>	<ul style="list-style-type: none"> <li>• Luo &amp; Park (2004)</li> </ul>	“Multiparty cooperation improves performance by reducing the hazards of opportunism, and managerial and agency problems”.

	<ul style="list-style-type: none"> <li>• Luo (2000)</li> </ul>	“A survey of 60 JV found that almost 90% of the companies were frustrated by their partners”.
	<ul style="list-style-type: none"> <li>• Das and Teng (1998)</li> </ul>	Co-operation implies that the partners are willing to pursue mutually compatible interests rather than act opportunistically.
	<ul style="list-style-type: none"> <li>• Buckley and Casson (1988)</li> </ul>	“All the parties involved in an IJV have an inalienable de facto right to pursue their own interests at the expense of others”.
<b>How important is parent exposure to new knowledge?</b>	<ul style="list-style-type: none"> <li>• Leung (1997)</li> </ul>	“The benefits from an IJV decrease as the partners gather more and more knowledge from each other”.
	<ul style="list-style-type: none"> <li>• Mowery <i>et al.</i> (1997)</li> </ul>	“The extent of a firm's absorption of technological capabilities from its alliance partners will be positively related to its size and depend on its endowment of relevant technology-based capabilities upon entering an alliance”.
	<ul style="list-style-type: none"> <li>• Mowery <i>et al.</i> (1997)</li> </ul>	“An IJV may enable one firm to gain access to key knowledge-based capabilities of another without internalizing or acquiring that capability”.
	<ul style="list-style-type: none"> <li>• Grant &amp; Baden-Fuller (1995)</li> </ul>	“Inter-firm knowledge transfer may be limited to only the codified information necessary to coordinate otherwise separable activities that draw on different knowledge domains”.
	<ul style="list-style-type: none"> <li>• Luo (1997)</li> </ul>	Luo suggested that IJV performance is a multidimensional construct, which needs to include inter-partner learning, but then dropped this criteria because “inter-partner learning contributes to the parent firm performance rather than that of IJVs”.

The research direction is now developed by the research questions below and used as a basis for the in-depth analysis of IJVs in the automotive industry.

**Research Question 1: *What kind of partners are parents seeking when establishing automotive IJVs?***

Hitt *et al* (2000) note how a resource-based perspective can provide multiple reasons why IJVs are established and with whom they are established. From a resource-based perspective, partner selection criteria is driven by the partner possessing unique capabilities that are

accessed in the IJV and the contribution of both parents are complimentary. Therefore, Hitt *et al* (2000) state that partner resources are a key factor in determining an IJV's partner selection.

Hitt *et al*, (2004) again looked into the characteristics of partner selection in IJVs, with particular emphasis on Chinese and Russian parents. Chinese parents were noted to take a much longer-term perspective on the type of assets they valued in a potential partner. Hitt *et al* (2004) noted that Chinese parents mostly collaborated with parents who could provide more intangible assets such as managerial knowledge and technical development. However, Hitt *et al* (2004) also show how owing to the unpredictability of the Russian market and weaker institutional mechanisms, Russian parents favoured IJV partners who could provide more short-termist resources such as tangible assets and finance. This is supported by Hofstede's cultural dimensions where China is perceived as a long-termist society with greater emphasis placed on future returns and enduring relationships. Supportively, the IJVs used in this thesis that have the longest life cycle are with Chinese parents.

Knowledge is often regarded as a critical resource traded between businesses as R&D costs are too high to pursue or the current knowledge base is insufficient (Luo, 2002; Tsang, 2002; Steensma and Lyles, 2000). In regards to the IJV management, Teece (2003) stated that this type of knowledge is often tacit and rooted in the individual managers. The transfer of this resource necessitates individuals from both parents interact directly, therefore, the internal mechanisms of an IJV offer conditions conducive to a successful knowledge transfer process (Martin and Salomon, 2003).

## **Research Question 2: *How do parents of automotive IJVs try to assert control over the IJV?***

Given that in all but 1 of the 13 cases in this research have evenly split control, the issue of how parent control is asserted over the IJV is an important aspect. One of the key criteria for selecting the cases was for there to be an even equity split to avoid a clear case of control being asserted through equity dominance. Consequently, parents have to determine alternative means of control and whilst the issue of control has wider coverage in the literature, there still remains little consensus as to whether shared control (Beamish, 1988; Yan and Gray, 1994, 1996), majority control (Lecraw, 1984; Mjoen and Tallman, 1997; Yan

and Gray, 2001) or an undetermined level of control (Groot and Merchant, 2000; Lecraw, 1984) is the most conducive for IJV success.

Proponents of Organisational literature, Glaister & Buckley (1998) define management control as the means through which a parent can impact areas of the IJV to work in a manner that conforms to organisational goals. The control each parent wields is critical to this, particularly in IJVs where managers are the conduit that can hold an IJV that is based in another country to account (Child *et al*, 2005).

The lack of consensus surrounding control has been well documented but Choi and Beamish (2004) assert that shared control offers greater performance because control is the 'conduit through which parents' firm specific advantages are transferred to the joint venture'. They contend that the resources contributed by a parent to the IJV are best managed by that parent, as they have more experience with that resource and may be better placed to manage it from within the IJV. Schaan (1983) states that parents will look to assert their control over specific areas of the IJV they consider crucial to their own success or to the IJVs. This advocates complete control to be a less efficient means of controlling the IJV as the added responsibility does not justify the higher coordination costs and selective control over precise areas is a more effective strategy. Selective control can not only ensure control of the vital IJV functions but can also permit other parents to retain control of their offerings and importantly keep face. Yan and Gray (2004) assert the greater level of control a parent has over a particular resource, the greater the strategic control over its application. Kaminga (2007) and Schaan (1983) both demonstrate how parents look to control 'strategically important activities' as opposed to all the IJVs activities. Choi & Beamish (2004) support this view by stating that firm specific advantages are most effectively deployed in an IJV through a shared control structure.

This is supported by Geringer's (1983) work which included 90 developed nation IJVs and Li *et al*, (2009) work which included 5,000 Chinese IJVs from 1999 – 2003. Both these studies found parents valuing selective control rather than holistic control. This is particularly relevant as 12/13 cases in this thesis are equal equity IJV's and 1/13 is 51/49. As there are no cases in this thesis where a parent has a strong equity position to drive through strategies, selective control becomes increasingly important and this should be reflected in the managerial responsibilities of the foreign and local parents.

Meyer *et al*, (2009) state that both IJVs and complete acquisitions are the main ways a business can access the resources of another firm. However, the distinction is made between acquisitions that incorporate the whole firm and IJVs that target specific resources. Capron *et al* (2001) note that the costs associated with acquiring a whole firm may be too great if the only reason is to access a resource and so positions the IJV as a viable alternative. Therefore, an IJV allows a business to access resources they would otherwise lack (Lu, 2002; Gulati *et al*, 2000) without the need to acquire the superfluous aspects of the company.

However, once a parent offers a resource and it begins to disperse through the IJV, the ability to control that resource becomes increasingly difficult and almost impossible when the resource is Knowledge-based. Zhao (1995) states the predominant method Chinese companies acquire technology is through an IJV rather than parent purchases or the licensing of technologies. Once a resource has been sold, rented or licensed to another parent, despite control over the specific areas of the IJV utilising the resource, it becomes difficult for the contributing parent to remain in control of its application elsewhere. Therefore, it is expected that foreign parents, particularly in emerging markets will seek control over specific areas of the IJV they regard as critical to its overall success.

### ***Research Question 3: What relationship exists between trust, parent-JV relationship and long-term commitment in successful automotive IJVs?***

The inclusion of Research Question 3 is driven by two key factors – the introduction of the three key principles that will be examined in greater detail through interviews and the fsQCA analysis and also as a means of bringing together the three wider concepts outlined in the literature review. The latter is fundamental in understanding the contribution of this thesis. There is existing research on the issues that individually address the role of trust, the parent relationship and long-term commitment in IJVs but there is scant work in addressing the three issues as a combined affect. Trust and the parent relationship are attributed with particular importance in the literature as to having varying degrees of influence in IJVs. Given this importance, it is the working assumption of this thesis that conditions that are noted as playing such a prominent role are unlikely to operate in silo but have a coalesced effect. Consequently, RQ3 looks to examine this effect and will offer a specific contribution in this

regard but predominantly in its application to the Automotive industry which has previously not been provided.

The presence of trust between IJV partners is a critical element when selecting a partner (Bierly & Gallagher, 2007). Partners that have had experience working together or can draw on existing relationships prior to the IJV will have a greater understanding of the nature of their partner and their wants. This may significantly lower the possibility that the relationship will lead to conflict, as both parents have more information on each other. Saxton (1997) argues that as the possibility of conflict is reduced by previous experience, so the chances of IJV success also increased. Li and Ferreira (2008) state that IJV partners will invest time and money in developing their relationship and with the means of training programmes that look to build trust and reduce suspicion between both parents. Li and Ferreira (2008) add that this is even more relevant when one of the partners is based in an emerging economy or an unstable legal framework.

Styles and Hersch (2005) state that the reasoning behind the high failure rate for IJVs is the breakdown in what they term 'soft' factors, such as the relationship. Their study found the key factors contributing to the success or failure of these soft conditions were trust and commitment. This is a view held by Krasner (2001) who attributes the failure of most terminated IJVs to a breakdown in the softer issues, such as the parent's relationship. Kumar & Seth (1998) state that transaction cost theory is widely applied to IJV performance, justifying equity or financial concepts but not the softer aspects of IJV, such as socialisation, managerial governance or interpersonal relationships.

Inkpen & Tsang (2005) and McEvily & Marcus (2005) have identified the two most significant factors in the parent relationship being the degree of trust and the alignment of their goals. RQ 1 is expected to support the importance of goal alignment, as the parents motivation for creating the cases in this study is expected to be access to partner resources that can help achieve mutually beneficial objectives. Anderson & Kumar (2005) find that parents who lack the necessary rapport are likely to delay the formation of deeper trust bonds. These bonds must arise from genuine interactions and often develop outside the formal structures and frameworks of the IJV (Wicks *et al* 1999). Anderson & Kumar (2005) support this view by stating that the development of trust is regarded as a continual learning process where constant interaction between partners support the necessary environment for trust to



develop. This study expects to support this notion and shows how the connection between trust and the relationship has a positive on the prospect of success for IJVs in the automotive industry.

**Research Question 4: *How is success in automotive IJVs affected when more than one of the Trust, Commitment and Relationship conditions is present?***

There has been extensive research on the conditions proposed in this chapter and their individual effects. There has also been notable work on the combinations of some of these conditions, but there has been very little work on the inclusion of all three conditions and their influence on IJV success in one unifying work and none applied in an automotive context. RQ3 is set to identify the three conditions and determine whether or not a causal relationship exists. Based on the existing literature, it is expected that a causal relationship will exist between these factors in the automotive IJV cases in this thesis. Consequently, RQ4 is set to examine the relationship between the conditions and whether or not their combined affect on success is greater than their individual influence. RQ4 will provide the key contribution of this thesis, as working on the assumed findings of RQ3 where a causal relationship is expected to exist, the extent to how the conditions are causal or necessary to each other will be explored. The nature of the specific combination of the three conditions and their respective interdependence in driving automotive IJV success is where this thesis explicitly contributes to existing knowledge.

As an extension of the expected findings in RQ1, that of partner selection being driven by resource complementarity, this study expects to see how a close personal fit is the basis for trust and relationship to develop. Sarkar *et al* (1997) noted a connection between a parent's degree of trust as the relationship develops and the partner fit. It was stated that the basis of the parent's partner fit was grounded in the alignment of goals and the resources offered – the closer the fit of these two factors, the greater the possibility trust will develop through the parent relationship. Vaidya (2012) found a positive relationship to exist between trust, commitment and partner learning within an IJV. There was also evidence that trust is a facilitator of the parent's ability to learn from each other.

The attention and development of the relationship is seen in many previous works as the basis that permits many other conditions to flourish. Yan (2011) regards the relationship as a form of natural control, whilst Tsai & Ghoshal (1998) regard a developed relationship as being a source of partner satisfaction. Ring & Van de Ven (1992) state the means of developing the relationship requires the investment of parent resources and commitment through sustained social interactions. Blau (1964) was one of the earliest to evidence how sustained interactions over time between parents and the reciprocal nature of these interactions can develop trust and commitment. Williams *et al* (1993) noted that when there is a lack of trust in the parent relationship, resource contributions are reduced. Given that access to partner resources is expected to be a vital driver for the establishment of the cases in this study, the link between the relationship and development of trust is critical. Relational ties reduce the risks involved in IJVs by limiting the prospect of opportunism, fostering expectations of trust and promoting the contribution of resources (Li and Ferreira, 2008; Madhok, 1995), which is an expected key driver for the establishment of the cases in this study.

#### **Research Question 5: *Why do IJV managers value continued parent involvement?***

The findings from RQ1 expect to show the cases in this study are established as a means of overcoming obstacles that parents are not able to do on their own due to the high costs, lack of knowledge or barriers to market access (Inkpen, 2008; Lyles & Salk, 2007). Therefore, parents collaborate to share their respective advantages and achieve a common goal. As RQ2 expects to find targeted control as being the parents means of exerting their influence, parents are expected retain a degree of control over their contribution, as their experience suggests they will have a better understanding of its application. Consequently, cases are expected to demonstrate varying degrees of resource dependency between parents and between the IJV and parents. IJVs with a high resource dependency on parents should lead to respondents demonstrating weak membership to the autonomy condition. Automotive IJVs are partnerships that typically sharing vehicle platforms, technologies and other complicated manufacturing and management techniques. This can create an asset dependency between parents and therefore autonomy is expected to be a low facilitator of IJV success. However, as the relationship evolves and the IJV and parents increase their knowledge about each other, the emphasis on dependency can change as trust develops. The agent that binds the two

parents can move away from a resource dependency and towards a collaboration based on positive experiences.

Commitment and trust are expected to be key elements in facilitating IJV success but also in mitigating the potential for opportunistic behaviour. Consequently, the development of trust can permit parents to loosen their control over the IJV and allow the management greater freedom to operate autonomously, as the decrease in the threat of opportunism can reduce the need for parents to monitor their interests. Beamish (1985) states that commitment and trust can help to create IJV autonomy that can increase the responsiveness to external threats and opportunities. However, this study expects to find respondents showing a strong preference for the continued involvement of the parents, owing to their expertise in developing and applying their respective contributions. Furthermore, the cases in this study are in all but one instance have shared management responsibilities where both parents are required to be actively involved in the IJV, either strategically or operationally. Where dominant control allows unilateral decisions to be made, shared control requires both parents to have working knowledge of the IJV and interact accordingly, enhancing the case for continued parent involvement.

This chapter has devised 5 research questions that will guide the research and help construct interview questions. The following chapter shall now present the methodology and data collection process used to answer the research questions outlined in this chapter.

## 4. METHODOLOGY

### 4.1 Introduction

The purpose of this chapter is to present the research design and to demonstrate the methods this thesis uses. The objective of this thesis is to determine the conditions most influential in facilitating success in automotive IJVs. To accomplish this, the methodology combines a qualitative research approach that incorporates case studies and a quantitative analysis that utilises fuzzy set Qualitative Comparative Analysis (fsQCA).

The chapter begins by positioning qualitative and quantitative research methods in order to select an appropriate methodology for the underlying problem of success in automotive IJVs. The section details the mixed method approach and explains why a case study approach has been selected. The data collection process is then presented and interviews as the main source for data collection are explained. This section will give an account of the fieldwork and the methods used. The selection process for the cases and respondents follow, and a description of the cases used is then provided. Finally, the data analysis is presented and fsQCA is shown as the analytical tool.

### 4.2 Research Paradigm

Easterby-Smith *et al* (2002) contend that the underlying philosophy is an instrumental part of constructing the methodology and centred on the understanding of knowledge and how that knowledge exists. Bahari (2010, pg 18) states that the research philosophy contains the '*important assumptions about how one observes or views the social world*'. Easterby-Smith *et al* (2002) maintain there are three principal reasons why the research philosophy needs to be considered. Firstly, it can aid the process of creating the methodology, secondly, it can help determine which methodology is likely to be most effective and thirdly, it can help the researcher create a methodology that is not within their immediate sphere of expertise.

Collis & Hussey (2003) regard research paradigms as the '*the progress of scientific practice based on people's philosophies and assumptions about the world and the nature of*

*knowledge*'. This suggests that the manner in which a researcher carries out their research is influenced by their philosophical beliefs. These beliefs are categorised twofold, firstly by epistemological beliefs (Audi, 2011; Hofer, 2008) and secondly by their ontological beliefs (Smith, 2008). Epistemological beliefs denote the researcher's connection to the research and ontological beliefs denote the researcher's view of reality and how it is perceived. These perceptions have been categorised into two main areas, positivist and interpretivist (Lincoln & Guba, 2000; Schwandt, 2000)

The positivist view regards research as an objective activity and the causes of any outcome are based on validity and reliability (Johnson & Onwuegbuzie, 2004; Nagel, 1986). The positivist view advocates that research be removed of all external bias with the researcher remaining emotionally neutral and transcending the individual's perspective. Wildemuth (1993) argues the positivist approach to research is most likely to be accepted and therefore most replicated in academic research. Parker & Guthrie (2005) also regard the positivist approach to dominate academic research, reflected by performance measures, rankings, categorisations and number of citations. Guba (1990) argues that any form of collaboration between these two paradigms is impossible as the research is 'led to vastly diverse, disparate, and totally antithetical ends'. This perspective offers positivism and interpretivism as two mutually exclusive entities where their respective research methods should remain separate, a view not supported by this thesis.

The interpretivist approach accepts that multiple realities exist and that it is impossible to differentiate between the causes and effects of the research phenomena. Guba (1990) supports this view by stating knowledge cannot be distinguished between what is known and the individual who knows it because the subjective knower is the source of that knowledge. Ultimately, the interpretivist approach is concerned with human nature and the complex interactions associated with it (Bryman, 2004).

This thesis is most closely connected to the interpretivist view as IJVs are considered a product of multiple parents, generating complex inter-personal relationships. Therefore, through interpreting the views, beliefs and statements of individuals within the IJV, the research can form a vivid picture of their perceptions of success. An interpretivist approach advocates the combined strength of researcher and respondent. Ritchie & Lewis (2003) note the advantages this can offer, particularly in prioritising the respondent's subjective

experiences. An interpretivist approach fulfils the aim of this research, to establish the subjective parameters of success through direct contact with the individuals working within the IJV.

Whilst debates on positivist or interpretivist and qualitative or quantitative paradigms are crucial in shaping appropriate research methodologies, the paradigm must not dictate the methodology. Bryman (2006) states that a pragmatic approach to research is required as pragmatism ensures the suitability of a methodology will be determined by its ability to answer the research questions 'rather than a commitment to a paradigm and the philosophical doctrine on which it is supposedly based'. This view is supported by Erzberger and Kelle (2003) who note that sympathies towards a type of methodological approach should not be the basis from which a method is determined. They stipulate that the method is the tool for answering the research questions and not vice versa (Erzberger and Kelle, 2003).

This pragmatic view recognises the research questions as being superior to the methodology or underlying paradigm (Teddle and Tashakkori, 2003). Consequently, the debate regarding qualitative and quantitative becomes secondary and '*relegates epistemological and ontological debates to the sidelines*' (Bryman, 2006). However, this does reduce the need to arrive at a decision regarding the superiority of a qualitative or quantitative research design and can allow for the possibility of a more mixed method design.

#### **4.3. Research Methods**

Many decisions surrounding the research approach are determined by the research question. One of the most influential decisions is whether the research is qualitative or quantitative in nature. Partington (2002) identifies how the research approach is influenced by the research questions and the levels of existing knowledge, stating that

*'if a particular phenomenon of interest is one where there is little extant knowledge, then the research question itself is more likely to be loose'.*

This thesis looks to establish the necessary conditions leading to IJV success and these are achieved through qualitative open-ended questions. However, when there is a significant degree of established theory, a quantitative approach is necessary as existing theory is applied

and statistical corroboration is the main goal (Leedy and Ormrod, 2001). Whilst there is a relatively large amount of extant knowledge on IJV termination, there is almost no literature on the conditions that best facilitate IJV success in the automotive industry. Applying Partington's (2002) criteria for determining the research approach suggests a qualitative method would be appropriate social phenomena are being investigated and this requires the richer data that qualitative methods can provide.

#### **4.3.1. Quantitative Methodology**

Creswell (2003) defines quantitative research as where the researcher assumes a more positivist approach. A positivist or quantitative researcher favours the measurement and testing of theories and hypotheses. A detachment between researcher and respondent is relevant where outcomes are based on cause and effect. Creswell (2003) portrays quantitative research as a means to assess the strength of a theory by establishing robustness and validity through the analysis of data with statistical models. Quantitative analysis will always incorporate a numerical analysis, and this means it is a requirement for data to be collected in a highly structured way (Partington, 2002). The structured nature of the quantitative approach lends itself to placing a premium on the replicability of the processes and data (Sinkovics, 2005; Pernice, 1996). The formal structure of quantitative data should permit the research to be carried out by another individual to form a comparison between the two sets of data. Data replicability lends itself much better to quantitative data as the structured processes and data are less dependent upon the interpretations of the researcher (Partington, 2002).

Structured quantitative data is typically achieved through the inclusion of five or seven point Likert scales owing to their easy replicability (Norman, 2010). However, just because data is highly structured and can be replicated does not suggest the data will necessarily offer greater clarity. Data from social science research is typically presented to two decimal places (Bedeian *et al*, 2009), but Partington (2002) questions what can be inferred from a score of 3.27 when the difference between scale point 3 and 4 is 'no strong feelings' and 'disagree'. Whilst quantitative outputs can exact a precise measurement of the object being studied, it is possible for the original meaning of the data to be overwhelmed by the preciseness of the data.

The score 3.27 is not in itself a meaning, it is simply a way for the researcher to encapsulate the meaning.

Morse (1999) suggests that researchers for the most part have been taught to champion quantitative methodologies, owing to the robust nature of statistical analysis and easily comparable data, but the strength of quantitative data can also be seen as one of its biggest limitations. Quantitative research can be viewed as less dimensional since it cannot fully capture rich dialogue between subjects in their natural environment (Teddlie & Tashakkori, 2009). Quantitative questions have set parameters to ensure consistency but fail to accommodate additional data that may become relevant during the data collection process.

Partington (2002) notes a major weakness of quantitative methodologies is that only data to the questions asked can be collected. Whilst this appears obvious, if a question is excluded that later appears important, a semi-structured interview can include it in all following interviews but once structured questionnaires are sent out, it is considerably harder to readdress. Furthermore, quantitative questions are dependent upon the researcher understanding the relevant concepts to ask the right questions. During a qualitative interview however, the interviewer can react to the respondent far more dynamically than compared to quantitative methods that place an enormous reliance on the design of the questionnaire, as follow up questions require completing the whole process again (Teddlie & Tashakkori, 2009).

#### **4.3.2 Qualitative Methodology**

Creswell (2003) defines qualitative research as one in which the researcher takes a more interpretivist perspective. Bahari (2010) notes how interpretivist research designs are based more on inquiry, such as case studies or ethnographies, requiring a direct link between the researcher and respondent. Flick (2009) states that the qualitative approach to research is

*‘rooted in empiricism, that is, the philosophical tradition that posits that knowledge is obtained by direct experience through the physical senses’.*

Qualitative research employs the use of interviews and open-ended questions to generate verbal data from respondents. This allows for a significantly deeper analysis than quantitative methodologies permit (Strauss & Corbin, 1990). Skinner *et al* (2000) regard qualitative



research particularly apt at narrowing in on the causal factors behind the subject's behavioural patterns to explain complex relational patterns. As seen with the quantitative approach, a set of questions using a traditional Likert scale are limited to collecting data on the questions asked, whilst an interviewer can react in real time (Chimi & Russell, 2009; Baron, 1996).

As with quantitative research, the strength of qualitative research can also be its weakness. An interview's ability to incorporate further lines of questioning is conducive to gathering richer data, but attracts criticism in that the researcher introduces their own preconceptions (Alvesson & Skoldberg, 2009; Daly & Lumley, 2002; Wolcott, 1995), compromises the consistency (Wolcott, 2005) and limits the transferability of the data (Merriam, 2009; Lincoln & Guba, 1985). However, Wolcott (2005) rejects the idea that qualitative research must be readily transferable to additional situations and warns that to pursue replicability is to risk altering the purpose of qualitative data:

*'In order to achieve reliability in that technical sense, a researcher has to manipulate conditions so that replicability can be assessed. Ordinarily, fieldworkers do not try to make things happen at all, but whatever the circumstances we most certainly cannot make them happen twice. Moreover, if something does happen more than once, we never for a minute insist that the repetition be exact (Wolcott, 2005, pg 159).*

Qualitative research should not become overly preoccupied with how subsequent researchers will be able to apply findings as this may compromise the current research. Partington (2002) uses the term confirmability to address this issue. Partington (2002) notes it is not the purpose of qualitative research for another person to be able to reach the same conclusion using the same process; instead they must be able to clearly identify the source of all conclusions, and as the data was collected first hand in the field 'trust that it is the most compelling interpretation'. Furthermore, Merriam (2009 pg 511) states that whilst the transferability of qualitative research is an area of criticism, it should be noted that:

*'The burden of proof lies less with the original investigator than with the person seeking to make an application elsewhere. The original enquirer cannot know the sites to which transferability might be sought, but the appliers can'.*

However, the replicability of findings is a notable feature for data corroboration as well as the ease with which it can be introduced into real-world situations. As qualitative research

methods solely collect data on respondents determined by the sample, this makes it harder to apply assumptions to other groups. The aim of qualitative research is often to provide detailed data, and this is not practical with large samples, so the high replicability of quantitative data is not possible with qualitative research (Partington, 2002). The increased difficulty the transferability of data is a product of collecting dialogue data, but the trade-off for transferability is the ability to delve a lot deeper than quantitative can allow (Ahuvia, 2001).

The ability to incorporate responsive questions during the interview process and collect extra data does not allow for consistency across all respondents and limits the degree for the transferability of the findings (Morse *et al*, 2002). Each respondent is a unique case and it is impossible to ensure uniform data across all respondents. This lack of statistical conformity and the questionable robustness of its findings are the prevalent criticisms for qualitative methods (Mahoney, 2010), yet not all data can be quantified and the complexities of relationships and social phenomena can rarely be defined by quantitative methods. The starkest contrast between the two methods is the lack of standard practice that has yet to be established in qualitative (Rossman & Rallis, 2012; Flick, 2009). This inconsistency is the consequence of the relative originality of the research methods compared to the structured formality of quantitative methods (Partington, 2002).

A mixed method approach is an effective way to mitigate the differences between qualitative and quantitative methods (Leech & Onwuegbuzie, 2009; Bergman, 2008) and the justification as to why this research shall incorporate a mixed methodology. This approach however, has received the criticism that researchers employing a mixed methodology rarely provide rationale as to why they are using a combined approach (Bryman, 2006; Niglas, 2004; Rocco *et al.*, 2003). As such, a justification for the use of the mixed methodology follows.

#### **4.3.3. Mixed Methodology**

Partington (2002) notes that the qualitative and quantitative research methodologies can be seen as complimentary and do not need to be viewed as either/or options but instead ‘viewed as labels that describe two ends of a continuum’. Elliot (2005) notes how the separation of methodologies into exclusively qualitative or quantitative is becoming ever more rejected.

Researchers are increasingly combining multiple methodologies into a single analysis to improve the quality of their data (Leech & Onwuegbuzie, 2007; Giddings, 2006; Tashakkori & Teddlie, 2003; Ulmer & Wilson, 2003; Creswell *et al*, 2003). Ulmer & Wilson (2003) note that features of qualitative and quantitative methodologies are required if the full extent of the data is to be discovered and insist it is not possible through an either or approach. Supportively, Feilzer (2009) states the combination of quantitative and qualitative methodologies can facilitate the '*acquisition of breadth of data (quantitative) as well as depth of information (qualitative)*'. The combination of quantitative and qualitative methodologies offers additional perspectives that a singular methodology cannot (Creswell & Piano Clark, 2007; Johnson & Onwuegbuzie, 2004; Bazely, 2004; Fielding & Fielding, 1986). This approach has been termed a mixed methodology, (Luyt, 2011; Tedlie & Tashakkori, 2009; Creswell & Piano-Clark, 2007 of; Greene, 2007) and allows the researcher to incorporate facets of both fields without constraint.

Kuchartz (1995) and Ragin (2006; 2008) advocate a mixed method approach and note that case-orientated analysis is a means of bridging the methodological divide. Ragin's creation of fsQCA, a tool outlined further in 4.11, attempts to bridge the divide by striving to develop case specific concepts inclusive of the richer qualitative data. Wilk (2000, pg. 159) states this type of analysis tool based on a

*'case-orientated quantification approach combines qualitative and quantitative operations during the evaluation of qualitative research data'.*

As IJV success can be defined both quantitatively and qualitatively, it is advantageous to have a methodology that incorporates both features. A Chief Financial Officer for example may assess success in financial returns, which requires a quantitative analysis. Alternatively, a Human Resources director may see success as an efficient knowledge transfer process or employee satisfaction where there is a limited scope for quantitative analysis, requiring instead a qualitative approach. Duchesneau & Gartner (1992) use a mixed method approach in their profiling of IJV success in emerging markets, incorporating a 115 question survey to draw their quantitative data and a case approach that includes '*describing the firm's history as well as qualitative impressions about the lead entrepreneur, the process undertaken to start the firm, and the firm's strategic behaviours*'. This thesis will also follow Duchesneau & Gartner (1992) example with the inclusion of a case study analysis.

#### 4.4. Validity and Reliability

It is important to recognise that the methodology chosen by the researcher can be a reflection of their epistemological and ontological views (Thompson, 2011; Kincheloe & Tobin, 2009; Fawcett & Hearn, 2004). How the environment is viewed, the ontology, will influence what is being researched and how data is collected and viewed, the epistemology, will influence what conclusions are drawn from the findings. It is important to be aware that personal perceptions can directly influence the methodological selection and create bias. This is particularly important when the methodology uses interviews, as question phrasing can drastically alter the perception of what is being asked.

This methodology incorporates semi-structured interviews with a framework of predetermined questions and the option for additional ad hoc questioning during the interview. These responsive questions may be susceptible to researcher bias, as they will be instinctive and based on the researcher's own perceptions (Silverman, 2011; Poggenpoel and Myburgh, 2003; Barriball & While, 1994). Consequently, there was significant planning in anticipating the likely interview topics as to anticipate the questions most likely to be asked. This was aimed at minimising the risk of inconsistency and bias and keeping the questions as uniform as possible across all respondents (Guion *et al*, 2011)

Denzin and Lincoln (1994) state that at the heart of interpretivist methodologies is the notion that it is unavoidable for the researcher to avoid having an influential presence. Davis & Lincoln (1994) go on to assert that the affect this has on the research is a key part of the research itself and must be considered a natural element to any interpretivist study. Similarly, Howe & Eisenhardt (1990) contend that all research observations, subsequent scrutiny and theory generation are all subject to inference on the part of the researcher and must be considered a natural feature of the research process.

This view has attracted a degree of criticism surrounding the objectivity of the data (Schein, 2001; Onwuegbuzie & Leech, 2007; Greenwald, 2009). This methodology notes the respondents are the greatest source of knowledge and it is critical that observations are made primarily through the eyes of the respondents and not through the inferences of the researcher. As the researcher is the only source through which the data passes, any personal bias that appears will be consistent.

Yin (2003) suggests four tests that can be used to assess the quality and precision of empirical research, this thesis employs the following three tests as they are deemed most appropriate – an internal validity test, an external validity test and a construct validity test. Roe and Just (2009) define internal validity as ‘the ability of a researcher to argue that observed correlations are causal’ and in no way coerced by the researcher or based only on conjecture from the respondent. This is arguably the most important of the three tests as it looks to assess the accuracy of the data and determine whether the researcher observed a true account of the object studied. For this thesis, that is determining whether the respondents accounts of the JV and what constitutes success are accurate. Internal validity is especially important when using a case study approach as the data collection is based almost entirely upon the researcher’s conclusions of what they see and/or the respondent’s inferences. Yin (2003) seeks to counter this issue of validity by looking to draw similarities between existing research and the data gathered from the subject of the research. He states that the presence of such correlation, exhibits data that is supported by existing research considered valid.

For the second test, Dekkers *et al* (2009, pg 89) define the question of external validity as being

*whether results are generalisable to persons other than the population in the original study. The only formal way to establish the external validity would be to repeat the study for that specific target population.*

The issues of replicability and to what extent case study data can be generalised has already been discussed in 4.3.2 and this is not a pertinent factor for case study analysis. Where quantitative data relies upon statistical replicability but the case study employs more analytical generalisations. Case study research is more concerned with applying findings to existing theories or building theories than applying findings to a much larger sample. This research looks to avoid the concept of external validity where possible by including multiple cases to replicate results.

Yin’s (2003) last test is construct validity, is defined by Gibbert & Ruigrok (2008, pg 3) as:

*the extent to which a study investigates what it claims to investigate, that is, to the extent to which a procedure leads to an accurate observation of reality.*

This is a particularly difficult concept to address within the case study approach as many of the inferences from both the researcher and respondents are subjective. However, the inclusion of data from multiple sources to allow triangulation will increase the construct validity (Gibbert, 2008; Yin, 2003). The inclusion of multiple respondents from each case, company reports, an existing database of JVs and secondary information is a deliberate attempt to heighten the construct validity of this research

#### **4.5. Data Collection Process**

The following section outlines the means with which the data was collected and how the target respondents were identified. The data collection process is comprised of multiple components, primarily telephone interviews but also emailed questionnaires and face-to-face interviews. The interview was the primary tool for the data collection process and was achieved through either face-to-face meetings or telephone conversations.

##### **4.5.1 Questions**

Initially, the interview questions were to be formulated along a more positivist method with pre-determined conditions to increase the data replicability (Norman, 2010; Sinkovics, 2005). This however was rejected for two reasons; firstly, the use of pre-determined conditions can lead to intrusion on the data and compromising researcher neutrality (McNamara, 2009). By predetermining conditions, the interviewer is stating a belief in what they feel are the key influences on success and this requires the respondent to either accept or challenge the conditions. Consequently, respondents may provide answers that follow the interviewers lead but not necessarily reflect their own beliefs (Herman & Bentley, 1993). Secondly, in pre-determining conditions for success, the respondent may feel obligated to elaborate on conditions that may not be the truest representation of their beliefs and failing to discuss what the respondent truly regards as important (DiCicco-Bloom & Crabtree, 2006)

In his work on IJV success, Patel (2007) employed ‘ethnographic interviews and participation-observation’ to retrieve authentic responses without a set of preconceived questions or specific issues that may or may not be held with the same importance by

respondents. Patel (2007) used this unstructured method stating it would decrease the chances of the researcher's cultural bias when devising the questions. It is with this thought that the questions for the interview were open-ended but not completely unstructured. The strength of open-ended qualitative questioning is it permits the researcher to ask follow up questions based on the respondents answers (Kvale & Brinkmann, 2008; Seidman, 2006 Rubin & Rubin, 2006). Whilst Patel (2007) accurately states that responses will be more genuine without preconceived conditions, an entirely unstructured interview could not guarantee consistency and this would compromise the subsequent quantitative analysis as the data would not possess enough conformity. Therefore, the questions outlined in the following section offer a semi structured guide for the interview but do not represent the entirety of the questions as additional questions are asked depending on the respondents answer. The following questions present a framework drawn from the literature from which the interview can proceed along and from which other questions can expand.

The first three questions were designed to establish a rapport with the respondent and get them comfortable with the idea of discussing their IJV with an external source. Establishing a rapport early in the interview would increase the likelihood that respondents would be more forthcoming in later questions that required deeper levels of information (Davies *et al*, 2009; Kerekes, 2005).

- 1) *What were the main reasons for the set-up of this IJV (JV)?*
- 2) *What is the ownership ratio between the parents in this JV?*

In addition to initiating the interview on an easy conversational tone, the first two questions establish the cause behind the creation of the IJV and the equity split. The literature offers many reasons for the creation of an IJV, from providing entry into new foreign markets (Beamish & Lupton, 2009), access to new knowledge (Lyles & Salk, 2007; Inkpen, 2008), spreading the investment risk (Brouthers & Hennart, 2007; Pilkington, 1999) and reducing costs (Geringer & Hebert, 1991; Beamish, 1994). Whilst aware that there will be no new knowledge gathered as the first two questions, they have the advantage of being easily validated through public reports. Additionally, they both support the rapport building and subtly introduce the respondent to the notion of ownership and equity without immediately asking direct questions regarding parent contributions.

3) *How are the parent's main contributions for workers and managerial positions divided?*

Luo (2001) states that initially foreign parents will try to select a high-level control option to ensure their financial interests are secured, whereas local parents typically have far less financial contribution and dependence, suiting low-level control. As the JV develops however, Child & Mollering (2003) note a propensity for foreign parents to increase their dependency on the local parent by encouraging the use of local managers, which in turn is seen as a facilitator for trust from the local workforce. Therefore, by understanding the nature of the parents contributions and how long the JV has been operational, it can be determined whether the JV is closer to Luo (2001) or Child & Mollering's stage of the life cycle. Parent contributions are linked to the resource based perspective that Beamish & Kachra (2004) see as critical when examining JV's. The JV ensures parents will look to combine and share resources that are otherwise difficult to obtain individually.

4) *To what extent do you feel the parent's equity position relates to their day-to-day control over the JV?*

Luo (2001) and Geringer (1993) note how control is typically exercised through a dominant equity position and this is particularly relevant given that the parents in 12/13 cases have equal ownership. Every case has a parent who is an MNC from a developed western nation and Luo *et al* (2001) states how this type of parent typically views control in terms of a dominant equity position. As the majority of cases have an equal equity split it is important to see how this effects the respondent's perception of control.

5) *What do you regard as the ideal ownership structure for this JV? Why?*

As a follow on from the previous question, this gives the respondent a chance to offer their view on the most suitable equity split, particularly as the ownership ratios reject Luo (2001) and Geringer (1993) dominant view. The literature on IJV control remains inconclusive with research supporting shared control (Beamish, 1988; Yan and Gray, 1994, 1996), majority control (Lecraw, 1984; Mjoen and Tallman, 1997; Yan and Gray, 2001) undetermined levels of control (Groot and Merchant, 2000; Lecraw, 1984;). Therefore, it is prudent to ascertain the respondent's view of the most suitable level of control.



- 6) *Do you consider the transition of a JV into a wholly owned subsidiary when bought out by an internal parent – a failed or successful JV?*

The literature asserts that JVs are transitional entities (Sinha, 2008; Park et al 1997; Porter, 1990) and present a means of overcoming the obstacles and risks associated with entering unfamiliar and foreign markets. Luo *et al*, (2001) notes that transition is a positive move as single parent control is easier to administer, yet the literature regards the unplanned transition of a JV as termination (Shenkar & Yan, 2002; Geringer & Herbert, 1991). Determining how transition is viewed may offer a link between transition and long-term commitment, as a JV with a planned buyout clause may not attract the same degree of commitment from workers who know the venture is destined to end.

- 7) *Do you feel this JV should be operated as a separate business unit or receive guidance from the partners? Why?*

Das (2012) states that there is a significant positive correlation between the perception of autonomy and the overall perception of trust. As trust is expected to be one of the pillars of this thesis, it is prudent to consider autonomy as a tangible product of parent trust bond. This will also bring in the resource-based view and bargaining power view, as parents contributing highly firm specific knowledge may be less inclined for JV autonomy or leave its management to another parent.

- 8) *How important is the parent's long-term commitment to this JV? Why?*

Commitment from the parents has long been regarded as a major determinant of JV success (Isobe *et al*, 2000; Cullen *et al*, 1995; Cavusgil & Zou, 1994; Newman, 1993; Beamish & Banks, 1987). According to Labahn (1999), it is the transfer of firm specific resources that significantly contribute to the parent's development of trust and the long-term commitment. The strength of the respondents answer to commitment can be viewed alongside the latter question that determines the parent's contribution to the JV to gauge the link between the firm specific resources and commitment (Labahn, 1999). As Das (2012) notes autonomy to be a reflection of trust then it would be fair to expect that parents need a long-term view so they can plan for the eventuality that JV control may be drawn back.

- 9) *What are the main benefits in having your partner involved in the JV and has this changed as the JV has evolved?*

Zhang and Rajagopalan (2002) note that an IJV will remain in balance for as long as the pay-off for cooperation eclipses the pay-off that non-cooperation generates, so it is important to see how the parents view the benefits of the JV partner. The literature asserts that collaborating through an IJV is typically based on the need to acquire new knowledge (Lyles & Salk, 2007; Inkpen, 2008), share the risk of market entry (Brouthers & Hennart, 2007) and reduce costs (Geringer & Hebert, 1991; Beamish, 1994). As the IJV evolves, the need for the partner's original contribution may wane, particularly as the foreign partner becomes more experienced in a foreign market and the liability of foreignness begins to diminish (Zaheer and Mosakowski, 1997). This is particularly relevant, as the average JV duration of the cases is 12.4 years with 5/13 having existed for over 15 years.

- 10) *What does the foreign partner contribute to this JV? (technology, finance, managerial expertise etc)*
- 11) *What does the local partner contribute to this JV? (technology, finance, managerial expertise etc)*

The type of contribution offered by a parent is a strong reflection of their equity position in the JV (Chen *et al*, 2009; Blodgett, 1991). As 12/13 of the cases are split with equal ownership, this is particularly important, as the perceived value of both parents contributions should be equal. This links in with bargaining power theory, where contributions are a reflection of the bargaining power that is used to leverage control (Mjoen, 1993). Le (2009) notes that having a higher contribution than a partner equates to a greater say on board decisions and creates a greater level of control over the parent with less financial contributions. Meer-kooistra (2006) & Li (2003) both note that the local parent can contribute more in terms of resources and this makes it harder to compare financial and non-financial.

- 12) *What type of return do the parents look to get from this JV? How do you see this changing?*

Therefore, in order for the JV to remain balanced both parents have to be perceived as contributing equally. Disproportionate contributions result in disproportionate returns from

the JV (Deck and Erkal, 2009). Unequal payoffs can create instability between the parents, particularly if one parent feels there are disproportionate workloads. Chao, (2011) noted how JV parents lowered their commitment, both effort and equity based, when there was a perceived difference in the contribution to return ratio for both parents. Therefore, it is important to understand the relationship between what parents *expect* as a return from the JV and what the *actual* returns are.

13) *How do you protect against unintentional & sensitive knowledge being transferred?*

This question seeks to initiate discussion on the parent relationship and to what extent trust exists. The literature offers both formal and informal mechanisms of protection for parent's contributions. Lu and Herbert (2004) show how dominant control can help facilitate in easing issues parents may have over other parent's potential for selfish actions by aligning goals and providing incentives that encourage contractual obedience. However, trust is vital in JV's, as it is impossible for a contract to cover all eventualities and scenarios that can occur unexpectedly (Dhanaraj *et al*, 2004).

Before initiating a discussion on the importance of trust, this question aims to offer the respondent the chance to determine their own first determinant of protection, such as the JV contract, trust or an inter partner credible threat. This way the respondents provide their own response without being lead, and if trust is not mentioned, the respondent will be asked to discuss it in the following question

14) *How Important is trust to the JV, can it work without trust?*

Many papers have related the level of trust in an IJV to its success and overall satisfaction (Lin and Wang, 2007; Luo, 2002; Ring and Van de Ven, 1994). Baird *et al* (1990) showed how trust was the pre-eminent factor in JV success according to U.S. and Chinese managers. There is evidence that a repeat game scenario involved in a long-term IJV can reduce the potential of cheating as the parents learn more information about their partners and trust begins to build (Ott, 2006). This will lead the discussion towards whether or not the respondent views trust as a characteristic that has to be assumed from the first day of the JV's operation or is something that evolves over time. This can be answered from both

perspectives as the cases include IJV between parents that have had prior JV's together and parents that have had no prior experience together.

*15) Do you think the length of time this JV has operated reflects its success?*

The longevity of an IJV is a natural progression from the previous trust question as this thesis considers trust to develop between parents as the JV continues to operate (Mollering 2006; Nooteboom, 2002; Rousseau, 1998). Transaction Cost Theory supports the idea that JV duration may be reflective of its success in that as a JV endures the relationship between parents develops and the degree of trust increases (Yan & Gray, 2001). As trust increases throughout the JVs duration the need for additional transaction costs, control mechanisms and the chance of opportunistic behaviour is reduced, increasing stability and the chance of success (Bromiley & Cummings, 1995; Hansen & Hoskisson, 1996)

Luo (2007) regards the use of financial reporting for measuring JV success as being objective, and as every business is required to generate finance, it would be easily replicable across the 13 cases. The subsequent five questions seek to establish the importance of financial contributions and returns to the joint venture. Respondents are asked to discuss their satisfaction of the IJVs financial return and its role in the overall success, unlike other questions, these are directly suggesting a relationship between the financial returns and JV success. This research is aware that by asking respondents to evaluate success in relation to the financial returns, the researcher has introduced a predefined parameter of success. In an attempt to mitigate this, rather than ask the respondent how important the financial returns are to the joint venture, it was thought less intrusive to ask the respondent to evaluate the returns from both financial and non-financial perspective.

*16) What are the parent's financial contributions to this JV, and how do they compare?*

Luo *et al*, (2001) MNCs from developed nations are more inclined to regard control in terms of equity. A view supported by Johnson *et al* (2001) who state that foreign parents, US parents in particular, see the most effective means to maintain control is through a dominant equity share. As financial contributions are a primary means of acquiring equity, it is important to know the respective offerings compare.

- 17) *How would you describe this JV's R.O.I in terms of both, financial and non-financial returns?*
- 18) *Which of these two areas (financial and non-financial) provide the greater return for the JV? Do you see this changing in the future?*
- 19) *Which of the two areas do you consider the most important and why?*

These three questions seek to establish the importance of financial and non-financial returns to the JV and allow the respondents to consider the softer aspect of JV success as well as the importance of non-financial returns. The questions maintain impartiality in regards to assuming financial returns are important, despite the likelihood of financial returns being to varying degrees a consistent definition of success for most respondents. This follows on from Choi and Beamish (2004) who stressed the link between financial returns and the performance satisfaction of parents within the joint venture.

- 20) *To what extent do you feel the financial statements of this JV reflects its successes?*

The hard characteristics of financial performance draws criticism in that it is too one-dimensional (Beamish, 2009; Anderson, 1990; Geringer & Herbert, 1990) and may not always fully reflect the JV's level of success. Therefore, it has been suggested that financial reporting be linked with subjective views to evaluate JV success (Dhanaraj *et al* 2004; Isobe *et al* 2000). Therefore, by asking the respondent to relate the JV's financial statements to their perspective of success increases the chance the respondent draws on wider factors in their answer. Yan & Child (1993) noted that with the difficulty in accessing financial data, many researchers have also moved away from financial reporting towards more subjective performance measures. This was something that was encountered in the interview, with respondents consistently unwilling to divulge private financial data or having been instructed from their legal department what they can and cannot say.

The following questions establish how success is measured from the perspective of the IJV and respondent. Determining the degree of symmetry between the respondent and IJV's concept of success is important in determining what extent the views given are subjective or repetition of corporate policy. These questions require the respondent to consider the parameters of success used in the IJV against their own. This ensures that the respondent

considers how the three elements of the IJV define success – themselves, the foreign parent and the local parent.

- 21) *What factors do you use for assessing whether or not this JV is a success?*
- 22) *How are these factors decided? Is it a collaborative effort between the parents or based on equity position for example?*
- 23) *How do you measure these factors of success? Are these measures flexible with changing environments?*

The difficulty lies in that the term performance can be synonymous for multiple assessment criteria (Gaur & Lu, 2007; Lu & Xu, 2006; Shenkar et al, 2005). The abundance of performance measures have resulted in academics rarely using methodologies that share the same combination of variables, with Steensma & Lyles (2000), Yan & Gray (2001), Zeng & Chen (2003), Dhanaraj & Beamish (2004) and Gong et al (2005) having all established unique combinations of performance measures for assessing IJV success. It is important to determine how respondent's measure success in each case as this should establish a connection to the first question asking why the JV had been created.

- 24) *Do you consider your measures of success similar to those of your partner?*

This question encourages the respondent to determine how the IJV is positioned in relation to both parents and whether there are any diverging notions of success. Lunnan and Haugland (2008) show how common goals and aligned perceptions are critical for IJV success, as private objectives have the risk of segmenting the joint venture. Noble *et al* (2004) noted that the successful evaluation of goal alignment and the extent of parents shared values are typically measured through the JV manager's subjective perceptions.

- 25) *Are there pre-defined stages in the JV contract where 'success' is expected?  
(0-5yrs, 5-10yrs, 10yrs+) Is this on target?*
- 26) *Who do you feel has benefited more from the JV?*

It is important for respondents to offer when they feel the JV can start being considered successful and how the IJV has met or missed those original expectations, as forecasts made at the start of the JV's life cannot accommodate every external factor. Reuer (2000) used a

sample of 215 JV's that produced an average life span of 6.7 years and this would imply the expectation of success as almost immediate or the JV's were inherently unsuccessful. Given that 8/13 cases are operating beyond twice the length of 6.7 years, it is important to understand when the JV was regarded a success and if it has remained so.

27) *What factor would you say above all others contributes to the success of this JV?*

The parameters of success for an IJV are shaped by its purpose and the objectives of the parent companies. However, owing to the dynamic nature of IJVs and multiple reasons for their creation, there are no set definitions of what constitutes JV success, it must be taken on a case-by-case basis (Gaur & Lu, 2007; Lu & Xu, 2006; Shenkar et al, 2005). Therefore, it is worthwhile gathering a succinct, typically short sentence reply from the respondents outlining what they regard as the key factor for JV success.

28) *What proportion of JVs have terminated in your experience?*

29) *Do you think it is accurate to say JV's suffer from a high rate of failure?*

30) *Do you think JV's are the main way for developing nations to build their capabilities?*

It is widely agreed throughout the literature that IJVs are an inherently unstable entity (Beamish and Lupton, 2009; Das and Teng, 2000). The termination rate is considered to be high, with Makino *et al* (2007) stating JV termination ranges from 30% - 70%, Brouthers & Bamossy (1999) saying over half end in termination and Park & Russo (1996) believing their success is the exception rather than the rule.

#### **4.5.2 Pilot**

Before live interviews can be conducted, a pre-test is required. The objective of a pre-test is to assess the suitability and amend any questions so the final draft is clean and clear. Saunders *et al*, (2003) states that the pre-test is a means to check the robustness and reliability of the questions and their adequacy in achieving what is required of them. Willis (2005) states that pre-testing interviews does not require a large sample size and small or modest sample can be as effective at identifying any problems.

The pre-testing was not a participating exercise (Converse and Presser, 1984) but respondents were not made aware of the evaluatory nature of the interview believing it was a live interview. This was based on two assumptions, firstly, to minimise any change in the respondent's attitude, and the truest representation of the final interview process was achieved. Secondly, by carrying out the interview as it would be in the live interviews, it allowed the researcher to practice interview techniques. Particular emphasis was placed on the speed of delivery and the extent to which the interviews are researcher guided or left to the respondent. It also allowed the researcher to become accustomed to leading a discussion on joint ventures. However, once a pre-test interview had taken place, the respondent was then asked to evaluate the questions and nature of the interview. The respondent was encouraged to outline any questions they felt were too vague, too directive, leading and whether they felt there were any questions that should be covered in regards to the JV success.

Ten respondents were chosen to reflect as much of the final sample as possible, in regards to the automotive industry this was manifest as three US respondents, three European respondents and four Asian respondents, reflecting the three key automotive areas. The respondents were targeted as the final selection process would be, striving for general management within the JV to board member of parent companies. Whilst a smaller pre-test sample may not denote a thorough representativeness of the automotive industry (Miller, 2002), aiming to be as diverse as possible with the respondents positions, location and relevant demographics can ensure the widest possible scope for pinpointing potential issues (Beatty *et al*, 2007). This is surmised by DeMaio *et al* (1993, pg 16) who note a pre-test

*'is not designed to be representative of any larger population, but to reflect the detailed thoughts and problems of the few respondents who participate in cognitive interviews'*

In addition to testing the accuracy of the interview questions, the pre-test interviews provided a means to determine the most appropriate method of coding the data for fsQCA analysis. Firstly, allowing respondents to code their own answers from 0 – 1 was thought most appropriate due to the detachment of the researcher from the coding process and the respondent being best placed to assign a value to their own subjective thoughts. Once an interview had concluded, the respondent was asked to assign values to the key themes discussed in the interview. The gradations are outlined in Table 4.1.



This required respondents providing a value to how important the following conditions were perceived as being to JV success: trust, commitment, the relationship between all parties, the JV's financial returns, the autonomy of the JV, a shared management structure and how important the local environment is. In addition, a supplementary list of these terms, along with definitions pertinent to this thesis was offered to respondents if they required.

Table 4.1: Membership Break Even Points

Value	Meaning
1	<i>Most important</i> (fully in the set)
0.91	<i>Very important</i> (mostly but not fully in)
0.7	<i>Important</i> (more or less in)
0.55	<i>Slightly important</i> (marginally more in)
0.45	<i>Slightly unimportant</i> (marginally more out)
0.3	<i>Not very important</i> (more or less out)
0.09	<i>Mostly unimportant</i> (mostly but not fully out)
0	<i>Not important at all</i> (fully out)

However, this method of respondents self-assigning values proved inadequate at providing valuations that were consistent with the verbal responses to the questions in the interview. Respondents provided valuations that were more what they were expected to provide than what was accurate for their JV. For example, when asked to assign a valuation to how important trust is between the parents, the typical valuations were 0.9 or 1. There was an understanding that trust is important in any business and therefore the valuation respondents were 'expected' to give should be high. However, in the verbal responses to the interview questions, respondents were more open with their answers and typically gave answers that were more accurate. This was because the qualitative responses were more conversational and could provide a more natural representation of their views. The result was a detailed verbal response that gave an accurate account of trust and a numerical value that was typically higher than the value the verbal response suggested.

In light of this discrepancy, another sample of respondents was chosen, along the same criteria as the first group to address this issue. Whilst there is no set approach, an accepted small sample method in repeating a round of interviews in the pre-test phase is using

typically between 5 – 15 respondents and so 10 more respondents were selected (Willis, 2005; McColl, 2001). In this second round of interviews, respondents were again asked to assign value to the same conditions, but this time before the interview questions. This approach provided a greater degree of consistency between the assigned value and the qualitative interview data but still the method was not considered robust enough. A key issue was the inability to identify whether the assigned values were in any way affecting the way respondents answered the subsequent interview questions. This may be manifest by respondents being aware of the assigned values and consciously or unconsciously providing answers supporting their original valuation at the expense of accurate verbal responses. This was evidenced by two respondents in the second round of pre-test interviews asking to re-evaluate their assigned values in light of the interview discussion. Whilst these two respondents increased the accuracy of their data by revaluating and aligning their responses, it was unclear whether this was a situation indicative amongst other respondents but who were disinclined to voice their concerns.

Consequently, it was determined that asking respondents to assign values to the conditions may produce conflicting data. Therefore, respondents would not be asked to assign values to the conditions, and would only be asked to answer the interview questions. The assigned values would instead come from the researcher who would evaluate the respondent's answers to the interview questions and provide a numerical representation of what was discussed. The key advantage to this is that all assigned values will originate from one source and that data shall be evaluated consistently, removing the inconsistencies between the respondent's numerical valuation and verbal responses. Chenail (2011, pg 418) regards the researcher's presence in qualitative research as a fundamental part of the process and states that:

*'The researcher is the key person in obtaining data from respondents. It is through the researcher's facilitative interaction that a context is created where respondents share rich data regarding their experiences and life world'.*

#### **4.5.3 Translation of Questions**

Owing to the global nature of the automotive industry, it was impractical to identify the nationality of every respondent in the sample and then offer translations to all respondents. Owing to English being the common second language, it was considered English would be an

appropriate way of presenting the questions. However, owing to China's large attraction for automotive IJVs and the likelihood many cases would be based in China or have a Chinese parent, the questionnaires were also translated into standard Chinese. The questions were emailed and translated by a Chinese national currently residing in Hong Kong. The translated version was then re-checked by a Chinese research student studying for a PhD at Loughborough Business School who confirmed the linguistic accuracy of the translation. Despite offering a translated version of the questions to the Chinese nationals in the sample, every respondent was happy to use and speak in English owing to their command of the language. Upon finishing the interview with the first Chinese respondent who accepted my request, they were asked if they would mind briefly checking the accuracy and meaning of the translated questions based on the interview they had just had and the questions that had been asked. This provided an accurate comparison owing to the respondents' familiarity with the questions. The translation was accepted as accurate apart from substituting three words for clarification purposes.

#### **4.6. Interview Process**

The case approach has been selected as the means to explore IJV success and it was determined that the interview was the best means of supporting this goal as it too is equipped to explore complex situations through in-depth questioning. Kaplowitz & Hoehn (2001) state the interview is the most effective means to extract greater amounts of data from respondents and allows specialised comments to be made on individual cases. The in-depth analysis of the case approach limits the number of cases and therefore the number of respondents. Therefore, it is possible to support the case approach with in-depth interviews, as the volume of data will remain manageable (Eisenhardt & Graebner, 2007). The interview is an apt reflection of the case approach as both seek the same degree of depth in analysis. The case approach seeks depth through limiting the number of cases that can be analysed and the interview seeks respondents to provide in-depth analysis to open-ended questions.

As the interview uses open-ended questions, it is possible that some respondents will have views that differ from their colleagues (McNamara, 2008). In this situation, each response is carefully examined to determine whether the discrepancy is based on a genuine difference of opinion or is a reflection of external factors such as culture. Whilst data would be

considerably more robust with a consistent agreement across all respondents, divergent views will not be readdressed, as multiple perspectives are a necessary feature of establishing a reliable data set and a triangulated unbiased approach.

The interview process allows respondents to report what they regard as the most important factors in their own words instead of being restricted to the researcher's preconceived conditions. If the researcher's preconceived conditions are accurate in their importance, then the probability of these issues being raised by the respondent is high and therefore the interviewer would not be required to initiate discussion on specific conditions. This ensures the researcher is detached from the conditions the respondent offers as important to success. This ensures an unbiased approach to the data collection and confirms the importance of a condition as it has been independently referred to by the respondent without the researcher's suggestion. Not leading with predetermined parameters allows the respondent to freely determine their own thoughts whilst also permitting the researcher to bring up any issues not covered at a later stage of the interview without leading its direction. The interview therefore can facilitate the discussion of conditions without the interviewer leading the discussion but still allows their discussion if the respondent fails to suggest them.

The choice was to use experts (managers of IJVs) and to accommodate to their time schedules, which would result otherwise in a difficult data collection. This meant that the interview process had to be done in a pragmatic way. Some interviews were done over the phone, which had the advantage to adjust to the questions, and others had to be sent via email and were responded in writing. The emailed questions were the same that formed the basis for the semi-structured interviews over the telephone. The advantage of this was that responses were collected but there was a limited scope for ad hoc responses.

Respondents who indicated they were willing to carry out a telephone interview were then sent the questions, to allow the respondent time to formulate answers and responses ahead of the interview. After contact had been made and the respondent was happy to participate, a time was then arranged for when best suited the subject. Owing to the time differences between the two main sources of data, the US and China, interviews were mostly carried out either in the early morning as to accommodate the +8GMT time difference for China or in the early evening to accommodate the -7GMT time difference for the US. All interviews were carried out with no one else in the room for privacy and clarity.

Respondents who were unwilling to participate in a telephone interview were sent the questions as an email attachment and asked to return it at their convenience, stressing a timeframe of two weeks within which to complete, this was to ensure the questionnaire was not inadvertently forgotten. The same set of questions that formed the basis for the interviews was used in an email. When a respondent would identify they were only willing to participate via a questionnaire, a copy would be emailed with instructions to answer in regards to the specific IJV they have experience. However, four respondents returned questionnaires that answered from a generalist view about IJVs and the automotive industry as a whole rather than focusing on the specific IJV at which they worked. This was attributed to the respondents not fully appreciating the purpose of the research. Respondents C3SP-L, C7PD-F, C9VP-JV and C11SP-F all returned generalist responses. On these occasions, the respondents were re-contacted and it was again explained that answers were to be provided in regards their specific experience at one joint venture. All three respondents were happy to oblige and returned another set of responses. In addition to telephone interviews, five interviews were carried out face-to-face and two via Skype. Of the face-to-face interviews, four were held in China and all respondents were from one case five, C5MO-F, C5RD-C, C5SC-C and C5DD-JV. The final respondent, C6GM-JV, was from case six and this was held in the UK. Finally, two more interviews were carried out with respondents over Skype, C8PM-F and C10ED-L. Three more face-to-face interviews were carried out in the UK but these were not included in the final data as it was not possible to acquire more than one partner in the IJV and so a case could not be formed.

The interviews carried out in China consisted of an interview with a foreign parent manager (C5DD-JV) and two interviews with individuals affiliated with a third party consultancy company who were involved in the daily operations of the JV (C5RD-C, C5SC-C). The interviews in China all drew responses that were consistent across all respondents and ultimately provided one of the more consistent sets of respondent data. This however was not a reflection on the difference in the data collection method but more a reflection of the JV. This case has proved to be one of the most successful IJVs in china and has parents that are entirely aligned. This was reflected by the two external respondents who had no direct affiliation to either parent and could reply objectively. Both respondents noted the alignment and success the JV possesses.

#### **4.7. Data Analysis Tool**

Standard QCA allows the researcher to measure for coverage and consistency of conditions, something the case study approach lacks and has attracted criticism for (Woodside, 2010). The inclusion of fsQCA in this thesis is an attempt to mitigate and address the problems of this approach. FsQCA is a relatively new analysis tool that is designed to help mitigate the differences between qualitative and quantitative analysis. The analysis forms two distinct parts, firstly there is a qualitative assessment of the data that is acquired for the interviews. This seeks to establish the three most consistent conditions that respondents identify as being critical for facilitating JV success. The conditions will be identified and each case shall be examined through the lens of each condition. The second phase of the analysis shall utilise respondents coded values of each condition and analysed through fsQCA, this will form the quantitative analysis.

Woodside (2010) states how the consistency values found in fsQCA analysis are akin to the correlation estimates are a feature of statistical hypotheses. The consistency values are a representation of how well cases relate to the outcome when sharing a set of combinations. For this thesis, the outcome is success, so fsQCA's consistency values will demonstrate how when cases share a collection of conditions, for example trust, relationship and commitment, those conditions are responsible for IJV success. Qualitative Comparative Analysis (QCA) is a method designed to add robustness to the data analysis by bridging the divide between quantitative and qualitative methodology. Ragin (1987) states QCA is a 'synthetic strategy' that incorporates the characteristics of a quantitative approach (variable-oriented) and characteristics of a qualitative approach (case-orientated). QCA successfully handles small and intermediate size data sets that are generally characteristic of comparative research (Rihoux, 2006). Typically, a data set this size is too small for traditional quantitative analysis but presents too much data to analyse without the assistance of a statistical tool. QCA fully supports the use of the case approach as it allows for the exploratory and focused analysis of such a qualitative method to support a larger number of cases.

QCA was initially developed for use with crisp set memberships, sets that have a dichotomy of 'in' or 'out', '0' or '1' and so on. This allows each set in the analysis to be attributed either of the two possible absolute values and establishes unambiguous membership (Skaaning, 2011; Grofman & Schneider, 2009). The limitation in dividing cases into absolute values

without representing interval degrees of membership is the assumption that the degree of membership is universal for all cases. The causal conditions of success given by respondents differ in their degree of membership and whilst an IJV may or may not be defined as successful, there still exist multiple points in between these two absolute values that QCA does not account for. ‘Fuzzy-set’ Qualitative Comparative Analysis (fsQCA) establishes degrees of membership by including interval values in addition to the absolute values used in QCA, effectively ‘scaling’ membership to a particular group (Rihoux & Ragin, 2009). This research includes membership of 0 or 1 to denote either non-membership or full membership respectively and a value of 0.5 to suggest the greatest level of ambiguity. Values are only assigned to one decimal place with 0.9, 0.8 and 0.7 representing strong membership to a group and 0.1, 0.2 and 0.3 representing non-membership to a group. Ragin (2000) believes that the inclusion of interval values in fsQCA adds another dimension to data analysis without compromising the principles at the heart of crisp set QCA.

FsQCA is an approach where cases must not be taken individually, instead regarded as part of a wider system (Rihoux *et al*, 2009). This suggests the dependent variable is typically a result of the combination of multiple independent variables. De Meur & Rihoux (2002) maintain that owing to the interconnectedness and complexity of cases, multiple conditions can generate identical outcomes but have an entirely different effect if the contextual parameters were changed. Ragin (1987) advises the researcher to ‘determine the number and character of the different causal models’ that appear in the data and not employ a quantitative stance where a single cause is found as the key determinant of an outcome. Rihoux *et al* (2009) agree that it would be ineffective in fsQCA to identify the overall effect a condition has on the data independent of the other conditions as the cases are viewed as a product of multiple conditions. An isolated condition is secondary in fsQCA to how the conditions are organised in relation to each other and the case, with the aim to determine what set of events or conditions generate a particular outcome.

#### **4.7.1 Calibration**

Crisp set QCA has received criticism (Skaaning, 2011; Seawright, 2004; Liebersson, 2004), typically in the absolute nature of the ‘in’ or ‘out’ distinction of condition membership. This classification is accurate for conditions such as ‘dead’ or ‘alive’ where there is no

intermediary position and membership is absolute. However, the measurement of IJV success is not an absolute value and there are interval positions in between success (in) and unsuccessful (out). Qualitative data typically does not possess easily quantifiable or numerical values for analysis (Baralt, 2012; Meethan, 2011; Auerbach and Silverstein, 2003) and therefore to establish the degree to which a case has membership to success, an external set of standards is required to assist the researcher in defining breakpoints that can define the extent of case membership. Ragin (2008) states the purpose of calibrating these breakpoints is to define the degree of membership cases have to conditions by defining how full membership, non-membership and all intervals in between are numerically represented. This interval membership bridges the divide between absolute qualitative or quantitative data. The quantitative set membership remains, but there are also qualitative intervals that can establish additional deeper meaning to case membership (Ragin, 2000). The breakpoints in this thesis will consist of ordinal values, as the difference between the breakpoints in the calibration will not be uniform distances based on the subjective nature of the questioning and responses. When asked about the importance of trust in facilitating IJV success, the difference between 0.15 (mostly unimportant) and 0.3 (not very important) will not be guaranteed as being the same as the difference between 0.7 (important) and 0.85 (very important).

The cases in this thesis will all possess varying degrees of interval membership to the conditions, therefore the calibration of the membership breakpoints in fsQCA is not a standardised process, with Lee (2008) stating that

*the determination of the membership of sets can vary across concepts, reflecting the conceptual, theoretical, historical and contextual considerations that the researcher prioritises.*

The fact that the calibration process is unique to each research is its strength, as Vis (2012) notes that this allows the researcher to incorporate prior relevant knowledge when establishing break points. This is a reflection that despite the research looking to create new knowledge, the starting point is not zero as there is an existing knowledge base with which to establish relevant breakpoints. Ragin (2006) also states that calibration can be based on the researchers own knowledge and familiarity with the cases and subject matter.

The first part of the calibration was to identify three anchor points that can help structure further breakpoints for degrees of case membership (Guillermo, 2007). These breakpoints



were full membership, full non-membership and the point of maximum ambiguity. The threshold for full membership was 1, but utilising Ragin's (2008) recommendation, anything above 0.91 would constitute as fully 'in'. This 0.91 calibration was again used in the fsQCA analysis to outline the strength of relationships between conditions. Full non-membership was 0, but again, anything below the threshold of 0.15 would constitute fully 'out'. The 'ownership' condition was the only condition that did not participate in the calibration. The assigned values were input by the researcher and this was a reflection of the equity levels and not a representation of a degree of membership to the ownership condition. The cases that have an ownership value of 0.5 do not suggest an ambiguous relationship to 'ownership' but rather shows that the equity ratio between the two parents was 50/50. Again, a value of 0.6 would suggest the JV had a 60/40 ownership ratio. This thesis shall use an eight-point Likert scale that establishes degrees of case membership to conditions. Extended Likert scales are a development of Likert's (1932) original 5-point scale and are seen to operate at the upper ceiling for reliability (Chang, 1994; Jum, 1978). Recent JV research has used the extended version as a means of collecting more accurate data as the wider distribution of breakpoints can ensure greater distinction between memberships.

Preston & Colman (2000) demonstrate empirically how the extended nature of the Likert scale offers the greatest response rate but is limited by the ten-point scale where reliability then begins to deteriorate. Preston and Colman (2000) highlight the influential studies that have addressed the issue of the optimal number of breakpoints for a Likert Scale, stating that Loken *et al* (1987) found that when looking at from scales ranging from four to eleven points inclusively, the best performers were the scales with a higher number of break points. Hancock and Klockars (1991) also found that a nine-point scale outperformed a five-point scale and Chang (1994) noted how a five and six point scale produced progressively higher than a three or four point scale. This demonstrates how scales inclusive of a higher number of break points produce greater validity than those with fewer break points (Preston & Colman, 2000), as such, this research shall incorporate an eight point Likert scale to calibrate respondents data.

The reason for this thesis using eight and not seven breakpoints is to ensure there is an even number of points to avoid the crossover point 0.5. It is natural to consider that a case can share equal degrees of membership and non-membership to a condition and therefore have a membership score of 0.5, can create an issue. Whilst a score of 0.5 can be representative of

the cases non-committal position, it places the case in a neither ‘in’ nor ‘out’ position and removes any definitive contribution (Ryan and Smith, 2012). Subsequently, incorporating an 8-point calibration allows this thesis to include breakpoints 0.55 and 0.45 to denote at least the slightest degree of membership or non-membership (Ragin, 2000). This allows the scores to remain close to the ambiguous 0.5 mark but provide a definitive degree of membership or non-membership. Supportively, Ryan and Smith (2012) state that it is important to include a membership value either side of the point of maximum ambiguity, 0.5, as it still permits a membership to the ‘in’ or ‘out’ value.

Table 4.2: Existing Studies Using Scales

Name	Likert Scale	Themes
Yao <i>et al</i> , (2013)	7 point scale	Knowledge Transfer & JV Performance
Reuer (2013)	7 point scale	JV governance and partner choice
Ryan and Smith (2012)	8 point scale	FsQCA Analysis of control.
Wahab (2011)	10 point scale	Inter-parent transfer and JV performance
Huang (2010)	7 point scale	JV relationships and learning
Luo (2009)	7 point scale	JV relationship
Kwon (2008)	7 point scale	JV trust and commitment

Saunders *et al* (2003) however, claim that by not including the 0.5 breakpoint, respondents are being forced to select between a dichotomy of ‘in’ or ‘out’ and this is one of the key characteristics fsQCA and interval scales are seeking to avoid. This thesis acknowledges that decisive breakpoints either side of the 0.5 require a respondent to commit but maintains that the degree of commitment is negligible, 0.05 either way, and will have no influential bearing on relationships between conditions. If the break points were 0.4 and 0.6 rather than the 0.45 and 0.55 then the data would shift by one whole breakpoint and that could have a significant bearing on the data. Therefore, the removal of the neutral break point was considered acceptable.

Further support of extending the Likert scale beyond 5 points is Park (2007) outlining that previous studies with senior management have tended to focus on the 5 point scale (Li, 2013; Minbaeva *et al*, 2003; Lane *et al*, 2001). The justification for this was that senior management are typically not involved with the detailed operations of the large company

they work for so therefore the scaling on the Likert scale must reflect this. In regards to JV's however, whilst some of the cases are big, they are much smaller entities than their parents are and allow management to be more aware of the details of the operation. The respondents in this sample were purposefully selected for their position of responsibility and asked before the interview if they were able to provide detailed responses to the questions. This ensured a detailed Likert scale would not be requesting levels of information beyond the scope of the respondents.

However, it must be noted that certain conditions in this research are viewed as being extremely hard to measure as they possess many physiological and emotional characteristics. Lane *et al* (2001) state the measurement of variables can be problematic due to the difficulty in accurately quantifying objective criteria. This is especially relevant in qualitative data collection where the conditions relevant to case analysis are highly dynamic and can vary between individuals, companies and cases depending on how parties interact.

The key criticism of using a Likert scale is its inability to take on additional information and factor in the subjective and intangible elements of the condition being valued (Hodge and Gillespie, 2003). This limited range may also coerce respondents into selecting a value that does not reflect their true feelings. This could be a result of poorly defined breakpoints or the limited scope of the Likert scale that sees respondents settling for the nearest answer. The possibility that respondents may lean towards providing responses that are perceived as being correct than detailed verbal responses that shed greater light on to the veracity of the response (Park, 2007). Chang (1994) noted that with a larger number of breakpoints, as the eight-point scale used in this research, there is a propensity for respondents to become careless with their answers and select values without much deliberation. This was combated by the succinct number of questions provided in a Likert format. Baron (1996) noted that respondents can be subject to a 'central tendency bias' where they feel uncomfortable selecting the most extreme breakpoints. This is a psychological affect that attempts to place responses in what respondents perceive as normal or acceptable boundaries. Fischer *et al* (2009) also notes acquiescence responding as a threat to the Likert scales accuracy. Smith and Fischer (2008) define acquiescence responding as

*'a person's consistent tendency to record agreement rather than disagreement with communications that are addressed to him or her, independent of the content of that communication'.*

It is a difficult condition to address, as it is likely to be a function of the respondent's personality and contextual factors such as phrasing of the questions and the timing of the interview.

#### **4.7.2 Coding Respondents Data**

A multi case study methodology will draw on various sources to triangulate the data and this creates a large amount of information that places significant emphasis on the organising and processing techniques employed. We follow Yin's (2003) suggestion of establishing a database in order to compile the data into cases. This includes the data extracted from the respondents in qualitative format, descriptive information about each case and published reports and secondary information sources.

This research takes an inductive approach that is supported by grounded theory (Strauss & Corbin, 2007). The inductive approach seeks to establish findings ex-post the data collection and combines the data with existing knowledge and forecasts. Bradley *et al* (2007) considers this approach apt at mitigating the researcher from imposing a predetermined hypothesis or theory to data that may not be an exact fit.

Coding data is a means for this qualitative researcher to condense large amounts of information collected from interviews into manageable sets that can allow the analysis of relevant conditions. This thesis adheres to the coding method outlined by Gibbs (2002). The data from each respondent is examined meticulously line by line looking for patterns and common themes to appear. As this research is inductive, the researcher only codes the themes as they appear in the text. As data is reviewed and themes start to appear, they are assigned codes that reflect their appearance in the text. Initially this was a basic colour code so the researcher could see a visual representation of which respondents had larger references to a particular theme. This was useful as a general understanding could be provided, for example, references that contained positive associations to financial returns facilitating success were highlighted in green and this identified that the larger quantity of green was predominantly contained in respondent data from western parents. Therefore, the basic concept to financial

returns appearing more important to foreign western parents could then be explored in more detail and far more efficiently.

As the quantity of reviewed data increases, this allows the initial generalised coding to be refined to establish specific concepts. As conditions relating to success begin to appear, they are compared across other conditions and other cases, allowing the researcher to determine relationships between conditions and cases. This process requires multiple iterations so data can be filtered repeatedly. This continual refinement of the data is called the ‘constant comparison’ method (Leech and Onwuegbuzie, 2011; Bradley *et al* 2007) and it allows the codes and what they represent to evolve continually until they are an accurate representation what it is they are trying to represent. Dey (1993 pg. 100) notes that the best means to code and recode data in qualitative case studies are

*‘inferences from the data, initial or emergent research questions, substantive, policy and theoretical issues, and imagination, intuition and previous knowledge’*

Pope *et al*, (2000) suggest that coding is best achieved by using a collection of individuals that have differing backgrounds to maximising the possible points of view. This was not a practical option for this thesis and a single researcher coded the entire data. Janesick (2003) states that using a single researcher for the coding is the preferred method as the researcher is the sole link and an integral part of the research. Janesick (2003) also adds that this is particularly relevant when the researcher has developed a relationship with a respondent through a case study or interview, and will have a better understanding of the case and respondent than a third party would.

#### **4.8. Conditions for Analysis**

The following conditions are taken from the qualitative data as recurrent. The conditions are the product of ‘constant comparison’ to the data (Leech and Onwuegbuzie, 2011) and represent the key themes within the interviews that respondents feel facilitate JV success.

#### 4.8.1 Financial Returns

The Financial condition refers to the importance placed upon the financial returns a JV generates as an indication of the JV's overall level of success. Financial returns are defined as the direct monetary returns offered by the JV's activities, indirect financial returns are not considered as every action within a business can eventually be quantified into a monetary value. The Financial returns condition encompasses respondent's views on how profit and ROI are seen as being facilitators of JV success.

#### 4.8.2. Commitment

The Commitment condition is a reflection of the importance placed on the parent's long-term vision for the parent-parent relationship and the JV. This identifies how committed the parents are to the JV and the willingness to invest and cultivate relationships further into the life cycle. The literature expresses the volatile nature of JV's, the short life expectancy and the high termination rates so the commitment condition examines how respondents view the JV in light of this information. Many respondents drew on the knowledge that JV's are not long-term ventures and are not expected to last but where most 10/13 cases have been existing for over 10 years, four years over the expected 6.7 years life expectancy of a JV. It is noted that the most successful cases are JV's that have then gone on to create JV's themselves or the parents have set up another JV in another market based on the original JV have demonstrated a commitment of over 15 years. The cases show that JV's are established in strong or emerging automotive markets with a sustained commitment from the parents have grown and been able to recoup larger returns. Therefore, it was deemed necessary to note if the longevity was a result of a planned long-term vision. Additionally, 7/13 cases were situated in Asia and according to Hofstede (2001 pg. 351) Asian countries demonstrate a higher propensity for long-term orientation, stating that

*'long-term orientation is thus identified as a major explanation of the explosive growth of the East Asian economies in the latter part of the 20th century.'*

Coupled with the significant life span on many of the cases, the commitment condition is critical in examining how respondents view the JV's future. Furthermore, the commitment

condition is expected to share significant links to the trust and relationship conditions as both they are both conditions that take a longitudinal perspective and require time to develop.

#### **4.8.3 Trust**

The Trust condition examined how respondents value trust and its importance to establishing a successful JV. Trust was identified as a holistic concept between all parties and not just between the parents. It was considered that breaking down trust into various components but in keeping with the collective characteristic of the JV and the averaging of the case values, it was decided that the trust condition would be a reflection of the trust that exists between the two parents and the trust that exists between individuals. As stated in the literature review, the concept of parent trust can be seen as a reflection of the trust bonds that exist between each parent's workers within the JV. This approach was used in defining the trust condition.

#### **4.8.4 Relationship**

The Relationship condition determines the value placed on how the two parents and JV interact and if this is a necessary feature to operate the JV successfully. This factor assesses how the softer side of management compares to the harder side of contracts and ownership as a means of interacting with your parent. The relationship condition is cross-examined with the JV's contract and ownership levels to compare the dependency levels between the formal control mechanisms, such as the contract, and the softer relationship controls. The relationship between the two parents is the essence of what a JV is. It is the interaction between two parties in order to work towards a common goal. Consequently, sustained interactions of this kind with another party require a working relationship that can allow the complexities of multi parent ownership to be overcome. The majority of the cases were established in order to draw on the strengths of another parent and in order to achieve this, a constant state of interaction is required to ensure parents are receiving and offering the appropriate goods to the JV.

#### **4.8.5 Ownership**

The Ownership condition was the only condition that did not participate in the calibration. The condition was devised by the researcher and was a reflection of the equity levels and not a representation of a degree of membership to the ownership condition. The ownership condition is included as a precautionary element to the analysis and not a central condition. This is because the ownership values are highly consistent, rarely deviating from 0.5 and offering limited insight into the JV other than contextual references of the ownership level.

#### **4.8.6 Shared Management Control**

The management condition looks how parents view the management of the JV and whether management is a collaborative effort with the partner or regarded as something that should be controlled as much as possible. The management condition will link to the notion that parents in the cases will look to exert control over a select number of process and positions within the JV and that dominant control is not in the interest of the JV. The condition will be cross-examined with the ownership levels of the JV and the contribution of both parents to find a relationship. It is expected that the cases with high membership to the management condition shall also demonstrate a balance contribution of assets and an equal JV ownership. The bargaining power in JV's with high membership to the management condition is expected to be relatively similar amongst both parents.

#### **4.8.7 Autonomy**

The Autonomy condition refers to the JV's ability to operate without imposed parent restriction. Autonomy is defined Butler and Sohod (1995) as 'the extent to which IJVs have the freedom to make decisions over certain key areas of their operations'. The autonomy condition views respondent's preference for parent direction and to what extent their involvement hinders or enhances the JV's success. The autonomy condition was not based on the structural aspect of autonomy, for example, whether the JV operated out of a parent's factory or existing facility or how far from the parent the JV was based. The nature of a JV ensures that one or both of the parents will not be in the same country the JV operates in and



this would negatively affect the data. Autonomy was based on the decisions concerning the JV and not external factors. Decisions concerning product lines, portfolios and ownership would not infer a lack of autonomy if the JV did not have control over them, as these may be global assets and not just limited to the JV.

#### **4.9 Hofstede's Cultural Dimensions**

The cultural aspect of the cases emphasised at the beginning will be now discussed. The benchmark for cultural assessment will be the five cultural dimensions outlined by Hofstede (1983), which are detailed below. Between 1967 and 1973, Professor Geert Hofstede surveyed approximately 100,000 IBM employees in forty-nine different countries regarding their preference to work-related values. The result was a number of works on cultural values and differences published throughout the 1980s and 1990s. These have had a profound influence on the field and practice of international management, none more so than the Five Cultural Dimensions (1983) that explored the differences between cultural values of workers. These dimensions are as follows.

##### **Power Distance:**

This dimension indicates the extent to which a society expects and accepts a high degree of inequality. In a country with a small Power Distance, subordinates expect to be consulted with the most successful and adequate boss showing signs of resourceful democracy rather than benevolent autocracy. In a country with a large Power Distance however, organisations are characterised by formal hierarchies and subordinate reluctance to question their management.

##### **Uncertainty Avoidance:**

This refers to the levels of security, predictability and stability within society. High uncertainty advocates an emotional need for rules, both written and unwritten. Society is characterised by higher levels of anxiety that in turn results in a pronounced need to work hard. Thus, organisations will deploy formal rules in order to ensure that work situations are

highly structured with clearly defined responsibilities and tasks for employees. Germany is evident of this style.

### **Individualism and Collectivism:**

This dimension relates to the approach individuals take towards surrounding themselves by others, notably, either a preference to take care of themselves and their immediate families or being bound to some commune such as extended family. In terms of organisational life, highly individualistic societies demonstrate a clear distinction between personal life and work life, with the task usually prevailing over relationships.

### **Masculinity-Femininity:**

Feminine societies value relationships and the quality of life, a contrast to the values espoused by masculinity such as competitiveness, assertiveness and materialism. In masculine societies, organisations will be more task-focused and motivation based on materialistic goals and rewards. Individual assertiveness is acceptable, appreciated in masculine societies, whilst organisations in feminine societies place great importance on strong emphasis on social partnership, and will strive for harmonious relationships.

Due to the fashion in which Hofstede's research has been so widely accepted and used to this day, it attracted extensive criticism. Firstly, the notion from Sondergaard (1994) that the sample is not representative of the entire global environment and portrays only middle-class employees from IBM. Secondly, Mead (1994) promotes the idea that the data is over fifty years old and as such, is in danger of becoming obsolete in its relevance to modern business as globalisation is now impelling younger generations in particular, to converge around a new common set of values. Chief among these new forces is the 'convergence hypothesis' that states bigger or more influential forces coerce or manipulate smaller forces, most recognisably in the modern environment is that of Americanisation.

Hofstede's (1994) retort has been delivered on the basis that firstly, the IBM employees that operate in different countries are united under the MNC, and that it does not have to be representative, as nationality is the only factor in such homogenous multinational populations.

As such, IBM removes the cultural boundaries and creates uniformity, thus any differences that remain are those that are cultural. Hofstede maintains that work organisations are not complete institutions and

*"that the values of employees cannot be changed by an employer because they were acquired when the employees were children" (Hofstede, 1994 pg. 10).*

Secondly, we see that Roberts and Boyacigiller (1984) assert that Hofstede's research was carried out in a means that could unintentionally promote bias. Hofstede's team of researchers consisted of exclusively Americans and Europeans, whilst in the wider context of what the work is intended for, includes additional nationalities. Yet through the application of the ecological fallacy whereby individuals are not represented by their own merit but on aggregate statistics, this notion of an unnatural bias is removed. Tayeb (1996) makes an objection to the techniques used in Hofstede's methodology. Tayeb argues that the research solely relies on attitude-survey questionnaires; a mean's that Tayeb indicates is the least appropriate method of effectively studying culture. This however, has never been accepted as effective criticism as for comparative purposes that include numerous countries, Hofstede's survey-based approach is highly efficient.

Finally, we note from possibly Hofstede's biggest critic Trompenaars (1997), that there are anomalies amongst Hofstede's results as their two research conclusions arrive at varying conclusions for Germany's corporate culture. Trompenaars suggesting that it is more hierarchical than what Hofstede suggests, and so casts doubt over reliability and relevance of Hofstede's results to the modern business environment. However, despite the criticism of Hofstede's five cultural dimensions, they are a good benchmark with which to generalise the cultural implications of the IJVs parents. Such national generalisations are never going to be definitively accurate, but they hold truth to the majority and that is representative of the case study approach this research uses to evaluate IJV success. The 13 cases cannot be reflective of every automotive IJV but can demonstrate the specifics of success for the cases analysed and then applied to other situations. Similarly, Hofstede's cultural study is not definitive of every person within a nation but demonstrates patterns within cultures that can then be applied to the broader concept.

#### 4.10 Case Averages

Each case is a collection of individual responses and company data from secondary sources. There was thought to enter the fsQCA data in an individual basis in the original format it was collected from each respondent. This would mean each case would have multiple rows of data from multiple respondents in each analysis. Alternatively, the respondents for each case are assigned a collective average drawn from the value of each respondent, providing a single value for each condition. It was decided an average for all respondents would be the more suitable means for the fsQCA analysis as an average value would offer a greater sense of homogeneity, uniting all respondents under one value in each case. The average values are presented in table 4.3.

Goertz (2006; 2003) is supportive of this approach and transforms respondent's membership scores into averages across each case. This method seeks to create a consistent degree of importance across each measure and removes weighting for variables that may be more in than out. This is an important feature of the calibration as to not allow anomalous results to shift the data towards a place that is non-representative of the joint venture. It is the data averaging method that Ragin (2008) advocates and suggests that the lower the membership to a particular condition, the less weight they should be given in the analysis as they are poor reflections of the outcome being examined. Ragin (2008) argues this method means the outcome and attributable characteristics are derived from only the best instances as the contribution of the weaker variables have been removed. However, the lowest membership scores for the Trust (0.57), Commitment (0.65) and Relationship (0.67) are all relatively high, still suggesting stronger rather than weaker memberships.

Table 4.3: Conditions for fsQCA for each case

Case	Trust	Commit	Relationship	Equity	Financial	Management	Autonomy	China
1	0.95	0.8	0.62	0.5	0.67	0.27	0.62	0.73
2	0.87	0.85	0.87	0.5	0.67	0.67	0.67	0.65
3	0.57	0.7	0.67	0.6	0.67	0.6	0.82	0.73
4	0.85	0.65	0.75	0.6	0.5	0.3	0.95	0.7
5	0.86	0.86	0.82	0.5	0.6	0.9	0.83	0.76

6	0.7	0.75	0.8	0.5	0.7	0.85	0.65	0.7
7	0.83	0.8	0.86	0.5	0.5	0.45	0.56	0.66
8	0.81	0.8	0.76	0.5	0.68	0.78	0.48	0.68
9	0.8	0.8	0.7	0.5	0.5	0.5	0.4	0.7
10	0.9	0.9	0.8	0.5	0.52	0.75	0.75	0.72
11	0.8	0.76	0.6	0.5	0.8	0.33	0.6	0.7
12	0.67	0.7	0.75	0.5	0.85	0.75	0.67	0.85
13	0.9	0.9	0.95	0.5	0.65	0.95	0.7	0.75

Consequently, it was felt that there was no need for the reduction in weight of any membership scores. Furthermore, despite being weaker instances of the condition, this is still a feature of the data and must be included to offer the fullest breadth of data. This is particularly relevant as selective data removal may attract further criticism to a qualitative method that already attract criticism for the researchers direct involvement in the data collection process. A further advantage of using a case average is that it allows a more precise value to be placed on the condition. Respondents qualitative data was coded to only one decimal place ranging from 0 - 1, but when averaged out to give a case value, this established two decimal places. This offered an additional level of differentiation between data values as what could appear as two separate values of 0.7 in the first coding, by using an average it could differentiate the two values into 0.71 and 0.79, which presents as significantly different to the first coding.

This chapter has presented a mixed methodology approach to the data collection, justifying the inclusion of both qualitative interviews and quantitative data analysis through fsQCA. The data collection will form of in depth interviews and collated to form 13 cases. Themes shall be drawn from the interviews and then subjected to quantitative fsQCA analysis to verify and validate. The following chapter introduces all 13 cases with respondents and descriptive information on ownership, control rights and financial data responding to the 'hard' factors of IJV success in the automotive industry. Following chapter 5, the findings of both qualitative and quantitative investigations present the findings of the research questions.

## **5. CASES**

### **5.1 Data Collection, Triangulation and Secondary Data**

The cases used in this study are now presented. The chapter provides the criteria by which the relevant sample of the respondents and IJVs were defined. Table 5.1 collates the cases and highlight the parents and codes used for each respondent. A synopsis of each case is then presented with and a brief explanation of its purpose and current situation. This includes the respondents who were interviewed to form the case, where the IJV is based, its longevity, primary function and description of the IJV parents.

#### **5.1.1. Data Collection and IJV Cases**

One of the determinants of the sample was to ensure that there would be a fair geographical representation for the major automotive industries. Practically however, this was restricted to nations that have automotive industries suitable enough to attract IJVs in the first place and countries where there is a significant amount of inward foreign direct investment (FDI). There is a natural bias of JVs towards US and China owing to the size and fast growth of the respective nations. The US Bureau of Economic Analysis states that inward FDI totalled \$227.9 billion for 2012, whilst the Chinese Foreign Investment Department of the Ministry of Commerce states that inward FDI in China totalled \$116 billion and approving 27,712 foreign invested companies across all sectors (Xin & Edwards, 2012). Ultimately, the geographical representation was diverse, with cases having IJVs that are based in India (2), Italy, US (3), Saudi Arabia, China (3), UK, Thailand and Russia. The intention was to ensure a distribution of global IJVs.

The longevity of the JV was also considered when establishing parameters for the sample size. The literature maintains that the average JV life span is 5-6 years so the inclusion of JV's operating for longer than this will be, by a narrow definition, a success. However, as the literature review notes, longevity alone cannot adequately reflect a JV's success as it fails to accommodate additional factors such as financial returns, the parents past interactions and the quality of the relationship. Owing to the weak perception of longevity as a definition of success (Sinha, 2006; Kumar, 2005), this was not a parameter by which JVs were selected.

However, once a case had been selected using the criteria detailed in 5.2.1, the joint venture's longevity would then be examined to determine its relationship with success.

### **5.1.2. Triangulation for the IJV Cases**

This research utilises a mixed methodology, and the most pertinent definition of triangulation is provided by Olsen (2004, p.3) who states that Triangulation is defined as the 'mixing of data or methods so that diverse viewpoints can cast light upon a single topic'. Hussein (2009, p. 3) notes that this is achieved through

*the combination of two or more methodological approaches, theoretical perspectives, data sources, investigators and analysis methods.*

Triangulation is the use of multiple methods to view a single phenomenon, but establishing a different perspective is not the sole objective of triangulation. Bryman (2006) states that one of the key objectives for triangulation is the consistency between the qualitative and quantitative data, an objective that is shared with fsQCA. Patton (2002) notes that it is not the purpose of triangulation to create a uniform output between the qualitative and quantitative data and states that any discrepancies between the two may be a result of the strengths of both methods.

This research looks to employ an 'analysis triangulation' (Leech and Onwuegbuzie, 2008), using qualitative and quantitative methods to explore the same data set which Stake (2010) regards as adding 'validation and completeness' to the study. Each case is viewed and corroborated from three primary perspectives – qualitative (interviews), quantitative (fsQCA) and external (external database of JVs). Firstly, data is collected qualitatively through interviews and the key themes are drawn from the data. This uses the in-depth nature of the interview to create a detailed perspective on IJV success and allows the researcher to extract the pertinent conditions. Secondly, having established the conditions respondents suggest as being influential, the quantitative method seeks to robustly analyse them and establish links and patterns between cases by using fsQCA. The transition from a qualitative to quantitative perspective is achieved through the coding of the respondents data. This stage seeks to corroborate respondent's views by using fsQCA to view the data in a more robust fashion to determine the relationship between the conditions extracted from interview data.

Thirdly, an external view is critical as it assists in filling gaps that have been left in the original data collection, ultimately giving '*a more detailed and balanced picture of the situation*' (Altrichter *et al*, 2008). Throughout the data collection process, there was a consistent reluctance for respondents to offer detailed data on IJV finances. This was either because the respondent was not aware of the detailed data and could not accurately comment but mostly it was withheld intentionally on the grounds of privacy. Post-interview triangulation with the IJV or parents public financial records allowed this gap in the data to be filled. Where possible the sources for triangulation were limited to the official releases of the IJV or parent company to reduce the scope for misinformation from third parties. However, media publications from credible sources such as Reuters were acceptable due to the perceived credibility of the reporting. In addition to filling gaps in the data so accurate triangulation can occur, triangulating data can highlight patterns and be a '*method of cross-checking data from multiple sources to search for regularities in the research data*' (O'Donoghue and Punch, 2003 pg. 78).

The nature of using interviews as the primary method of data collection places a great reliance on the subjects and their ability to respond to the questions posed (Gill and Johnson, 2002). The view of the respondent is self-contained and may report more on what the subject claims or hopes rather than what actually occurred (Silverman, 2011). The validity and accuracy of statements is an important factor to be considered as this can bring into question the reliability of the data and the subsequent inferences drawn. There are very limited means with which to corroborate respondent's views in qualitative data as respondents views are a combination of fact and opinion, and right or wrong, an opinion is still how that person views a situation. Therefore, triangulation between respondents and external sources is the primary tool with which this methodology enhances the validity and accuracy of respondent's data, ensuring that whilst data may be based in on respondent's opinions, it is an opinion formed with a relevant grounding in the JV (Guion *et al*. 2011).

### **5.1.3. Secondary & Public company information**

The third element to the triangulation of the data is the inclusion of third party data, namely financial reports, year-end reports and media publications. The use of secondary information was to help corroborate the findings of the qualitative data in addition to resolving the gaps in



the data left by the other methods (Dierdorff, 2012). External information can be useful during all phases of the data collection process. It can help shape the questions in the pre-interview phase by guiding the researcher to the relevant information and thus identifying areas of the JV worthy of further exploratory (Thienmongkol and Waring, 2012). Furthermore, Noor (2008) recognise the importance secondary information plays in corroborating the statements made by respondents, as it is all too common for differences to exist between what respondents report and what actually happened. This variance could be due to the use of old data or figures, respondents lacking a full understanding of a specific concept or task or a purposeful misrepresentation of the data.

The importance of secondary information was not underestimated and existing records were of significant value in providing information and triangulating information. The relevant documents from Year End Reports, Quarterly Reports and Media Releases from all parties and news outlets were invaluable in generating and confirming the overall picture of the joint venture. In particular, financial records were useful in determining how influential the finance condition was on IJV success (Tannock and Buavaraporn, 2013). The respondent's perceptions of the role financial returns have on success were compared against the company's financial reports to determine the fit. Not only does this establish verification through the triangulation of sources but provides quantitative financial data to correspond to the qualitative data offered by the respondent and determines what the precise figures are that elicit the response given in the interview or questionnaire. In Luo's (1997) work on selection and success of IJVs in China, the analysed data originated solely from national and local authorities such as the Provincial Commission of Foreign Economic Relations and Trade, the China Statistical Yearbook and the Directory of Foreign-Invested Enterprises. However, the approach taken by Luo (1997) would not support the goals of this research sufficiently, as JV success is the result of complex social ties between parents and individuals and consequently necessitates a far more detailed and subjective methodology.

Despite the benefits of third party data, there must be caution when incorporating company data into the analysis as it is difficult to judge the veracity of the information Hirst *et al*, 2003; Scott *et al*, 1998). Company reports may not include ventures where equity is less than 50% or financial reports can be published to represent a number of perspectives using the same data. Furthermore, it is impossible to determine whether a respondent's answer that supports a company statement is in fact a personal belief or simply a reflection of a faithful employee

repeating company policy. Furthermore, owing to the many complex methods of financial reporting and the variations that can exist between national requirements, data can sometimes be misrepresented or shown in a way that does not give an accurate reflection (Beyer *et al*, 2010; Ali and Hwang, 1999).

## **5.2. IJV Cases – Development and Description**

Whilst fsQCA is outlined in 3.11, it is necessary to note that it operates most effectively between approximately 10 – 40 cases (Ragin & Rihoux, 2004). As such, this is reflected in the number of cases that were included in the data set. In addition to the restraints of fsQCA, the use of a qualitative data collection method ensures there is a practical limit on the number of cases that can be coherently managed. The inclusion of too many cases may compromise the integrity of the data, as practically there is too much data to be fully aware of (Partington, 2002).

The first source for JVs was an existing database of 200 IJVs that had been created in 2005 and updated in 2010. The database was a considering IJVs of the seven biggest global automotive OEMs. The level of detailed information accompanying each IJV in the database offered an excellent source of secondary information that could provide a useful insight for determining additional questions and triangulating respondent's data. The IJVs in the database were only bound by the inclusion of one of the seven OEMs as a parent so there were multiple IJVs that were unrelated to the automotive industry and subsequently ineligible. As the database is drawn from only seven-parent OEMs and includes IJVs that were simple manufacturing hubs, no longer operational or unwilling to participate, there was a significant reduction in the number of viable joint ventures. From the 200 listed joint ventures, 10 have been included after careful consideration of the parameters of this thesis.

### **5.2.1. IJV Players**

Having selected the cases for analysis, the next stage was in identifying the relevant respondents within the IJV and parent organisations that would be used to collect data. The criterion was for the respondents to be or to have been very recently involved in the JV

directly and have the relative first-hand experience within the JV with which to answer the questions thoroughly. Petrovic *et al*, (2006) states that the general manager is one of the best sources of data as they are essential to the operation and can offer important information on what makes the business succeed. Owing to their unique position of management within the IJV and responsibility for the IJVs success, wherever possible the general manager was sought for an interview. Positions above the general manager were equally welcome due to their knowledge and general oversight as well as likelihood of greater parent-parent interaction but positions lower than the general manager were treated with caution, as the scope of their IJV awareness may be insufficient.

The parents typically divided the IJV so that the foreign parents had a smaller presence but occupied key financial and product development positions. This was not a consequence of the ownership ratio, as that was 50/50 for all but two cases. This was more a reflection of the negotiations and the parents bargaining power (Lu & Herbert, 2004; Delios & Henisz, 2000). Whilst this made it easier to target the foreign parents in the IJV due to the seniority of their positions, it significantly reduced the potential for respondents because as the seniority of positions increases, the number of managers decreases. Whilst there may be multiple factory managers, there is only one Chief Financial Officer or President. Consequently, in the situation of a negative response, the option to approach alternative foreign parent managers in the same JV was limited. This management structure typically saw the local parent control the workforce and human resource functions and while this provides a much larger pool of potential respondents, the majority of positions were not senior enough for respondents to offer a detailed strategic view.

First attempts at contact were made through the parent companies and directly to the IJV if possible. However, certain IJVs are purely manufacturing or assembly entities for the parents (Hernan *et al*, 2003; Beamish, 1994) and do not have the HR capacity to deal with information requests and this made direct contact problematic. Additionally, these types of IJVs do not have webpage support, as they are not customer facing entities like their parents. This significantly limited the ability to identify the relevant employee and provide a means of contact.

The large OEMs were the easiest to contact, but the hierarchical nature of the company often proved a barrier to access. It was common to be directed to the communications department

for generic company information and not to the individual connected to the joint venture. 8/13 (62%) of the cases in this research are situated in distant emerging markets and this added to the complexity for gatekeepers at the parent head office providing accurate contact details for the targeted IJV employee. The requests for information at one global US automotive manufacturer reached a point where I was prohibited from making further requests and informed there would be no more assistance in contacting staff.

A further barrier to access was the policy held by all parents that employees above a certain managerial level would be screened against research or educational enquiries. Screening above a certain managerial level prevented access to the employees who were actually in a position of power where they could independently decide if they wished to answer questions. In most cases, the seniority of the respondent was sufficient for them to make unilateral decisions and refusal was based whether they were willing or could dedicate the time. Contrastingly, employees lower in the company hierarchy often voiced that they could not provide responses on grounds of company privacy or without permission from an approved management figure. However, reassurance of confidentiality and how interviews explore their perceptions of success rather than sensitive company records, helped to ease their concerns and facilitated additional respondents. Collectively, these barriers resulted in a very poor respondent rate in the early stage of the data collection and necessitated a change of strategy that used a more direct approach and did not rely on the parents.

Subsequently, direct contact to the IJV with the respective respondents was preferable and ultimately proved more rewarding than seeking access through the parent. The increase in respondents was attributable to a number of factors. Firstly, when asked to participate, respondents were largely enthusiastic and recognised the chance to demonstrate not only their employers but also their own contributions to the IJVs success. When seeking access through the parents company, gatekeepers appreciate this fact and regarded it as a request for company information and so rejected or re-routed the inquiry to the media department. Accessing respondents through the parents added layers of gatekeepers before the targeted respondent was reached. Not only did this increase the likelihood of rejection, but also it delayed the process and it was unclear whether the request had been rejected or was caught up in the parent's bureaucracy.

Approaching respondents directly was largely facilitated by corporate networking websites. Once a suitable IJV had been targeted, internet searches and company records were used to identify key individuals in the IJV and parent companies. The individuals were then approached using corporate networking sites such as LinkedIn who facilitate business connections. A concise email explaining the subjective and non-intrusive nature of the research questions was then sent to the individuals. Over 1000 requests were sent via LinkedIn, with 347 responses that generated 113 interviews. Technology has been at the core of this research, from identifying IJVs via the internet, to the use of corporate networking websites to the use of fsQCA in the quantitative analysis.

### **5.2.2. Case Description**

A synopsis of the thirteen cases is now provided so the findings of the respondents can be clearly positioned against the characteristics of the JV. The cases were outlined 4.5.3 in regards to why they were included based on the characteristics suggestive of success. The cases are now presented as a means to familiarise the reader with the cases and contextualise the parents JV and function of the JV. This is important in justifying the findings as a statement said about one JV may have less of an impact than if it were said by another. For example, demonstrating a belief in commitment being a key cause for success would carry more weight if the respondent were affiliated to a JV that had been operating for 15years rather than a JV operating for only 4years. Whilst both provide insight, the former can support this subjective statement through the evidence that the JV has shown a long-term commitment. Similarly, the importance of the relationship will be increased if there were more than two parents as the complexities are increased, therefore by knowing how many parents there are, greater weight can be added to a JV that is seen to manage multiple relationships.

The full details of the JV however cannot be disclosed and the JV will be referred to in code as to protect the anonymity of the business and its parents. The respondents in each case are also coded as to respect the privacy. This was mostly a condition of the respondents during the data gathering stage but also a condition of publication. The coding is generated from three features, the case number, the respondent's position within the JV or parent company and their status as being affiliated to the foreign or local parent or hired by the JV. For

example, C1 denotes it is Case 1, GM denotes the respondents position as General Manager and F denotes they are affiliated to the foreign parent; therefore the coding is C1GM-F. Alternatively, Case 2 would be seen as C2 and a coding with L or JV at the end instead of F indicates an affiliation to either the local parent or they are hired directly by the JV respectively, such as C2GM-L or C2GM-JV.

Table 5.1: Case Selection

<b>Cases</b>	<b>Equity</b>	<b>Duration</b>	<b>Location</b>	<b>Parents Location</b>	<b>Respondents Codes</b>
<b>Case 1</b>	50/50	16yrs	India	India + USA	C1GM-F, C1VP-L, C1GM-JV, C1EX-JV
<b>Case 2</b>	50/50	5yrs	Italy	USA + Italy	C2CIO-L, C2BDM-L, C2PM-F, C2NB-F
<b>Case 3</b>	51/49	8yrs	USA	USA + South Korea	C3GM-L, C3SP-L, C3FM-L, C3VP-JV
<b>Case 4</b>	51/49	14	Saudi Arabia	USA + Saudi Arabia	C3RMM-F, C3SBM-JV
<b>Case 5</b>	50/50	15yrs	China	USA + China	C5DD-JV, C5ED-F, C5MO-F, C5RD-C, C5SC-C
<b>Case 6</b>	50/50	2yrs	UK	UK + USA	C6CFO-L, C6GM-JV
<b>Case 7</b>	50/50	24yrs	China	China + USA	C7GA-F, C7PD-F, C7D-JV
<b>Case 8</b>	50/50	14yrs	Thailand	USA + Japan	C8PM-F, C8DM-F, C8AM-F, C8P-F, C8PV-JV, C8PL-JV
<b>Case 9</b>	25/25/25 /25	12yrs	USA	USA + USA + USA + Italy	C9SM-F, C9VP-JV, C9CB-L
<b>Case 10</b>	50/50	16yrs	USA	USA + Japan	C10ED-L, C10PP-L, C10DM-L, C10EL-JV
<b>Case 11</b>	41.6/ 41.6 /16.8	11yrs	Russia	Russia + USA	C11SM-JV, C11CF-F, C11OM-F, C11SP-F
<b>Case 12</b>	50/50	20yrs	China	China + France	C12CEO-JV, C12GM-F, CM12AS-F, CM12PB-JV
<b>Case 13</b>	50/50	4yrs	China	USA + China	C13VP-JV, C13MD-F

### 5.2.3. Case Selection

The justification for the selection of the 13 cases used in this research is now presented. The characteristics of each case are highlighted that show why it has been considered a successful IJV in the automotive industry. These reasons are varied and range from the physical

expansion of assets, to financial returns to the successful sharing of firm specific assets. The table below documents the 13 cases used, the equity share between the parents, the length of time the IJV has been operating, its host nation, the parent's nationalities and the coding for each respondent. In the following, the cases are introduced individually and provide the necessary information for the subsequent qualitative and quantitative analysis. Strikingly, the location shows a geographical spread which is worth looking at though it has not been explicitly asked in the interviews. At the end of this chapter, we introduce a cultural dimension of Hofstede to highlight similarities and differences between different locations.

Table 5.2.: Case 1

<b>Case 1</b>	<b>Comments</b>
Parents	The local parent is an Asian OEM and the foreign parent is a Western parts developer and supplier.
Ownership	50/50
JV Function	The JV is an automotive seating systems manufacturer and supplies to major OEMs, including Ford, Fiat, Honda, Mahindra & Mahindra, Tata and Skoda for passenger vehicles, multi-utility vehicles and buses.
JV Duration	The JV has been operating for 16 years.
Location	The JV is located in India.
Respondents	C1GM-F, C1VP-L, C1GM-JV, C1EX-JV

This JV has established its own JV and has partnered with another local automotive company. This is a strong indication that the IJV has developed into a strong enough entity that it feels comfortable enough to establish new links with local businesses independently of its parents. This autonomy demonstrates an IJV that is successful enough to reproduce its current business model created by the two parents. Similarly, the IJV has established its own research and development centre which is a clear reflection of the commitment of both the IJV and the two parents. The IJV has grown to a level where the cost of building and financing a research centre is outweighed by the perceived returns the IJV will eventually enjoy. From a parental perspective, investment in a research centre demonstrates a commitment to the IJV and indicates a long-term commitment to the other parent and the local market. The research

centre employs local workers and the development of research is eventually introduced back into the JV and both parent companies where possible.

The parents of this IJV do not regard its primary purpose as a profit making entity. However, despite this, the IJV has been financially successful despite this being a secondary purpose. The chief objective of this IJV is to establish access to the market and allow both parents to profit from the complimentary offerings of both parents. Despite financial returns not being the chief purpose of this joint venture, it had generated enough profit to reinvest back into the joint venture. Along with parent contributions the IJV has upgraded its existing manufacturing facilities and introducing a new range of products. Currently the IJV has 10 manufacturing facilities with a combined output of nearly 10,000 units.

Table 5.3.: Case 2

<b>Case 2</b>	<b>Comments</b>
Parents	Both partners are major OEM's. The local parent is from Europe and the foreign parent is from the USA.
Ownership	50/50
JV Function	Development of powertrains, transmissions and engines.
JV Duration	The JV has operated for 5 years.
Location	The JV is located in Europe.
Respondents	C2CIO-L, C2BDM-L, C2PM-F, C2NB-F

This IJV establishes a partnership of two global OEMs who are competitors in similar markets. It was potentially a difficult collaboration as the IJV was designed to try to incorporate the strengths of each parent's specialised areas into the other. The ultimate objectives of this IJV is to lower the costs associated with the development of what both parents perceived as their weakest product area and create synergies. The IJV was terminated but after the completion of the above objective as both parents left the IJV with a significantly increased diversification in their product offerings. The local parent left with product and financial gains whilst the foreign parent left with a significant product gain and financial loss. The IJV dissolution was not a reflection on its success or performance. The personalities at the top of each parent company clashed and there were irreconcilable



differences that permeated down through the business. Operationally the JV was a success and based on the objectives and perceived outcomes of the JV, it was a success.

The JV does however continue to cooperate on engine production, the development of vehicle programs and other areas of production that includes a 50/50 ownership of two manufacturing hubs in Europe. The two parents will continue to work together to support the joint development of existing platforms generated through the JV and continue with engineering support for further technology development. The JV still exists in tangible assets but not in name, the ownership and partnership is officially ended but the manufacturing plants continue as they can serve a purpose devoid of any relationship difficulties senior board member may have with each other despite the termination.

Table 5.4: Case 3

<b>Case 3</b>	<b>Comments</b>
<b>Parents</b>	The local partner is a global supplier of automotive seating systems and power management systems. The foreign partner is an Asian national manufacturer of integrated wiring harnesses
<b>Ownership</b>	51/49 in favour of the local partner
<b>JV Function</b>	The JV manufactures seating parts.
<b>JV Duration</b>	The JV has been operating for 8 years.
<b>Location</b>	The JV is located in the USA.
<b>Respondents</b>	C3GM-L, C3SP-L, C3FM-L, C3VP-JV

The JV was established as a primary means for the foreign partner to access the market and gain access to a specific OEM through the local partner, with the eventual intent to supply to that OEM once a relationship and trust has been established between the foreign partner and OEM. The primary goal of this JV was not to provide financial returns to the parents or JV but provide a means to establish a link that the OEM would feel comfortable in doing business with the foreign party. Because the JV had a strategic purpose, the average ROI the JV generated was not deemed an important characteristic. The JV was perceived as an arrangement of the OEM and a condition of doing business with the foreign partner, yet this has not affected the JV's ability to perform. The JV has established two further manufacturing

plants in South America to increase capacity and has further intentions to expand capacity at these locations in the near future.

Table 5.5: Case 4

<b>Case 4</b>	<b>Comments</b>
<b>Parents</b>	Two parents. The foreign is a Western global parts manufacturer. The local parent is a consortium. There is a third silent parent who is a western global OEM.
<b>Ownership</b>	51/49 in favour of the local parent.
<b>JV Function</b>	The JV manufactures and distributes batteries for passenger and commercial vehicles.
<b>JV Duration</b>	The JV has operated for 14 years.
<b>Location</b>	The Middle East
<b>Respondents</b>	C3RMM-F, C3SBM-JV

This JV is one of the largest battery manufacturers in the Middle East reaching a production output of 3.4 million batteries per annum as of 2010, supplying automotive batteries to American, Japanese, Korean and European models of vehicles. The JV had a third parent introduced to add technological expertise and despite the increased complexity of the relationship, the JV has continued to develop. The JV remained a core asset of the parents because despite selling or terminating other JVs, this remained. The JV is financial in nature and was set up with two main goals. Firstly, it was to establish itself as a far more efficient manufacturing and distribution centre for batteries in the Middle East than importing from the foreign parents markets. Secondly and as a direct result of the first goal, the JV was to provide sizable cost savings, which it has, returning huge growth in terms of both output, profit and capacity. The three partners each brought a critical contribution, the foreign OEM had significant brand reputation in the area, the foreign parts supplier had the technological expertise to develop the product and the local partner had a large existing dealership network to quickly get the product to market.

Table 5.6: Case 5

Case 5	Comments
Parents	Two Parents. The foreign parent is a global OEM. The local parent is an international OEM.
Ownership	51/49 in favour of the local parent
JV Function	The JV manufactures vehicles for domestic and international markets.
JV Duration	The JV has been operating for 15 years
Location	The JV is located in China
Respondents	C5DD-JV, C5ED-F, C5MO-F, C5RD-C, C5SC-C

This JV is one of the biggest automotive JVs in China and is parented by two large OEM's. China Association of Automobile Manufacturers stated that in the first 6 months of 2012 the JVs passenger vehicle sales placed it in the top three JVs in China by sales. In 2010, the JV sold close to 1,000,000 vehicles in China. The JV has a number one selling vehicle in a certain segment and multiple vehicles in the top three of other segments. The JV has also developed its own testing track, the first in China and uses this to further develop the vehicles that are specifically designed for the Chinese market. One of the key mandates in the JV is to put the workers in the JV first and the parents second. The idea behind this is that the JV is an autonomous entity and the JV should take priority, not the personal objectives of the parent that can lead to conflict. To this end, workers are given contracts with the JV and not through the parents, even workers who have been seconded from the parent companies.

This JV has been very successful and the managerial structure and operational format has been transported to another JV elsewhere in Asia. The two parents have repeated the success they have had with this JV and established another JV that is a close replica to their Sino-JV. Not only does this show how successful the JV has become, it also demonstrates the how far the relationship between the parents has developed and ultimately leads to an increased long-term commitment with each other. One of the key mandates in the JV is to put the workers in the JV first and the parents second. The idea behind this is that the JV is an autonomous entity and it is the JV that should take priority, not the personal objectives of the parent that can lead to conflict. To this end, workers are given contracts with the JV and not through the parents, even workers who have been seconded from the parent companies.

Table 5.7: Case 6

Case 6	Comments
Parents	There are two parents. The foreign parent is a global components manufacturer and the local parent is predominantly a small parts manufacturer and research company.
Ownership	50/50
JV Function	The JV manufactures and sells electric motors and drive systems for use in hybrid and all-electric vehicles.
JV Duration	The JV has been operating 2 years
Location	The JV is based in the UK.
Respondents	C6CFO-L, C6GM-JV

The parents have combined two key attributes for the JV, the larger parent offers the base technology and the smaller parent has the technical knowledge to improve the product and adapt quickly to the market. The JV has been established to develop a product for the electric motor market that has been valued by McKinsey at £18 billion by 2020. The early IP development has set the two parents in a position that can recoup returns in the future. The JV was a strategic entity and the success of the JV in terms of material output will be evidenced in the eventual production of an electric motor that can go to market and distributed by the larger parent.

The JV is currently viewed as a successful entity in that it has managed to pair two parents that have highly compatible strengths together and have already produced early prototypes and hybrid motors. Funding of the JV is a subject to a yearly review and is awarded on the basis that the JV is developing with enough progress to justify the expenditure. Currently the JV is secure for funding and has secured additional capital to fund expansion of the JV. It works as a not-for-profit basis.

Table 5.8: Case 7

Case 7	Comments
Parents	Two Parents. The foreign parent is a global components manufacturer and the local parent is a Chinese OEM.
Ownership	50/50
JV Function	The JV manufactures and distributes drive shafts to Shanghai VW, Shanghai GM, FAW VW, Dongfeng Peugeot Citroen, BMW Brilliance, Beijing Benz Daimler, Dongfeng Honda, Hainan Mazda, among others.
JV Duration	The JV has been operating for 24 years
Location	The JV is located in China.
Respondents	C7GA-F, C7PD-F, C7D-JV

The JV began operations in 1988 as one of the earliest foreign invested IJVs for manufacturing auto parts in China. After 24 years of expertise in China and significant relationship and network expansion, the JV has become one of the market leaders in driveline manufacturing in China. The JV has established supply deals with more than 30 vehicle manufactures in China with many of these based on exclusivity. The JV was fully established for under close to £150 million. In 2009 alone, sales returned £245million. The JV is hugely financial and commands almost 50% of the market share.

In 2002, a technical centre was established; in 2009, a research and development centre was established and has recently received approval for the creation of one of the largest manufacturing base in China. These are indications of on-going commitment to the JV and desire for the JV to grow. In total, the JV has 5 manufacturing plants in China and employs approx. 2,500 employees. The JV has also established its own JV with a local business in China. This is independent of the parents and returns from the new JV are taken by the existing JV.

Table 5.9: Case 8

Case 8	Comments
Parents	Two foreign parents. The first foreign parent is a western global OEM and the second is an Asian global OEM
Ownership	50/50
JV Function	The JV manufactures and distributes passenger vehicles from both parents.
JV Duration	The JV has been operating 14 years.
Location	The JV is based in Asia.
Respondents	C8PM-F, C8DM-F, C8AM-F, C8P-F, C8PV-JV, C8PL-JV

The JV is based on the success of another JV between the same parents and is founded on established relationships and proven management. Initially, the management team was seconded from both parents to ensure the JV would operate as efficiently as the JV it was originally based on. A new IJV such as this with two foreign parents will lack the local knowledge offered by a local partner, however, as in this case when one of the foreign parents has over 40 years operational experience in the market, this can negate the requirement for a local parent. The factory is considered to be one of the most advanced and efficient automotive factories in the world and has adapted the ‘four square’ design used in Japan. The parents have invested \$350million in the further development of the JV, signifying that the JV is a long-term commitment to both parents. The JV itself is entirely self-funded and does not require parental support. The investment was a means of both parents to speed up the development and growth of the JV and all parents loans are repaid.

The JV now operates at a level of capacity that can facilitate the production of both parents brands at the same time, previously there would be an on-off period shared by the parents to produce their vehicles for the local market and export. In total, the JV has a vehicle capacity 275,000 vehicles, with the millionth vehicle leaving the production line in 2007. The factory can perform every stage of the production line from stamping to delivery of the final vehicle.

Table 5.10: Case 9

Case 9	Comments
Parents	There are 4 parents. Three local parents, two of which are global OEM's and one is a technology-based company. The foreign parent is European.
Ownership	25/25/25/25
JV Function	The JV is a distribution network that provides access for all parents.
JV Duration	The JV had been operating for 12 years
Location	The JV is based in the USA
Respondents	C9SM-F, C9VP-JV, C9CB-L

This JV successfully brings together three of the industry's biggest OEMs into one JV. Having four parents greatly increases the complexity involved in managing the JV but the JV has removed the issue by allowing the smaller technology business to run the JV. This is particularly useful in that the JV is a technology-based entity that facilitates the parents' distribution and coordination. The technology used and developed at this JV is employed by one out of every two automotive dealerships in the United States. The JV can offer access to a range of 50million parent parts and has average monthly sales of 6 million. The JV states that customer retention is close to 98%. The parents have expanded the JV to include another US base that can facilitate even more parts to more customers. The second base is designed to handle international sales and will focus solely on exports to South America.

Table 5.11Case 10

Case 10	Comments
Parents	Two parents, the local parent is a global engine and power systems manufacturer and the foreign parent is an equipment manufacturer.
Ownership	50/50
JV Function	The JV manufactures high power engines.
JV Duration	The JV has operated for 16 years.
Location	The JV is based in the USA.
Respondents	C10ED-L, C10PP-L, C10DM-L, C10EL-JV

The JV was not created to provide financial returns to the parents directly. The JV was designed to create products that both of the parents require and sell them back to the parents at next to cost price. The JV is not supposed to make a profit, it is supposed to make just enough so it can continue operating. The JV allows both parents to address their major shortfall in their product range. The JV compliments both parents product base and provides access to segments that would have otherwise been out of their scope without large investment. The JV has provided a template from which two more JVs are currently being established. The parent relationship has developed well enough that both parents are looking to venture together in the same area in both India and China.

The JV has removed the need for hiring expensive expats, with the exception of a few key management roles the JV is operated by a virtually all local workforce. Despite the numerical imbalance of the parents contribution to the JV workforce, management is entrusted to the local parent but decisions concerning the strategic outlook of the JV are still made jointly. With a heavy weighting of local workers it could be easy to view the JV entity as a more local entity and therefore look to impose decisions. The JVs retention of equal decision-making shows the extent of the parent relationship.

Table 5.12: Case 11

Case 11	Comments
Parents	Two parents and financial house. The foreign parent is a global OEM from the USA. The local parent is a smaller European OEM. The financial house is a European bank.
Ownership	The two parents each have 41.6 and the financial house has 16.8
JV Function	The JV manufactures vehicles for both parents for the local market
JV Duration	The JV has been operating for 11 years.
Location	The JV is located in Europe.
Respondents	C11SM-JV, C11CF-F, C11OM-F, C11SP-F

The JV was first created to facilitate a route to market for the foreign parent and gain technological and managerial exposure for the local parent. The JV has served this purpose and has now established itself as a profit making entity. The financial returns from the JV are



very good. It has adapted into a profit making JV and that is what it is doing. The JV has an ROI that is above the industry average.

Financially, the foreign parent was investing a minor amount, \$100 million, compared to its other investments around the globe. The foreign parent had only modest expectations for the profitability of the JV and was there more to gain a foothold and learn more about the local market. The JV was one part of the foreign parent's wider strategic plan to enter the local market and on that basis, the JV is a success as the foreign parent now has significant presence in the local market, with this JV being the outlet for its strongest selling products. The parent relationship degenerated 5 years ago when the local parent was taken over by a state owned company and installed new management figures into their share of the joint venture. However, this was resolved and the relationship was reaffirmed, demonstrating a willingness to work together especially when things were bad and the foreign parent could have pulled out. This shows the IJV to be a success as the willingness to fight for its survival for the next 6 years is testament to how both parents view the JV.

Table 5.1: Case 12

Case 12	Comments
Parents	The foreign parent is a global OEM from Europe and the local parents is one of the biggest OEMs in China.
Ownership	50/50
JV Function	The JV manufactures and imports the foreign parent's models in China.
JV Duration	The JV has been operating for 20 years
Location	The JV is located in China
Respondents	C12CEO-JV, C12GM-F, CM12AS-F, CM12PB-JV

The foreign parent first entered China and established a JV that failed for multiple reasons. This JV has used that experience of the parent and grown stronger from the failure of the original JV. The failure was partly due to the foreign parent being one of the first OEMs to enter China. This JV has been operating in China for a very long time and demonstrated the long-term commitment of the parents. The commitment is further demonstrated through the JV designing its own vehicle range and tailoring the products to the local market. This is at

great expense and can only be done when there is significant commitment to the JV to generate sales and recoup the huge investment required to design a new vehicle. The longevity of the JV has allowed expansion and the JV currently has three large manufacturing bases with current capacity at approx. 750,000 vehicles, placing it amongst the largest of all automotive manufacturers in China. Sales for the JV have been steadily increasing. Since 2008, the sales of the JV have doubled, representing significant growth and development. The growth of the JV can also be seen through its dealership network that has approx. 470 outlets from across 200 locations.

Table 5.14: Case 13

Case 13	Comments
Parents	Two foreign parents. The first is a global OEM from the USA and the second is an international OEM from China.
Ownership	50/50
JV Function	The JV manufactures and imports both vehicles from both parents.
JV Duration	The JV has been operating for 4 years.
Location	The JV is located in Asia.
Respondents	C13VP-JV, C13MD-F

This JV has been established due to the parents having had large success with another JV they have established together. The principle behind this JV is to transplant the success of the first JV and reproduce it as exact as possible whilst factoring in cultural and market differences. The JV hopes to be a success as it is grounded in the success of the first JV. The same management style, equity and operational model have been used again. The JV has two parents that are foreign so there is no local parent, which makes it harder to enter and operate in the country. However, the larger of the two foreign parents has had a significant presence in the market since the mid 1990's and can be considered to be the localised parent due to an already established infrastructure and dealership network. Despite this knowledge, the parents have both agreed to enter the foreign market on the belief of the success they have already enjoyed together.

The JV has already developed its own research and development centre and technical centre that employ over 2000 people. Despite the JV only operating for 4 years, this immediate commitment to build facilities is evident of the long-term commitment both parents have for the JV. In addition, the JV has designed and is introducing new models in 2012 especially for the local market. The JV has also been developing an electric vehicle (EV) which has not been released yet. The vehicle is finished and ready but not being released because the parents feel the costs to run the vehicle are too high given the current national policies to electric vehicles and the very limited infrastructure appropriate for a vehicle of that nature. The JV has evidently developed a product that is ahead of its time and can be easily placed to be one of the first to take advantage when the electric vehicle industry finally becomes more prominent.

This chapter has outlined the 13 cases established in the data collection and provided a background to the type of automotive IJV they are. This is so results can be positioned against the cases, as now two IJVs are alike and therefore no one definition of success is universally applicable. Respondent's names have been coded as to protect their identity. The following two chapters are using the 13 JV cases and analyse the data qualitatively and quantitatively. The interviews from each case are used to give an in-depth view about success in JVs and the quantitative results show the conditions leading to success and the convergent and divergent paths for success in an IJV from a set theoretic perspective.

## 6. QUALITATIVE AND CASE FINDINGS

### 6.1 Qualitative Findings

The findings from the data are analysed and presented firstly in a qualitative and then in a quantitative format of fuzzy set Qualitative Comparative Analysis (fsQCA). The qualitative section presents the qualitative analysis of each case. Drawing from the case description of chapter 5 in which information outlined what the JV does, where it operates, who the parents are and who was interviewed, the analysis views now the themes of the research question separately. Using the respondent's data, consistent themes are identified and the three most consistent conditions are examined further. It was found that Trust, Relationship and Commitment were the three prevalent conditions respondents acknowledged as having the greatest influence on generating JV success. In turn, each case is then examined to highlight examples of where the three conditions Trust, Relationship and Commitment have been identified by respondents.

Table 6.1 Research Questions

	<b>Research Questions</b>
<b>RQ1.</b>	What kind of partners are automotive IJVs seeking?
<b>RQ2.</b>	How do parents of automotive IJVs try to assert control over the IJV? Is it specific or complete control?
<b>RQ3.</b>	What relationship exists between trust, parent-JV relationship and long-term commitment in successful automotive IJVs?
<b>RQ4.</b>	How is success in automotive IJV's affected when more than one of the Trust, Commitment and Relationship conditions is present?
<b>RQ5.</b>	Why do JV managers value continued parent involvement?
<b>RQ6.</b>	How does nationality affect the conditions Trust, Relationship and Long-term commitment?

This section presents quantitative findings and uses fsQCA analysis to investigate and evaluate quantitatively the findings drawn from the qualitative section. As Trust, Relationship and Commitment are identified to be most conducive to establishing a successful JV, these are the conditions explored through fsQCA. The findings quantitatively confirm all

conditions as having a strong influence on success and score highest when used in conjunction with each other rather than individually. A sequential pattern is identified that suggests an order the conditions appear, firstly Trust, then Relationship and finally Commitment.

### **6.1.1 Case Analysis**

Financial returns may define success for a profit making JV, market penetration may define success for parents entering a new market, cost savings may define success for a JV whose function is to supply parts at cost value and technological development may define success in an R&D JV. These end scenarios are all subjective definitions of success that are unique to the JV. This analysis focuses on the conditions that are most conducive for a JV to achieve success in the automotive industry. It will be demonstrated that the three conditions most apt to facilitate success in automotive IJVs are Trust, Parent Relationship and Commitment.

Previous research has shown a favouring towards these three conditions in facilitating success but is yet to agree on any real arrangement. De Wulf *et al*, (2001) and Kumar *et al* (1995) demonstrate that a positive performance is directly related to a combination of trust, commitment and relationship satisfaction. Morgan and Hunt (1994) regard note that trust and commitment alone will suffice, whilst Jap and Ganesan (2000) and Gruen *et al* (2000) regard commitment alone as the critical condition, whereas Mouzas *et al*, (2007) and Sirdeshmukh *et al* (2002) consider trust alone to be sufficient. The following two chapters will explore how each condition relates to each other and JV success.

### **6.1.2 Condition Sequence**

The findings demonstrate how these three conditions are paramount in fostering the conditions most likely to create a successful JV. Not only are these three conditions paramount but there is a clear sequential route that will be demonstrated to maximise their effectiveness. In order for the partners to work together in the JV, there has to be an initial degree of trust that can allow both partners to come to the negotiating table. Through due diligence, background research, sustained negotiations or previous dealings, there is a notion

of trust or the belief that trust can develop. The JV literature offers research into the effects of different types of trust and this is an important differentiation as trust based on an inter partner credible threat (Zhang and Rajagopalan, 2002) is regarded as less conducive than trust developed over the course of an existing venture or previous working experience. Trust established through a relationship allows the parents to focus on the governance and operation of the JV and not the complexities of joint ownership.

Parents that are wary or apprehensive in dealing with a partner will limit the JV's potential, as time will be spent addressing parent issues that subsequently could have been invested in developing the JV and the quality of the relationship. Without this hindrance, trust can allow the relationship to develop as both parents are focused on a common cause, creating successful JV. The relationship is the crux of the JV as the daily interactions between the management within the JV governs the operational aspect and the parent's relationship outside the JV governs the strategic direction of the JV.

The outcome of the Trust and Relationship conditions is the sustained operation of the JV. A JV with parents that can work well together, as long as it meets the goals and objectives laid out by the parents, will be less likely terminated. The commitment condition is particularly important, especially in light of the literatures recognition that the average JV lifespan is 6 years. A JV that can operate over a period longer than this can be said to be in part a success or at least operating above average. This is something that is demonstrated by a significant portion of the cases, with many operating over 10 years and some nearing as high as 20 or more.

## **6.2 Cases and Research Questions**

The qualitative findings are now presented in accordance to the three conditions identified by the respondents. Each case is justified against the condition, highlighting how respondents viewed that condition against the JV. Firstly, each case is outlined against Trust and how each respondent view trust. After the thirteen cases have been outlined, the same process shall be repeated but then looking at how each case associates with the Relationship condition. Finally, the same process is repeated with the Commitment condition.

Research Question 1 was mainly answered in a way that fits the resource-based perspective, since the partners of automotive IJVs look for access to resources and markets. The 13 cases in this research are based substantially on being able to provide access to a resource that is otherwise unable to be acquired. This can be due to limited access, high entry/development costs or because parents lack the necessary knowledge. The interview data will demonstrate a concurrence with research question 1 by showing how parents ground their JVs on the need to access new resources. Viewing the cases through a resource-based perspective highlights how the resource access increases the strength of the JV by establishing dependency links between both parents.

However, two cases of note, case five and twelve, are based on very weak resource dependency with respondents citing the legal requirement of Chinese law as the reason for establishing the JV. Yet these two JVs are among the longest serving JVs in China with case 5 being one of the most profitable of all JVs. However, creating a resource dependency through combining hard to obtain resources is the predominant means for the parents to establish the cases in this research and the justification for each JV is now viewed presented in light of a resource dependency, indicating how the JVs are constructed based on a specific need. Typically, the IJV initially operates based on two parents requiring a specific resource but then evolves into a genuine business entity that supersedes the original need.

### **RQ1: What kind of partners are parents seeking when establishing automotive IJVs?**

#### **Case 1**

The IJV management states that the JV was established in part to provide access to technology as a means of combating the technological shortfalls of the parent.

*Assessing Technology as one of the weakness of Auto component Industry in India, the Tata's were looking for suitable technology partners to India and meet technological needs of emerging Indian Auto Market (CIGM-JV)*

Similarly the local parent stated that the creation of the JV provided the 'means of gaining access to new technology', and the foreign parent sees the JV was a key means of gaining access to the partner s product portfolio:

*The JV being with Tata provided the opportunity of getting the Tata Passenger car and SUV business during entry. (C1GM-F)*

## **Case 2**

C2PM-F states the fundamental purpose of the JV was to provide access to their partners products and the ‘*transfer of technology*’ regarding the production of engines related to the product. This was a two-way process and both parents shared this objective of accessing the firm specific products of their parents. Supportively, C2CIO-L stated that both companies were unable to pursue the development of the products of the other partner without substantial cost and increase in knowledge and therefore the JV was established to overcome this. C2CIO-L stated that

*‘The main reasons for the JV were related to the realization of products (engines and transmissions) with an exchange of knowledge to meet the internal demands and offer the technology to market’.*

C2NB-F supported this by stating that the JV was aimed at producing transmission and engines that could be jointly used by both parents to compensate for their product shortfalls. The parents operated in different segments, with different engine capacities, and through the JV, both parents were able to access the technologies required to enter each other’s segment. C2BDM-L stated that

The idea was to share new technology and the future investment for the powertrains, engines and transmissions for both parents.

## **Case 3**

C3SP-L notes how the JV is the means by which the parent could gain access to both the US market and the US OEM

*JV was formed with supplier to an automotive transplant to the US. It was only through venturing the company could be considered for supply to the transplant*

The JV was a means for the OEM to assess the quality of the supplier who was not experienced in entering the new market and this was not possible without establishing a JV. The parent wanted to bring their suppliers into the new market but needed them to establish an IJV in order to gain access to local knowledge they would not have got without venturing.



C3GM-L states that the foreign parent's decision to establish the JV was in order to access the US market and OEM whilst the OEM was accepting and willing to establish the JV because of the access to technology and local knowledge it provided. C3VP-JV also states how the JV was a means of accessing resources previously unknown to the foreign partner and they were instructed

To get a JV together with an American company so they would understand how to do business in North America. (C3VP-JV0

#### **Case 4**

The foreign parent already had a presence in the market the JV is established in, but the JV was designed to provide a solution to existing problems that could not have been obtained without a JV. C3RMM-F states that the JV was needed

*to build battery specifically for the conditions of the middle east because the heat is so ridiculous and the road condition are terrible and two things destroy batteries, heat and vibration, so by building them locally to the specific needs of the market the batteries will last longer and thereby increasing customer satisfaction and make a lot of money too.'*

The foreign partner sought out a local partner who was able to facilitate the JV but the nature of the resource was not as complex as other cases. The foreign partner collaborated with a group of local businesspersons with the focus of having them financially support the venture. The nature of the resource is not complex or irreplaceable and therefore does not bind the two partners as closely as other cases when viewed through a resource dependency perspective. However, despite the easily replaceable nature of local parent's contribution, the JV has continually shown growth and operated for 15 years.

#### **Case 5**

C5DD-JV notes how the foreign parents sought access from the local parent and drew on the very specific local knowledge that they could offer for the Chinese market, stating that

*We pull in their relationship to Chinese local and central government, and that is part of policy. They bring in dealing with local suppliers, you can even take it to the local dealership level, they know who the right people are to select for distribution partners.*

C5DD-JV also connected the foreign parent's desire to access local knowledge with the long-term commitment to the IJV, by stating that:

*They understand the long-term urbanisation and development of China, so as we are looking to build more factories, as we are looking to grow, where you put your dealership networks, where you put your service networks, because of their close relationship with the government they would know to put your development plan that will be in conjunction with China, local or nationwide development urbanisation plan*

Interestingly however, both C5ED-F, and C5MO-F regard the establishment of the JV as not based on the resources of either parent but based on the legal requirement for foreign partners to collaborate with local firms. C5MO-F highlights the necessity of the JV and

*The only way you can enter the market is through the avenue of an IJV, there are no, aside from the Chinese brands, there are no wholly owned foreign subsidiaries so it was literally the only way into the markets and we forecast back in the mid 90's that China was going to explode*

Supportively, C5ED-F stated that

*We were legally required to build a JV in China, now you can import into China but you have higher tariffs so the business appeal isn't nearly as good, so fundamentally you have to be here and that requires a JV.*

This is interesting given that this case is one of the longest running at 15 years and by far the most successful in terms of market share and profitability. Akin to Case 4, the resource dependency is weak as the foreign parent has a pool of options when looking for a local partner. Therefore, the resource dependency is not strong and this should have negatively affected the JV according to the resource dependency perspective, yet the parents have relied on the relationship and trust to establish a successful JV and not the dependency of their respective resources.

## **Case 6**

The IJV management openly states that the JV is a means of acquiring resources that the parent firm is unable to do independently.

*The main reasons for the set up is to get market access, technology, knowhow but cant or does not exist or develop on our own. The reason we are doing a JV instead of acquisition is simply the other partner is not willing to be acquired C6GM-JV*

Similar to case five, the JV is cited as being a product of necessity rather than a proactive choice. The parents needed access to the partner's technology and refused a take-over, therefore the JV was seen as the viable alternative. As with case 5, entering a JV when it is not considered the first route of entry can affect the JV on the basis that parents may not be fully committed. The local partner needed to grow and the foreign partner needed access to the technology of the smaller partner. Despite the JV not being the first choice, both parents offered resource that the other required and were unable to acquire without significant investment.

### **Case 7**

Case 7 demonstrated how the IJV initially begins as a means to access new technology but evolves into a genuine business entity based on more than a resource dependency between partners. The foreign parent states that the JV was a transitional entity

*They wanted a localised supply of drive shafts and that is what we supplied. They knew we were offering some the best technology in the product at that time and the government required a localised supplier, therefore we needed to establish a JV. It suited everyone, we wanted into China, the local government wanted to enforce a localisation policy and the partner wanted access to the best driveshaft technology'. C7GA-F*

The JV initially begins grounded in a resource dependency but evolves into a partnership that has continued for 24 years, the longest of the cases in this research and also one of the longest running automotive IJVs in China. The initial resource dependency is superseded by a genuine need to maintain the business. C7PD-F states that

*In the early days, they were there for technology and not really for the management of the JV, but later they became very much part of the management team, as the business grew the range of products and customers expanded, it became apparent to the foreign partner that they needed more influence.*

### **Case 8**

The foreign parent notes that the JV was established for two key purposes, firstly, there was a need for both parents to access the underdeveloped pickup truck segment and saw both parents as being able to offer key technologies. C8DM-F states that the JV was designed to

*Leverage the strengths of both companies. The benefits of platform cost sharing on content the customer does see improves product development costs and combined volume reduces product variable cost. C8DM-F*

Secondly, neither parent wished to share propriety technology with direct competitors so as Ford had a small stake in Mazda it seemed a mutually beneficial arrangement. Whilst technically their products would be in competition with each other, the products were not considered direct competition and appealed to different segments within the market and ‘*would not take substitutional volume from each other*’. Both parents saw the need to enter the pickup truck market more aggressively and thought it was critical to be a first mover. Neither parent could access the market quick enough on their own, creating a mutual resource dependency with each other. Both parents needed each other to enter and develop at the pace required to gain an early foothold within the market.

## **Case 9**

Case nine offers the clearest example of all the cases where parents enter a JV to access something that is otherwise impossible for them to attain on their own. The automotive parts industry had become so fragmented with third parties that the coordination costs and added levels associated were becoming a threat to the OEM's. Therefore, the JV partners, four of the largest OEM's, wished to create synergies that were only possible by acting together in a JV. The JV was created to remove the multiple layers of bureaucracy inbetween the customer and manufacturer and according to C9SM-F, it looked to create ‘*synergies of intellectual property, financial resources*’. The JV was a direct portal for customers to source all their information and parts without having to operate through a third party or dealership. C9CB-L

*There was a concern that our revenue from the sale of service parts could be disintermediated by an exchange-type web site. The parents and technology provider decided to form a JV of their own that would limit this.*

Whilst typically a JV can provide access to an unattainable resource, case nine provides access to something that was impossible through operating alone. Although not a typical resource, a resource-based perspective indicates that the synergies created through cooperation are no different from a resource of technology or knowledge.

## Case 10

The two JV partners, an OEM and a highly advanced engine manufacturer, saw the JV as a means of accessing the technologies of each parent so they could create products better aligned to each other. C10EL-JV states that

*Creating the IJV allowed the engine manufacture to have a fixed customer to use their engines for the length of the JV contract. The OEM was then capable of using all its resources to evaluate markets and innovate chassis designs accordingly.*

The JV gave the engine manufacturer a constant supplier as better access to the chassis development so the engines can be fixed better into the vehicle. The OEM received advanced engines that were ahead of the industry standard. C10ED-L highlights the creation of the JV

*was based on three guiding principles, one of those was that together we are stronger than we are apart; one was that we wanted to beat Caterpillar the equipment competitor and engine competitor and I think the third was it had to be a win-win for both.*

C10PP-L further supports this by stating that ‘*technology and monetary were the main reasons*’ for the establishment of the JV. The technology of either parent has not created a dependency as both parents can continue to exist perfectly well without the JV. The resources are augmenting the existing products of each parent; however, the technology is something that is not available without creating JV or extensive development costs.

## Case 11

This case follows a traditional offering for JVs in that the foreign parent supplies technology in return for the local parent’s access into the market. C11CF-F states that the

*JV was set up to help a local partner with western technologies and production techniques, while providing a foreign partner with access to the new Russian market.*

Viewed through a resource dependency perspective, both parents are dependent on the technology or access of their partner. As with other cases, the purpose of the JV has changed, initially the JV facilitated a route to market and access to technology. Eleven years later, the original need for these resources has waned as both parents have developed the JV and now the JV operates as a profit making entity. As with case 7, the initial resource dependency has

been superseded by a mutual appreciation of the JV's earning potential and now is viewed as its own business.

## Case 12

Of all the cases in this research, case 12 demonstrates the weakest of all resource dependencies between parents. The two parents establish their JV based on the legal requirement to enter the market. The foreign parent had already established a JV in China but terminated it prematurely due to unsatisfactory results. The foreign parents decided it was worth the investment to try again and situate a base in the local market from which they could operate from easier than their European HQ. From the foreign perspective, collaboration was a necessity that needed to be adhered to, with CM12AS-F citing '*Chinese regulations*' as the sole reason for the JV. The same principle is noted by C12GM-F who saw the JV's creation as a

*'Means of operating closer to the market, it was a financial thing and we needed a partner to do it'*

Yet again the case shows how despite having a weak resource dependency between the parents and nothing that cannot be easily acquired elsewhere with other partners, the JV has gone on to operate for 20 years, making it the second longest serving JV in this research and one of the longest automotive JV's in China.

## Case 13

C13MD-F again demonstrates that both parents establish the JV because they know they cannot access the guaranteed returns elsewhere with another partner as easily. Firstly, there are the tangible resources that both large OEM's can bring to the JV, C13MD-F notes that

*As with most JVs, the two parents had different strengths that combined would be better than any one of the individuals. Also both partners could see the benefit to the business by using, in the main, one parents already developed footprint and brand in the market with the others capability in lean manufacturing for emerging/low cost markets as well as a suitable portfolio of products for the same market.*

Secondly and arguably, the more valuable of the resources offered through creating the JV is the knowledge and assurances of what both parents can bring to the JV. The two parents have

prior history with very successful JV collaborations and the knowledge that this will be transferred to their subsequent venture is extremely valuable as incomplete information on a partner can create distrust and shift focus away from the JV towards protectionist measures. C13VP-JV draws on the past experience of the two parents as a key reason for the creation of the JV

*Entering the Indian market with investments shared with both partners based on the China success and using one partners brand strength and the others experience in similar markets.*

As other cases have demonstrated, the JV can be a transitional entity, starting from a strong resource dependency of firm specific assets and evolving to a genuine business that is dependent upon growth and returns. Case thirteen highlights how the evolution from resource dependency in the parents first JV has evolved and had a positive effect on the creation of this JV, highlighting how the relationship has developed over time.

Respondents expressed consistently that the basis for the IJVs creation was an identifiable need to access a resource or asset held by the partner. Even in the cases where IJVs are mandatory in China, the cases are still grounded in more than simply access to market. A resource that as the foreign parents becomes accustomed to the local market will have no dependency value and diminish the local parents bargaining power.

### **6.2.1 Trust**

#### **RQ3: What relationship exists between trust, parent-JV relationship and long-term commitment in successful automotive IJVs?**

In this section, the cases are analysed according to the condition of trust contributing to the success of the joint venture. The perspective of the IJV management, the local and foreign parent are considered and as well where available the perspective from the external stakeholders.

#### **Case 1**

The IJV management views trust as shared values and excellent credentials in ethical practices.

*Trust plays such an important role, it is the commonly shared values of the parents that keep this JV together and as above, this is because both JV partners have their own excellent credentials in Ethical Management practices (CIGM-JV).*

Whilst Trust is identified as a key condition, it was also noted that Trust does not just appear on the first day of the JV's operation. Trust was seen based on the due diligence that both parents carry out before they ever begin the negotiating process. This view suggests trust to be more a practical result of the research of parents and that the partner will naturally honour their agreement.

*The most important thing in the JV is the trust and the parent's agreement. The selection of the partner was also very important and moreover conducting research on our partner was a must with local consultants. (CIVP-L)*

This reference to Trust is based on the parent's interactions that dominate the pre-contract phase of the JV lifecycle. This is particularly relevant to the effect trust has on a JV as acknowledging where the notion of trust originates. This JV is between two parties with previously no working knowledge of each other and they were not expected to immediately foster a sincere level of trust. Trust is a vital characteristic of the JV entity, trust has to originate from somewhere if not from an existing relationship. This suggests researching the background of the partner. Through extensive research and background checks, the partners created an image of their potential partner and from that can determine whether or not they can be trusted. This is an important aspect of the JV as determining if a partner can be trusted does not mean there is trust, but it does allow for the trust to develop and that is how the parents in this case began their relationship.

The importance of Trust has so far been acknowledged at the parent level but Trust was also identified on the employee level, emphasising the IJV side of the coin. Whilst Trust was a necessary feature for the parents when setting up the JV, the daily operations of the JV are carried out by representatives of the parents within the JV and these too require a degree of trust. Individuals within the JV were recognised as requiring trust as much as the parents did. The JV workers were the face of the parents and by trusting the parent this required trust in the candidate selected:



*The JV partners focused on putting strong processes and internal controls in place during the initial years of operations. The recruitment of key personnel with the required knowledge and experience was key to the success of the JV. The partners should not have been worried about the other partner's candidate choice and need to respect and trust in the judgement they make. (C1GM-JV)*

In regards to Trust, the JV is viewed in two distinct phases, the initial pre-contract phase, the subsequent management phase and each having their own relationship to trust. The first phase is centred on more structured and formal representations of trust whilst the second phase is more relational and dependent upon the candidates the parents select. Trust in the second phase is seen in how the parents allocate positions and responsibilities within the JV.

*The local partner largely supplied the workforce, equipment and contacts into the local industry, while the foreign partner provided technology and managerial expertise. Senior JV leadership was selected by both parties but the local partner trusted the foreign partner's abilities to run the JV largely as a foreign partner entity as it was agreed the foreign partner was better equipped to deal based on its experience and superior technical knowledge. (C1EX-JV)*

The foreign parent was trusted enough based on the expertise they possess in management to lead the JV more effectively than the local parent would have been able to. This trust demonstrated on behalf of the local parent was reciprocated by the foreign parent's trust in the local parent's decision on who to hire. This combined trust in the other partner's judgment and ability is representative of the less structured forms of trust. Both forms of trust can be regarded as even more valuable in this JV as the chief purpose of the JV was to provide technology in return for market access. Firm specific knowledge will require further guarantees that an assembly or distribution JV may require and the presence of genuine trust will help alleviate any concerns of the parent.

## **Case 2**

Trust was viewed as the most important of the conditions explored but was valued only slightly above the conditions Relationship and Commitment. As with Case 1, there was an identification of the formal structures in the early JV phase as a means of checks and balances.

*Trust is important; I do not think it will work without it. In any case at the start of the JV there were targeted control processes necessary to verify, correct and improve relations between the JV and the parent companies, this was removed as time elapsed (C2CIO-F)*

In its early stage the JV had not developed the trust it required and the formal checks acted as a substitute. The trusts in the checks were slowly removed as the parents realised the true characteristics of each other and began to develop genuine trust bonds as the relationship grows. It is important to note regarding this JV that it was eventually terminated but not as a reflection on the JV or what it achieved but it was a consequence on a personality clash at the board level of the parents. It is incorrect to label this JV as lacking trust between the parents due to its termination as the multiple facilities and divisions of this JV were successful and this was based largely on a massive knowledge sharing approach by both parents.

*Probably the most important thing together with being balanced in the management, you need to trust the other person with you. When you trust your partner you can better split the JV activities, and both parents discovered that our top manager was not on the same page with the overall strategy and this is a bad thing for an IJV and was a factor in the ultimate breakup of the joint venture, not completely one persons fault that is not correct but the top managers must be on the same page when you share your business with someone else. (C2BDM-L)*

This termination came more because of a relationship breakdown than a breakdown in trust. The loss of trust came as a by-product of the relationship deteriorating but had fatal consequences. Both local and foreign respondents are open in acknowledging that blame was not solely one parties fault and reveal that as a consequence of the breakdown there was deterioration in the level of trust, which lead to further complications.

*Absolutely, it's the foundation, it's everything and it really is, I would say our link to the JV, there was trust and good working relationships until a breakdown and then we fell in love with the Korean girl and then the trust quickly became eroded, and when you've lost the trust you have lost everything, they had a huge fear that we would bring Korean cars into Europe, and quite frankly that was our plan, that made us a more of a competitor, more of a threat than an equal competitor and so that eroded, once you erode the trust by bringing in the other party, not inclusively, but it did cause problems. (C2NB-F)*

This breakdown came 5 years into the JV lifecycle, 5 years that had provided excellent returns for both parents. However, once the conflict at the board level was seen and allowed to permeate through the rest of the business, the JV quickly deteriorated. The larger foreign parent seeing the trust and relationship deteriorating began to look elsewhere and the smaller partner feared that something similar would happen following the breakdown. This may also show a relationship with the size of the parents and how they viewed the JV. The value assigned to shared management differed dramatically between the two parents with the larger foreign parent holding less of a regard for shared and the smaller local European parent championing shared. There is a distinct difference in size and capability so may suggest the

smaller local parent would see shared management as a way of exposure, whilst the bigger foreign parent regards it as losing control of key technologies.

### Case 3

There was an unusually wide range in the values assigned to Trust in case 3 and actually resulted in Trust achieving the lowest value of all conditions. The discrepancies cannot be attributed to a difference in the local and foreign parent's perceptions as different respondents within the same parent gave scores of hugely varying values. This was extremely uncommon for the respondents to disagree so dramatically and was a singular case.

*Trust was a major issue with this venture, and its importance was accentuated by a lack of cultural sensitivity on both partners. (C3SP-F)*

Whilst the respondents may have disagreed over how important Trust was to the JV, those who valued it as low still acknowledged as important. The low valuations offered by some respondents was in reference to how Trust hadn't developed as it should have, so whilst the low score reflected the degree of Trust, it didn't reflect how important trust is to a JV.

*Trust was very helpful and contributor to success. The unique cultural expectations and communication styles were dependent on trust. Miscommunication can lead to no communication, which leads to breakdown in trust, which leads to an unsuccessful partnership. It was critical that the partners continued to trust each other. (C3FM-F)*

There is no definitive consensus as to whether or not Trust was in fact a key part of the JV or not but despite this disagreement there was still acknowledgment from all parties that Trust is an important factor in a JV. Despite the lack of trust according to one respondent, this does not mean the case does not detail the importance of trust. It was noted that Trust was a major issue with the JV and because it was lacking problems arose. This is evidence how a lack of trust can lead to issues that are typically mitigated by its presence.

### Case 4

Trust in this JV was critical, especially for the foreign parent who was providing a product to manufacture based on an established reputation and then distributing through the local parent. JVs that involve technology sharing are likely to be more susceptible to trust issues, as there are greater amounts of information being shared that is highly valuable or sensitive to one of

the parents. Secondly, the JV was in a very remote location and served as the main hub for the local region, the foreign respondent noted that the autonomy was extremely high and the independence of the JV was very high. This therefore resulted in checks on the JV to be very difficult to ensure, as the workforce was largely local with a few strategically placed foreign managers. The physical distance and remote nature increased the dependency the foreign partner had on Trust. Furthermore, the foreign parent had set up the JV contract in a way that ensured financial returns were amassed based on sales.

*There was an enormous amount of trust because although we were being paid on sales, there was no independent set of auditors that is auditing this plant, so they could cook the books. (C4RMM-F)*

Whilst this was a very profitable situation as profits were separated from the price elasticity of the product, the local parent who had targeted control over local workers and output could have abused their position of power and decreased reported sales. This IJV has become extremely successful and continued fast growth for many years and consequently the trust between the two parties has developed to a point where an acceptable degree of trust exists that both parties do not feel they are being taken advantage of. The foreign partner doesn't need the local partner and can operate individually if they wished, so both sides are at risk of losing out if there was a breach of trust.

*Trust is certainly there, there also had to be something in it for all parties and it had to be equitable whatever that something is and it usually comes down to dollars or currency, whatever that is, equity or something else there had to be an equitable distribution of what came out of the JV; then it comes down to trust, do people think they are getting a fair amount out and to do that you need to trust your partners. That is certainly a significant reason why this JV has been the success it has. (C4SBM-JV)*

This JV also demonstrates the two-phase approach parents have towards trust. The foreign parent initially had a significant number of ex-pat managers in the JV to establish working practices and correct procedure that ensure the quality of the product in the new market can match the reputation expected of it. However as the JV developed the number of ex-pats was slowly drawn back until there are only a few foreign managers on site at the JV. This tangible development is the recognition of the local partner's absorption of the knowledge offered by the foreign partner but also the foreign partners Trust in the local partners motivation and managerial abilities.

## Case 5

Case 5 is by far the largest and most successful of all the cases and Trust was the second highest valued condition by only a small margin after Shared Management. Once again, the notion of trust has been linked to the foreign parent's removal of the ex-pat community. There is a demonstrable notion of Trust as the parents begin to scale back the number of costly ex-pats who are positioned to oversee the immediate running of the JV.

*Clearly foreign ex-pats are expensive and it is in the interest of the JV to try to get that cost structure out of there as soon as possible but that is something that depends on trust. We had a pretty big presence, and that is a relative term, when I first got there, there were about a 100 people there and we have nowhere near that now and in terms of overall employment that is not a large number but in terms of leadership then it's much larger and we begin to draw back. We have been there 10/11 years and local workers develop, they grow their experience and knowledge and can step into those roles previously occupied by the foreign managers. But we couldn't just hand over strategic control, we had to be secure in the ability of the local partner and trust in their judgement as they did ours to begin with. (C5MO-F)*

This outward demonstration of the foreign parent's belief in the local partner is based on two distinct notions of Trust. Firstly, the foreign parent had to believe that their interests were safe in the JV and did not require the supervision of the large ex-pat community. Once processes had been taught and adopted and the foreign partner was assured best practices were in place, they needed to feel equally secure in the knowledge that their partner would act in the best interest of the JV and not act independently of the common good. This trust was achieved when the scaling back of ex-pats had begun. Secondly, once the scaling back begins, the remaining foreign partner workers need to trust that the local workers who have filled the positions left by the returning ex-pats are adequately trained and possess the ability to do the job.

*It's key, I mean it is key and you have to keep building it, that's true, because you have your partner that is often sitting next to you in the same office and you have a long-term JV programme you need to be able to trust him and the decisions he makes, and the same goes for him, I'm sure the other parent has the same thoughts and worries. (C5ED-F)*

This is a different type of trust to the parent trust as it requires a trust in the ability of another and that person will be able to effectively carry out their duties. This links back in with parent trust, as the foreign parent needs to have the trust in the local partner that they will supply candidates that are suited to the role and this is all based on the local partner's judgement. As in earlier cases, there is an acknowledgment that the eventual development of trust is linked to the initial partner selection and the candidates they then offer.

*I think what it does is make it critical as to what JV partner you select, especially if that is the only way in to the market. Clearly, there were be loads of people who wanted to partner up with us and some are going to be better than others. We needed to be judicious in how we actually selected a JV partner. You need to select someone who you know, to the best of your ability, that you can trust them going forward; you're not looking to get taken advantage of in a foreign market. (C5MO-F)*

Again, there is recognition that the idea of Trust is not something that materialises upon the signing of the JV contract and must be slowly built if it is to represent anything genuine. In China, as with any new emerging market, there would have existed apprehension in the initial opening up period and the idea of Trust would arguably have been a much bigger factor than it is today with parents who have established relationships that only time can create. This JV has been in operation many years and has established these links as trust has been built.

*Yes, I think there is more trust now, and you need trust in order to succeed. Many years ago, say 20 years ago if you were a manager for the foreign parent and I from the local, then you would look to protect the interests and profits of your parent and I would have to do this and this to protect mine and it's hard to reach an agreement, but with ongoing practice, IJVs need to survive in this market, if you protect your parent, foreign or local then the IJV will crash out of this market or fail, because many companies are growing really fast and becoming much stronger, including local brands, so foreign and local parents think about growing and IJVs are the number one priority for most parties, so with many years working experience IJVs have established procedures for keeping smooth communication, sharing technologies and procedures. The market is more and more competitive, I think IJVs foreign partners and local partners should work close, more than ever. (C5SC-C)*

*There is a relationship over 20 years, this allows for both to develop together, I think it is probably recently that the local parent and the foreign IJV partner have had the biggest developments, this is because, as I said, because of trust in the relationship has grown and the foreign partner is willing to share more and the local parent has grown and have a lot of resources such as experienced workers, money and government support. (C5SC-C)*

Despite the longevity of this JV, 15 years, being way above the industry average for JV lifecycles and the repeated reference to trust being established over a sustained period of time, it is not time alone that has made the JV a success. Ensuring that the JV continues to operate is not a guarantee that the JV will be a success.

*Trust is about the quality of the relationship between two people, two businesses, two nations, you have to be honest in what you do, Toyota who enter China much later could have the better relationship with Chinese partners, they do not, but that is for different reasons, but it is possible that VW could also have the worse relations, the time and length of the relationship is not what determines if you will succeed, so I think you have to have trust and most successful IJVs in China will have trust, you have to, but more is always better. (C5RD-C)*

Once more, it can be seen that there must be trust in the JV to work successfully but the real form of trust develops as the relationship evolves and the trust moves away from the structural conditions of the contract to a genuine belief in the relationship and other partner. The quality of the relationship will in turn enhance the trust that must initially be present. This is something the foreign partner really sought to do with the local partner and sought to provide reassurance where possible to the local partner as a means of showing their commitment to the JV.

*You have to trust, if you don't trust you can't do business and maybe you get overtaken by your competitors. The foreign parent realised this and that the local parent were worried and said you must introduce your technology and establish some research here and the foreign parent said OK we can do it, I think this is one of the most key points, the R&D centre for this JV, is a guarantee for the success and keeping things even. (C5SC-C)*

Forming a research centre with the local partner through the JV is a demonstration that the two parents are committed but most importantly, the research centre as a tangible demonstration of the trust that exists between the two parents. The research centre, which is largely focused on the next generation of electric vehicles and batteries is the future of the automotive industry and represents the next key technology. To be sharing this research with your local partner in what will be the biggest automotive market is a huge commitment and belief in trust. It highlights the long-term commitment both parents have in that they will continue to work together but continue to do so in a way that is mutually dependent to both parents.

*You have to have trust, you cannot work in such an important market as China without it, without trust the business will not work as well as it could, it is bad business to not be efficient and not having trust creates an inefficient business relationship. Foreign companies may not want to trust the local manufacturers or suppliers but they have to, it is the saying, it's not personal, it's business that is accurate for IJV relationship. (C5RD-C)*

## Case 6

The condition Trust was received with consistently high values but whilst both foreign and local parents acknowledged its importance, there was an additional wariness from the smaller partner who placed a greater dependency on trust than the larger parent. The smaller of the two parents, a more entrepreneurial company who acknowledge their fast response to market developments, regarded Trust as a vital issue in the JV based on self-serving principles.

*Critical. It cannot work without trust. The local partner is the “small” partner and, regardless of the strength of legal agreements (which are comprehensive and expertly drafted because they have a very substantial team), the “larger” foreign partner has substantial financial and legal resources at its disposal and could substantially influence the outcome of disputes (C6CFO-L).*

The smaller of the parents feel that their size has a potential to limit their effectiveness in any dispute and therefore place a greater reliance on the formal mechanisms of the contract and the development of a genuine trust that would help mitigate the relationship deteriorating to a place where serious disputes need addressing. Yet again, there is the reference to the initial pre contract stage where the structured contractual limits are a guarantee of trust for the smaller parent. This again identifies the pattern in trust and how it develops from a necessary and structured concept to a genuine development of the relationship.

The larger of the two parents, whilst also noting the importance of trust in the JV, did not mention a fear of reprisal from the smaller parent. The larger company was less dependent on the IJV as it was not a critical feature of the parents continued existence, the smaller parent viewed the IJV as a massive part of their business.

*No, it couldn't work without the trust, the whole process is dependent on it. It needed a comprehensive agreement of understanding first. Coming back to what I said about the parents getting what they want from the JV, it's important that we regularly come together so that if there is anything that's starting to be or looks like it could be a decisive issue, it can be openly discussed between the parents and doesn't have to be formerly incorporated into the JV and affect its main focus. I mean, if an issue is left unchecked, it's only going to eat away at the productiveness of the JV. Where you can't do this or the parents don't want this kind of open discussion then I think it's going to head towards disaster. I don't think you could argue that by not having this type of open relationship the JV will be better (C6GM-F).*

The larger foreign parent viewed the presence of trust as a necessary condition not to protect itself like the smaller local parent but more in recognising its ability to ensure that the both parents are continuing to get what they want from the JV and mitigate any disputes. Whilst having no disputes in the JV, the foreign parent saw trust as a means to solve disputes and saw the development of the relationship as a means to achieve this. Once again, there has been reference to the idea that Trust initially originates in a more formal manner but as the relationship develops, the trust between the two partners grows. This allows disputes that may have previously been required to be formally addressed in board meetings or official channels to be worked out informally by parents before it ever gets to the stage of directly affecting the relationship within the JV.



## Case 7

Trust and Environment received consistently high values.

*Trust isn't something that can just be manufactured, it helps if you have the right partners to start with and then you need the right individuals involved on the ground to foster it and develop the business going forward. (C7PD-F)*

*You see, if you've got a possible conflict of interest as you do if one partner is a car manufacturer and the other is a supplier of components, you do need a good level of personal trust between all those involved otherwise everyone will revert to their own type. (C7PD-F)*

## Case 8

Trust was the highest scored condition and valued consistently high across all bar one of the respondents. Trust was identified as a critical factor but also justified as mitigating other negative issues from appearing. This JV has the benefit of multiple factors that are conducive to the parents and JV generating a genuine trust between all parties. Both parents are foreign and should add complexity to the relationship, but the larger of the two parents had a vast local knowledge in the area due to entering the market many years prior to the JV creation. This facilitated the other parent's acknowledgement of superior local knowledge and thus made the allocation of managerial positions easier to accept and trust, trust in regards to their ability. Furthermore, as the JV grew, as part of a deal between the two parents, the larger parent took an equity stake in the smaller parent as a demonstration of their commitment to the JV and each other. The relationship was able to develop, as there was a tangible commitment but also because there was a joint stake in the success of the JV and each other.

*I think the JV is no different than other relationship, there must be that trust that both partners can build on. To be successful there must be not only trust, but clearly aligned and compatible objectives. In this case, that existed. (C8PV-JV)*

Once again, the JV acknowledged the difference in the form trust can appear in the JV and between parent-parent trust and JV trust.

*Very important in the JV but it can be a struggle sometimes. Due to political pressures, the key is to develop the relationships inside the JV and let the parents handle the "trust" issues outside of it, this way it allows the JV to perform. (C8AM-F)*

The development of the parents trust is shown as a means to mitigate the negative consequences of any issues that may appear. The JV parents create a trust bond that allows them to deal with issues outside the JV and not let it permeate through the JV. This is very important, as Case 2 was ultimately terminated not because of the failing performance of the JV but because the conflict between senior management was allowed to negatively affect the JV. This concept however was recognised in this JV and is a certainly a critical factor for this JV having continued operating for 24 years and regarded as one of the most successful JVs both parents are engaged in.

## Case 9

The Trust condition was scored equal second with Commitment. The JV is an excellent example of the way that Trust can have a positive effect on the JV and for those parents who look to build a trusting relationship but also the negative consequences of entering a JV with a lack of trust or a lack of determination to build it.

*Initially, there was a big lack of trust from the European OEM, it was, if I don't join I may be truly screwed and if I do join I may be truly screwed, it was a real trust issue and what I think put it over top was the people, the US OEM went really way out and said lets come up with a set of rules and by-laws that require a majority to override that will prevent the technology company from doing things that will further facilitate the things you are afraid of happening. (C9VP-JV)*

There are four parents in this JV, three OEM's and a technology company and all but one of the OEM's shared a level of trust amongst the others. The JV was set up as a means to combat a serious issue that all OEM's were facing, so by operating together they could overcome the issue that was impossible to alone. This necessity acted as a binding feature for three of the OEM's as it was in their interest to work together. The European OEM however had trust issues and believed that the other OEM's were conspiring to bring more returns than their equal partnership dictated.

*The trust issue was something that was never really overcome as the European OEM never fully developed trust for the situation, it was a Ronald Reagan trust but verify approach, they were convinced that it could proceed because they didn't have any alternative and the US OEM in particular were working to come up with rules that will mitigate the fears that you are worried about, let's find your worries and work to prevent them. (C9VP-JV)*

The JV has shown explosive growth and has been a huge success, the initial objective was to overcome a common problem but due to its success, the JV has become an entity in its own right that creates profit and provides huge financial and coordination cost savings. The three OEM's that embraced the JV and trusted each other have seen the most advantages but the parent lacking trust has not.

*Trust between the partners is simply paramount. Being able to trust your partner allowed the challenges of the market and rivals to be effectively addressed, if there was no trust then the partners would have spent most of the time fighting internally. Three of the four parents were readily able to do this and they benefited enormously. It's no surprise that the parent who drew least from the JV displayed the least amount of trust to the others (C9CB-L).*

This was reiterated further.

Both sides of the trust equation are critical. To me it seems that the two US OEMs who trusted the most and planned the most did by far the best from the JV and the one that trusted the least, the European OEM, did the least well of the partners. (C9VP-JV)

It is evident that the notion of trust is a key factor in the performance of the JV and the eventual returns for each parent. Not only is it noted that the presence of trust will be a key benefit to the JV but the parents have also documented that the absence of trust has had a negative consequence on the parent who is the least trusting

*It would come back to the trust issue that it felt to the European OEM that more benefit was being gained by the other two partners, that was because they didn't trust enough to get involved, they were conflicted so it was kind of a catch 22 for them. (C9CB-L)*

## **Case 11**

The trust condition was valued joint highest alongside financial return. The JV is a collaboration between two parents that originate from nations that have historically had very distrustful attitudes across all levels of interaction and this is definitely an issue that effects the development of trust within the JV. The IJV was the first international automotive deal of its kind in the market and the newness of the operation has heightened the awareness of both parents. The local market is particularly closed in terms of free market principles with many aspects of business being heavily dependent on local contacts and connections within key roles.

*We are trying as best we can to use an open book approach. The JV is in a market that is centred around a select group and once you are inside this group, you have to act one way and if you're outside it, you have to act another way and everyone inside the group are friends and everyone outside is seen as the enemy. So, in this culture, trust was really hard to define if you were outside the trust, so in that respect initially there was no trust, it was really really a big issue, but as the JV continued this became less of an issue as acceptance and familiarity grew. (C10SM-JV)*

It is noted across all respondents that trust is a key factor in the JV's operations but local parents in particular were not as open or explanatory in their detailing of trust and trustful situations within the JV. This is most likely not based on an inability to trust or a failure to understand best business practices; it would be reasonable to attribute this to the national reservations felt between the two nations. This however has not prevented the trust bonds from developing, but they have just taken longer and both parties have been wary of their commitments.

Again, there has been reference to the two phases of trust; in this case, there was a strong reliance on the initial structured trust of the contract. The foreign parent has incorporated many legally binding facets that prevent abuse or bind the local partner, such as a buyout in case of insolvency and a buyout in case of a local parent takeover. The third party of this IJV is a European Financial House who stated that

*Such a big company like the foreign parent has every right to have a parachute in this deal. The local parent has become a very attractive company. (C11SP-F)*

As stated in a previous case, the foreign parent in this JV employed the attitude of trust but verify. The trust bonds are developing but much slower than seen in the other cases. However, it is paramount to acknowledge that the JV is still a successful JV despite the cultural and relational difficulties faced. It advocates how important trust is to the JV that both parents are willing to continue despite these difficulties.

### **Case 13**

The Trust condition was the second highest valued condition behind the Relationship condition. Trust was scored very highly and consistently across the respondents. This JV is an example of how parents who have an existing and successful JV can then establish another JV based on the format of the original success. The respondents say that owing to the existing

trust, knowledge and relationship that developed over 20+ years of their first joint venture, there was an understanding that allowed the two parents to approach the new IJV openly and forgo all the usual pre contract uncertainties at not knowing the true intentions of your partner.

*We have been partners in our China JV for more than 15 years and so have all of the relevant processes, rules, firewalls etc but more importantly, there is a mutual trust. (C13MD-F)*

The trust established in the first JV allowed the parents to use this and expand their operation. This is evidence that not only can the presence of trust facilitate success in a JV but genuine parent-parent trust can also facilitate tangible business growth. The success of the new JV would certainly not have been as quick to appear had the parents not been working so closely for two decades. The pre contract phase where the finer details of the operation and contract are debated is a lengthy process of attrition for both parents but already having the faith and processes in place greatly facilitated the JV's creation.

*It's actually very difficult to have 100% protection of the information, but it depends a lot on how top management deals with this during the formation of the JV as well as its installation. Existing practices were transferred from China so it wasn't a big concern for the parents because the existing relationship avoided arguments that a new IJV has with new parents. (C13VP-JV)*

This JV also draws attention to the two types of trust that have been documented in previous cases. Having prior experience and trust allowed the parents to forgo the more structured forms of trust offered in the pre-contract phases and utilise the genuine parent-parent trust that existed. This demonstrates a preference for the latter form of trust that incorporates much stronger bonds than the contractual trust based on legal process.

### 6.2.2 Relationship

**RQ3: What relationship exists between trust, parent-JV relationship and long-term commitment in successful automotive IJVs?**

#### Case 1

The relationship condition was valued rather mediocrely by respondents, which is surprising given that the JV demonstrates a clear sign of the relationship having reached an advanced stage over the 16 years the JV has been in operation.

*An important factor that was important for JV was the OEM relationship of both the partners. The relationship does/will determine how long the JV operates and how much time and resources the parents commit to the JV. Not only is it the parent-parent relationship but the global relationships of the foreign parent are useful when they entered Indian market (C1GM-JV)*

Again, there is reference to the retraction of the expat community as a tangible representation of the JV's and parents development.

*Initially the head of operations was an expat and Program Management, Trim Development and Business operating systems all had foreign parent support. After the initial 2 to 3 years the relationship evolved and the JV learned, the business is now run 100 % by locally hired professionals (C1GM-F)*

The foreign partner's removal of staff indicates that the relationship between both parents is such that it has developed to a point where the foreign parent can leave the JV under local parent guidance. Furthermore, this demonstrates that the foreign parent trusts in the local parents abilities enough to support the judgements made on behalf of the JV. This is also demonstrated in the respondent's view of the equity playing a secondary role once the relationship had been established. The equity is a feature of the more formal contractual reliance phase in the early stages of the JV when there are greater levels of uncertainty.

*No specific reason so far for any change in ownership structure in favour of any one parent. It all depends on how they complement each other and leverage each other's strengths, this JV is good for that. The parents relationship can be strong enough that the ownership number is not important and only used for dividends. I think this JV has two parents that are very close and have a same understanding. (C1GM-JV)*

The JV also recognised the difference between the JV and parent-parent relationship. As with prior cases, the JV parents sought to establish a relationship with each other that allowed for any issues that may arise in the JV to be addressed outside the context of the JV without affecting the balance of the JV.

*The JV adopted an equal participation in the Board, but had a CEO who was not a member of the Board (No Voting rights). While the CEO presented the performance and put up resolutions to the Board, he was not a part of the voting. As a normal procedure, the CEO would discuss the agenda and resolutions with the window Director for both JV partners. The issues, if any, were resolved outside the Board and the formal meeting would discuss and agree what has already been discussed by the window directors (C1GM-F).*

This is a very important representation of the relationship, as it indicates that both parents can find solutions to issues without having to call upon the contract. As with Case 2, if this

relationship is not in place, then the negativity of any parent-parent interaction will most likely permeate through the JV and unbalance the operation through no fault of its own.

## Case 2

After the Trust and Commitment conditions, Relationship was scored third highest. Despite the JV being terminated for a break down in the eventual relationship of the parents, it is interesting to see such a high valuation attributed to Relationship. This may be suggestive that owing to the breakdown in the parent companies, the rest of the organisation saw the consequences and therefore places added value on the relationship if the JV is to work.

*I think the JV only lasted 5 years because of the parents, we were working with the foreign parent then we found a cuter girl in Korea and that caused problems for them. It's another critical thing in JVs, if you have a partner and things are working well you have to think about the impact on that relationship if you get into another one. (C2NB-F)*

Looking back at the JV it was noted that the relationship breakdown was a critical factor to the eventual demise of the JV.

*For the IJV to be successful, it had to operate as a separate business unit but with both parents participating in its management at the Board level. The parents needed a close working relationship to know the needs of the JV and actively contribute to solving problems. (C2CIO-F)*

Ultimately, this never truly happened but the respondent acknowledged that despite the eventual breakdown in the relationship, caused by a divergence in common goals for the JV, it was in fact a very successful relationship despite the termination and has carried on existing in multiple forms. The JV itself was an excellent means of transferring technology and offered both parents access to products otherwise too costly to pursue on without collaboration.

*The parent's relationship has allowed exchanges of knowledge that have helped to create new reference models starting with those in place. We tried to take the best of both parent companies, generating efficient financial and management processes with the possibility to adapt their to the local markets realities. The exchange of technology and culture has been the greatest benefit, allowed to deal with different cultures, different ways of doing things, ways of thinking and thus acquire a critical self-awareness and very open. Normally this is impossible with very large companies and multinationals. (C2CIO-F)*

As with any JV where the chief aim is the sharing of technology, the relationship needs to be as such that both parents feel they are getting equal returns and not being subjected to foul play. This is something the JV possessed.

*We had absolutely no possibility of having an unintentional knowledge transfer, we had more chance of success creating new investment together and develop new products together rather than look at who has given what and takes more. Everything we did we did together 50/50, that was the belief and resolve from the JV. There was no technology transferred unintentionally. (C2BDM-L)*

This further highlights that the JV itself was separate from the turmoil of the parent breakdown. This is reflected by all but one respondent regarding the autonomy of the JV as an essential condition for success. This autonomy allowed the JV relationship to develop and whilst the parent relationship may have deteriorated externally but the relationship inside the JV remained balanced and effective.

*It was dependant on how the parents built their relationship, I can tell you that all the decisions in the JV were discussed and agreed together, we had meetings from people from both sides and we had different committees that were there to raise issues where day by day operations were concerned and it was a very balanced strategy and the JV performed absolutely OK as a result. (C2BDM-L)*

### **Case 3**

*It seemed the JV was more people/relationship driven. Well functioning JVs can quickly change based on a few key roles changes/personality upheaval. Think "Leader casts a Shadow on Organization" for reference. (C3FM-F)*

### **Case 4**

The Relationship condition was consistently scored and high but owing to the complexities of the JV and the relational difficulties, was not as high as other conditions. The JV was established with two partners, and then a third was introduced and took a lead role in the technological development of the product. This added greater complexity to a relationship where the local parent already consists of a consortium of prominent businessmen. Despite the potential for the complexity of the parents to hinder the JV's performance, the relationship was in fact regarded a key part of ensuring the JV was a success.

*For us it was growth, we wanted to see the business grow in an emerging market over the long-term, obviously profitability yearly, that had to grow. The quality of the relationship*



*was important to making this happen because we wanted it to last long-term so we could and they still are making a ton of money on it. (C4RMM-F)*

The JV was recognised as being a success based on the softer relational aspects and the harder financial aspects too. The JV made financial returns for all parents and this was an objective of the JV but again it is noted that the relational aspects of the JV are fundamental to allowing the financial aspects to mature.

*It was a financial success for everyone but I think you would be selling it short if you were to only measure it that way. The other stuff is so intangible I don't know how you would measure it; I mean you can measure the annual return but having a presence in the region and the relationships with the government are just so critical, goodwill can't be measured that readily. (C4SBM-JV)*

The high valuation placed on the Relationship condition may be a feature of the middle-eastern market and the cultural requirements of doing business. Respondents identified the fiery nature of the local parent but identified this as more a cultural characteristic than a quality unique to that business.

*In terms of the success factors, we had board meeting every quarter where we would discuss it and that's where most of the fireworks would occur as a lot of the stuff would build up and get let out during those meetings. That's where you set the direction in those meetings and a lot of the board members ended up having dealerships that the foreign partner gave them. (C4RMM-F)*

The majority of respondent's form all cases liken a JV to that of a marriage and draw similarities to arguments and working together and respondents again drew this link in this JV. The heated board meetings were described more as a marriage disagreement than a conflict between two parties that are fundamentally different. The strength of the relationship that existed between the two parents was enough that these types of board meetings would not damage the relationship and allowed the parents to vent frustration or make their point known.

The importance of the JV and the relationship between the two parents was such that the foreign partner was willing to step back from the JV whilst still maintaining a vested interest. The foreign partner identified that, due to a contract requirement where the local partner sought specific managerial control of the JV, the relationship between the two could potentially suffer owing to foreseeable disagreements.

*No it was before that, we didn't want to be in it, we recognised the Saudis would have trouble in running the day to day operations and that would be difficult so we said we*

*don't want them running the plant and us being a part of it so we maintained the sales and marketing agreement and their job was solely manufacturing and then as a buffer we sold the 49% to another foreign partner. So it was our way of getting out of it without getting out of it, we maintained an equity position in regards to profit but sold our share of the plant. (C4RMM-F)*

It is evident that the JV was considered a success and too important to lose on the basis of parental disagreements, therefore in order to preserve the JV and the existing relationship between the two parents, the foreign parent thought it prudent involve a third technical parent who could work better with the local parent. Whilst the argument can be made that if the relationship was truly a critical aspect of the JVs success, then it would be for the parents to work through any disagreements together. However, it is equally representative of the relationships importance that a parent is willing to step back from the JV in order to preserve the thing that has been so important to the JV. A fundamental disagreement in the approach to managing the JV would not have been readily overcome and it is this drastic measure that indicates how important the preservation of the parental relationship is to the JV.

## **Case 5**

The Relationship condition was the third highest valued condition but that does not reflect the strength of the respondent belief as the two higher conditions were scored very highly. The idea of putting the JV first is something that all respondents touched upon. It is evident that this is a concept that parents wish to get across all areas of the business. Decisions are put through the view that is it good of IJV first and the parents second. The IJV is based upon the concept of togetherness created by the parents and its implementation can be seen in that each parent has representative's at all senior levels, so in fact there are two people for every role.

*One example, in the JV is there are both foreign and local managers that share the responsibilities of similar jobs, this I think is good, it forces the parents to work together, this is the type of mix I said was good for JVs, the close working together will create a good trust in the relationship and is one of the reasons why the JV is a success. (C5SC-C)*

Respondents said that this builds on the idea of team unity and brings the two parents closer together through the need to work together so closely. Not only does this allow personal trust bonds to develop within the JV but also it increases the faith in the counterpart as each other's abilities are monitored closely.

*The foreign partners approach is to work very closely with the partner and become invaluable in the relationship so that the partner and the government see them as the*

*OEM of choice. With the thought being that they keep bringing things to the table as we find them globally. They make the JV feel like they are part of the global GM team so that's it more difficult for them to think about stealing something or to think about walking away from this business and doing it themselves. (C5DD-JV)*

The closeness of the managements working relationship will inevitably forge close ties but it will also ensure that on a much larger scale, the parents become so interwoven and dependent upon each other that the idea of leaving or disassembling the JV would be unthinkable. Owing to the closeness of this relationship, there was a point where the local partner requested an additional equity share in the business that was less than 1% but would give the local partner control in regards to equity. This is something that a foreign parent

*That was something decided by the top management of both partners, I have no firsthand experience of why it happened, the local partner wanted it and the foreign gave it to them, it was more an act than anything I suspect, a way of strengthening the relationship with them and them feeling they need to have some level of control, as power is a much bigger concept in eastern culture than in the west. Having been in China for many years, my own feeling is that appearances and power structures are important in Chinese cultures and it as didn't represent any major change in strategy or how things operated it was only going to solidify our relationship with them. (C5MO-F)*

This request and acceptance is I believe a huge indication of the foreign partner's commitment to the JV and to the local partner. The foreign partner has relinquished the equity balance and placed themselves in the minor position. However, such is the strength of the relationship that the foreign partner was comfortable and assured enough that the local partner would not use this to influence the JV or impose their own style further. Respondents had not noticed any change in the JV pre or post equity transfer and considered it more a demonstration of faith and a way to develop the relationship.

Again the respondents identified the allocation of managerial positions to be based not on the equity position but on the parent's ability to sit down and agree who is best suited to the role based on their perceived ability.

*Yeah, what we typically found negotiating was that they had specific leadership positions that they were very interested in controlling and others that they were willing to negotiate on. There is a big difference between if they would outwardly go for a certain position and if they would die on their sword for it. One of the big ones they liked to control was HR, so all the hiring decisions are run past them. It's so important to strike that right balance, it's helpful to neither side if the relationship is unbalanced from the start. (C5MO-F)*

Similar to the foreign partner's relinquishment of equity, this method of allocating roles is a clear demonstration to the other partner that there is trust in the relationship. The ability to sit down and decide the managerial allocations without being dictated by the equity position is reflective of the open relationship between both parents. This relationship was noted as requiring constant attention from all those inside the JV in order to maintain a balance. However it was noted that the relationship was not only a critical feature of the JV management but also between the decision makers in the parents.

*That's why we have dialogue all the time with SAIC and at all levels, it's almost like they are partnering up even if we weren't joint venturing, our president has a good personal relationship with the president of the local parent, so there is dialogue all the time and of course the board make the final call on investment priorities and the board is equally split by both parents. (C5ED-F)*

The advantage to this genuine relationship is that both parties are aware of each other intentions and requirements from the JV and can work together to achieve common goals.

*There is a relationship over 20 years, this allows for both to develop together, I think it is probably recently that the local and foreign JV partners have had the biggest developments, this is because, as I said, because of trust in the relationship has grown and the foreign partner is willing to share more and they have grown and have a lot of resources such as experienced workers, money and government support. (C5SC-C)*

This is evidenced by the fact that the JV partners have recently engaged in another JV in another country as a means of advancing both parents electric vehicle technology.

*We have just announced with our partner that we will have a joint electric vehicle and battery programme, all we have done is build on our existing relationships and JVs to say we are going to jointly work on this and take the next step. (C5ED-F)*

This decision by the parents to establish a new IJV is representative of a relationship that intends to replicate the success of the first JV. Parents that have created a JV where the relationship is good enough to transplant their existing format to another country have created a successful JV. However, one respondent did outline that differences may still exist regardless of how close the parents appear as they will never truly have identical goals. It was noted that the parents must still be aware that just because the JV and parent relationship is working well, they must still continue to work closely, otherwise risk drifting apart.

*From a foreign parent view it is fair for them to think that the relationship is working closely enough, everyone is making money and the industry growing so this is good, but local parents may see more than the money, local parents are looking development and*

*capabilities, so a closer relationship will make this transfer better, that's not to say it isn't happening, but as I said, it can always be better. (C5SC-C)*

## **Case 6**

The Relationship condition was the second highest value after Trust but was not scored consistently by all respondents. There was a distinct variation between the parent company size and the respondent's view of how important the Relationship condition is. The larger parent viewed the idea of the relationship of average importance and just over the point of maximum ambiguity (0.5) whilst the smaller parents conversely viewed the relationship as the most important feature of establishing a successful IJV and scored Relationship the highest. The sizing of the parent business is likely to play a significant role in the respondent's valuation as again there is a differentiation that is attributable to sizing. The larger parent, who recognised one of the advantages of partnering with the local parent, was its agility and autonomy, views autonomy as a negative characteristic. Again, the smaller parent scored Autonomy as the second highest condition in achieving JV success.

Yet again the importance of the Parents relationship was highlighted as a crucial characteristic of the JV.

*The JV is personally supported by the foreign partner CEO of their driveline business who will become group CEO in 2012. This support from their most senior director and its board provides essential confidence to negotiate the JV as it adds credibility to the partner's relationship. (C6CFO-L)*

As indicated in Case 2, the lack of senior management support ultimately lead to the termination of an otherwise successfully operation JV. Again, another respondent has recognised the value in the support both parents can offer the JV. The relationship of both those inside the JV and the senior management of the parent companies is something that has shown a consistent prominence in the views of many respondents.

## **Case 7**

The Relationship condition was scored highly across respondents and was the second highest valued condition for JV success after the JV's operating environment. The JV has been

operating for 24 years, which is evident of a strong working relationship. However the respondents note that the relationship wanted something that was automatically a feature of the JV, it was the contrary. The post set up phase of the JV saw the foreign parent using a distant approach in regards to the JV and the local parent was happy to run the JV operationally.

*The local partners began to realise that they needed more help, the JV went through a period of really good personal relations between a number of people and that helped hugely. It developed over time rather than hitting the ground and it being there. It's far more of an involved relationship now than when the business started, there's much more involvement. It's the nature of the MNC, you need strong relationships to be able to push ahead with complicated interactions in China and other offices around the world. It's because of that the financials have grown tenfold to around \$250million. (C7PD-F)*

Once again, the intangibility of the Relationship condition is highlighted as a facilitator for the more tangible JV successes such as financial return. Initially the relationship was not seen as a critical feature of the JV and it was the requirement of growth that forced the two partners together. It is clear that whilst both partners were happy to have a more distant relationship in the early period of the JV, the returns and growth were not as large as when both decided to work together.

*The JV has been hugely successful in terms of its financial returns for both partners, so both partners are really quite happy to continue, in what some cases might have been a difficult setup and a lot of it was down to having a good personal relationship between the people involved. (C7PD-F)*

The intangibility of the relationship is again noted as being a difficult concept to define and particularly in determining its exact contribution to the JV. Despite this, the Relationship condition is once again noted as being a critical means to achieve JV success. The Relationship condition is of particular importance to this JV as it is based in China and is part of the manufacture and supply of parts that requires an extensive network of local contacts. It was recognised that the relationship was a critical aspect of the JV but it was made harder by the parents differing attitude to the workers they supplied.

*Local parent didn't change their team for long periods, the foreign parent would rotate their employees every couple of years so you had people with various strengths with how well they knew the local market and the JV, putting the foreign parent at a disadvantage. Quickly establishing a working relationship was so important. (C7D-JV)*

The foreign parent viewed the JV as an important part of its wider business but also as a means of developing internal talent at a JV that had long been established and would not

require extensive experience. Whilst this appears to reflect poorly on the respect the JV is given by the foreign parent it actually reflects positively. The foreign parent views the JV as a stable entity and feels comfortable assigning managers in order for them to gain experience rather than assigning managers that will have to use their experience to push the JV forward. It was noted that the downside to this was the foreign parents, it was not seen as the JV being let down by the calibre of the manager being sent. This again indicates the level of trust in the relationship that both parents have for each other that the local parent still trusts the foreign parent's judgement in worker allocation.

## Case 8

The Relationship condition was scored relatively highly but by no means an indication that the condition was viewed as critical to JV success, rather more that it is just important. The JV has been operating for a long time and this has most likely attributed to some of the more less than fervent scoring for the relationship. The JV has operated for 14 years and in that time the JV foreign parent has significantly scaled back its ex-pat presence as the local workforce has developed and absorbed the foreign partner's knowledge. The predominantly local workforce renders the need for relationship building a less significant feature of the JV than when it first established itself. Furthermore, the length of the JV's operations has ensured that practices and processes are very much established as part of the daily routine.

*the partner's relationship became increasingly intertwined due to the Western OEM taking a small equity acquisition position in the Asian OEM. It demonstrated the extent both partners were willing to go and as such, there was no significant issue regarding knowledge transfer as both partners had a vested interest in the JV and each other. (C8PV-JV)*

*Other than the partners not sharing a native language, they are highly conversant in a common language of this business, a product of their long-standing relationship. That is, they measure the same things and judge success similarly. (C8PV-JV)*

Again the notion of two distinct relationships has been noted. The JV itself has developed its relationship through the workers but the parents have also developed their relationship outside the JV.

*Very important in the JV but it can be a struggle sometimes. Due to political pressures, the key is to develop the relationships inside the JV and let the parents handle the "trust" issues outside of it, this way it allows the JV to perform. (C8AM-F)*

The separation of the two types of relationship is again seen as very important. The parent's external relationship allows the JV to operate freely without the negative effects of any parent disputes. This type of parent relationship is a reflection on how the two parents feel they can address matters concerning the JV without the need to use contractual frameworks, instead using the informality of their working relationship.

*I think the JV was well managed and leadership was shared 50/50. Since this JV was part of a much larger collaboration between the partners, any issues between the JV partners were usually addressed outside of the JV. I don't think that it's something you could really do if there wasn't that degree of closeness between the two, it would need to be more official or structured. (C8PV-JV)*

It was noted by a respondent that there were times when the pressures of their original parent were acting against the interest of the JV and it was for the JV management to ensure a balance was maintained.

*It's the general manager meeting with the local partners and just ensuring all are treated equal. There are times when I tell my company they are wrong that we shouldn't do this and we are not going to do this, others say that well who do you get your pay check from, you should listen to them, but it doesn't matter, it's a JV company, what's good for one parent may be just as good for the JV and the other parent. (C8PM-F).*

This is identical to case 5 where the two parents established the JV on the basis that the JV is the priority and should come before the parent's personal desires. The difference in this JV is that view is not so firmly established in the framework of the JV and it is for the JV management to act as the balance of power. This places great emphasis on the candidate proposed for the job to remain impartial without showing favouritism to either parent's at the expense of the other.

*The relationship here has grown with the JV and there's a well defined JV agreement defining the responsibilities that each partner would bring during the JV. The board of directors, if there was anything, would look to resolve it very quickly, sometimes things were anticipated and parents dealt with an issue outside the JV before it began to affect the JV itself. (C8AM-F)*

## **Case 9**

The Relationship condition was valued relatively highly after Trust and Commitment conditions. This is because the JV was established by four parents, one of which had serious issues with trust that subsequently affected the relationship negatively. The JV was established through a communal need between three OEM parents but only two maintained a



working relationship. The parents were competitors so there was always going to be potential for distrust and uneasy relationships and that is why a fourth parent was brought in to manage the JV. This allowed the other parents to focus on creating joint strategic plans.

Many cases have noted the differentiation between the relationships within the JV and the relationship between parents, yet this JV sought to bring the two relationships together to a much closer extent than other cases.

*The by-laws and the governance structure assure that there is equal say and control, but it's not ideal if you have to rely on those. The board works closely with the JV management on strategy and direction so the partners and JV can establish an effective working relationship. (C9CB-L)*

This belief in the closeness of the working relationship between all parties is confirmed by the respondent's low scoring of the Autonomy condition. The two conditions reinforce the approach the parents have for the JV. The close relationship will require constant interaction between all parties in regards to strategy and direction, which is not suited to an autonomous JV, hence the low regard for Autonomy in making this JV a success.

## **Case 10**

The Relationship condition was the third highest condition behind Trust and Commitment and was consistently scored highly. The JV has been operating for 16 years and has developed a strong bond over that time. Once again the parents have used the relationship that exists between them to allocate the management positions within the JV. Allocations are decided between the parents after agreeing who has the stronger skill set to deal with that specific area

*I think the day to day controls depend on where the issue/item is located. Growth targets are set at the board level and the management is left to the employees within the JV. A partner with expertise in a certain area would take the lead in decisions and play a controlling role in dealing with the issue as seen fit – for example, the local partner is using its marketing channels, so it takes the lead with commercial negotiations and pricing. It's common sense, we have a decent enough relationship with our partner in order for this to work, it could be a different story with less cohesive relationships. (C10PP-L)*

The respondents note how this approach is largely dependent on the quality of the relationship parents have. The parents established early in the JV that the closeness of the relationship was a key part of the JV and parent relationship.

*It's all done jointly, success has to be defined by both parents so that was something that was established at the front end and the monitored by the board, and it is something that is very much a joint activity. That goes back to the win-win principle, if it's not then one parent is going to be justifiable upset and will want to change things. (C10ED-L)*

The idea the JV is a joint activity by both parents is identified as being linked to the JV's purpose. The JV is not set up as a profit making entity but as a means for both parents to combine their technologies and produce a single product that is then sold back to both parents at almost cost value with just enough profit to cover the JV's overheads.

*What we were looking for was to provide our partner with technology and win more business with them as a result and increase the switching costs, their incentives was to get access to engine technology because that was our bread and butter and we were ahead of them, that hasn't changed and both partners are happy where we are, both parents appreciate that we like the relationship we have with the other parent and are still fulfilling the original incentives together. (C10ED-L)*

Because the JV is a supply JV based on mutual technologies, this requires the parents to work closely on the combination of technologies as well as the belief that neither parent is benefiting more than another. The relationship is critical in any JV that is dependent on the openness of technology sharing.

*It's because both parents feel they can share any information that makes the JV and them stronger as a whole. One way we look to develop this is by encouraging personnel development between both partners, they both provide people in a JV whereby they are trained in CMI practices and principles. (C10EL-JV)*

The JV understands that the sharing of technology and joint development of products is the very essence of its business and this is achieved by the parents having a strong relationship in order they can work together. The Idea of the JV developing staff is a way to ensure a balance and that the parents can work together knowing their staff are taught the same/know the same etc. This idea of working together is further represented through the 'relationship people' both parents supply.

*We both have designated relationship people what we call 'window-people', Komatsu has one and Cummins has one, and the majority of communications flow through these nodes so they are both aware of what is going on in the relationship and if it looks like things are out of balance or being duplicated they can be quickly identified and make adjustments, so that's another important element in the relationship, to make sure that somebody has visibility to everything that is going on, especially when you have three JVs and other promotional activities going on. (C10ED-L)*

This is a tangible product of parents who want to ensure their relationship is monitored and can be seen by the JV. This is an example of highlighting how the relationship can positively affect the JV, the converse to Case 2 where the breakdown negatively affected the JV.

*We invest time in physically being in the same place as often as we can so we can work on that relationship and have activities together, like play golf together, dinners so we can build them. Things go more smoothly when you can focus on the task at hand without getting emotions involved and trying to figure out who is sitting across from the table because we already know. (C10EL-JV)*

Again, the relationship is viewed as an almost tangible feature of the JV, with parents investing time beyond the normal working hours. It was noted that the relationship is particularly strong in the JV because the workers have developed their relationship outside the work environment and can approach discussion in a more open and relaxed manner. Again the distinction is made between the internal and external relationship and the external relationship as a means to help facilitate the relationship inside the JV.

## **Case 11**

Whilst both Trust and Commitment conditions were scored relatively highly, the Relationship condition was scored consistently less so across all respondents. The JV is particularly susceptible to cultural influences and this is certainly a factor for the relationship being both seen as a less than critical aspect but it also requiring a lot more to bring the parents to the point where the relationship possesses genuine trust.

*There is also a factor we don't like to admit because we like to feel that we are an organisation based on facts and results but because the relationship was so ingenuous we felt good about the success the JV has. (C11SM-JV)*

The two parent nations have arguably one of the tensest relationships in the world and the cultural condition of their peoples has been carried into the JV. Despite the nervous approach to the relationship, it was still regarded as a requirement if the JV was to succeed. This was based not a genuine intention to become friendly partners but noted as being simply a requirement of the business environment and a requisite of JV success. It was this understanding that showed yet again that there is a distinction between the formal contract structure and the parent's relationship and how effective they are.

*While the other partner has so called management control, all critical strategic and operational decisions are made at the Board of Directors level and require consensus from both major shareholders, so the relationship is as important if not more important than the contract. (C11CFO-F)*

Again, there is the notion that the relationship between the parents is arguably more important than the contract. It is noted that the reliance on the contract and its formal structures is characteristic of the early JV phase, particularly before the relationship has time to develop.

*My experience has been that when the JV contract was negotiated and you're in those initial negotiations with your partner there is a lot of emphasis on the corporate culture to focus on the JV contract and that's a very western public corporation view of how the JV works, make sure the JV contract has the legal right to allow you to control the JV, particularly if your interest in 50/50 or majority control. In fact that is a very short-term western view of how these would function, particularly when a western firm is operating in a country where the rule of law is not so strictly upheld. You need to be able to work with your partner and that all comes down to how you can build a relationship, not legality. (C11CFO-F)*

The fact this was identified was a large part in overcoming the cultural difficulties and what has pushed the JV to be an important player in the local market.

### **Case 13**

The Relationship condition was scored extremely high with nearly a full score from respondents. It was unsurprising that the JV placed such emphasis on the relationship, as this is a JV to be established from the success of a previous JV. The original JV is hugely successful and the methods and approach to this JV have been transferred in identical format to this JV. The JV has already the assurance from the parents that they are committed to each other and the JV with demonstrable results in the existing JV.

*Many cases of unsuccessful JVs happen because the companies were just looking for immediate "solutions" instead of searching for a long-term partner sharing similar views. This JV was created on the basis of the latter, the parents already shared an established relationship and knew they could work together, it why it has developed so rapidly. (C13VP-JV)*

The respondents stated that owing to the existing trust, knowledge and relationship that have developed over 20+ years of the first joint venture, there was an understanding that allowed

the two parents to approach the new IJV without having to navigate the early phases of the JV that have been so often identified as having a reliance on the formal structures of the contract.

*50/50 and that is how it operates but that isn't everything. The CEOs were friends and the JV's direction is from top down, they said they were dedicated to this and everyone involved is going to be loyal to the JV, so they prevented some of the discussions about which side of the world are you loyal to, or which side do you defer to in setting up quality assurance, design and manufacturing. (C13MD-F)*

### 6.2.3 Commitment

**RQ3: What relationship exists between trust, parent-JV relationship and long-term commitment in successful automotive IJVs?**

#### Case 1

After the Trust condition, Commitment was the second highest valued condition with a consistent scoring across all respondents demonstrating a strong conformity in how all parties view Commitment in the JV. The large financial returns generated by this JV were directly attributed the parent's commitment to the JV.

*The JV adopted a model of high sale to investment and was able to generate a profit of 5% on sale, which was a very high return on investment. This coupled with its ability to repay the borrowings during the initial 10 years and the JV partners not taking any dividend, facilitated early repayment of loans. Without any further investment from the partners the JV has been able to grow to a turnover of 30 times the initial investment over the last two decades. It is the long-term vision of both partners that permitted this growth, it would not be possible if it was a short term JV or if parents wanted big dividends quickly. (CS1GM-F)*

Whilst the long-term commitment allows the business to grow, it was noted that without entering the JV with a strong commitment, it would be unlikely that the JV would be in a place to grow.

*It is very important for the JV that the parent companies have a long-term business Interest. Otherwise, the business would have started already in a doubtful condition. A long-term interest leads both parent companies to set the necessary resources to make the business successful. I have lived in JVs where the commitment initially seemed high, but as soon as there was a change in one of the parent companies' board this commitment changed and led to the dissolution of the JV. (C1VP-JV)*

A commitment at the start of the JV did not necessarily ensure that this commitment would remain, it was something that had to be seen as a presence within the JV. The JV is driven by the workers inside and they are in turn motivated by the parents, so the parents recognised that an outward display of genuine commitment to each other and the JV was necessary.

*It is very important to the JV, as the employees feel secure in the JV when they see this commitment from both Partners. If there was limited commitment from the Partners then this would have a negative effect on the employees and the JV would suffer because where is the motivation to develop the JV when it isn't seen as a priority for the Partners? You can see in this JV how the workforce is committed to developing the JV by the continual profitable growth, it wouldn't be possible with a workforce that isn't committed. (C1GM-JV)*

This identifies commitment to operate in two areas, between the parents and inside the JV, similar to the Relationship condition. Again there is this recognition of the two types of relationship that exist and how they both influence the JV. The parents need to be committed to each other to establish a JV with adequate motivation and the workers need to be motivated by parents who they can see committed to the JV. Without the latter, the workers in the JV would have had no motivation to help grow the JV. However, it was highlighted that commitment does not necessarily ensure the JV's existence forever, and whilst it is regarded as a condition that will help generate success, it cannot guarantee longevity.

*Yes, the duration of the JV is a sure sign of how well the JV is working. But even for JVs which have been successful for a long time, there comes a time when both partners question the need for the JV, but the best JVs will be able to delay this for as long as the market or their product can allow. (C1GM-JV)*

## **Case 2**

The Commitment condition was the third highest scored condition behind Trust and Relationship and was consistently valued so. This is particularly interesting as the JV was prematurely terminated after 5 years despite being a well performing business.

*No, it's time does not show how successful it was and could have been, it has been pity that the JV has been dissolved after 5 years. There is still continued collaboration between the parents, but obviously there are different requirements and interests. I think that if they continued working closely and improving the relationship for another 3-4 years the JV would have better consolidated and strengthened its market presence. (C2CIO-F)*

This suggests that the termination of a JV is not always linked to the commitment inside the JV. It was noted that there is the parent commitment to each other and the commitment to the JV. In this case, the commitment to the JV was strong and both parents helped grow the JV and shared valuable technology but the difficulty came when the parent's commitment to each other began to deteriorate. Despite the parents not demonstrating an eventual commitment to the JV, nonetheless there was commitment throughout the 5 years it was operational. Again it is noted that the JV workforce needs to see a demonstrable commitment from the parents to the JV.

*Very important – especially for the workers and managers inside the JVs. It was an important sign that the JV was being kept and the parent companies were keeping them in priority. Yes, duration can define how successful a JV is. (C2PM-F)*

#### **Case 4**

The JV was established with the express intent to save the foreign partner manufacturing and transportation costs from the home market. It was financially motivated and remains hugely profitable. Despite the immediate financial goals, the JV remained an ongoing partnership.

*Profit wise it was a three year payback for the local partners 51%, whatever we put in we had to be able to make back over three years and we did, it was successful for that. The long-term relationship speaks to the non-equity point, it's been running now for 14 or 15 years (C4RMM-F)*

The commitment to the JV can be demonstrated with the foreign parent's decision to remain involved with the JV despite going through a management control change outlined in the contract where the local parent takes control of the JV's operations. The foreign parent voiced their concerns and did not think the local partner was suitably equipped to manage the JV but rather than pulling out of the JV all together, they included a third technical partner to balance to add security.

#### **Case 5**

The Commitment condition was scored third after the Trust and Relationship conditions. This was not because it was a low score, it was the particularly high scores for the other conditions. Commitment was scored consistently high across all respondents due to the JV establishing a mandate that particularly stresses both parents looking to establish long-term ties in China.

The JV is the best example of both parents being completely committed to the JV and this is seen through the ethos that exists inside the JV. The parents both established a framework that is built around the JV coming first and the personal objectives of the parents second.

*I mean, coming back to and we talk about this a lot, saying the JV first has been a huge factor because then the JV has to be successful and you have to let it run on its own. That might be one that if you talk to other folks that could be transplantable to other situations around the world. You're seconded to the JV, so you have to put yourself in that mindset of the JV and not the parent first. (C5ED-F)*

This idea of the JV first is reflected in the high autonomy value given by respondents. The respondents noted that workers from both the foreign and local parents are seconded and given new contracts to the JV that supersede the original parent worker contracts. This was aimed at establishing an immediate bond with the JV so as to reaffirm the idea of putting the JV first above any parental objectives.

*There is something, and I'll use a Chinese word in terms of harmonious working together, Guanxi that's the JV first kind of thing, if you don't have that, just because you have a hot product that you bring in let's say from Europe and you bring it in and it sells well, that kind of thing, you might get for a year or two some great market share and money, but if you're not long-term both looking out for the benefit of the IJV as opposed to either side, you're out of balance and very difficult for long-term success. (C5DD-JV)*

It is important to recognise that the strong growth of the Chinese market and the strength of a product will not automatically create success, the intangibility of the relationship and the vision of long-term commitment are seen as key facilitating factors that bring all the other characteristics together. The respondents stressed the long-term vision for the JV was critical, particularly given the nature of the Chinese market.

*Well, I mean you really need to consider all of it, the Chinese society as a whole thinks very long-term, so the better you can think long-term the better the JV will be. You have to think that you are investing in this for the long-term, I know that there is going to be long sustained growth and that's how you need to look at it and then invest accordingly. (C5ED-F)*

Whilst the commitment to the partner can be an intangible aspect to the JV, there are also demonstrable characteristics that reflect the parent's commitment. The commitment is not just in the ethos of the JV but can be seen in the tangible projects that the parents have established.

*The foreign parent, they wanted to do something here in China, they considered the next 10 or 20 years later, so the local government think we need to establish a local R&D centre here instead of just having the components assembled here, so they done two things, firstly they set up a 50/50 IJV with the local partner, they also established an*



*R&D centre here, something the Chinese government likes to see and actually this grows very fast over the last 3 years and I don't think it's the most advanced but it is the most experienced R&D centre in China. (C5SC-C)*

The research centre is an outward commitment by both parents to each and identifies the foreign parent's intentions of committing long-term. This is not only a favourable feature for the JV but is a positive sign to the Chinese government who can look favourably upon the foreign parent and the JV. However, the creation of a joint research and development centre is a twofold demonstration of commitment by the parents.

*Both parents, they signed an agreement to have an R&D centre here, this is one of the first, it is a sign of commitment from the foreign partner to the Chinese market, commitment for how they have a long-term plan and commitment for how they are more open to share their technology within China. This is good because the R&D centre, will create advance technology together, with both parents. (C5SC-C)*

Arguably, a bigger sign of commitment by the foreign parent is the open sharing of technology in the local market. The foreign parent who is significantly more advanced technologically, has fully committed their future technological developments with the local parents in the local market. Furthermore, the research centre is specifically targeting the electric vehicle segment that is considered the future of the automotive industry. This is a huge commitment from both parents, especially the foreign, to the JV and to each other. The openness of the foreign partner is noted as being a reflection of the commitment they show to the local parent and to the local market.

*To show your long-term commitment to the long-term IJV relationship and opportunities you need to share that to some extent over time. So I think the company that understands this and has a good commitment to this market, not just in terms of making money, but works with the Chinese consumers has a good chance of success. The foreign parent is another good example, they are probably even more open than VW I would say, VW is German and the foreign aren't is American and the culture is quite different, so, in China we talk about openness and reforms but as a global player you should be open as well and not have the idea that I just want to make money and nothing else, that way will absolutely not work. (C5SC-C)*

However, it was noted that the parent's commitment to the JV did not automatically ensure the JV would grow over time. There was a balance to strike between entering the JV with a committed outlook and failing to appreciate the importance of establishing a profit as quickly as possible.

I think a lot of mistakes people make when they go into IJVs in China is, they are there for the long-term and they don't care if they don't make a profit immediately because

after 10 years we will, well the reality is that the landscape can change with the stroke of a pen in Beijing so you have to structure your IJV to be profitable as *early as possible and drag it out as long as you can. It's great to be long-term focused and you need to say all those things but the reality is that if you structure your IJV to be a loser from the beginning in the hope it will be a winner in 10 years you won't make it to the 10 year mark. You have to make sure the business model works in the short term.* (C5MO-F)

## Case 6

The Commitment condition was scored relatively highly but there was a mild divide between the respondents. The JV consists of a large global parent and a much smaller technology parent and it was the latter than had more fervour for Commitment. This is not to say that the larger parent lacked the appreciation of commitment to the JV, it was overshadowed by the strength of the smaller parents conviction.

*Critical. We provide long-term solutions for its customers and hence demand that the partner meets those commitments. Thus we have demanded a long-term relationship and require an ongoing automotive IP to meet their and their customer's, requirements. Similarly the partner has a long-term commitment to deliver new and innovative IP to us – and need the JV to accept and adopt technology in the long-term.* (C6CFO-L)

The technology parent is far more dependent upon the JV and this is noted in demanding a commitment from their partner. The smaller parent is entirely focused on the JV and the success of the parent company is heavily linked to the development of the JV. The foreign parent however is a multinational and have numerous JVs around the world. Whilst this alone is not suggestive that the foreign parent will be less committed, it does mean that the foreign parents overall success is less dependent on the JV.

Whilst the parent size may have an influencing affect on their commitment, the nature of the JV is very important to how both parents view commitment. The JV is a technology JV with the local parent developing existing products of the foreign parent.

*If you're going to do anything radically different, which this JV is, we are looking into the future of the battery market, then you need think and have planned for the next four ahead of wherever you are now. This is necessary for the JV to plan and know the path it's following but also to allow the customer to come to terms with what you're offering. We have to be talking about the seriously long-term just to be operating in the industry. But technology changes so much over the course of a decade that you can't accurately predict what will happen, it's a best guess approach, so you have to plan strategically for the 10 year plan but can plan with relative accuracy the 4 year plan for technology. Where you're not thinking over these type of lengths then you're really not planning for the current business cycle and the JV will falter.* (C6GM-JV)

The nature of the JV demands a long commitment from both parents. This view is echoed in the previous case where both parents sought to create a research centre to look in to the same area of the industry as this JV.

*Yes, it must operate in the long-term to be successful as the Electric Vehicle market is a long-term proposition, you can't expect to see a return from the ongoing investment over the short term. The Electric Vehicle automotive sector is a long-term market (despite the substantial activity in the sector, returns are a few years off). Hence the benchmarks are strategic rather than short term financial returns. (C6CFO-L)*

The respondent identified that the nature of the industry forces parents to look long-term and this in turn can affect the more tangible parameters of success such as profit or return on investment. The JV understands that in order for the JV to succeed there is a commitment requirement, both in terms of the ongoing financial support and with support.

## **Case 7**

The Commitment condition was scored consistently high by all respondents and was the fourth highest condition. This is not a reflection on the respondent's weak support but more on their advocacy for the Trust and Relationship conditions that were scored extremely highly. This JV is the longest established JV of all the cases, spanning 24 years of operation and demonstrating the longest outward commitment of all other cases.

*I would think so, the longer the JV goes on for it would probably suggest the longer the partners are happy to work with each other, take this JV, that's been around nearly 25 years, must be doing something right for it last that long. (C7PD-F)*

The JV is committed with both physical and relational characteristics. Firstly, with a working relationship of over two decades, both parents are fully aware of the other parent's intentions and will have developed a genuine bond that allows both parents to freely commit to the JV. The JV has established nearly thirty supplier deals that operate on an exclusivity basis. This is an important indication of the commitment shown by the JV as the companies that the JV is supplying are OEM's that have required reassurance from the JV that there is an ongoing commitment. For OEM's to interact with a supplier on an exclusivity basis is concentrating a large portion of their business into one company, so it's that company that has to guarantee that they will be a going concern for the foreseeable future and that is demonstrated by the commitment both parents offer the JV.

In addition to a business commitment, the JV has demonstrated a commitment through a more tangible means. The parents have established a technical centre that is designed to train new staff and explore how existing products can be improved. Furthermore, a research and development centre has been built by the JV to look at the next generation of products for the local market. Similar to case 5, this is a huge commitment for both parents to link products that are going to be the future of the industry. With a further 5 manufacturing bases in China, the JV has demonstrated beyond question that there is a financial commitment through the creation of additional hubs, a relational commitment through the 24 years of partnership and a personal commitment through the decision to unite future key products under a single research and development centre.

## Case 8

The Commitment condition was scored extremely high by all but one of the respondents and was the second highest valued condition after Trust by a very small margin.

Respondents were quick to identify commitment as financial terms, with the parent's offerings reflecting the extent of the parent's commitment to the JV.

*In the case of this JV, it is very important. Investments in auto manufacturing facilities are billion dollar investments and, as such, they require decades of operation in order to recover the invested capital and make a return on investment. Without a long-term commitment, this JV would surely have been a failure. (C8PV-JV)*

In addition to the initial start up costs and manufacturing costs, the parents have invested an additional \$350million in the further development of the JV, signifying that the JV is a long-term commitment to both parents. The commitment to this JV can partly be seen to be a consequence of the large financial investments made by both parents.

*Has to be a long-term business model otherwise it wouldn't have been worth the effort. It's just like a marriage. Intended for the long-term, hard work at times and if it ends in divorce then both sides lose. (C8DM-F)*

Again, there is the idea that the JV is like a marriage and that a long-term commitment is vital to its ongoing success. The association of the JVs to a marriage is a common analogy that respondents use and is quite an accurate representation. Yet another reoccurrence was the recognition that the JV had to constantly be looking ahead of the current business cycle to anticipate what is ahead.

*The JV had to know what the cycle plan was, no matter what you might be making in the JV, so a vision of ten years, in 2 to 3 cycles helped establish if it is successful or not. You have to structure your commitment otherwise it can feel a bit ad hoc, no cycle plan can create uncertainty in the JV. (C8AM-F)*

The automotive industry was recognised as a long-term environment and the JV has to plan for the longer term. The respondents low scoring of Autonomy identifies the heavy involvement of both parents and when viewed against the JV's long life cycle, this highlights how committed both parents are to the JV.

## **Case 9**

The Commitment condition was joint second after the trust condition and was scored very highly by nearly all of the respondents. There is an issue surrounding commitment that changes dependent upon how you perceive it. When looking at the IJV as a whole there is an evident sign of commitment from the parents owing to the eleven-year duration. However, one of the four parents was never completely trusting of the other partners and consequently never fully committed to the JV.

*The official statements were all that it was a long-term venture. The fact that it was actually, in the case of one partner, who eventually left a few years ago because of the bankruptcy they were forced to sell their shares, there were people on the inside that recognised that JVs don't last forever and it was a question of when it would be absorbed into one of the automakers or sold to a private company, but neither of those things have happened yet and the JV is still going now after nearly 11 years. (C9VP-JV)*

Unsurprisingly the parent's who was the least committed was perceived as the parents who got the smallest returns from it. Despite the negative approach of one of the founding OEM parents and the understanding that JVs do not endure indefinitely, the three other parents have remained committed to the JV and seen it grow into a hugely successful operation.

The parent's commitment can be seen to be generated predominantly through a need to overcome a problem that all three OEM parents shared. This could be arguably a stronger reason to commit than just a commitment for the sake of sustaining the JV. The JV was a calculated response to a parts supply chain problem and the need for the JV is a strong reason for the JV's continued existence.

*The long-term view is very important. The parent's would not like to see this JV become independent because the fear of disintermediation would return which is why this JV was*

*formed. Without a long-term view, the whole JV effort would be a waste of time, it would have only delayed the original problem, the reason the JV was established, from reappearing. (C9CB-L)*

The JV was established due to the nature of the fragmented supply chain that existed and if the JV was to terminate, the exact same scenario would reappear as before the JV was established. This therefore is not a need that the parents happen to have at a specific point in time that can change in the immediate future, the fragmented nature of the supply chain will always return if the JV is to end and this is a fundamental source of the parent's commitment to the JV. A genuine commitment to the JV is established through the necessity of the JV to exist.

## **Case 10**

The Commitment condition was scored exceptionally highly and consistently across all respondents with near full scores. Respondents noted that the commitment to the JV was largely based once again in the nature of the JV and its operating purpose. The JV is a technological JV and requires the close working together of both parents in order to combine the strengths that both offer.

*A long-term commitment to the JV is very important because a lot of delicate information is shared between the two parties in order to succeed. (C10EL-JV)*

*Absolutely! The capital investment and intellectual property shared by both partners is such that it becomes a very high risk if the partnership were to be only for a short term. The JV needs to be a long-term venture, if only at its simplest form to justify the investment. (C10DM-L)*

Previous cases have noted that additional financial contributions to JVs have only been forthcoming as a result of the commitment both parents have demonstrated. Once both parents are assured of the commitment from the other parents then projects such as research centres will be forthcoming to facilitate JV growth. The respondent again notes that the commitment from the JV is closely linked to the financial contributions and parental offerings to the JV.

*Absolutely essential. Strategic leadership and patience is a must because it affects how well the JV performs, I mean there are successful short term JV's but if you know it's limited you will organise the whole thing differently and keep resources and activities in the same field outside the IJV because you have to be prepared for the case after the JV,*

*but in our case both partners put all their activities into this JV there is no shadow JV. (C10PP-L)*

The respondent established a link between the parent's contributions to the JV and the commitment they are both willing to show. However, these are not immediate contributions that suddenly appear on the first day of the JV's conception, rather it is a gradual process that builds up over time. In this instance the JV is a technology and product development JV and the key contribution to the JV other than finance to allow the JV to operate, is technology and product knowledge.

*Extremely. We went into the partnership for a strategic position that comes from synergies that we share. These take time to develop and mature, and it took time for the JV to figure out how it is going to work and deal with growth/change. It also took time to realize the financial objectives of both partners. A long-term view is certainly needed if you are going to enter a JV that is mutually beneficial to both. (C10EL-JV)*

Again, it was noted that the commitment to the JV is born from the strategic purpose from which it was created. The long-term commitment of the parents is viewed as a necessary means for ensuring that the chief objectives of the JV can be achieved.

*No it was a long-term venture, when we initially started discussion with them, we hoped we could help them out from being in that particular engine business, that clearly never happened and was never their intent, they had some products that we could help with, they had some products that we could use to fill a gap and so it became a mutually beneficial long-term arrangement so we would continue to develop these products and further generations whilst working together. I can't think of a single JV that we have gone into with short term objectives, all our JVs have had long-term objectives. (C10ED-L)*

Yet again the JV has been likened to a marriage, a recurrent theme through many cases. The analogy to the marriage is used in order to represent the long-term commitment to people or parents companies make to each other, whilst also acknowledging that it is not always going to be an easy relationship.

*Sometimes, it's like a marriage, you don't always agree on everything you always have spats but you get over it because you know your committed to each other long-term and overall it's one little issue and you know you are better off together than you are apart. (C10ED-L)*

## Case 11

The Commitment condition was scored highly and was the third highest valued condition after Trust and Financial. There was a consistency across all respondents. The JV is a relationship between two parents that somewhat distrustful of each other in a market that is large but very centralised. The JV was the first of its kind and a tentative agreement between to parents but the JV agreement was structured in a way that ensured parents had the highest possible vested interest.

*The local parent is also the main supplier to JV, so long-term supply commitments are very important to the JV. The closeness of the JV to the parent ensures there is a vested interest from the parent, the closer the connection the better it is for the JV (C11SM-JV).*

The JV sought to establish links between parents based on the necessity of the business rather than the parent's relationship, a condition that received a distinctly average score. As noted in case 5, the demonstration of a parent's commitment does not ensure continual support or patience.

*Very important. We saw potential, so long-term commitment was and is necessary but we couldn't wait forever for acceptable returns to justify our investment, so there are some limitations. This is different between partners and depends upon the partner's ability to bear bad news from the JV. (C11CF-F)*

The JV was established as a profit making entity and despite the parents seeing the advantages of a long-term commitment, this does not excuse a failure to provide a return on investment. This understanding was particularly relevant to the JV as the third parent, albeit a silent parent, was a major European bank who operated within a very strict set of financial parameters. Failure to comply to the demands of the loan used to help fund the JV would jeopardise the potential for future investment. Therefore, the JV has had to strike a balance between the immediate financial returns to placate the OEM parents and European bank but also think strategically far enough ahead.

## Case 13

The Commitment condition was scored very high by all respondents and was equal second with Trust, behind the Relationship and management conditions, which have a near full score. It was noted that because the JV is a replica of a very successful existing JV between the



parents, that there would be an easy replication of the existing bonds and this would allow both parents to commit to the JV without dealing with the unknowns of a new parent.

*Over the past decade, the partners have created one of the world's most successful automotive industry partnerships. Both companies felt this was the proper time to deepen cooperation beyond China's borders in order to enhance our partnership as part of our individual companies' long-term growth strategies. (C13VP-F)*

The JV has been established as part of a joint strategy plan of the parents. In tying the two parent's strategies together the JV is the demonstration of where both parents are heading and the commitment is seen in the very existence of the JV. As well as the pre-existing relationship being an influential factor in the ease at which this JV can look to long-term commitments, the nature of the business also denotes how the JV must demonstrate a commitment.

*Yes, in our JV business things like product programme introductions take time and so there has to be more to see from the JV yet. It's the long game both parents are interested in, it would have worked without it. (C13MD-F)*

The creation of the JV is in itself a reflection of the parent's commitment to each other through their joint strategy. Yet the JV needs commitment from the parents in order to carry out its proposed objectives as the industry requires long-term business cycles.

*It is very important to the JV, for two reasons, we are in an emerging market and as it often is, this requires large investment into the long-term growth plans with the expectation of not so immediate returns. Also, this will only work if both partners have the same outlook, something that we share with our partner. (C13MD-F)*

The common goals of the parents are noted as being a key means with which to ensure the parents commitment to the JV. As long as both parents are focused on the same goals then both parents will be committed. This JV is the product of the parent's common goals and commitment to the JV is a reflection of their shared goals. Yet again, it is noted that a commitment to the JV is the means through which subsequent resources can be allocated. The shared goals of the parents have allowed them to establish long-term strategies and coupled with a long-standing relationship both parents can commit sizeable resources to the JV.

It's critical. Otherwise the JV would have started already in a doubtful condition. Long-term commitments have lead both parent companies to set the necessary resources to make the business successful. I have lived in JVs where the commitment initially seemed high, but as soon as there was a change in one of the parent companies' board this

commitment changed and led to the dissolution of the JV. That's not the case in this JV as there's a long history between the parents. (C13VP-JV)

### **6.3. Qualitative Results - Summary**

**RQ2: How do parents of automotive IJVs try to assert control over the IJV? Is it specific or complete control?**

**RQ3: What relationship exists between trust, parent-JV relationship and long-term commitment in successful automotive IJVs?**

Trust was by far the highest valued condition for the JV and was consistently the highest scored condition. Nearly all respondents declared that JV success would not be possible or would not be able to achieve what is expected of it if there was no trust between the parties involved. Respondents viewed Trust being the initial condition that multiple business functions develop from. Respondents noted how the parent interactions, asset contributions and management decisions were all grounded in trust.

Trust was seen to originate from two key areas, the JV contract and as a development of the parent relationship. Respondents initially viewed trust to be based on the strength of the contract and the preceding research that helped determine partner selection. Respondents identified Trust when referring to a holistic description of a JV but when a specific notion such as IP theft or bad practice was discussed, it was largely their view that the contract supplied the best means of protection. This is not to categorise Trust as superfluous but western respondent's in particular stressed the advantages of the contracts protection over Trust. However, as the relationship developed, respondents noted that the reliance on the contract appeared to decrease as it is gradually replaced with a personal and genuine trust between the partners. It is the latter form of trust that was also seen as a key facilitator to further JV expansion, asset creation and additional JVs. The cases where JVs had prior experience working together noted the trust and relationship conditions prevented these negative actions.

There was no obvious distinction between respondents valuation of Trust but the nearest divide came between the sizes of parents. Larger parents partnered with smaller parents found that Trust was slightly less of an influencing decision whilst the smaller parent placed

significant emphasis on the presence of Trust. This was not a universal characteristic and does not suggest larger firms are less trusting but it was referred to by respondents on enough occasions to warrant being noted.

The condition Relationship was met with a consistently high valuation. Respondents noted that the relationship between the parents at a macro level and the relationship between the managers at a JV level was the essence of the JV and it was important that a working relationship existed. When questioned on the importance of the JV relationship, respondents often acknowledged its importance and stressed the relationship should develop if the partner selection research had been conducted thoroughly. Respondents viewed the partner selection phase as a critical phase of the JV with respondents stating they spent 1 – 2 years in a pre contract phase where both parents were trying to get a feel for their potential partner. It was felt that this stage was the stage where the relationship is determined as the compatibility of the partner is fully assessed. A minority of respondents viewed the JV relationship as superfluous and stated that the JV was a business and the business must be operated regardless of the relationship of its parents. They regarded the purpose of the JV as the more important factor and believed that the parents would continue to work together as long as they both needed each other, regardless of the relationship. This was not a total disregard of the relationship but an understanding that it can work without the partners being best of friends or having a close working relationship. This view was not predominant however.

Commitment was regarded by respondents as a demonstration of the parent's willingness to work together. This was particularly interesting given that the literature offers a JV lifespan to be on average 6 years; a statistic that respondents were surprisingly aware of. Many of the cases have been operating for over 10 years and some nearing 20 but whilst longevity alone is not viewed as an exact indication of success, it certainly suggests parental content and willingness to continue with the JV. When questioned on commitment, respondents were quick to distinguish between commitment being inferred as longevity or dedication to the JV. Respondents were quick to link a commitment to the JV with success but were not so quick to associate longevity with success. The consensus was to regard a commitment to the JV from conception as a vital characteristic all parties must possess but noted that longevity of a JV does not automatically represent success or commitment. Examples were given where JV parents cannot afford or are unable to discontinue so the JV endures; this is longevity but not

success. Commitment was repeatedly identified as parent's committing financial and tangible assets to the JV with research centres, additional factories and sister JVs.

The Management condition, covering management control and the division of labour was seen as the least influential condition tested. This was partly due to the consistent 50/50 equity split of the cases, resulting in a 50/50 division of labour and roles within the JV. Managers repeatedly viewed the allocation of positions as a quid pro quo process, with the foreign parent selecting a role then the local parent selecting another, then foreign, then local and so on. Respondents noted that there was nearly always a consensus between parents when it came to allocating positions as it was typically based on which parent was regarded the stronger candidate for that position. Local firms sought the HR roles that governed the local workforce and the foreign western parents sought the financial and product development roles. On multiple occasions foreign respondents noted that the local partner would seek HR roles, as it was more effective management for local managers to lead local workers but warned that through personnel selection, the local parent could often impose their views on the JV if they wished.

There was less of a consistency with respondent's valuation of the Financial condition but this was largely dictated by the JV's purpose. The nature of the cases, particularly in automotive, meant that non-financial returns, knowledge acquisition and barriers to entry were the common driving forces behind the JV's creation. Most respondents generally accepted that a JV is a business and needs to make money, albeit if it is only to cover costs and not turn a profit. Financial loss however was not an acceptable feature of the JV and respondents suggested that financial losses would initiate questions about the viability of the JV. Whilst financial returns could be seen as a potential predictor of failure, they were not as easily used as a predictor of success in all JVs. Many cases were setup based on non-profit motives such as technology development, manufacturing at cost value or overcoming trade barriers and financial returns cannot accurately define the success of these JVs. As with the effectiveness of longevity, financial return cannot be used independently as a representation of success but as part of a wider assessment. Respondents who identified the non-financial returns as the key return usually referred to the importance of financial returns early on in the JV's life cycle and then noted how there was a shift to the long-term strategic returns but always maintaining a financial break even. Personal views were always that a financial return

is vital but the JV's view often differed in that its purpose dictated how important financial returns were and not the managements.

**RQ2: How do parents of automotive IJVs try to assert control over the IJV? Is it specific or complete control?**

Data concerning respondents attitudes towards control were typically part of a wider answer on the trust required to govern an IJV or the strength of the relationship in dividing responsibilities. The qualitative views of respondents in Table 6.2 highlight how control of IJV responsibilities are divided between parents.

Table 6.2: Respondent Findings for Control

RESPONDENTS	SUPPORT FOR TARGETED CONTROL
<b>C1GM0JV</b>	The JV partners each focused on putting strong processes and internal controls in place during the initial years of operations.
<b>C2CIO-F</b>	At the start of the IJV, there were targeted control processes necessary to verify, correct and improve relations between the JV and the parent companies, this was removed as time elapsed.
<b>C4RMM-F</b>	We said we don't want them running the plant and us being a part of it so we maintained the sales and marketing agreement and their job was solely manufacturing and control over local workers.
<b>C5MO-F</b>	They would outwardly go for a certain position and if they would die on their sword for it. One of the big ones they liked to control was HR, so all the hiring decisions are run past them. It's so important to strike that right balance.
<b>C6GM-F</b>	We looked for both partners to put forward people who had the rights skills for the key positions and were interested in joining the JV and then look at your organisational structure and then see who was best suited to the JV.
<b>C7PD-F</b>	In the early days they were there to just focus on accessing and controlling technology where they could and not really for the management of the JV, but later they became very much part of the management team
<b>C10PP-L</b>	A partner with expertise in a certain area would take the lead in decisions and play a controlling role in dealing with the issue as seen fit – for example, the local partner is using its marketing channels, so it takes the lead with commercial negotiations and pricing. It's common sense, we have a decent enough relationship with our partner in order for this to work.
<b>C11CFO-F</b>	While the other partner has so called management control, all critical strategic and operational decisions are made at the Board of Directors level and require consensus from both major shareholders, so the relationship is as important if not more important than the contract.

#### **RQ4: Why do IJV managers value continued parent involvement?**

The condition Autonomy was very mixed with no consistent pattern to respondent's views. One view was that the JV was a separate legal entity and should be operated as such with all decisions being made unilaterally whilst continuing to operate under a broad strategic plan outlined by the parents. Another repeated view was that the JV should be directed by the parents in its operations drawing on their experience and resources. This view regarded the parents as the entities with the experience and the JV would and should benefit from this through guidance. Consequently, JV autonomy received sporadic support and offered no definitive outcome in identifying JV success. Some respondents who saw autonomy as a necessary feature of the JV were motivated by the geographical distance between themselves and the parent, whilst others reflected on the independence they received. This latter view was particularly noted in the largest of the global OEM's where bureaucracy limits the speed at which decisions are made with and respondents valuing the freedoms offered by unilateral decisions. Respondents from local parents who were largely in the JV to absorb knowledge and expertise from the parent viewed autonomy as less attractive and sought parent exposure.

##### **6.3.1 Recurrent Themes**

Respondents view Trust in two phases. The initial trust is based upon the structured formalities of the JV contract due to the unknowns in the parent's early relationship. The pre-contract phase is designed to help understand the partner and this helps towards establishing trust. However, regardless of partner research, in the early stage of the JV, parents are never fully aware of their partner's intentions and the contract provides guarantees. Parents can trust in their partner with the knowledge that illicit behaviour can be reprimanded by the contract. However, as the JV grows and the relationship develops, there is a shift in how parents trust, moving from the structured formality of the contract to a more genuine trust that is based on personal relationships.

Much like the Trust condition, the Relationship was viewed as a two-fold concept, existing outside the IJV between parents and within the JV between management. The parent's external relationship was viewed as a means to insulate the JV from any disagreements between the parents, leaving the JV free to continue managing the operational aspect of the

business. The second aspect of the relationship was seen between the people within the JV who interact on a daily basis. The JV management are the embodiment of the parents and their daily interactions are the means with which trust is established within the JV. This type of trust is a more personal concept and based on the development of the relationship rather than the parents trust which is manifested on a macro level.

Typically, the Relationship was seen as an intangible feature of the JV that was often balanced against the tangible financial returns. The initial means of assessing the success of a JV was largely the financial returns it offered the parents due to the ease with which profit, ROI and other financial measures can be universally applied in any market. However, the relationship was seen as the means at which the JV could facilitate these financial returns. Respondents were quick to note that it would not be possible to generate financial returns from the JV if the relationship and softer aspects of the JV were not there.

Respondents liken the JV relationship to that of a marriage where the partners are the parents and the JV is the child. The metaphor is largely used to indicate how respondents feel that parents must have a long-term commitment if it is going to work. This analogy was also used to relate inevitable occasions of disagreement between parents but stress the importance of working through them. As with Trust and Relationship, the respondents viewed Commitment with two main perspectives. Firstly, the commitment a parent shows the JV in regards to its attitude and willingness to work with the other partner was seen as a critical. The second perspective was how Commitment was seen through the physical offerings and developments the parents create. The latter commitment is seen as a necessary condition for further financial investments and therefore, the investment in additional infrastructure is the tangible product of the parent's commitment.

The data from the in-depth interviews has been presented with key themes established. This chapter has highlighted the importance with which respondents view the trust, relationship and commitment conditions. The following chapter will use coded data from each of the three conditions to run a quantitative analysis through fsQCA. The following chapter will look deeper into the relationship between each of the conditions, their influence on the IJV and what, if any, the relationship between them.

## 7. QUANTITATIVE FINDINGS

### 7.1 Introduction

Supporting the qualitative findings, the fsQCA findings will further demonstrate how trust, relationship and commitment are the prevalent factors in facilitating IJV success. The qualitative findings are crucial in identifying the conditions respondents regard as important in achieving IJV success. This is then reaffirmed quantitatively by the findings drawn from fsQCA. The added benefit of the fsQCA analysis is not only does it identify the pertinent conditions but also demonstrates the extent of the relationship between conditions as well as their mutual dependency.

The values for the fsQCA analysis are derived from an average of all respondent values for each case rather than respondents individual values. As stated in the methodology chapter, the average value gives a greater unity to the case rather than a collection of individualistic respondents. It was felt that the respondents are united by the JV and this should be reflected by the unity of their values. The average values for all conditions across the 13 cases are detailed below.

The descriptive output of fsQCA does not offer any deep analysis but can help create the perspective with which respondents viewed the conditions and to what extent there is variation amongst the values attributed by respondents. The two aspects worthy of note are the Mean and Minimum values, as they show the consistency of the respondent's valuations. The Mean column shows the mean value for how each of the 13 cases value that condition and the higher the value the higher the respondents belief in that conditions influence on IJVs success. The Minimum column identifies the respondents who had the attributed the lowest value to the condition, again the higher the value in this column, the greater the belief in the conditions influence on IJV success. The Minimum column in particular is a good indicator of how a condition is perceived because if the lowest value remains relatively high then there is still more membership 'in' than 'out' to a condition.

As shown in Table 7.1, all three conditions have a consistently high mean of close to 0.8; this indicates that the respondents viewed these variables as consistently high and membership to these conditions is significantly more in than out when viewed as contributors for success.



This is further supported by all three variables scoring above the level of maximum ambiguity, 0.5, suggesting that all respondents consider these factors to be in some way more important than not to overall JV success. The output indicates Environment scores highly and consistently with respondents. However, the Environment condition was not considered for inclusion amongst the potential causes for success as there are too many other JV's that operate within the same environment and fail or succeed. Undoubtedly, the surrounding environment the JV operates in is crucial to its overall performance but it was determined that the causality of the environment was not specific enough to replace Trust, Commitment or Relationship.

This type of 'trivial necessary condition' (Goertz; 2003) will always be present and it is thought not to be distinguishable enough between a successful and unsuccessful JV. China as an environment for example, possess JV's that have been both successful and failures and whilst many other conditions are present in failed and successful JV's, the environment does not have a unique enough affect on the JV. It could be argued that all JV's have a management structure so the Management variable could be viewed akin to Environment, however the variations and characteristics of management are far more diverse with varying influences. All JV's will have to operate in their environment, yet the management of a JV could be split in multiple ways with a bias of power positions to one parent. The Environment condition simply did not have the varying scope of influence that Trust, Commitment and Relationship posses. Furthermore, the nature of fsQCA and the size of the database realistically prevented the inclusion of a fourth variable.

(Table 7.1: Descriptive Output)

Conditions	Mean	Std. Dev.	Min.	Max.	N Cases	Missing
Trust	0.8084615	0.1012876	0.57	0.95	13	0
Commitment	0.7900000	0.07411011	0.65	0.9	13	0
Relationship	0.7653846	0.096764	0.6	0.95	13	0
Equity	0.5153846	0.03608012	0.5	0.6	13	0
Financial	0.6392308	0.1083059	0.5	0.85	13	0
Environment	0.7676923	0.06681246	0.65	0.9	13	0
Management	0.6230769	0.44098	0.27	0.95	13	0
Autonomy	0.6692308	0.1421517	0.4	0.95	13	0
China	0.7176923	0.04901395	0.65	0.85	13	0

Equity is by far the most consistent of the variables but this is due to the equity division of most cases. All cases but one are 50-50 IJVs so this accounts for the narrow scope of the values. Additionally this was not a respondent generated value and was generated by the JV's equity split and not the importance attributed to the equity split by the respondent. The conditions Management, Financial and Autonomy are the variables that respondents perceive to have the weakest affect on JV success as they have the lowest of the Mean values. Management was the lowest valued variable at 0.62, emphasising the relatively low value respondents placed on its affect on success. As the equity divide was 50/50 for all but one of the JV's, the management divide was equally split along the same divide, thus management was to a certain extent predetermined by the contractual definitions. This may have had some influence on the respondent's views as the ability to create their ideal management structure was prevented. This is again reflected in the Management condition receiving the lowest valuation of 0.27.

The Financial condition, referring to the importance of financial returns, is the second lowest with a mean of 0.63 and is suggestive that respondents do not see the JV as primarily a money making venture but as a means to generate alternative returns. This coincides with one of the driving forces behind the formation of many of the cases, which are seeking to access technologies, restricted markets or gain exposure to knowledge that would otherwise be unattainable or unfeasible alone. Similarly, Autonomy, which refers to the JVs ability to operate as an autonomous business unit without parental guidance, is low with a Mean of 0.66. After Management, the Autonomy condition had the biggest range from Minimum to Maximum value suggesting a significant discord in respondent's view of JV independence. Whilst it is not a strong membership, a Mean of 0.66 does suggest there is a greater degree of membership than non-membership to the Autonomy condition. The understanding that there is a need for parents to have a continual say in the JV as parents offer advantages that a JV alone cannot, is in keeping with the idea that respondents see the JV as seeking more non-financial returns. It is consistent for the cases to demonstrate a low tendency for autonomy as it is through the parent-IJV interaction that the JV and parents can transfer and absorb new knowledge.

## 7.2. Trust, Relationship and Commitment

The conditions identified in the previous chapter will be quantitatively analysed to assess the relationship of their individual worth and combined affect on IJV success. The full data from each respondent for all three conditions, trust, relationship and commitment has been codified as detailed in 4.7.2. The degree of membership and breakpoints for the coding of the three conditions is outlined in Table 7.2

### 7.2.1. Calibration

The first step in the fsQCA analysis is the identification of conditions and their consideration of memberships with the break points (Ragin, 2000)

Table 7.2. Condition Membership based on Ragin (2008)

Condition	Definition	Membership	Breakpoints
<b>Trust</b>	‘On expectation that a party can be relied on to keep to agreements, will perform its role competently and that the party will behave honourably even where no exploit promises or performance guarantees have been made’. (Boersma <i>et al</i> , 2003)	0 (out) 0.5 (crossover) 1 (fully in)	0.09 0.49 0.51 0.91
<b>Relationship</b>	The tangible and intangible bonds that are established as a consequence of sustained exposure and interaction with a partner.	0 (out) 0.5 (crossover) 1 (fully in)	0.09 0.49 0.51 0.91
<b>Commitment</b>	‘A belief in, and acceptance of organizational goals and values, a willingness to exert effort towards organizational goals, and a strong desire to maintain organizational membership’ (Mowday <i>et al</i> , 1979)	0 (out) 0.5 (crossover) 1 (fully in)	0.09 0.49 0.51 0.91

Table 7.3 presents the average values for each case based on respondent’s membership to a condition. All values are subjective responses apart from the values in the Equity column, where these are based upon the parent’s equity relationship and not on respondent’s perceived preference for an equity relationship.

Table 7.3: Conditions for fsQCA for each case

Case	Trust	Commit	Relationship	Equity	Financial	Management	Autonomy	China
1	<b>0.95</b>	0.8	0.62	0.5	0.67	0.27	0.62	0.73
2	<b>0.87</b>	<b>0.85</b>	<b>0.87</b>	0.5	0.67	0.67	0.67	0.65
3	0.57	0.7	0.67	0.51	0.67	0.6	0.82	0.73
4	<b>0.85</b>	0.65	0.75	0.51	0.5	0.3	<b>0.95</b>	0.7
5	<b>0.86</b>	<b>0.86</b>	0.82	0.5	0.6	<b>0.9</b>	0.83	0.76
6	0.7	0.75	0.8	0.5	0.7	<b>0.85</b>	0.65	0.7
7	0.83	0.8	<b>0.86</b>	0.5	0.5	0.45	0.56	0.66
8	0.81	0.8	0.76	0.5	0.68	0.78	0.48	0.68
9	0.8	0.8	0.7	0.5	0.5	0.5	0.4	0.7
10	<b>0.9</b>	<b>0.9</b>	0.8	0.5	0.52	0.75	0.75	0.72
11	0.8	0.76	0.6	0.5	0.8	0.33	0.6	0.7
12	0.67	0.7	0.75	0.5	<b>0.85</b>	0.75	0.67	<b>0.85</b>
13	<b>0.9</b>	<b>0.9</b>	<b>0.95</b>	0.5	0.65	<b>0.95</b>	0.7	0.75

### 7.2.2 Truth Tables

The first stage of the fsQCA analysis is transforming the fuzzy set values for each respondent and creating truth tables for the relevant conditions (Ragin, 2006). The truth table documents every possible combination of the conditions the researcher inputs with each combinations empirical outcome (Ragin, 2008). The key advantages of the truth table are its ability to highlight the similarities and discrepancies between each case (Schneider and Grofman 2006).

The first part of this analysis identifies the conditions that are most conducive to IJV success and the second part is to determine the patterns and dependencies of these conditions upon each other. The qualitative findings have identified Trust, relationship and Commitment as the key conditions for enhancing the likelihood of success in the cases and as such, the combination of the three conditions should score highly as necessary conditions of Success. Firstly, a truth table is presented with the three conditions identified in the qualitative findings and then the output of the truth table analysis follows. The former highlights all the possible combinations that the conditions can form to create the outcome success. The purpose of the truth table is to identify the combination of conditions that best lead to the desired outcome. The truth table (Table 7.4) is presented below.

Table 7.4: Truth Table: All Conditions

<b>Trust</b>	<b>Commitment</b>	<b>Relationship</b>	<b>Number</b>	<b>Success</b>	<b>Raw Consistency</b>	<b>PRI Consistency</b>	<b>Product</b>
1	1	1	13	1	0.973517	0.966398	0.940805
0	0	0	0	0	1	1	1
0	0	1	0	0	1	1	1
0	1	0	0	0	1	1	1
0	1	1	0	1	1	1	1
1	0	0	0	0	1	1	1
1	0	1	0	1	1	1	1
1	1	0	0	1	1	1	1

When the truth table output is presented, the success column is empty and requires the researcher to establish a means of categorising the combinations and assign values, either 1 or 0. This is achieved by establishing a threshold for the number of cases that appear in the column titled ‘number’. Owing to the relatively small dataset of 13 cases, Ragin (2008) suggests the threshold to be small, typically 1 or 2. This number would increase proportionally with the size of the data set. Olsen (2008) states that particularly for small data sets such as this, the diversity of the truth table will be somewhat limited and not all configurations will be linked to cases and therefore will not be able to determine the outcome.

The truth table output is very strong and shows that the combination of all three causal conditions has the strongest membership to all 13 cases. This therefore requires an assigned value of 1 to be placed in the top row of the ‘number’ column as the threshold suggested by Ragin (2008) of 1 or 2 is surpassed with all 13 cases. The data for the conditions was not predicted to be as strong as showing unanimous membership and the remaining combinations that Ragin (2008) calls remainders, are left. Rather than discard them, this analysis uses a parsimonious analysis that includes the remainders. This does not directly affect of change the data derived from the top line of the truth table but serves to add additional information to the truth table analysis output. The values to be entered in the ‘success’ column are assigned using a different method as they are determined by the combination of the values in the first three columns. When two or more conditions are present, when there are more 1 values than 0, the value in the ‘success’ column is also assigned a positive value of 1. The same approach

is used for the negative values or 0, when there are two or more conditions missing and the predominant value is 0, the ‘success’ column is also assigned a value of 0.

FsQCA offers three possibilities for the truth table analysis, complex, parsimonious and intermediate. The complex results are based on analysis without including rows without cases. The parsimonious results, and the option selected for this analysis, include the ‘remainders’ that do not produce an empirical outcome (Downey and Stanyer, 2010). The third option is the intermediate solution that positions itself somewhere in between the first two options. The intermediate solution, incorporates the ‘remainders’ that the researcher assess and regards hold enough validity to remain in the analysis. Using the Parsimonious Solution for the trust, commitment and relationship conditions, the following truth table output is generated.

Table 7.5 Trust, Commitment, Relationship

**Model: success = f(trust, commitment, relationship)**

**Algorithm: Quine-McCluskey**

**--- PARSIMONIOUS SOLUTION ---**

	<b>Raw Coverage</b>	<b>Unique Coverage</b>	<b>Consistency</b>
<b>trust<math>\cap</math>commitment<math>\cap</math>relationship</b>	0.835455	0.835455	0.973517
<b>Solution Coverage</b>	0.835455		
<b>Solution Consistency</b>	0.973517		

The output presents three columns with consistency and coverage. The Consistency column ‘represents the extent to which a causal combination leads to an outcome’ whilst the Coverage column ‘represents how many cases with the outcome are represented by a particular causal condition’ (Elliot, 2013 pg 4). The first line of the truth table indicates that to varying degrees, the causal combination of all three conditions is most likely to lead to the outcome success for all thirteen cases. We can see that the combination of trust, commitment and relationship offer a high consistency value over the 0.91 threshold advocated by Ragin (2008). The findings answer and support research question four that suggests the combination of all three conditions – trust, commitment and relationship – shall heighten the chance of JV success more than the conditions individual or paired effects.

Using the same parsimonious method to include the remainders that have been assigned values in accordance to the presence of the number of conditions, the following output is generated:

Table 7.6. Truth table Analysis for the Joint Sets

**Model: success = f(trust, commitment, relationship)**

**Algorithm: Quine-McCluskey**

**--- PARSIMONIOUS SOLUTION ---**

	<b>Raw Coverage</b>	<b>Unique Coverage</b>	<b>Consistency</b>
<b>trust<math>\cap</math>commitment</b>	0.891818	0.056364	0.973149
<b>trust<math>\cap</math>relationship</b>	0.847273	0.011818	0.971846
<b>commitment<math>\cap</math>relationship</b>	0.847273	0.011818	0.968815
<b>Solution Coverage</b>	0.915455		
<b>Solution Consistency</b>	0.969201		

The consistency values for paired combinations of trust, commitment and relationship certainly remain high and well above Ragin's (2008) 0.91 threshold, but the consistency value for the combination of all three conditions generates the highest consistency value.

### 7.2.3. Necessary & Sufficient Conditions

The qualitative findings report Trust as the most influential condition for facilitating JV success, so it is expected for Trust to be a strong necessary or sufficient condition of Success. The output for Trust as a necessary condition of success (Table. 7.7) shows a consistency that is higher than Ragin's (2008) threshold of 0.91 and is supportive of the qualitative findings. Trust offers the highest score for an individual condition and this reflects the strength of the respondents support for trust as a critical feature in developing a successful joint venture. The output for trust as a necessary condition of success is presented below.

Table 7.7: Necessary Condition: Trust

**Outcome variable: Success**

**Conditions tested:**

	<b>Consistency</b>	<b>Coverage</b>
<b>Trust</b>	0.912727	0.955281

## Trust

Krishan et al. (2006) established that a positive relationship existed between trust and overall performance and as expected, the findings identify Trust as playing a critical role in parents understanding of what generates a successful Joint venture. Kumar (1996) argues that Trust is far greater at positively influencing an IJV than fear and Schumacher (2006) identifies trust-based IJVs to *‘perform better than do deterrence-based relationships, making trust a good predictor of alliance success’*. Arino et al. (2001) similarly maintain that trust

constitutes a critical ingredient by which the partners and venture managers can weather the conflicts that economic and competitive changes, as well as shifts in corporate priorities, will throw their way.

Whilst contractual arrangements are a requisite of any JV, they cannot be solely relied upon to cover the multitude of relational issues that may arise and the presence of trust is a critical feature in helping the JV management to develop success (Bidault & Costello, 2009; Bstieler, 2006; Ross, 2006). Surprisingly however, given the consistency with which Commitment and Relationship are reported by respondents and the relatively high Mean value, neither of the two conditions meet Ragin’s (2008) threshold of 0.91. The condition Commitment narrowly misses the threshold by 0.04 (Table. 7.7) and would qualify if Consistency was rounded to two decimal places but the condition Relationship misses the threshold by a larger margin of 0.44 and clearly does not qualify (Table. 7.8).



Table 7.8: Necessary Condition: Commitment (Outcome: Success)

**Outcome variable: Success**

**Conditions tested:**

	<b>Consistency</b>	<b>Coverage</b>
<b>Commitment</b>	0.906364	0.970789

Table 7.9: Necessary Condition: Relationship (Outcome: Success)

**Outcome variable: Success**

**Conditions tested:**

	<b>Consistency</b>	<b>Coverage</b>
<b>Commitment</b>	0.906364	0.970789

Whilst the Commitment and Relationship conditions are still high in terms of advocating membership or non-membership, individually they do not pass Ragin's threshold of 0.91 to be considered robust enough to be validated as a necessary condition of IJV success. Individually only Trust can be considered robust enough to have a positive effect on JV success. Therefore, we are able to say that both the commitment and relationship conditions are necessary but not sufficient causes of success when used independently and trust is a sufficient cause of success as it alone generates a value that exceeds Ragin's (2008) 0.91 threshold. Consequently, the next step is to explore the relationship between the three conditions to ascertain whether any combinations exist that establish a stronger relationship with success than trust alone. As the number of possible conditions is limited due to fsQCA and the size of the data set, this creates a maximum of three possible combinations (Table 7.10); 'Trust and Commitment', 'Trust and Relationship' and 'Commitment and Relationship', the output for these three are presented below:

Table 7.10 Necessary Conditions: Combinations (Outcome: Success)

**Outcome variable: Success**

**Conditions tested:**

	<b>Consistency</b>	<b>Coverage</b>
<b>Trust <math>\cap</math> Relationship</b>	0.931818	0.942962
<b>Trust <math>\cap</math> Commitment</b>	0.927273	0.951492
<b>Commitment <math>\cap</math> Relationship</b>	0.925455	0.960377

Unlike the individual values, all three combinations of the conditions easily pass Ragin's (2008) 0.91 threshold, suggesting that the chances of achieving success in a JV is greatly increased when there is a combination of conditions present. The data output indicates that all three combinations are sufficient but not necessary conditions for success as all three combinations are able to create the outcome. Owing to the dynamic nature of JV's, it was expected that a combination of conditions would offer a better chance for a JV to be considered a success than if there was only one condition present. The combination of Trust and Relationship generates the highest score of 0.93, the other two combinations however also score similarly with 0.92 and 0.92 suggesting there is no great variation in the presence of these three conditions. A strong link between the Trust and Relationship factors indicates JV managers are looking towards the softer management skills rather than a reliance on the harder more tangible factors of contractual arrangements and deterrence based punishments. This was expected as the development of the relationship between the parents and the management team is a longitudinal process that develops over time. Boersma, Buckley and Ghauri (2003) state that direct personal interactions provide a foundation for developing trust as it is not a characteristic that can be instantly imposed like a contractual arrangement.

The data suggests that all three conditions Trust, Relationship and Commitment exceed Ragin's (2008) 0.91 thresholds and in their various combinations are necessary conditions for increasing the likelihood of JV success. Due to the similarity in the scoring of all three combinations (Table 7.11), it is expected that the presence of all three conditions simultaneously in the JV would have a greater effect on the chance of JV success.

Table 7.11 Necessary Conditions: Combined Set (Outcome: Success)

**Outcome variable: Success**

**Conditions tested:**

	<b>Consistency</b>	<b>Coverage</b>
<b>Trust <math>\cap</math> Commitment <math>\cap</math> Relationship</b>	0.934545	0.943119

The combination of all three conditions generates an output that exceeds Ragin's (2008) threshold of 0.91 and is the highest scoring combination of conditions, suggesting JVs have more chance of success when the three conditions are all present. Whilst this serves to identify that the combination of the three conditions is a preferable scenario than their effects

independent of each other, it does not identify if there is a pattern to the combination, most notably, if any of the conditions dependent upon one another in order to appear or do they independently of any other conditions. The three-condition output (Table 7.11) is suggestive that the conditions are all present and exerting a force on the JV simultaneously but that is by no means an accurate assumption to make. For example, the JV parents are unlikely to enter a JV and immediately establish a relationship similar to that of parents who have previous experience working together or senior management that have strong or personal relational bonds. The presence of the parent relationship, if not already in place through previous situations, will need to be built and therefore the condition Relationship may be dependent on either Trust or Commitment in order to first appear. The identification of conditions is not enough to present alone, it is necessary to determine whether these conditions must appear in a specific sequence and their dependency on other conditions.

#### **7.2.4. Condition Dependency**

Using the qualitative findings, the analysis looks to explore further that a presence of Trust is the basis from which the IJV parents can then build their Relationship. The qualitative data notes that creation of the IJV requires parents to adopt a degree of trust based on either genuine relational experiences or the assurance of the contract or an inter partner credible threat. The qualitative data indicates that trust then allows the relationship to develop through continued positive experiences. Therefore, it is expected that the trust will be a necessary condition of relationship. As suggested in the qualitative findings, the development of the parent-JV relationship will increase the likelihood that the JV will continue to operate as both parents remain amicable and allow the JV to develop naturally. This continued operation is reflected through the commitment condition. Therefore, it is expected that the Relationship condition will score highly in being a necessary condition of Commitment. The conditions are considered to operate through the sequential phase of Trust, Relationship and then Commitment. This will be demonstrated through Trust scoring highly as a necessary condition of Relationship and Relationship scoring highly as a necessary condition of Commitment.

As expected, Trust scores highly as a necessary condition of Relationship. This supports the qualitative findings that respondents view trust as key characteristic in establishing a

successful JV. That data output on the next page shows the high value of trust as a necessary condition of the relationship and supports the qualitative findings.

Table 7.12 Necessary Condition: Trust (Outcome: Relationship)

**Analysis of Necessary Conditions**

**Outcome variable: Relationship**

**Conditions tested:**

	<b>Consistency</b>	<b>Coverage</b>
<b>Trust</b>	0.963819	0.912464

The output demonstrates that Trust is strongly valued as a necessary condition of Relationship, supporting the qualitative findings. Furthermore, a truth table can demonstrate to what extent a condition, or a combination of conditions, is true for all the input values. Using a truth table to indicate the truth of Trust being a component of Relationship will only offer two possible configurations, Trust either being present or not, represented by a score between 0 and 1 in the raw consistency column. As with the threshold for the necessary condition outputs, Ragin (2008) maintains 0.91 to be the strictest threshold that reflects the strongest possible membership. The truth table below (Table 7.13) identifies Trust to be present in all 13 cases and scores higher than the 0.91 threshold further identifying Trust as a key element in developing the Relationship.

Table 7.13 Truth Table: Trust (Outcome: Relationship)

<b>Trust</b>	<b>Number</b>	<b>Relationship</b>	<b>Raw Consistency</b>	<b>PRI Consistency</b>	<b>Product</b>
1	13	1	0.912464	0.876676	0.799935
0	0	0	1	1	1

As with Trust being a necessary condition of Relationship, the presence of Relationship is expected to similarly score highly as a necessary condition of Commitment. This would indicate that the long-term commitment of parents to each other and the JV is dependent upon the parents developing a suitable relationship form the basis of trust.

Table 7.14 Necessary Conditions: Relationship (Outcome: Commitment)

**Analysis of Necessary Conditions**

**Outcome variable: Commitment**

**Conditions tested:**

	<b>Consistency</b>	<b>Consistency</b>
<b>Relationship</b>	0.936709	0.966834

As a necessary condition of Commitment, Relationship also scores strongly, indicating the development of the parent's relationship is important to the long-term commitment of the parents to the JV. Supportively, the truth table (Table.4.15) also demonstrates Relationship to score highly across all 13 cases as a key condition in the subsequent long-term commitment of parents.

Table.7.15 Truth Table: Relationship (Outcome: Commitment)

<b>Relationship</b>	<b>Number</b>	<b>Commitment</b>	<b>Raw Consistency</b>	<b>PRI Consistency</b>	<b>Product</b>
1	13	1	0.966834	0.954293	0.922643
0	0	0	1	1	1

The necessary condition and truth table outputs outline a sequential path that is most conducive for JV success and support the identification of the three conditions in the qualitative data. The findings indicate that the highest score is generated when all three conditions are present together in the JV (Table.4.11) showing that there is no individual characteristic that can best generate JV success. Due to the dynamic nature of JV's and the complex relational bonds that exist between parents, it was expected that the findings show that the combination of all three conditions is the most conducive route in facilitating JV success.

### 7.3. Autonomy and Targeted Control

**RQ5: *Why do IJV managers value continued parent involvement?***

It was thought that IJV autonomy would be a factor respondents considered a favourable characteristic in facilitating IJVs success, either grounded in a personal preference to govern

the JV without the looming presence of the parents or because respondents actually felt autonomy was a key mechanism for success. However, using the fsQCA Descriptive function to position the autonomy condition demonstrates how comparatively low Autonomy is viewed as a facilitator or success. Respondents regarded Autonomy as the third weakest condition in regards to improving the likelihood of JV success. The descriptive output is presented below:

Table 7.16 Descriptive Output: Autonomy

Variable	Mean	Std. Dev	Minimum	Maximum	N Cases Missing
Autonomy	0.6692308	0.1421517	0.4	0.95	13

The mean value of 0.669 is weak and just surpass the 0.55 break point indicating that it is only slightly important and considered marginally more ‘in’ than ‘out’ to membership of the outcome ‘success’. Furthermore, the fsQCA function addressing the extent to which autonomy can be seen as a necessary or sufficient condition of success demonstrates an equally weak result and suggests that the autonomy condition is neither a necessary or sufficient condition of success. FsQCA’s necessary condition data output for autonomy is presented below:

Table 7.17 Necessary Condition: Autonomy (Outcome: Success)

#### Analysis of Necessary Conditions

**Outcome variable: success**

**Conditions tested:**

	Consistency	Coverage
<b>Autonomy</b>	0.766364	0.968966

It was expected that upon the successful incorporation of the trust, relationship and commitment conditions within a case, the respondents would regard the transition to a more autonomous situation as a natural progression of management. It was thought that once the JV had established the relevant operational process and the parents had established the necessary relationships through positive experiences gained through repeat game scenarios, then the JV would be able to operate were greater independence. This allows the parents to

step back and focus their attention on alternative investments with the knowledge the JV is grounded in strong trust and relational bonds that are set to best facilitate the JV's successful existence through an ongoing commitment. However, the trust, relationship and commitment conditions are not seen to be strong subsets of autonomy. The data output for the trust, relationship and commitment conditions acting as a subset analysis of autonomy is presented below:

### 7.3.1. Subset/Superset Analysis

Table 7.18 Subset/superset (Outcome: Autonomy)

	<b>Consistency</b>	<b>Raw coverage</b>	<b>Combined</b>
<b>trust<math>\cap</math>commitment<math>\cap</math>relationship</b>	0.862288	0.935632	0.951257
<b>commitment<math>\cap</math>relationship</b>	0.856549	0.947126	0.831354
<b>trust<math>\cap</math>relationship</b>	0.859228	0.947126	0.831354
<b>trust<math>\cap</math>commitment</b>	0.810139	0.936782	0.800056
<b>Relationship</b>	0.838191	0.958621	0.655143
<b>commitment</b>	0.806232	0.951724	0.635758
<b>trust</b>	0.794482	0.959770	0.629574

The output data for the subset analysis demonstrate that all of the possible combinations trust, relationship and commitment have weak consistency values for the outcome success. Not one combination of conditions generates a value that supersedes Ragin's (2008) threshold of 0.91 that would assert full membership into the outcome autonomy. These quantitative findings correlate with the findings drawn from the qualitative data that indicate respondents view autonomy to be a weak condition in facilitating IJV success. The data suggested that respondents viewed the continued presence of the parents and their extensive resources and knowledge as favourable to autonomous operation of the JV.

The trust, relationship and commitment conditions have been identified by respondents as being the most likely to facilitate IJV success and supported by the quantitative analysis. By including an additional condition, autonomy, we can see the variation in consistency and coverage values and what affect autonomy has on being a necessary condition of success.

The necessary condition output showing the three conditions trust, relationship and commitment is below:

Table 7.19 Necessary Conditions: Combined Set (Outcome: Success)

**Outcome variable: Success**

**Conditions tested:**

	<b>Consistency</b>	<b>Coverage</b>
<b>Trust <math>\cap</math> Commitment <math>\cap</math> Relationship</b>	0.934545	0.943119

The consistency value is high and supersedes Ragin's (2008) threshold of 0.91 to denote membership to a case. With the inclusion of autonomy, we can see that if the consistency value is increased, then autonomy improves the existing causal combination that leads to success and if the value remains the same then there is no added value to the inclusion of autonomy in the exiting causal combination. The necessary condition output for trust, relationship, commitment and autonomy is below:

Table 7.20 Necessary Conditions: Combined Set & Autonomy (Outcome: Success)

**Analysis of Necessary Conditions**

**Outcome variable: success**

**Conditions tested:**

	<b>Consistency</b>	<b>Coverage</b>
<b>Trust <math>\cap</math> Commitment <math>\cap</math> Relationship <math>\cap</math> Autonomy</b>	0.934545	0.924460

The output for the inclusion of autonomy to the existing three conditions shows there is no increase in the consistency value and the condition autonomy has no additional positive effect on the existing causal combination that leads to success. Consequently, we can say that that with the support of the qualitative data and subsequent fsQCA analysis that the presence of autonomy in IJVs in the automotive industry does not increase the likelihood of success when trust, relationship and commitment conditions are present. This is surprising as it was considered a condition that respondents would favour as facilitating success.



## 7.4. Nationalities

The four key hubs for the global automotive market, US, Europe, India and China were unsurprisingly the four main areas represented in the data. The values for each of the four geographies are determined by the extracting the average value for each condition from every respondent in that geographic area. Again, the average value for each condition was used to create a singular value representative of the nationality as a whole. The average value for each nationality was derived from the collective average of the respondents who originate from the four areas. Before the data is broken down into relevant conditions for analysis, it is worth viewing the national responses alongside each other to demonstrate the similarities and differences each condition and nationality share. The output for the national values of all conditions and nationalities is presented on the following page:

Figure 7.1: Average Value of All Regions

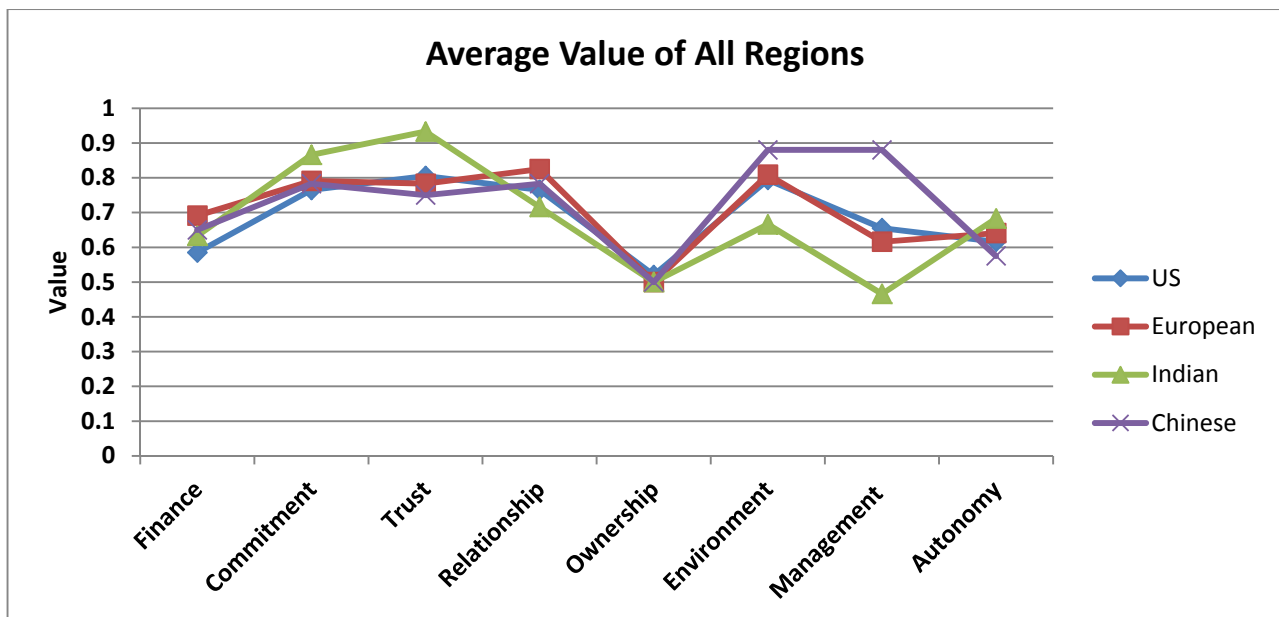


Figure 7.1 indicates the similarities and differences between cultures and how each culture perceives the importance of the conditions. There are points of convergence, but ownership cannot be considered, as this is a reflection of the equity share of the parents and not a nationalistic pattern of ownership preference. The trust, relationship and commitment conditions are, as expected, nearly all convergent upon the same values with only Indian respondents providing anomalous results. It was expected that the US and European respondents would voice similar views and this is demonstrated by the near exact replica of

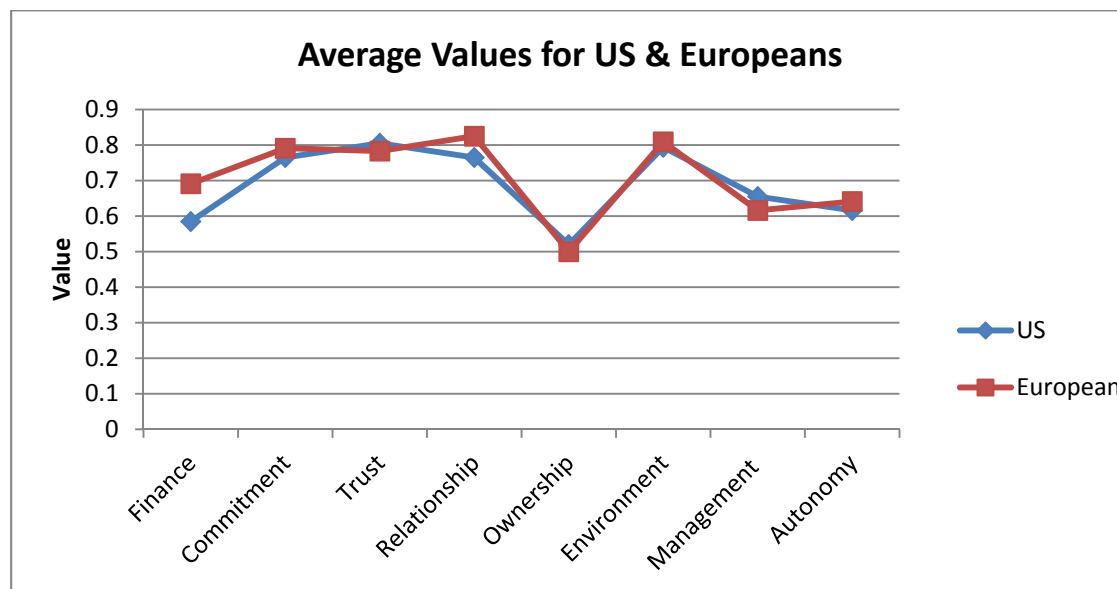
values across all conditions. Across all eight conditions, US and European respondents demonstrate a particular conformity with the biggest separation being only 0.10 for Finance and the smallest of .002 and .006 for Trust and Relationship respectively. The output below is the difference in how the US and Europe valued the conditions

Table 7.21: US & European National Average Difference

	Finance	Commitment	Trust	Relationship	Ownership	Environment	Management	Autonomy
<b>US</b>	0.585	0.765	0.805	0.765	0.52	0.794	0.655	0.616
<b>Europe</b>	0.691	0.791	0.783	0.825	0.5	0.809	0.616	0.641
<b>Disparity</b>	<u>0.106</u>	<u>0.026</u>	<u>0.032</u>	<u>0.06</u>	<u>0.02</u>	<u>0.015</u>	<u>0.039</u>	<u>0.027</u>

The similarities in culture may be a largely attributable cause for how the data shows US and Europe are near identical in their valuation of importance conditions have to the JV. By viewing only the US and European values, it is easy to identify the strong similarities in the how respondents valued data.

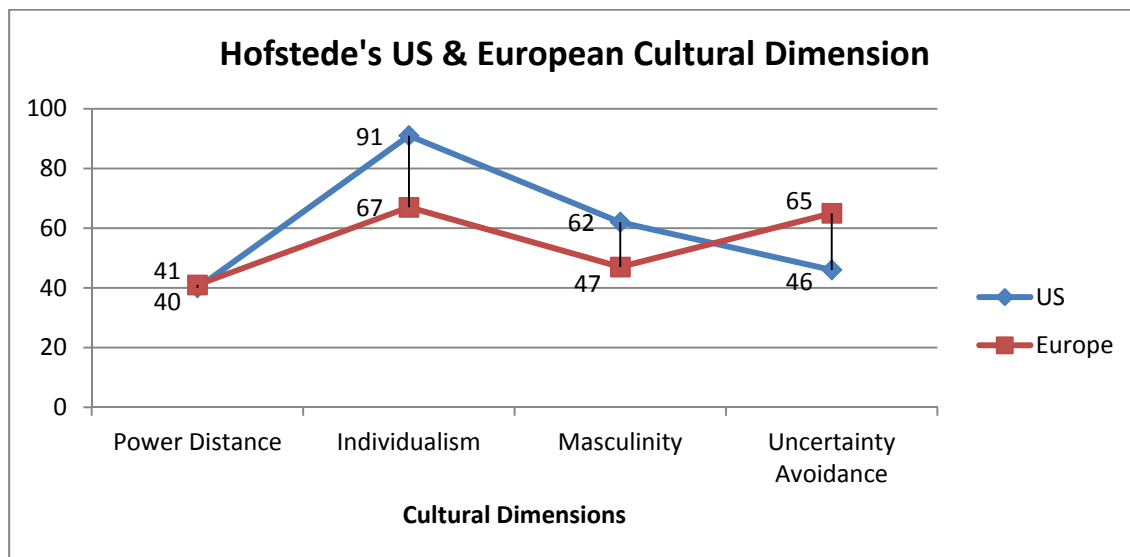
Figure 7.2: Average Values for US & Europeans



The strong similarity in how conditions are perceived by US and European respondents can be supported by the cultural dimensions developed by Hofstede (2001) to categorise nationalities. Hofstede originally valued nationalities on a singular basis with no value for a European entity so therefore the different nationalities of all European respondents within

each case are taken as an average to create a European value. The value of each European nation is derived from Hofstede's original cultural valuations. The similarity in perception of factors and the similarities in the cultural dimensions are suggestive of two geographies that operate within the same parameters, sharing similar outlooks. The output of the comparison between Hofstede's US and European cultural dimensions is presented below.

Figure 7.3: Hofstede's US & European Cultural Dimensions



The similarity between the values extracted from the data and the original valuations assigned by Hofstede cultural dimensions are very strong. There is a definite correlation between Hofstede's cultural valuations and the respondents data, suggesting that the cultural similarities of respondents from the US and European may have an influencing role on the way JV managers view the conditions in this research. The same approach can be taken with the two Asian cultures China and India. Figure 7.4 demonstrates Hofstede's original cultural valuations so they may form a comparison to the valuations assigned to the data by the respondents. Hofstede's data shows that the two regions share numerous similarities in the way they perceive the five cultural dimensions. The respondent's data for national values is presented in Figure 7.5, similarly showing a convergence in condition valuation but not with the same conformity as the US and European values:

Figure 7.4: Hofstede's Indian & Chinese Cultural Dimension

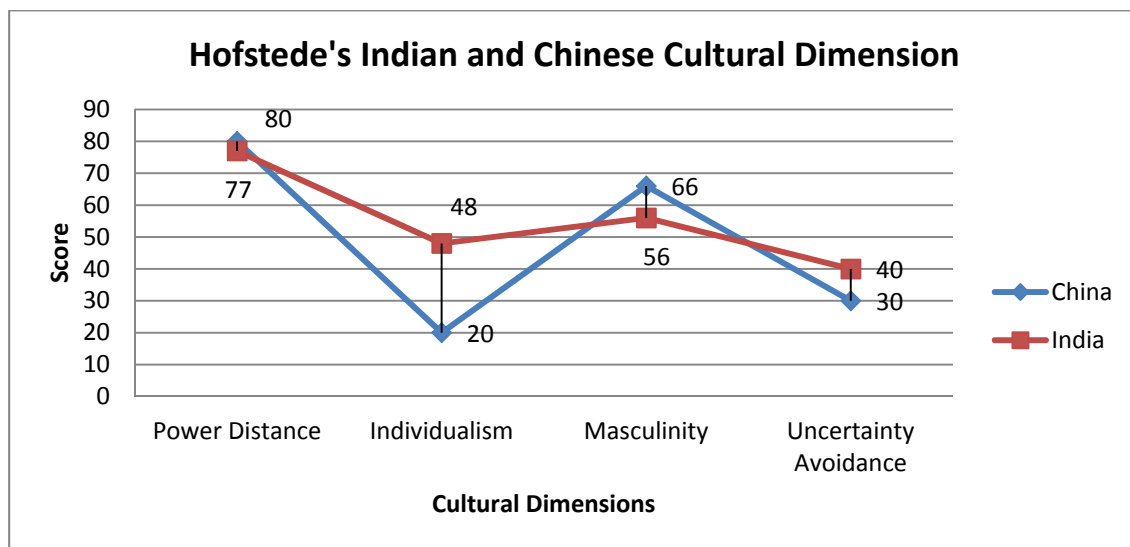
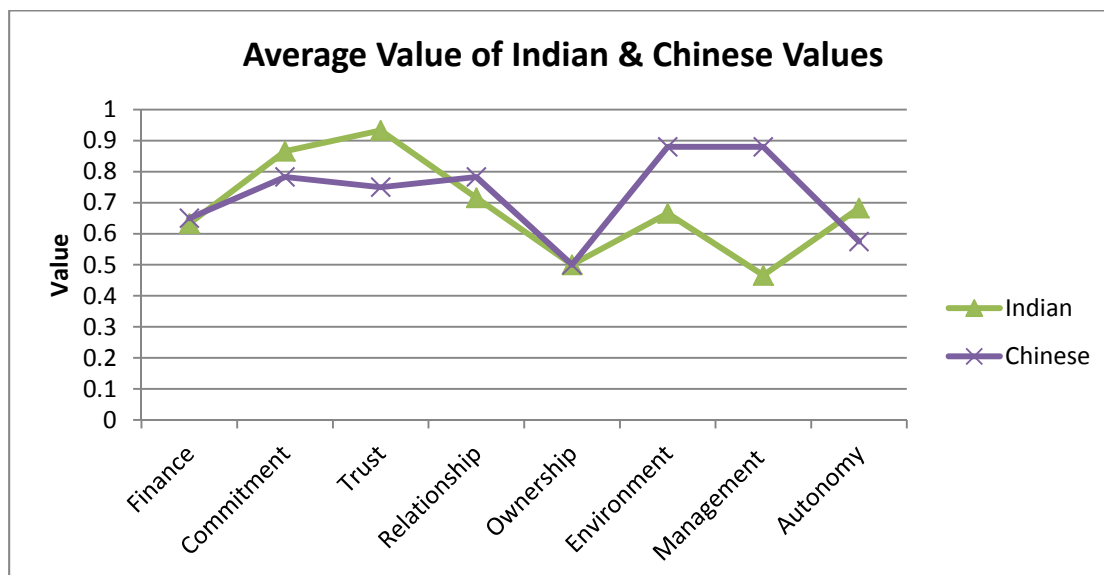


Figure 7.5: Average Value of Indian & Chinese Values



The comparison between the Indian and Chinese nationalities indicates a consistency through most of the conditions but does highlight three areas of difference, namely the Trust, Environment and Management conditions. The data reflects the Indian respondents assigned exceptionally high valuations on the trust condition with near full membership but regarded the management condition as much less of an important characteristic in IJV success. This suggests that trust is a mitigating factor that can allow Indian parents to feel more comfortable with allowing the JV to be managed more on strengths or what is best for the JV rather than on a means of establishing control to protect personal interest of the parent. Of all the Indian respondents, only one is involved in an IJV that has been operating less than

sixteen years and this is an important factor in how the perception of trust and management may differ. As the qualitative findings highlighted, the cases originally require a degree of trust that evolves with the positive experiences associated with a repeat game situation. At the JV evolves so does the relationship, changing into a genuine trusting partnership that does not require the formal control mechanisms that were a precaution in the early phase of the JV lifecycle.

Consequently, all but one of the Indian respondents are part of long standing IJVs that have established relationships at the partner and manager level. This level of comfort requires less pressure to be placed on the managerial mechanisms, as both parents are more open to trusting each other and believing all decisions will be made in the best interest of the JV and not for selfish gain. Therefore, unlike the previous qualitative and quantitative chapters, the management condition shall be included in the following findings owing to the ability to compare to Hofstede's existing cultural dimensions and the perceived value respondents are expected to attribute to it. The output below shows the extent to how Indian respondents regard the management condition as being a necessary condition of the outcome success:

Table 7.22 Indian Necessary Condition Management (Outcome: Success)

#### **Analysis of Necessary Conditions**

**Outcome variable:** success

**Conditions tested:**

	<b>Consistency</b>	<b>Coverage</b>
<b>Management</b>	0.551020	0.964286

The management condition is valued by Indian respondents as nearing the point of maximum ambiguity but demonstrating a slight preference towards in rather than out of the outcome success. The management condition is very weak and not a necessary condition for JV success and this can be attributed to two main characteristics. The respondents are all drawn from two cases, the first case is an IJV that has been created based entirely on the success the two parents have had with a previous IJV in a similar market and therefore have complete information surrounding each other. The existing relationship and trust that exists between the two parents, negates the need for managerial control mechanisms and the existing format in the first IJV has been transplanted over to this new joint venture. Therefore, the

respondents have little value for the managerial condition as the IJV already has the existing mechanisms in place and negates the need for managerial control.

The second possible characteristic that may affect the respondent's low value for the management condition is the length of time the second case has been operational. Much like the past experience of the first case, the second case from which the respondents are drawn has been operating for over 16 years. This may affect the relationship of the two parents in much the same way as the case with past experience, as the parents have developed relational bonds over the 16 years which have also negated the need for managerial control mechanisms. Furthermore, this is supported by the expectation that trust should play a pivotal role in the IJV. The following data output is the Indian respondent's view that the trust is a necessary condition of the outcome success:

Figure 7.23 Indian Necessary Condition Management (Outcome: Success)

#### **Analysis of Necessary Conditions**

**Outcome variable: success**

**Conditions tested:**

	<b>Consistency</b>	<b>Coverage</b>
<b>Trust</b>	1.000000	0.875000

As expected, the trust condition is valued in the strongest possible terms with full membership to the outcome. The low value assigned to the management condition and the high value assigned to the trust condition is suggestive of Indian respondents that have developed a degree of trust that has come to mitigate the importance that is placed on the managerial control of the joint venture. This is supportive of the case analysis that suggests the conditions are based on phases, with a genuine relationship developing over time that replaces the formal control mechanisms such as the contracts.

In regards to the Chinese respondents, there is a distinct contrast in how the Indian respondents viewed the management and trust conditions. According to Hofstede, China is a highly collectivist culture where the respondents are more disposed to act in the interest of their own collective or company than in the interests of external parties or foreign parents.

The data output below notes the Chinese respondent's valuation of trust being a necessary condition for the outcome success:

Table 7.24 Chinese Necessary Condition: Trust (Outcome: Success)

**Analysis of Necessary Conditions**

**Outcome variable:** success

**Conditions tested:**

	<b>Consistency</b>	<b>Coverage</b>
<b>Trust</b>	0.765957	1.000000

The Chinese respondents did not value trust sufficiently enough to warrant being a necessary condition of success as it did not exceed Ragin's (2008) 0.91 threshold. This could be representative of trust not being considered a robust enough mechanism to ensure success, with respondents relying on additional mechanisms. The qualitative data is suggestive of Chinese respondents advocating a higher dependency on the management of the IJV. The data output below shows the extent to which Chinese respondents view the management condition as a necessary condition of success:

Table 7.25 Chinese Necessary Condition: Management (Outcome: Success)

**Analysis of Necessary Conditions**

**Outcome variable:** success

**Conditions tested:**

	<b>Consistency</b>	<b>Coverage</b>
<b>Management</b>	0.894737	1.000000

The output states that the management value is high and very much more in than out in being a facilitating factor for JV success, but it is not as high as was expected. Owing to the fact that the Chinese respondents are all based in IJVs in their own country, China, and the local parents have lead management positions over the local workforce, it is not unsurprising that the management condition is valued higher. However, the 0.894737 valuation, whilst almost demonstrating full membership by exceeding Ragin's (2008) threshold of 0.91, is not as high as anticipated. This however may not be a complete reflection on the respondents but a mitigating effect of the fact the equity split in the IJVs where the Chinese respondents are

based are all 50/50 and thereby limiting the importance of the managerial condition. Conversely, the data shows that for Indian respondents, Trust is certainly considered a necessary condition of the overall management of the JV. The data output below identifies trust as a necessary condition of the outcome condition management:

Table 7.26 Indian Necessary Condition: Trust (Outcome: Management)

**Analysis of Necessary Conditions**

**Outcome variable:** Management

**Conditions tested:**

	<b>Consistency</b>	<b>Coverage</b>
<b>Trust</b>	0.964286	0.482143

Alternatively, viewing Management as a dependent feature of Trust from an Indian perspective, it can be seen there is a very limited relationship and that Trust is by far the more influential factor of management than management is of trust. The data output below identifies the extent management is a necessary condition of the outcome condition trust:

Table 7.27 Indian Necessary Condition: Management (Outcome: Trust)

**Analysis of Necessary Conditions**

**Outcome variable:** Trust

**Conditions tested:**

	<b>Consistency</b>	<b>Coverage</b>
<b>Management</b>	0.482143	0.964286

This is suggestive that when there is a significant level of trust on the JV the Indian perspective regards the JV management as a less important characteristic of the JV operation. If you trust your partner then you believe that everyone will be working in the best interest of the JV and not acting independently, therefore there is less need to micro manage every aspect of the business and parents can manage according to their strengths, and not on the basis of control. The Chinese perspective however is significantly different to the Indian perspective and does not place as high a regard for Trust. Whilst a Chinese average of 0.75 for Trust is not low, it does not suggest a value that is considered chief amongst determinants of JV success. As a consequence of trust being held in a lower regard than the Indian perspective, the Chinese perspective views the management of the JV as a much more valuable tool in achieving a successful JV. Whilst 0.823864 is not necessarily a high score



representative of demonstrating Managements strong dependency on Trust, it also shows that there is a certain level of regard and Trust is not a factor that has been entirely ignored.

Table 7.28 Chinese Necessary Condition: Management (Outcome: Trust)

**Analysis of Necessary Conditions**

**Outcome variable:** Management

**Conditions tested:**

	Consistency	Coverage
<b>Trust</b>	0.823864	1.000000

If the Chinese perspective does not hold trust as a chief determinant of JV success then as (Zhang, & Rajagopalan, 2000) states in his inter partner credible threat paper, managerial control will feature as a primary determinant. If the relationship of the parents is not viewed as critical means of mitigating JV risk then the ability to control the JV shall be viewed as a more realistic means and that is a key reason as to why the management and divided responsibilities is more important to the Chinese respondents. The Chinese perspective of trust is still high enough to be a valued characteristic but in perspective to the three other nationalities the Chinese are the weakest advocates of trust. As with the case data, the truth table analysis will begin by demonstrating the causal combinations best suited to the cases. Using the average value of nationalities, the trust, relationship and commitment conditions are analysed and the truth table output is presented below, maintaining the same parsimonious approach:

Table 7.29 Truth Table Analysis: Nationalities

**Model:** success = f(commitment, trust, relationship)

**Algorithm:** Quine-McCluskey

--- PARSIMONIOUS SOLUTION ---

	Raw Coverage	Unique Coverage	Consistency
commitment $\cap$ trust $\cap$ relationship	0.866092	0.866092	1.000000
solution coverage:	0.866092		
solution consistency:	1.000000		

The data output shows the trust, relationship and commitment conditions to have a very strong presence in each case achieving the outcome success. The consistency is valued at one and identifying maximum membership and cannot be improved upon. The output corresponds with the qualitative findings and the analysis of the thirteen cases, suggesting that the trust, relationship and commitment conditions are not bound by nationality as all four nationalities demonstrate strong membership. Given the international nature of the IJVs and the mixed nationalities of the employers, it was not unexpected that nationality supported the earlier findings. The output for trust, relationship and commitment as necessary conditions of success from a nationalistic perspective is shown in Table 7.30. As shown in the cases analysis and qualitative data, the trust, relationship and commitment conditions are again demonstrated as being necessary conditions of success by surpassing Ragin's (2008) threshold of 0.91.

Table 7.30 Nationality: Necessary Condition: Combined Set (Outcome: success)

**Analysis of Necessary Conditions**

**Outcome variable:** Success

**Conditions tested:**

	<b>Consistency</b>	<b>Coverage</b>
<b>trust<math>\cap</math>commitment<math>\cap</math>relationship</b>	0.927586	0.964734

The quantitative findings of the fsQCA analysis outlined in this chapter have shown support for the themes identified in chapter 6. Trust, Relationship and Commitment have been shown by respondents to have strong positive effect on IJV success. Furthermore, the fsQCA analysis has shown that the conditions not only have a role in driving IJV success but there is a sequence of dependency that shows how the conditions lead on to the next as the IJV evolves. Respondents stated that trust has to be present in all IJVs for parents to work effectively and fsQCA shows Trust to score the highest of all factors. The quantitative data shows the dependency of the relationship condition to the trust condition and the commitment condition to the relationship condition. Furthermore, fsQCA identified tentative similarities between the western cultures of the US and European block and the Asian nationalities India and China. There were subtle differences between the trust and management conditions but ultimately the cultural values detailed in fsQCA shared strong similarities. Furthermore, fsQCA drew similarities to Hofstede's cultural dimensions in how respondents viewed the conditions with a close fit of values.

## 8. CONCLUSIONS

This section outlines the findings from the research questions that were grounded in the literature from Chapter 2 and presented in Chapter 3. Table 8.1 below lists the research questions and offers a brief summary of the findings for each.

*Table 8.1: Research Questions and Summative Findings.*

	<b>Research Questions</b>	<b>Summary of Findings</b>
<b>RQ1.</b>	<b>What kind of partners are automotive IJVs seeking? Why is this?</b>	<i>Parents seek partners that can offer resources otherwise unavailable or too costly to attain alone.</i>
<b>RQ2.</b>	<b>How do parents of automotive IJVs try to assert control over the IJV? Is it specific or complete control?</b>	<i>Parents look to assert control over specific areas &amp; activities of the IJV rather than seeking complete control.</i>
<b>RQ3.</b>	<b>What relationship exists between trust, parent-JV relationship and long-term commitment in successful automotive IJVs?</b>	<i>Trust alone is a sufficient cause of success. Relationship and long-term commitment are necessary but not sufficient.</i>
<b>RQ4.</b>	<b>How is success in automotive IJV's affected when more than one of the Trust, Commitment and Relationship conditions is present?</b>	<i>The potential for IJV success proportionally increases as the number of conditions present increases.</i>
<b>RQ5.</b>	<b>Why do JV managers value continued parent involvement?</b>	<i>Continued parent involvement ensures the IJV has access to the parent's firm specific resources.</i>
<b>RQ6.</b>	<b>How does nationality affect the conditions Trust, Relationship and Long-term commitment?</b>	<i>European and US parents exhibit a correlation in views and whilst Chinese and Indian parents share similar views.</i>

The literature review and research questions identify four key areas where conditions are expected to have a positive effect on IJV performance; they are trust, relationship, commitment and autonomy. Other factors have been noted as having an influential role on IJV success but it is the factors outlined here in particular that appear with consistency

throughout the literature and are considered relevant to IJVs in the automotive industry. Furthermore, these factors are considered to have varying affects on IJV performance, particularly across various stages of the IJV lifecycle.

## **8.1 Background and Aims of the Study**

This thesis is focused on bettering the understanding of the conditions that drive IJV success in the automotive industry. This thesis uncovers the conditions that are most likely to establish a successful IJV in the automotive industry and discover how the IJV is affected by the integration of these conditions. A distinctive characteristic of this thesis is its analysis of automotive IJV performance from the perspective of parent and IJV respondents and their focus on the softer conditions such as trust, the parent relationship and their long-term commitment to the IJV. There is a lack of research incorporating these softer factors into an analysis drawn from qualitative data and this thesis attempts to fill that gap.

The primary aim of this study was to isolate the conditions that can best facilitate successful IJVs in the automotive industry and ascertain the relationship, if any, between these conditions. This was achieved and the three conditions most influential in driving a successful automotive IJV are Trust, Relationship and Long-term commitment. These conditions were identified as having a consistently strong effect across all 13 cases and were identified to have the greatest effect on IJV success when used in conjunction with each other. Trust was considered to be the most important condition, as regardless whether this was generated from past experience, personal relationships or the contract, trust was the strongest driver of IJV success. The relationship was allowed to develop from trust, as the more open parents were with each other the more time they were able to focus on the operational side of the IJV and not the managerial or internal politics. The combination of these two conditions fostered an IJV that was in the best possible position to endure and this generated a commitment from the parents to sustain the IJV.

Over a prolonged period of interaction, the parents and IJV management gained more information and a deeper understanding of one another and this is the catalyst for the transition of trust. Trust was seen in some cases to be grounded in necessity rather than genuine relational trust, but over sustained interaction, a transition of trust occurs that is more

relational. The findings underlined Trust, Relationship and Commitment conditions as all having a positive effect on IJV success. Consequently, IJV parents should view all process that facilitates trust building within the IJV as a critical investment strategy that will ultimately recoup larger returns in the long-term.

IJV control is a widely researched area with no consistency towards a dominant or shared equity position working best. This study showed that nearly all cases were subjected to an equal 50/50 equity split and regarded targeted control of the IJVs key functions as the preferred means of control. Parent companies placed a greater emphasis on the strategic decisions but left the operational and managerial governance of the IJV to the management team. This type of targeted control is representative of the parent's personal interests and their areas of specialised competency. This was found to be predominantly financial and product development positions for the foreign parent and HR and operational positions for the local parent. The targeted control of IJVs is seen as a more efficient means of control as it does not require the coordination cost of managing the entire entity and can draw on the partner's areas of expertise. This targeted control is dependent upon parents bargaining power, and as there was an equal split across all but two of the cases, this placed greater emphasis on the parents bargaining power.

## **8.2 Contributions**

This thesis has offered a contribution to knowledge that has extended the existing literature surrounding IJV trust, the parent-IJV relationship and long-term commitment. This thesis does not offer these three conditions as a contribution on their own individual merit as the researcher is expressly aware of the existing body of literature surrounding these conditions. The contribution is twofold and can be recognised firstly through the evidence of the interdependent relationship of the three conditions, identified through research questions 3 and 4. As stated, there is existing literature on the individual conditions but scant recognition of the importance of how the three conditions interplay with the confines of an IJV. Owing to the complexity of the IJV entity, it is impossible for conditions to exist unilaterally and this thesis demonstrates the relationship and dependencies between these conditions. The interdependent nature of the conditions is supported by the use for fsQCA and its means of examining the extent to which relationships are causal and/or necessary.

The use of fsQCA supports the contribution of the conditions whilst also contributing to the advancement of the fsQCA tool in its use through an automotive IJV study. This has demonstrated the applicability of the tool in an automotive context and broadened its recognition. Owing to fsQCA being in the relative early stages of its life, there is much less awareness than similar tools such as SPSS. Whilst knowledge may not be enhanced in the most conventional manner expected from a thesis, it remains that the awareness of fsQCA will be enhanced through this thesis; particularly in the automotive industry where there has been little use of fsQCA in any context, especially not within an IJV capacity.

The institutional setting within which the cases and conditions are framed, the automotive sector, further enhances the contribution of this thesis. Whilst there are limits to the contribution of the conditions in regards to their relationship based on existing literature, their application to the automotive industry has not, to date, been brought together in a single study. This truly offers an advancement of knowledge through a managerial perspective. Previously, no study had looked at how the interdependencies of trust, parent-IJV relationship and long-term commitment have driven automotive IJVs forward to success. There are a scattering of existing works addressing automotive IJVs and the importance of a singular condition but not as a holistic piece.

## **8.2.1 Contributions Concerning Each Research Question**

### **Research Question 1: What kind of partners are automotive IJVs seeking?**

This research question is based on the premise that the both parents are willingly seeking an IJV partner, where both parents unite in the IJV to offer and acquire a specific resource or asset that they can benefit from. However, four of the cases in this thesis are located in China, where Chinese law stipulates all foreign companies setting up automotive manufacturing operations do so through IJVs. This enforced joint venturing may question the foreign parent's original willingness to want a partner but does not affect the criteria they will use in selecting a partner.

The commonality throughout the cases is that there is a clear identifiable need by both parents when establishing the IJV. The IJVs are more than just assembly plants and represent partnerships where mutually desired assets or resources are transferred to the IJV. Case 1

highlights a need between manufacturer and parts supplier. The local parent is an OEM and required a significant adaptation of its existing seat technology and the foreign parent is a parts supplier who had the capabilities to deliver the technological requirements and expand their own product portfolio. The parents have established the IJV with mutually defined goals.

Case 2 saw the IJV established based on the need for both parents to offer a resource that the other required – the local parent offered small engines to the foreign parent and the foreign parent offered large engines to the local parent. The IJV was established on the basis that parents would have control over the offering of their engine as to get the most from the IJV and be in a position to transfer knowledge of the engine more effectively. Case 4 identifies the foreign parents need to partner with a local parent who can offer distribution channels for locally manufactured parts and a local parents need to learn managerial and technological procedures. Case 6 demonstrates a defined need by both parents identical to case 2. The foreign parent wanted an advancement of their existing product and the local parent, a research and development company, looking to apply their technology to an OEM long-term.

Case 8 shows two parents that share the same need and unite in an IJV to achieve a common goal. Both parents wanted to expand into the sub-Asian region and split the risks and costs by ensuring they collaborated with a partner whose goals were aligned with their own. Case 10, much like case 8 saw two parents in need of similar products and sought to lower their costs and share technology through an IJV that could supply the parts manufactured in the IJV back to the parents at cost price.

Case 11 demonstrates the different needs of parents with the foreign parent requiring access into a closed market with high entry barriers and the local parent with severely outdated technology wanting access to foreign technology. Whilst both parents were inherently untrustworthy to begin with, the IJV was still grounded in an agreement that detailed explicit assets or resources unattainable or too costly to attain alone. Case 13, as with case 8 and 10, identifies two parents who share a similar desire in that they wish to enter the Indian market but avoid the high entry costs of individual foreign investment. Both parents had previously collaborated on an IJV and knew that their goals were aligned in what they wanted from entering the Indian market.

In choosing IJV partners, the cases show how parents seek partners that can help them achieve a specific goal or can share in the attainment of a mutually shared goal or resource. Using a resource-based perspective, parent's look to obtain unique capabilities that are accessed in the IJV and the capabilities offered by both partners are complimentary to the IJVs overall purpose. Therefore, Hitt *et al* (2000) statement that partner resources are a key factor in determining an IJVs partner selection are upheld.

Hitt *et al* (2000), reinforced by Hofstede's cultural dimensions, state that when looking for IJV partners, Chinese parents will take a much longer-term perspective on the type of assets they valued, such as managerial knowledge and technical development. The cases with Chinese parents, Case 5, 7, 12 and 13 all demonstrate this long-term characteristic from the Chinese parent. Case 5 has been operational for 15 years and was established on the basis that in return for market access and local distribution channels, the Chinese parent always had access to the foreign parents next generation of technology via the IJV. Their mutually long-termist nature is seen through their decision to establish an IJV of their own, Case 13. The long-termist view of the Chinese parents is supportive to foreign parents who are seeking market access as this in itself is a long-term goal. This links back to how the IJV parents are seeking a partner with mutually aligned goals.

Case 12 is the second longest running IJV at 20 years and represents arguably the strongest sign of the Chinese parent seeking long-term commitment. The Chinese partner had previously attempted multiple IJVs with foreign partners and cited a difference in outlook for each failed attempt. The goal alignment of the current partners has resulted in the IJVs own tailored product range, extensive expansion and growth. Finally, case 13 has only operated 6 years but is an extension of the success of case 5 and is the reflection of the long-term commitment of both parents, not just the Chinese parent. This commitment required by parents to create and sustain a long-term IJV is not regarded as a common characteristic and why so many IJVs are bought out by a parent or terminated (Steensma *et al*, 2007; Sinha, 2006; Tsang *et al*, 2004; Gomes-Casseres, 2001). However, as demonstrated in RQ3, the cases in this study suggest a long-term commitment is a key condition in driving IJV success, with 8/13 cases have operated for over 10 years and 5/13 having operated for over 15 years.

The cases show that parents share specific goals and believe these are best achieved through partnering with a parent who shares similar goals. Parents offered no support for the type,



size or nature of the companies but consistently stated that they had to possess a high degree of goal alignment. Therefore, we can say that from the cases in this study the key determinant in parents decision to partner is an identifiable goal alignment. Furthermore, local Chinese parents in particular demonstrated a long-term commitment in the goals they sought from the IJV. Access to market was a common goal for foreign parents entering china, a long-term goal in itself, but Chinese respondents noted how continued exposure to ever changing technology was a primary concern. These in particular worked very well as compatible goals for the Chinese based IJVs and offered the longest running, largest and financially most successful cases. This follows a resource-based view where the continuing interaction of resources is the grounding for a firm partnership.

The conditions found to be most conducive to IJV success, trust, parent relationship and long-term commitment were not as applicable at this stage. Parents needed to see the potential for a long-term commitment and this is found in the alignment of both parents' intentions for the IJV, yet the trust and relationship conditions featured less in this stage of the IJV. When looking for partners, automotive parents can be best viewed from a resource-based perspective as the goals of parents, despite being predominantly intangible, were still inextricably linked to the offering of the parent they were partnering with. This study supports existing that provide a resource based perspective as a strong theoretical underpinning from which to establish JVs (Deitz *et al*, 2010; Hitt *et al*, 2001; Penrose, 1959)

## **Research Question 2: How do parents of automotive IJVs try to assert control over the IJV? Is it specific or complete control?**

The control asserted over the cases is not a reflection of parent's preference but a reflection of the contractual ownership. The ownership levels in 11/13 of the cases are equal; the 16.8% minority position in case 11 is a silent partner and reflection of a government loan, so in terms of managerial control the IJV is split 41.6/41.6 and viewed as equal ownership. Where only two of the cases do not have an equal ownership split, the idea that dominant control is a primary condition of success may not be as applicable to the automotive IJVs in this study. The 11 remaining cases who share equal ownership are therefore not able to apply a dominate position within the IJV and the affect of dominant control is rendered inert. Therefore,

subsequent inferences are drawn from the cases ability to succeed under a shared management scenario. Table 8.2 below outlines the ownership of each case.

*Table 8.2: Parent Ownership of Cases*

<b>Cases</b>	<b>Parent Ownership</b>	<b>Equal</b>
<b>Case 1</b>	50/50	Yes
<b>Case 2</b>	50/50	Yes
<b>Case 3</b>	51/49	No
<b>Case 4</b>	51/49	No
<b>Case 5</b>	50/50	Yes
<b>Case 6</b>	50/50	Yes
<b>Case 7</b>	50/50	Yes
<b>Case 8</b>	50/50	Yes
<b>Case 9</b>	25/25/25 /25	Yes
<b>Case 10</b>	50/50	Yes
<b>Case 11</b>	41.6/ 41.6 /16.8	Yes (silent partner)
<b>Case 12</b>	50/50	Yes
<b>Case 13</b>	50/50	Yes

Choi and Beamish (2004) state targeted ownership as being best equipped to drive success as the resources contributed by a parent to the IJV are best managed by that parent. This was also found to be true in the cases. There were degrees of targeted control apparent in all cases apart from Case 9 where the management of the IJV was contracted out to a 3<sup>rd</sup> party so as to reduce the chance of parent influence. The IJV was created through necessity and required the contribution of sensitive parent information to the IJV. Therefore, the third party management, who was in no competition with the other parents, was seen as a way to protect the parents from sharing information as all other parents were direct competitors.

The management structures in the remaining 12 cases were all divided along the lines of their respective ownership levels. This was for 11/13 IJVs an equal split where managerial positions were defined in the contract and based on the expertise of the parents. Respondents consistently stated that there was no standardised format for the division of responsibility, but it was agreed that parents negotiated the areas with which they had most experience. In all

IJVs, the workforce was sourced locally with initial management positions being assigned to local parent representatives based on the closer cultural fit they were perceived to have with the local workforce. There was a preference for foreign parents to have control of finance and product development, whilst local parents showed preference for HR and operational management roles. This fits with the traditional view of the IJV, where the foreign parent utilises their expertise in key areas and the local parent absorbs technological and managerial expertise. The bargaining power of each parent to obtain the targeted area they desired was dependent on the resource dependency of their offering and so underpinned the importance of a resource-based perspective when determining parent control.

From all the cases, Case 5 best demonstrates how parents assert control over resources in the IJV. The division of roles was divided as above, with foreign responsibility for finance and product development and the local partner sourcing the local workforce. However, when the foreign parent took the senior management position in charge of IJV finances, it was agreed that the local parent also appoint a manager to share the role. The position was split between the parents into a lead and junior position. This allowed the foreign parent to maintain control over the IJV finances but still allow the local parent to absorb knowledge and managerial techniques. This highlights how the parents sought a partner whereby they could access specific resources as indicated in RQ1 but also how the targeted control over specific areas of the IJV allowed both parents to satisfy their respective control and learning requirements. This supports Li *et al*, (2009) whose study included 5,000 Chinese JVs from 1999 – 2003, that found both parents valuing selective control rather than holistic control.

The foreign parent sold 1% of their equity to the local parent three years ago but the IJV still maintained the existing managerial structure. This 1% share was then bought back by the foreign parent in 2012 and the IJV returned to a 50/50 split. Throughout the change in ownership balance, the parents control over their specific areas remained consistent despite the local partner having equity control. This was attributed by respondents to the trust the foreign parent had developed with the local parent that they would not abuse their position of control and secondly to the understanding that both parents were most suited to only controlling areas in which they had greater expertise. Case 5 is arguably the most successful automotive IJV in the world and whilst undergoing changes to the control structure, remained committed the existing control each parent had over their specific areas – distribution and HR for the local parent and finance and product development for the foreign parent.

Choi & Beamish (2004) note how research that links performance with control largely looks to assess the degree of control, the problem being that this uses the theory IJV parents will seek as much general control as possible and not a more targeted approach. The cases show that not only does shared IJV management drive success but also when respondents were asked whether or not they would make any changes to the ownership structure if they had the decision making power, the major propensity was to maintain the existing ratios. As all but two cases show an equal equity split, there is strong managerial support for shared control within the IJVs. A resource-based perspective is supportive of a split management scenario for two reasons. Firstly, a scenario with a dominant equity split may hinder a parent's contribution as the minority share partner will be under-represented and cannot ensure their goals can be obtained. This is unlikely to motivate the parent to contribute firm specific assets or resources to the IJV, and this would negatively affect the relationship. Secondly, a dominant partner is likely to regard their own objectives as a priority over their partner and decrease the openness of partner suggestions. It is evident from the cases in this study that from a resource based perspective, an equal equity and shared managerial scenario is most effective at facilitating the flow of parent's resources and assets. This is particularly important given the fact that RQ1 identifies that access to specific resources and assets is the key driver behind parent's partner selection.

Bleeke and Ernst (1993) not only support this form of equal ownership but also help bridge the link between control and the presence of trust within the IJV. They discovered that IJVs with a 50/50 equity split achieved a higher level of performance, stating that dominant control 'over' the IJV was inferior to the dominant management 'inside' the IJV. This was attributed to the manner in which 50/50 ownership *'builds trust by ensuring that each partner is concerned about the other's success'* (1993, p. 28). The cases in this study were selected for their perceived level of success and supportively to Bleeke and Ernst (1993) findings, all but two cases share equal ownership and trust is regarded as the strongest factor in driving successful IJV performance. This thesis finds that parents in equal ownership IJVs are best suited at targeting their control mechanisms over areas of the IJV they considered important rather than attempt a blanket control.

### **Research Question 3: What relationship exists between trust, parent-JV relationship and long-term commitment in successful automotive IJVs?**

Trust can be manifest in multiple forms – contractual, past experience, personal or necessity. It was not as important to success with which type of trust existed in the joint venture, as all three types had a positive effect on the relationship between managers. Cases 8 and 13 show trust based on past experiences, Cases 9 and 11 show trust based on a necessity to overcome cultural or competitive rivalries and Case 6 shows trust based on personal friendship between CEOs. However, there were distinct differences between the types with trust, with past experiences of working together being the strongest form and established the most enduring IJV relationships. Case 5 is the best example of prior experience trust facilitating existing and future IJV success. Whilst this study shows that the trust born from past experience of working together, this is not something can be generated if there has been no interaction between parents. This finding is best suited to existing IJVs where parents may look to take their relationship further, such as case 8 and 11.

The cases evidence how varying types of trust can affect IJV performance and how parents overcome any issues with trust by reverting to alternative measures. Case 13 is an IJV that has been established by parents who have had extensive experience working in a very successful prior collaboration, Case 5, and have drawn on this to replicate the new venture. It was stated that the format for the new IJV was replicated entirely from the existing format, with managerial structure, responsibilities, the contract and ownership levels all a copy of Case 5. This was noted as being a tried and tested method where both parents trusted each other and any alterations would just add unpredictability to the IJV. As stated by Cohen & Prusak (2001) in the Chapter 2, the relationship between parents in an IJV is not just a reflection of the equity relationship but also a consequence of the strength of their social ties, shared values and level of trust. Similarly, Case 8 demonstrates again how previous experience working together in a US IJV was the source of the new IJV in the Asian market. As with the replication of format in Case 5 and 13, respondents stated again here that the new Asian IJV, Case 13 was an exact replication of their previous US IJV. However, there was one major difference, the larger US parent bought a small equity position in the smaller Asian parent as a sign of further commitment.

Both Case 8 and 13 are products of past experience and Robson (2008) asserts that parents with these existing 'relationship assets' will have greater protection from termination in the post-setup phase than parents without. This can be seen in length of time both IJVs have been operating, 14 and 5 years respectively, in addition to their original IJVs that have each operated for over 20 years. There is a reinforcement of the trust over time and Inkpen and Currall (2004) note that a repeated cycle involving the successful fulfilment of partner expectations will reinforce the inclination to trust. This inclination to trust is manifest through the cases longevity and parents overall commitment to the IJV.

**Research Question 4: How is success in automotive IJV's affected when more than one of the Trust, Commitment and Relationship conditions is present?**

We are able to say that the trust condition is a sufficient but not necessary cause of success when used independently. However, both the commitment and relationship conditions are necessary but not sufficient causes of success when used independently. All three combinations of the conditions, Trust + Relationship, Trust + Commitment and Commitment + Relationship, easily pass Ragin's (2008) 0.91 threshold, suggesting that the chances of achieving success in an IJV is greatly increased when there is a combination of the conditions present. The data indicates that all three combinations are sufficient but not necessary conditions for success as all three combinations are able to create the outcome.

The 13 cases represent dynamic relationships that are unique to each set of parents, and in order to be categorised as being a success, will undergo a series of conditional transitions that begin with trust. Hersch (2005) stated that IJVs have more chance of succeeding when parents develop trust, their relationships and demonstrate a commitment to the venture. The cases in this thesis have evidenced that trust is a positive factor in driving success in automotive IJVs. However, there has been a lack of previous work linking the three conditions into an analysis, showing their combined effect on IJV success, particularly in an automotive context. The findings from this study contribute by substantiating the positive link between automotive IJV success and the degree of trust, the quality of the parent's relationship and their commitment. Furthermore, this study also outlines how there is a sequential order to which the conditions appear in the IJV to best drive success. The potential for IJV success proportionally increases as the number of conditions present increases. This

study supports Ng *et al* (2007) who identify trust not only as a key driver for IJV performance but also serves to moderate the parent relationship. The cases in this study support this view and show that the parent relationship is grounded in the concept of trust.

The 13 cases in this study represent successful IJVs and as their performance operates at a level both parents consider successful, there is no motivation to challenge their partner's actions. This is because a sense of trust founded in experience has been instilled between the parents who regard their partner as continuing to act in the interest of the IJV; therefore, this identifies the parent relationship as being founded on trust developed within the IJV. The combination of these two conditions within the IJV should be the catalyst for continued cooperation and foster a long-term commitment to a successful IJV. Parents in this study have noted how their experience with prior IJV failures has typically been a result of the break down in the parent's relationships. This study supports Styles & Hersch (2005) who state that parent relationships are more resilient when a degree of trust is present.

Parents' demonstrating a long-term commitment is one of the easier or the conditions to measure amongst the 13 cases, as their longevity is in part a reflection on their commitment. The average lifespan of the cases in this study is 12.3 years with five having operated over 15 years and two having operated for over 20 years. This commitment, both strategically and in regards to longevity, is the result of both trust and the relationship having been developed within the IJV. The qualitative data identifies these conditions and the quantitative data identifies the sequential importance of each condition being grounded in the previous. The sequence of the conditions indicates a transition in control, moving from the initial contractual ownership to softer relational factors. The relationship is information, as the relationship grows, the more information parents have on their partner and the more informed decisions become.

Consequently, the type of control can be linked to the degree of information parents have about their partner, as less information requires more structural control mechanisms. Conversely as the relationship develops and more information is collected by all parents, the control mechanisms governing the IJV transitions towards softer relational means.

### **Research Question 5: Why do IJV managers value continued parent involvement?**

The effect of autonomy on IJVs has received substantial attention in the literature, yet there is no set consensus on whether IJV performance is best enhanced by autonomous governance or continued parent involvement (Newbury & Zeira, 1999). This study considered autonomy as a condition IJV management would strive for given the freedoms they would enjoy to manage the IJV. Glaister *et al* (2003) linked greater levels of autonomy to increased performance within the IJV, but unexpectedly, the autonomy condition was amongst the lowest of all conditions that parents considered having a positive effect on IJV success.

Where autonomy was expected to score highly by respondents in the cases, it appeared that the main criterion for the parent's partner selection was also the key factor in its poor support amongst respondents. RQ1 highlighted that parents sought IJV partners that could provide them with access to assets and resources that were otherwise unavailable or too costly to obtain alone. This was one of the key drivers for establishing the IJVs and respondents viewed the continued interaction of the parents as a requirement to ensure the relevant contributions were maintained. Using a resource based perspective, the cases suggest that the access to resources is the key reason for the lack of support for autonomous management and subsequently a weak condition for driving IJV success in the automotive industry.

One point worthy of future research could be the relationship between past experience and the desire for an autonomous management structure in any new IJVs established by the same parents. Case 13 demonstrated a stronger desire for autonomous management than the other cases and given that this case was the second IJV between these parents, this may have had an influence. Case 5 was the first IJV between these two parents and that case showed similar strength for autonomous management. Whilst the management respondents were entirely different and based in separate countries, there appears to be a consistency across the organisation that transcends national borders. This could be a company culture beginning to emerge within the IJV that supersedes national culture or personal preference. This is an area for further research and could be used in conjunction with Hofstede's study at IBM, which looked at the effect of culture across an international company.

The aim of this thesis was not originally to include a cultural or national perspective on how success is affected by these factors. However, during the course of the data collection and



analysis, it became apparent that there could be a brief allusion to how nationalities may hold differing views on the importance of the conditions. Therefore, there is a very brief assessment of the cultural data which is not aimed to provide in-depth analysis but more as an indication of where the thesis feels there are areas of further research.

The three conditions remained the most influential factors across the cultural divide as they did across IJVs. Cultural differences existed, and slightly altered the importance of some conditions but did not sufficiently alter the extent or sequence of the conditions. The most notable cultural factor centred on the Chinese market and foreign parent's perception of it. Foreign Parents with IJVs in China had a broader definition of acceptability for negative issues. Success has been driven by the fact that China is such an important market and foreign parents tolerate greater strains and difficulties than would be acceptable in other markets. Owing to the successful nature of the cases in this study, this was not a factor drawn from any direct experiences inside all of the cases. This theme was drawn from the three cases based in China and the qualitative data collection where respondents based these sentiments on the experiences they had in previous IJVs in China. As this is not a condition that was detailed and examined, it cannot be presented in any noticeable context, but it can still act as a differentiator between the expectation of parents when operating in China.

Outside of the Chinese market, commitment can be regarded as a strong factor in defining successful IJVs. However, in China, the investment route for foreign companies entering the automotive manufacturing industry is mandatory IJVs and the lack of alternatives can greatly affect the importance of longevity in drawing genuine conclusions. Most respondents from foreign parents noted the importance of the Chinese market and stressed that it was critical to the parent's wider business, this was regardless of whether the case in which they worked was based in China or not. This attitude led many to suggest the tolerances of what management find acceptable was significantly looser than other markets, expressing the notion that China was too important not to have a presence there. This raises the question of the 'quality' of the IJV longevity condition, as a 10-year period for a Chinese IJV may represent a far more troublesome period than a 10-year IJV elsewhere. The importance of the market may force parents to endure managerial hardships that are offset against the high growth and returns the Chinese automotive market affords. Therefore, whilst longevity forms part of the overall commitment a parent shows the IJV, longevity alone may not be an adequate reflection of IJV performance, particularly in China.

Lin & Wang (2007) compared the importance of ownership and trust in Chinese IJVs with a sample of Chinese, Asian (non-Chinese) and Western respondents. The data suggested trust had a positive influence on IJV success across all three cultural groups. This supports the data in this study that shows strong support for trust across Western, Chinese and Indian respondents. This study highlighted importance Indian respondents placed on the trust condition and the comparatively lower valuation on the management condition. This suggests that Indian respondents view trust as a mitigating factor that can allow a greater degree of comfort with the IJV being managed by the softer control mechanisms. This greater acceptance of trust could be an indication that IJVs with Indian parents may be more likely to advance through the sequential conditions than Western or Chinese parents.

### **8.2.2 Contribution Towards ‘Soft’ Management**

This thesis has pinpointed that the most likely means of driving success in automotive IJVs is through the incorporation and development of trust, relationship and long-term commitment, all of which are considered soft elements in managerial studies. However, greater emphasis has to be placed on the softer elements of management when conducting research into IJVs as the whole entity is the product of the relationship between two parents and quantitative studies may not capture the true depth of relational data that qualitative studies can. Whilst the more ‘harder’ concepts of IJV success, such as growth, profit and sales were noted throughout the interviews as being signs of success, they were not considered a condition specific to the IJV. These harder factors were regarded as a basic goal of any business, IJV or not, and the respondents were more intent on offering conditions that they considered to be IJV specific – and these were the softer conditions.

Independently, these conditions have been examined with an existing body of literature and if the contribution of this thesis was examined along a similar perspective then there would only be a confirmation of the three conditions applicability in driving success in automotive IJVs. However, this thesis offers its first unique contribution in the manner in which the three conditions are examined. The confirmation of the conditions from the qualitative data collection as factors in driving success is then taken a step further through fsQCA to highlight the interdependencies of each condition in automotive IJVs.

The second unique contribution is how these condition interdependencies are then positioned the backdrop of an automotive framework. Looking at the conditions in isolation would only serve to endorse the relationship between the conditions on a conceptual level but with the application to a specific industry, there is a far deeper rooted contextualisation of the conditions and their relevance to the wider environment. For example, this is particularly relevant in cases based in China where the IJV route is mandatory and the identification of trust is vital given that the foreign parent's first order determinate of control through equity is not possible. The identification of trust in this thesis as the basis from which the other conditions of success can develop is vital in helping to establish alternative means of bargaining power. For the Chinese cases in particular where bargaining power is unattainable through equity dominance, this thesis highlights the trust condition as a critical condition.

The managerial consequence of this will be highlighting the importance of the pre-contract phase and the partner selection process in that a parent must be able to trust their partner to act in an honest way when the equity dominance and inter partner credible threat are not applicable.

The theoretical contribution of this thesis is confirmative in that the application of the three conditions identified in this thesis to the automotive industry supports existing literature. The lack of equity dominance in all cases and the interdependency of the conditions in driving IJV success support the Bargaining Power view that when the first order determinant of control, equity dominance, is negated through 50/50 IJVs, then there are alternative factors. In the instance of the cases in this thesis, bargaining power is derived from the resources offered and through the softer concepts of IJV management.

The truly unique contribution in this thesis is not only the manner in which the relationship between the conditions is identified but also applied to an automotive context, which has never been attempted previously. The grouping of the three conditions in this thesis, trust, relationship and commitment has not been used together in a study looking at IJV success and again this holds true when applied in an automotive context. Therefore, this thesis was able to establish a framework that can succinctly demonstrate the relationship between the conditions and the theoretical perspectives. The construct outlined in figure 2.3 shows how the early stage of the IJV is encapsulated in a bargaining power perspective, where the

resource contribution is defined and set. The development of the conditions is shown as working alongside the transition in perspective from bargaining power to resource based.

### **8.2.3 FsQCA**

This thesis incorporates a quantitative analysis that is structured around the use of the statistical analysis tool fsQCA. This tool has not yet gained the wide spread popularity of similar programmes such as SPSS or Matlab but is being used with increasing frequency in a multi-discipline manner. This thesis is amongst the early movers and is certainly one of the first to look at IJVs and even more so within an automotive context. The use of fsQCA was not solely to be amongst the first to utilise a new statistical tool but in its applicability to support the aims of this thesis and operate effectively within the size of the data set. The initial findings drawn from the qualitative interviews are again supported by the findings from the fsQCA analysis.

This thesis shows how fsQCA works together with the interviews to support the conditions. Whilst the interview data highlights the conditions trust, relationship and commitment as being the pertinent factors in driving IJV success, the fsQCA findings take these conditions a step further by not only supporting the importance of these conditions but also identifying a relationship between all three. FsQCA shows how there is a distinct order to which the conditions are best suited to appear in the IJV by identifying the dependency of one condition to the next. This begins with trust, which was found to be the most important and scored the highest according to Ragin's (2000) threshold.

Using fsQCA analysis, the data showed how the relationship condition had a strong dependency on trust. This was again supporting earlier interview findings where respondents noted that initial levels of trust were required regardless of where the trust was derived from, past experience, personal relationships or contracts. This initial trust was said to be the basis for further interactions to be open and free and enabling partners to develop the strength of their relationship bonds. Finally, the fsQCA data showed that the final condition, commitment was seen as the final product of the first two and collectively scored the highest compared to their pairings on an individual or coupled basis.

#### 8.2.4 Theoretical

Numerous theoretical issues may be drawn for the cases in this study of IJVs in the automotive industry. However, the two key theoretical perspectives considered relevant to this study are the Resource Based View and Bargaining Power Perspective. As this thesis has identified a sequential order for the relevant conditions affecting performance, it is also clear that IJV performance can be viewed best through a bargaining power perspective first and then a resource based view. Bargaining power, defined by Argyres *et al* (1999) as the ability of a parent to influence the contract, actions or performance of the IJV in their own favour is a key viewpoint with which to view the parents equity split and how the parent relationship is mediated from therein. A bargaining power perspective requires a parent to possess an attribute that distinguishes them from their partner, yet as all but two cases are 50/50 IJVs, bargaining power cannot be sourced from the parent's ownership levels. This does however suggest that a bargaining power must be derived from a second order determinant, the resources that parents are contributing to the IJV. An equal split heightens the importance of the parent's contribution as contributions are perceived differently by parents and in the situation a resource dependency occurs, a bargaining power is established. Furthermore, a differentiation in parent's valuation of resources establishes a direct link between potential management structure and parent contribution. The cases revealed how parents sought targeted control over specific areas of the IJV they considered important and this was derived from parents contribution and the perceived expertise they had managing that asset or resource.

A bargaining power perspective best highlights how the early stages of an IJV use the resource contribution of the parents and not equity to define the specific remit each parent has towards management. Roles were defined along the parent's contribution and their perceived ability to share their expertise with the other parent. This therefore saw bargaining power derived from the quality of the contribution and the need and dependency it creates within the IJV. Resource dependency is not the primary focus of this study and was not followed with a specific analysis but it was made evident that this is a key factor in the early stage of an IJVs existence and would require a separate study into its affects on the three conditions. Consequently, for the cases in this study, ownership ratio is not a source of bargaining power, instead the resource or assets contribution of parents is the key determinant. A bargaining power perspective is important in the early stages of the IJVs conception when parent

responsibilities are negotiated based on the perceived strengths and offering of each parent. However, as the IJV moves forward, a shift in perspective to a resource-based view is required to best encapsulate the three conditions identified.

The resource-based perspective has been identified in the literature as a key driver behind IJV partner selection based on the assets parents have (Chen and Chen, 2003; Ireland *et al*, 2002) and the cases in this thesis demonstrated strong support for this proposition. This suggests that it is also important to take a resource-based view when looking at how the parent's contribution affects the IJV going forward, particularly in relation to whether there is an influence on the trust, relationship and commitment conditions. The parent's contribution is at the heart of the IJV and one of the driving factors all 13 cases stated as why the IJVs were created. As parents state the importance of access to resources and creation of strategic resources bundles, we can further see how the cases rejection of the Autonomy condition is aligned to a resource base view.

From both a resource based perspective and the findings of this study, IJV autonomy is not conceived as a paramount condition that will foster IJV success. It was found that parents valued access and exposure to parent resources and IJV was regarded as counterproductive to this goal. Parent contributions were predominantly intangible assets such as management experience and technical skills that are hard to imitate and require longer to absorb and process than more tangible assets. Consequently, the parent representatives inside the IJV require a sustained period of exposure to these assets and regard IJV autonomy as limiting the access with which parents interact with the IJV and therefore limit the extent to which specific knowledge can be transferred. Consequently, a resource-based view can be used to link parent contribution to the trust, relationship and commitment conditions. The resource based view, in addition to this study note the importance parents place on the access on certain resources, but these resources have to be reciprocated in kind. Parents have to trust, through whichever mechanism is most appropriate to them, contractual trust, personal trust or past experience trust, that their partner is offering a resource of equal or greater value, otherwise it questions the worth of entering into an IJV.

The initial degree of trust is dependent upon the parent's characteristics and existing relationship but the development of this trust is achieved through the continued repetition of processes and the improvement of the relational bonds between the parents and IJV; a view

that is supported by Girmscheid *et al*, (2010). The framework suggests trust in the early phase of the IJV life cycle to not only be a basis for the subsequent conditions to develop but if present due to a prior relationship then it can allow for parents to commit to the IJV more readily.

The importance of trust has been evidenced throughout the cases and can be seen further through a resource based perspective. The cases identified that a key driver for the formation of IJVs was the access to a combination of resources by parents, a concept that sits at the centre of any resource based perspective. The parent's contribution of firm specific resources was largely intangible, constituting the transfer of knowledge and managerial expertise. The dissemination of these resources is tough to control and even harder to regulate due to the difficulty with which the process can be quantified or measured. Consequently, parents need to offer and have access to each other's resources but need to establish a trust that neither partner will abuse or act selfishly towards the use of the others resources. As such, when viewing an IJV through a research-based perspective, the degree of trust existing between the two parents is critical and must outweigh any propensity to act selfishly.

A resource based perspective notes that access to resources is a means with which to learn and transfer knowledge. As the knowledge commodities in the 13 cases had high levels of intangibility and rooted in experience, the length of time and extent of interaction required by parent representatives in the IJV increases proportionately. It is in this period of the IJV that the parent's relationship develops; as the repetition of actions increases, this interaction decreases the incomplete information each parent has. The resource-based view establishes a theoretical link between the resource contribution of the parents and the trust and relationship conditions that are noted as being principal drivers of IJV success. As the parent's commitment has been shown to be largely dependent on preceding trust and relationship conditions, a resource-based view indirectly links the parent contribution to that of commitment. This therefore, from a resource based perspective shows the trust, relationship and commitment conditions to be derived in part from the parent's reason to create the IJV, access to firm specific resources.

### 8.2.5 Industry Contribution

Stepping away from the conditions and looking towards the Chinese automotive market, the data identified foreign opinion in particular as holding a strong belief in success being linked to the importance of the Chinese market. The Chinese automotive market is the world's second largest and a hugely important market for automotive OEM's. Whilst the market possesses no quantifiable effect on IJV success in this study, it was stated that success was driven by the fact that the unacceptability of failure was heightened by the perceived importance of the market on the global stage. Consequently, the conditions identified may not have come as naturally as other IJVs but engineered owing to the market's importance. Respondents identified a greater tolerance was required for IJVs in China and may have created a false sense of success in developing the conditions. IJVs that may not have survived in other markets were persevered with beyond what may have been a parent's normal limit.

Whilst it is impossible to uncover from this study, foreign respondents from the cases based in China and respondents who had precious experience with IJVs outside of the cases in this study, noted how a greater tolerance is required when partnering in China owing to the importance of the local market. The difficulty with this scenario is the judgement for entering IJVs becomes clouded behind the fact that Chinese IJV law has created an automotive market where the alternatives to establishing an IJV are non-existent, providing a dichotomy of choice – enter China with an IJV or not at all. This was not a topic covered in this study but is an area that could be worth further research.

The data found a strong commonality between foreign and local opinion in believing a managerial mix was vital for the IJV to operate both efficiently and harmoniously. Contrary to previous works (Delios & Beamish, 2004; Luo *et al*, 2001) suggesting how a dominant presence by the foreign partner will have more of a beneficial effect on the IJV, the data shows it was the foreign parent that held the strongest belief in holding bi-partisan views for sharing management roles. Whilst the local partners also demonstrated a predilection for a balanced managerial mix, the importance of this factor was championed chiefly by foreign opinion.

Whilst the IJV literature widely reports on the difficulties of IJV management, the high rates of termination and IJV instability, there may now be development in the characteristics of the



IJV from when the majority of these papers were written in the 1980's, 90's and 00's. The IJV was a response to globalisation and it was a relatively new entity on the international scene. However, having been the subject of intense research, the IJV has developed to an effective tool for cross border investment and has now, started to prove a corner stone to MNCs global development. Firstly, the liability of foreignness has been continually reducing for most global automotive manufacturers as the frequency of IJV termination in the automotive industry appears to have dramatically fallen from the 50% and 70% chance of termination outlined in previous studies (Coopers and Lybrand, 1986; Harrigan, 1988; Bleeke & Ernst, 1991; Parkhe, 1993; Park & Russo, 1996; Yan, 1998; Brouthers & Bamossy, 1999).

20 years ago when IJVs were comparatively young, it would be understandable that the unfamiliarity of new foreign markets could create high termination rates. This is likely to have been coupled with the erroneous belief that western domestic practices can be transplanted into foreign markets and work perfectly. However, with global automotive manufacturers having a presence on every continent and gaining decades of market familiarity, the degree of the liability of foreignness has greatly reduced, leaving a largely more efficient entity more focused on operations than dealing with the difficulties of the previous decades. This is why the importance of the relational factors in this study are even more important in light of this, as human interaction is the one thing that remains constant throughout the decades.

This thesis identifies the particular conditions that have a positive influence on success and the sequential pattern that sees each condition best drive the next. However, this thesis further identifies that the conditions have a greater chance of contributing to IJV success when there is an existing level of relationship between the two parents, specifically by the key decision makers. When the first order determinant of this thesis, trust, is not present, without prior experience, both partners will have incomplete information about each other and the relationship is likely to remain at arm's length (Ott, 2006; Hsieh *et al*, 2010). For parents considering the IJV route, it is important to understand how the use of existing relationships can facilitate a new IJV. This is why the use of the case study approach and a qualitative data collection process has helped facilitate this.

### 8.3 Limitations

The possibility of incorporating more cases will undoubtedly add validity to the research, but this may compromise the effectiveness of fsQCA as there are a finite number of cases that can be analysed. Alternatively, fsQCA could be substituted for an analysis tool that is designed to operate at a larger number of cases. However, for this study, the interest lay with the softer conditions of trust, parent relationship and commitment, which lend themselves to a more qualitative data collection methodology. By using a quantitative methodology, such as a closed questionnaire, the depth would not be as deep and given this is the first analysis of these conditions in the automotive industry a much richer data collection was preferred. This does however, position the same study to be conducted in a more quantitative manner as to broaden the applicability of the findings across a wider spectrum and increase validity, as is often the perception of quantitative data over qualitative data. Whilst the inclusion of additional cases would enhance the applicability of the findings, there may be a practical limit on the number of cases if maintaining the data collection method through in depth interviews. The amount of qualitative data may become unmanageable if the number of respondents was increased significantly and this could compromise the quality and consistency of the analysis, as the chance of overlooking pertinent data increases proportionally.

Although the automotive industry is a global industry, it is still only one industry and similar studies across multiple industries could verify whether the outcomes of this study are industry specific or able to apply to across sectors. This may also serve to enhance the validity and transferability of the finding within this work.

The inclusion of additional automotive markets around the world would again add robustness to the data. This could also permit a deeper analysis between Western, Eastern and European markets for example. Differences between the markets were briefly touched upon and there were noticeable difference with Chinese and US markets finding more of a connection than others do. This is something that could be further explored.

Ren *et al* (2009) argue that the majority of literature on IJV performance has originated from the perspective of the MNE, typically represented as the foreign parent, in part, this is due to large MNE's traditionally originating from Western nations. The sample was always intended

to reflect the three key areas of the automotive industry, the US, Europe and Asia, with respondents represented from each location. However, the data shows that there is a distinctive bias towards western individuals who comprise over three quarters of the collected responses. This was not a conscious effort but a result of the willingness of respondents to provide answers. Academic research faces a parallel issue with research on foreign parent performance significantly surpassing the research on local parent performance (Lu, 2008; Sanyal & Guvenli, 2001; Luo, 1997; Boschken, 1994; Geringer & Herbert, 1990), making it difficult to establish the factors that divide parent firms in term of their performance measures (Sanyal & Guvenli, 2001).

Respondents were almost all men. Whilst this is neither a positive nor a negative factor on the findings, it may go further in minimising sample bias by having a more representative view. However, the heavily male dominated response is more a reflection on the ratio of men to women that are employed within the automotive industry and by no means a reflection of the willingness of female respondents.

China and India formed the two key areas for sourcing potential respondents in Asia as that is where the largest concentration of automotive IJVs are positioned. Establishing contact with Chinese IJVs differed greatly between foreign and local parents, with the foreign parents largely more accessible to contact. This greatly affected the ability to establish a case with Chinese IJV's as the case would typically be heavily biased towards foreign parents and significantly underrepresented by the Chinese parent. On numerous occasions, a case had to be abandoned due to the lack of willing participants from the Chinese parent. This was a particularly troublesome feature for smaller IJV's in china where the sample of suitable respondents within the parent company is smaller. Subsequently, size became a significant factor in determining acceptable Chinese parents. IJV's with larger operations had a larger workforce from which to select respondents and therefore made targets that were more suitable.

## **8.4 Further research**

As raised in 8.5, it may be prudent to follow up this study with a solely quantitative approach to increase the validity of the findings across a wider set of samples by investigating how

nationality can affect the conditions Trust, Relationship and Long-term commitment? The affects of culture on the success of automotive IJVs is not a direct objective of this research, however, due to the global nature of the automotive industry, the cases in this research invariably contain an assortment diverse cultures. Therefore, it is worth noting how cultural variances may affect the IJVs and their parents. Yamin & Golesorkhi (2010) noted that the difficulties associated with IJVs could be attributed to cultural diversity and considered this a key catalyst in the perceived high termination rate of IJVs. The nationalities included in the cases in this study are expected to have some effect on the conditions but owing to the successful nature of the IJVs, not significantly.

Park *et al* (2002) noted that IJV are most likely to be successful if the parents are from culturally similar backgrounds whilst parents from diverse cultural backgrounds are less likely to create successful IJVs. Cartwright and Cooper (1993) support this by stating that many parents base their partner selection on financial and strategic merits whilst entirely overlooking their cultural compatibilities, resulting in a culturally diverse partnership. Based on the expected findings of RQ1, this is not perceived as something affecting the cases. Park *et al* (2002) note that as IJVs brings together two or more parents from various nations, there are likely to be differences between the way parents and managers interact within the IJV, as cultural norms govern social interactions. As this study is concerned with successful IJVs, any relational difficulties may have been hidden, overcome or avoided through the development of relational bonds. As every case is nationally diverse and the majority are culturally diverse, it is worth noting whether cultural differences affect IJVs, particularly in the relationship between the parents and their representatives in the IJV management. A key point of reference for the cultural comparisons shall be the five cultural dimensions outlined by Hofstede (1983). Respondents from culturally aligned nations are expected to demonstrate similar responses in how they perceive the conditions. In particular, there is expected to be similarities between Western perceptions and Asian perspectives.

Ren & Gray (2009) note that culturally diverse respondents may regard aspects of the IJV differently, particularly characteristics that have the potential to lead to conflict. It is because of this that the relationship bonds in IJVs play a critical role in mediating the potential for conflict (Ren, 2008). This was considered particularly beneficial in management teams that had high levels of multiculturalism as the bonds between the various cultural groups proved strong barriers to conflict and opportunism. Pothukuchi (2002) states that IJV management

structures consisting of culturally diverse groups will require specific efforts in which to address these dissimilarities. This highlights the importance the relationship condition has in the cases at both the parent and the individual level, particularly when all cases are rooted in international multiculturalism. Therefore, it could be seen that the relationship condition may show a strong conformity across the various nationalities included in the cases.

An area for further comparative research would be to see the applicability of these findings in automotive and non-automotive IJVs that do not have shared ownership or a split management structure. Through incorporating IJVs that have dominant and minority parents, it will identify whether the three conditions identified in this thesis are universal to IJV success or a second order determinant in fostering success. There would be reason to examine whether the factors are as prevalent or does the dominant decision making power of one parent suppress the extent to which these conditions develop. Case 5 in this study was subjected to a three year period of dominant ownership by one parent, yet due to past experiences and the development of a trusting relationship, the ownership change was for all intents and purposes was confined to affecting the accounts and finances of both parents. However, this type of relationship is not likely to exist in a new IJV and a dominant ownership position is unlikely to offer the same degree of equality that was seen in case 5.

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